

Turkey : Tuz Golu Gas Storage Expansion

1. Project Information

Project ID:	P000062	Instrument ID:	L0062A
Member:	Turkey	Region:	Western Asia
Sector:	Energy	Sub-sector:	Gas processing, storage, transportation, and distribution
Instrument type:	<input checked="" type="checkbox"/> Loan:600.00 USD million <input type="checkbox"/> Guarantee	Co-financier(s):	International Development Association, World Bank Group
ES category:	A	Borrower:	Boru Hatları ile Petrol Taşıma A.Ş. (BOTAŞ)
Implementing Entity:	Boru Hatları ile Petrol Taşıma A.Ş. (BOTAŞ)		
Project Team Leader:	Hari Bhaskar		
Project Team Members:	Aditi Khosla, Project Counsel; Rabindra Shah, OSD - Procurement Specialist; Shonell Robinson, OSD - Financial Management Specialist; Susrutha Goonasekera, OSD - Social Development Specialist; Gerardo Pio Parco, OSD - Environment Specialist;		
Completed Site Visits by AIIB:	Sep, 2020 Missions conducted in Aug 2018, Feb 2019, Sep 2019, Mar 2020, Jun 2020 and Sep 2020. Regular calls being conducted among WB, AIIB and the borrower post suspension. Nov, 2021 Virtual missions conducted together with the World Bank in October and November 2021		
Planned Site Visits by AIIB:	Apr, 2022 Planned virtual mission		
Current Red Flags Assigned:	2		
Current Monitoring Regime:	Enhanced Monitoring- Level I		
Previous Red Flags Assigned:	2		
Previous Red Flags Assigned Date:	2021 Q3		

2. Project Summary and Objectives

The project objective is to increase the reliability and security of Turkey's gas supply by expanding underground gas storage capacity. The main components are

(i) Gas storage expansion facilities comprising the entire civil, mechanical, electrical and instrumentation works including water and brine pipelines, surface facilities, sub surface facilities, electricity supply and instrumentation control

(ii) Supervision consultancy for supervising the construction and installation of the facilities

(iii) E&S consultancy for monitoring and compliance of ESIA and RAP

The project is co-financed with IBRD. AIIB and IBRD financing USD 600 million respectively. IBRD has already financed the original gas storage project in the same location (current project is an expansion project).

Gas storage facility such as this in Turkey benefits the entire population of Turkey as this will help Turkey to import gas in summer (when prices are low) and use the gas in winter season.

3. Key Dates

Approval:	Jun. 24, 2018	Signing:	Jun. 27, 2018
Effective:	Jul. 17, 2018	Restructured (if any):	

Orig. Closing:	Oct. 31, 2024	Rev. Closing (if any):	
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4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	265.97	Most recent disbursement (amount/date):	11.95/Mar. 24, 2021
Undisbursed:	334.03	Disbursement Ratio (%) ¹ :	44.30

5. Project Implementation Update

The loan has been partially suspended by World Bank and AIIB since mid April 2021 due to E&S non-compliance issues, as reported in the earlier PIMRs. The main issues are delayed preparation of vulnerability assessment report and the consequent delayed vulnerability assessment payments, inadequate OHS implementation practices, environmental non-compliance issues, and progress in civil construction works of the transmission lines without updating the resettlement action plan (and thereby missing potential compensation payments).

Both WB and AIIB have been reviewing the progress of the mitigation actions which are almost completed. It is expected that the partial suspension will be lifted around mid January 2022 after the mitigation actions with evidences are reviewed by the banks.

ps: World Bank lifted the suspension on Jan 14, 2022 and AIIB is proceeding with its internal processes to lift the suspension.

Another topic that has come up recently is about the wells that are being drilled. A total of 40 underground wells have been planned originally and it has been observed recently (post seismic studies) that some of the well locations may not be suitable due to various reasons (salt layer not thick enough or due to gas (CO₂) breakthrough). BOTAS is conducting further studies to identify alternative locations for the wells.

BOTAS will prepare a revised implementation plan that accounts for delays induced due to the pandemic and suspension. This plan is expected in Q1 2022 and will be reviewed by both WB and AIIB.

Components	Physical Progress	Environmental & Social Compliance	Procurement	Financial Management
Component 1: Tuz Golu gas storage expansion facilities (USD590 million)	Top hole drilling, fresh and brine discharge pipelines, and energy transmission works ongoing. Approximately 35-40% of the works are completed. Delays experienced in	Non-compliance has resulted in partial suspension of the loan by World Bank and AIIB	Major procurement completed.	Both the entity and project financial statements for the year 2020 have been submitted by BOTAS

¹ Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

	equipment supply due to Covid 19 impact.			
Component 2: Supervision consultancy (USD8 million)	Contract awarded and the consulting firm is on board.	N/A	Completed	
Component 3: ESIA and RAP monitoring consultancy (USD2 million)	Contract awarded and the consulting firm is on board.	N/A - this consultant is monitoring E&S compliance of works at the project site but has no E&S compliance issues themselves.	Completed	

6. Status of the Grievance Redress Mechanism (GRM)

GRM has been established and is functional. Around 15 grievances are open. BOTAS in the process of attending to them. Some of the open grievances relate to additional demands / requests from the landowners on land acquisition and employment opportunities.

7. Results Monitoring

A comprehensive review of the project status including the status of the results indicators will be done during the next mission and once the suspension issue is resolved.

Project Objective Indicators #1

Reduction of gas supply curtailments (billion cubic meter)

Year	Target	Actual	Comments, if any
Dec. 31, 2020	0	1.5 bcm	1.5 bcm is as of Sep 2020. End 2020 actuals are likely to be measured in Q4 2021 - delayed due to Covid 19 impact.

Project Objective Indicators #2

Reduction of spot LNG purchases (%)

Year	Target	Actual	Comments, if any
Dec. 31, 2020	0	0	Actual reduction is estimated to happen from 2022, as per the original project design

Project Objective Indicators #3

Increase in gas storage capacity (billion cubic meter)

Year	Target	Actual	Comments, if any
Dec. 31, 2020	0	0	with first reservoir expected to be commissioned in 2022, storage capacity will start coming into play from 2022 and not earlier.

Intermediate Result Indicators #1

Turkish consumers benefitting from gas supply (million)

Year	Target	Actual	Comments, if any
Dec. 31, 2020	15	15.74	As of September 2020

Intermediate Result Indicators #2

Implementing RAP to compensate project affected persons (%)

Year	Target	Actual	Comments, if any
Dec. 31, 2020	100	n/a	Measurement delayed. Also, one of the reasons for partial suspension is the failure to update RAP in time and the delays in providing compensation.

Intermediate Result Indicators #3

Registered grievances addressed within the stipulated time frame (%)

Year	Target	Actual	Comments, if any
Dec. 31, 2020	60	60	Actual number shown is as of September 2020. End 2020 actuals likely to be measured in Q4 2021 - delayed due to Covid 19 impact.

Intermediate Result Indicators #4

Indicator #4: Registered grievances submitted by women addressed within the stipulated time frame (%)

Year	Target	Actual	Comments, if any
Dec. 31, 2020	60	60	Actual number shown is as of September 2020. End 2020 actuals likely to be measured in Q4 2021 - delayed due to Covid 19 impact.

Intermediate Result Indicators #5

Number of community consultations held for women in proportion to the total number of consultations held (Ratio)

Year	Target	Actual	Comments, if any
Dec. 31, 2020	25	n/a	End 2020 actuals likely to be measured in Q4 2021 - delayed due to Covid 19 impact.

Remarks:

Due to the pandemic and the on-going suspension, delays in achieving some of the results indicators are expected. End 2021 results are expected to be measured in Q1/Q2 2022 after the suspension is lifted (expected in Jan 2022) and the site activities resume