

To: Compliance Advisor/Ombudsman
2121 Pennsylvania Avenue, NW
MSN F 11K-1116
Washington, DC 20433
USA
Fax: 202 522-7400
Email: cao-compliance@ifc.org

We, residents of the 18th and 19th sub districts, of Rustavi City, Georgia lodge a complaint concerning the Baku-Tbilisi-Ceyhan (BTC) Main Oil Export pipeline project. This complaint is made on our behalf and our names and addresses are attached to the complaint.

We can be contacted via the following persons, to whom we gave authoritarian (please see annex I), at following address, telephone and fax numbers, e-mail:

Name: Merabi Vacheishvili
Address: 14 Apartment, 9 building, 19 sub-district, Rustavi, Georgia
Phone: + 995 24 17 34 58
Fax: + 995 32 93 24 03
E-mail: rustavihome@yahoo.com

Name: Eleonora Digmelashvili
Address: 47 Apartment, 12a building, 18 sub-district, Rustavi, Georgia
Phone: + 995 93 91 77 05
Fax: + 995 32 93 24 03
E-mail: rustavihome@yahoo.com

The basis of the complaint is as follows:

1. Project description

Project Title: Baku-Tbilisi-Ceyhan Main Oil export pipeline
Project Location: Azerbaijan, Georgia, Turkey
Complain Location: Georgia, Rustavi, 18th sub-district, building # 12a, 12b, 12 and 19th sub-district, Buildings # 7, 9 and 23.

The BTC pipeline project involves the development, financing, construction and operation of dedicated crude oil pipeline system with a nameplate capacity of one million bpd of crude oil from the existing Sanghachal terminal near Baku in Azerbaijan, through Georgia, to a new export terminal to be developed at Ceyhan on the Mediterranean coast of Turkey.

Project sponsor - BTC Co jointly through a special purpose finance company, BTC Finance B.V. borrow from IFC, up to US\$125 million A loan and US\$125 million B loan. The decision was approved in November, 2003.

The BTC pipeline is being sponsored and developed by affiliates of Ameralda Hess (2.36% interests), BP (30.10%), ConocoPhillips (2.50%), Eni (5.00%), INPEX (2.50%), ITOCHU (3.40%), SOCAR (25.00%), Statoil (8.71%), TOTAL (5.00%), TPAO 96.53%, and Unocal (8.90%).

2. Background Information

The Environmental permission for the BTC pipeline Georgian part was granted by Ministry of Protection of Environment and Natural Resources of Georgia at 30 November, 2002. Decision was taken based on the Environmental and Social Impact Assessment (ESIA) submitted by Project sponsor to the Ministry of Environment together with additional materials including the exact maps. Nowhere in the ESIA or supplementing documents including the maps or Resettlement Action Plan that was given for public discussions there is no note that pipeline will go so close to one of the sub-districts even in 1 km. for example maps distributed by BTC Co in Summer 2002 (please see attached Annex II) clearly indicates that 29-30 km of pipeline is located in 10-20km far from the last buildings.

However, as it became clear for us in January 2004, the pipeline will go close to sub-district multistory buildings around 180-250 meters (see attached annex III). Pipeline runs on Mtkvari river bank, about 250 meters from the river bed, in high level erosion zone.

3. We have been, or are likely to be affected by social or environmental impacts of the project in the following way(s):

- The Georgian legislation as well as the Host Governmental Agreement does not specify how far the pipeline should be from the living houses. However, we fear that the pipeline is too close to our houses, taking into account existent erosion of the surrounding territories, as well as the increased insecurity and political turmoil within the country.
- There is number of cases, around the world, including cases even in USA when pipelines cross very close to houses and number of ruptures and pipeline explosions take place, that even ended with the death of the people. The introduction of pipeline Safety Act by US in 1999 was forced by the tragedy in United States when two boys playing the football passing away because of explosion of oil pipeline.
- Project sponsor everywhere underlines that pipeline would be safe and comply with internationally accepted standards, however, when we ask the concrete ones we have been refused.
- The situation is more exaggerated due to the fact that the parallel to oil pipeline gas pipeline would run.
- Our houses are located close to the River Mtkvari, around 500 meter. The area itself is very sensitive due to the existence of the underground sulfate aggressive waters (around 2 m in deep), locally swamped spots, density of main and distributing channels, naturally slow drainage process of surface and underground waters.
- Taking into account that our houses in poor conditions, there is the doubt that operation of oil pipeline will create the additional danger to buildings [Due to the pipeline vibration during operation]. Itself British Petroleum clearly indicates that 500 meter from pipeline is the security zone, where construction of schools, hospitals and others should be prohibited.

4. The following action has been taken by me/us to try to resolve these issues:

- a.** In the first days of January 2004, we find out that there is the plan to construct pipeline very close from our houses. We saw the heavy trucks and tractors ready for clearing of the way. Through the conversations with pipeline workers we find out that there is construction works for BTC pipeline. Taking into account that there was no information for us it was absolute surprise to see the technique near our house. It should be mentioned that 4, 7, 9, and 23 multistory buildings of 19 and 18 sub districts of Rustavi City, where we are living, are located in 250 m from the proposed BTC oil pipeline construction. The buildings itself are in very poor condition, due to the low quality construction few decades ago and itself actually needs the emergency repairs. The total amount of the families living in above-mentioned houses is about 700.
- b.** In November 2002 there were some rumors that some of us heard that there is the possibility to have pipeline close to Houses. Despite of these rumors because nobody has not come to us to explain that pipeline will go so closely. We consider it as the non serious. The Baku-Supsa pipeline is going in the other side of the bank and we consider that the pipeline construction will be done parallel to Baku-Supsa Oil pipeline. However, some of the inhabitants of the building N4 of the 19th sub-district, concerned with situation send the letters N197, 19.01.2003 and N293, 30.04.2003 to the BTC Co office, to find out where the pipeline would be allocated. However till now there were no answers.
- c.** There were several meetings with the local government, whom we asked to come in order to resolve the situation. We request either give to us written guarantee that pipeline will not affected our lives adversely, or to change and construct pipeline on alternative route.
- d.** On 21 January, 2004 first meeting with the Mayor of City Rustavi, Local municipality, GIOC and BP representatives held. The Rustavi Major also mentioned that he has no clue that pipeline will go so close to the Buildings, explaining that these lands belongs to the Gardabani region. He also mentioned to us that he will help us to fight in the Court in a case if we will change requirements and ask from the company to repair the roads, give us free electricity and gas.
- e.** On 5 February we went to the Georgian Parliament, where we submitted letter to Mrs. Nino Burdjanadze, Chairwoman of Parliament. We also have tried to meet with President or his assistant. However, after two hours waiting the Deputy of Rustavi Mayor and head of local police appeared in Front of the Parliament, where about 50-60 people waiting President representatives and ask us to break up. After short discussion we decided to obey it. Meanwhile we wrote the letters to President of Georgia, related Ministers, BTC Co, IFC representative in Georgia, however till now there was no response to our letters.
- f.** On 7 February, 2004 about 400 residents together with small children arrange the strike requiring from City Council, Georgian International Oil Company, BTC Co and Central Government of Georgia to take more seriously their issue. During the strike we stopped the construction works for one hour. The municipality representatives appeared together with the Regional Police forces and we have been beaten cruelly, despite the fact that majority have been woman and children. Police representative repeated several times that they have the order from the government to devastate all events that will create any problems to BTC pipeline construction. Although the municipality representatives were there, nobody stops police neither that day, or make the activities of police under the discussion in municipality.
- g.** On 10th February, the World Bank representatives came to Rustavi together with Ana Petriashvili (BTC co Community Liaison Officer). We brought all our concerns to them, but have not got any answer because as they claim they have been just observers.

h. On 25 February we called to BTC Co. Community Liaison Officer, Ms. Ana Petriashvili, requiring from her to come and meet with the people on spot. However, her response was that she is spending too much time with people like us, and she knows that people are trying to solve their social problems at the expense of BTC Co. She tried to assure us that pipeline is safe. After we require from her relevant documentation that would prove that pipeline is safe, her response was that it is written in Agreement with Host country Government that pipeline would comply with highest western standards. Regarding our request to provide safety standards, her response was that Agreement with host country Government is enough guarantee and refused to give other documents. One of our concerns was that Baku-Supsa pipeline also has lots of problems, including several leakages, the response of Ms. Petriashvili was that Baku-Supsa pipeline was not constructed by BP, and in a case of BTC everything will be OK. She also assured us that oil pipeline could be very close to residential buildings like in case of village Krtsanisi, where it goes in 15 meters from buildings. She also mentioned that she was ashamed when had to explain Indian experts invited by BTC Co, why there are so many problems in Georgia regarding BTC, while everything went off smoothly in Turkey and Azerbaijan, saying that resistance to pipeline route from different group of people in Georgia is caused by hard social-economical situation within country. It should be underlined that her attitude and conversation was very discourteous and full with foul language; and we have not reached any compromise. Finally she told us that she is on vacation and will ask her colleague to visit us in coming days. Indeed, her colleague, called us and came to the appointed a meeting, but he said that have no enough competence to give qualified answers on our questions and promised to bring necessary documentation to us, but since that time he did not appeared yet.

5. The name of any contact person(s) at IFC or MIGA are:

Ms. Ana Akhalkatsi

6. I/we have had contact with the following other person(s) in attempting to resolve these issues:

- Letter to President of Georgia Mr. Mikheil Saakashvili, 16.02. 2004
- Letter to Ms. Nino Burdjanadze, Speaker of the Parliament of Georgia, 05.02. 2004
- Letter to Mr. Zurab Jvania, Prime Minister of Georgia, 19.02.2004
- Letter to Mr. Irakli Okruashvili, General Prosecutor, 14.02.2004
- Letter to Mr. Zurab Adeishvili, Minister of Security of Georgia, 19.02.2004
- Letter to Mr. Vano Merabishvili, Secretary of Security Council of Georgia, 16.02.2004
- Letter to Mr. Giorgi Papuashvili, Minister of Justice of Georgia, 19.02.2004
- Letter to Ms. Tamar Lebanidze, Minister of protection of Environment and Natural Resources of Georgia, 19.02. 2004
- Letter to Ms. Tamar Sulukhia, Minister of Infrastructure of Georgia, 19.02. 2004
- Letter to Mr. Giorgi Chanturia, President of Georgian International Oil Corporation, 19.02.2004
- Letter to Mr. Ed Johnson, BTC oil pipeline project Manager, 19.02.2004
- Letter to IFC representative in Georgia, Ms. Ana Akhalkatsi, 24.02. 2004

7. The following are details of policies, guidelines or procedures of IFC or MIGA that have not been complied with:

Policies and procedures violated by Project Sponsor:

1. Procedures for Public disclosure

2. IFC operational Policy 4.01 on Environmental assessment
3. World Bank Operational Policy on Involuntary Resettlement, OP 4.30
4. Procedures for preparation of Resettlement Action Plan

8. I/we would like to see this complaint resolved in the following way:

We require to :

1. The CAO should review the IFC actual process of due diligence investigation, in order to assess whether the IFC properly investigated foregoing issues and whether it took the steps necessary to ensure that this project complied with IFC policies;
2. The CAO should review the environmental and social impacts information the project sponsors has submitted to IFC, and compare it with the information contained in this complaint in order to establish the adequacy and the veracity of environmental and social impacts;
3. The independent expertise of the BTC pipeline impact on the block of flats, where we are living should be conducted;
4. CAO should provide us with guarantees based on independent panel conclusion that BTC oil pipeline construction and operation would not adversely affected our buildings and if it would not be possible, BTC Co. should find out alternative route of the Pipeline in a way that our buildings would be out of 500 meter of security zone;
5. Only in last case and if all above mentioned is not possible, to resettle us, through the adequate compensation or adequate displacement.

9. Any other relevant facts to support this complaint are:

Please find attached:

- Video material, presenting state of our living spaces and showing how close the pipeline will pass to our buildings, interviewees with local residents
- Map of the BTC pipeline old route disclosed by BTC Co
- BTC pipeline current route Map

Date: 16.03.2004

Signature(s):