

SBF Project Implementation Monitoring Report

Azerbaijan: Trans-Anatolian Natural Gas Pipeline (TANAP) Project

1. Project Information

Project ID:	000011	Investment Number:	LN0011
Member:	Azerbaijan	Region:	Western asia
Sector:	Energy	Sub-sector:	Oil and gas transmission and distribution
AIB Financing Type:	Loan: 600 USD million	Co-financier(s):	IBRD
E&S category:	A	Borrower:	Southern Gas Corridor Joint Stock Company (SGC)
Red Flags Assigned:	0 (Q1: 0)	Monitoring Regime:	Regular Monitoring
Implementing Agency:	TANAP Natural Gas Transmission Company		
Project Team Leader:	Alok Dayal		
Project Team Members:	Somnath Basu (Principal Environment and Social Development Specialist)		
Completed Site Visits by AIB:	Apr, 2017		
	Sep, 2017		
	Apr, 2018		
	Oct, 2018		
	Feb, 2019		
	World Bank		
	Sep, 2019		
	Feb, 2020		
	World Bank		
Planned Site Visits by AIB:	Sep, 2020		
	Virtual by World Bank		
	Jun, 2021		
Virtual with World Bank			
Planned Site Visits by AIB:	NA		

2. Project Summary and Objectives

The objectives of the project are to (a) integrate Azerbaijan with regional and European energy markets by strengthening its connectivity and transit role; and (b) to improve the energy supply security of Turkey and South Eastern Europe.

This would be achieved through construction and commissioning of 1,850 km of pipeline to transport 16 billion cubic meter per annum of natural gas, extracted at Shah Deniz 2 gas field at Azerbaijan, across Turkey. This project is a part of Southern Gas Corridor Program that consists of the development of Shah Deniz 2 gas field in Azerbaijan; construction and commissioning of 3,500 km of pipeline from Azerbaijan to Italy through Georgia, Turkey, Greece and Albania. This project introduces new markets for Azerbaijan's natural gas and improves energy security of Turkey, while also benefitting South Eastern Europe.

The project is co-financed with IBRD. AIB's contribution is USD 600 million whereas IBRD lent USD 400 million each to SGC and BOTAS (Turkey)

3. Key Dates

Approval:	Dec. 21, 2016	Signing:	Jan. 26, 2017
Effective:	Feb. 20, 2017	Restructured (if any):	
Orig. Closing:	Jul. 31, 2021	Rev. Closing (if any):	

4. Disbursement Summary (million)

Currency:	USD		
a) Committed:	600	b) Cancellation (if any):	
c) Disbursed:	600	d) Most recent disbursement: (amount / date)	8.7, Jun. 30, 2018
e) Undisbursed:	0	f) Disbursement Ratio(%) ¹ :	100

¹ Disbursement Ratio is defined as the volume (i.e. the dollar amount) of total disbursed amount as a percentage of the net committed volume, i.e., $f = c / (a - b)$

5. Project Implementation Update

The project consists of two phases; Phase 0 includes construction and commissioning activities to deliver 6 billion cubic meter (bcm) of gas per annum to Turkey while Phase 1 will deliver 10 bcm per annum to Europe.

The Project continues to experience steady daily operations with 100% operational efficiency with commercial gas deliveries to Turkey from Shah Deniz 2 reaching its Phase 0 (gas to Turkey) plateau of 5.7 bio cu.m. p.a. of natural gas being delivered to BOTAS's network as of July 1, 2020 as planned. Phase 1 activities (gas to Europe) are now 100% complete and commercial gas deliveries to Europe were expected to commence between the period May 1, 2020 and July 1, 2020 as notified by shipper, Azerbaijan Gas Supply Company (AGSC). However these have commenced after November 2020 once the Trans Adriatic Pipeline (TAP) AG formally declared the commencement of commercial operations. In accordance with the Gas Transportation Agreement between TANAP and AGSC, all invoices related to transmission of natural gas by TANAP from the Shah Deniz 2 field to TAP continue to be paid on a timely basis by AGSC. In the last one year phase 0 has delivered an average of 0.48 bcm per month whereas phase 1 has delivered on average since Dec 2020 till Sept 2021 around 0.61 bcm per month. Considering all the above, the overall implementation progress of the TANAP project remains satisfactory.

IBRD's Implementation Completion and Results Report will be due six months after the Loan Closing Date of July 31, 2021 and a virtual mission in relation to this is being planned towards mid to end November 2021. AIIB will co-ordinate with IBRD for finalization of our own Project Completion Note. AIIB in co-ordination with IBRD is awaiting the disbursement deadline date expiry of Nov 30, 2021 before issuing the formal loan closure notice to borrower.

Components	Physical Progress	Environmental & Social Compliance	Procurement
N/A	N/A	N/A	N/A

Financial Management:

SGC has submitted the audit report on Consolidated Financial Statements for the year ended December 31, 2020. We have also received the audited financial statements of TANAP as on Dec 31, 2020. The auditors of both these entities have issued a clean audit opinion and the audit report is acceptable to the Bank.

6. Status of the Grievance Redress Mechanism (GRM)

The GRM continues to function well. To date, 5,274 grievances were received and 99 percent of them are closed (5,208) and the remaining 66 are mostly related to reinstatement which are being addressed in the coming months. The top three grievances which cover the construction period and the first years of the operations, are related to damage to lands and crops, damage to infrastructures/community assets and reinstatement. Four out of 25 cases which were escalated to the court still happen to remain in court as TANAP is not part of these cases and the remaining three are still open. TANAP has updated the grievance mechanism to be more suitable to the operations phase and was moved to an in-house system of recording and processing the grievances. Both AIIB and the World Bank receive monthly operational performance report from TANAP that includes status of GRM.

7. Results Monitoring

As given below

Baseline Year: Dec. 31, 2016 End Target Year: Dec. 31, 2021

Project Objective Indicators #1

1: Diversifying Azerbaijan's Gas Export Markets (bcm/annum)

Year	Target	Actual	Others, if any
Sep. 18, 2020	4	5.7	

Dec. 31, 2021	4	5.7	
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Project Objective Indicators #2

#2: Improving the Security of Turkey's Energy Supply (bcm/annum)

Year	Target	Actual	Others, if any
Dec. 31, 2018	1.0	1.0	
Dec. 31, 2019	2.5	N/A	
Sep. 18, 2020	4.5	5.7	
Dec. 31, 2021	4.5	5.7	

Project Objective Indicators #3

#3: Improving the Security of South East Europe's Energy Supply (bcm/annum)

Year	Target	Actual	Others, if any
Dec. 31, 2020	4	0	
Dec. 31, 2021	4	7.2	

Intermediate Result Indicators #1

#1: Availability of TANAP for Gas Supply to Turkey bcm/annum) (*3)

Year	Target	Actual	Others, if any
Dec. 31, 2016	N/A	0	
Dec. 31, 2018	5.4	5.4	
Dec. 31, 2019	5.4	N/A	
Sep. 18, 2020	5.4	5.7	
Dec. 31, 2021	5.4	5.7	

Intermediate Result Indicators #2

#2: Turkish Gas Consumers benefitting from gas supply (million) (*4) IBRD has not reported data on this indicator

Year	Target	Actual	Others, if any
Dec. 31, 2016	N/A	11	
Dec. 31, 2017	12	12	
Dec. 31, 2018	13	13	
Dec. 31, 2019	14	*(4)	
Sep. 18, 2020	15	17.5	
Dec. 31, 2021	15	N/A	

Intermediate Result Indicators #3

3: Registered grievances addressed within the stipulated time frame (%)

Year	Target	Actual	Others, if any
Dec. 31, 2016	N/A	91%	
Dec. 31, 2017	90%	95%	

Dec. 31, 2018	91%	95%	
Dec. 31, 2019	92%	N/A	
Sep. 18, 2020	93%	98.5%	
Dec. 31, 2021	93%	98.5% (5208 of 5274)	

Intermediate Result Indicators #4

4: Number of community consultations held as of the total number of communities along the actively worked sections of the pipeline (%)

Year	Target	Actual	Others, if any
Dec. 31, 2016	N/A	100%	
Dec. 31, 2017	100%	100%	
Dec. 31, 2018	100%	100%	
Dec. 31, 2019	100%	N/A	
Sep. 18, 2020	100%	100% (6,277)	
Dec. 31, 2021	100%	100% (6391)	

Intermediate Result Indicators #5

#5: Number of community consultations held for women as of the total number of communities along the actively worked sections of the pipeline (and % of consultations held separately for women) (*5)

Year	Target	Actual	Others, if any
Dec. 31, 2016	N/A	18%	
Dec. 31, 2017	30%	30%	
Dec. 31, 2018	35%	35%	
Dec. 31, 2019	40%	N/A	
Sep. 18, 2020	40%	40% (235 of 585)	
Dec. 31, 2021	40%	40% (235 of 585)	

Intermediate Result Indicators #6

#6: Progress in registration of affected private land parcels (Number and %)

Year	Target	Actual	Others, if any
Dec. 31, 2016	N/A	6,072 6,072 (32%)	
Dec. 31, 2017	11,267 60%	11,300 60%	
Dec. 30, 2018	16,900 (90%)	17,463 93%	
Dec. 31, 2019	18,590 (99%)	N/A	
Sep. 18, 2020	21,242 (100%)	21,021 (99%)	
Dec. 31, 2021	21,260 (100%)	21.126 (99%)	

Intermediate Result Indicators #7

#7: Share of women employed by construction constructors out of total employee number

Year	Target	Actual	Others, if any
Dec. 31, 2016	N/A	5%	
Dec. 31, 2017	5%	5%	
Dec. 31, 2018	5%	5%	

Dec. 31, 2019	5%	N/A	
Sep. 18, 2020	5%	10% (11 of 114) (*6)	
Dec. 31, 2021	5%	11% (3 of 27)	

Remarks: N/A