

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	Monitoring Regime:	Regular Monitoring
Implementing Agency:	TANAP Natural Gas Transmission Company		
Project Team Leader:	Alok Dayal		
Project Team Members:	Henri Boullier de Branche (Senior Environment Specialist) Huan Zhou (Portfolio Management Associate)		
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:			

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, 2017	Rev. Closing (if any):	

4. Disbursement Summary (USD million)

a) Committed:	600	b) Cancellation (if any):	
c) Disbursed:	600	d) Most recent disbursement:	8.7, Jun. 30, 2018

		(amount / date)	
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 are now expected to take place in November 2020. Although construction progress on the Trans-Adriatic Pipeline (TAP) is reported to be almost complete, there are some delays in TAP and its interconnecting Transmission System Operators' readiness to receive commercial gas deliveries. We understand that this has no impact on TANAP's finances as it continues to be compensated per the schedule of planned gas deliveries agreed with AGSC. Considering all the above, the overall implementation progress of the TANAP project remains satisfactory.

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

Financial Management:

All audit reports required for TANAP for the year ended Dec 2018 were received and all are satisfactory to IBRD. TANAP's entity audit report was submitted after recent virtual mission of IBRD on Sep 23, 2020.

6. Status of the Grievance Redress Mechanism (GRM)

GRM continues to function well. Since the start of the project, 5162 complaints have been registered out of which 5100 complaints (98.8%) have been closed.. Around 41 of the 62 open grievances are open for more than 30 days. The top five complaints continue to be damage to land and crops, impact on livelihood, damage to roads, damage to infrastructure and land reinstatement related. 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, 2020

Project Objective Indicators	Year	Target	Actual	Others, if any
1: Diversifying Azerbaijan's Gas Export Markets (bcm/annum)	Sep. 18, 2020	4	5.7	
1: Diversifying Azerbaijan's Gas Export Markets (bcm/annum)	Dec. 31, 2021	4	N/A	
#2: Improving the Security of Turkey's Energy Supply (bcm/annum)	Dec. 31, 2018	1	1	
#2: Improving the Security of Turkey's Energy Supply (bcm/annum)	Dec. 31, 2019	2.5	N/A	
#2: Improving the Security of Turkey's Energy Supply (bcm/annum)	Sep. 18, 2020	4.5	5.7	
#2: Improving the Security of Turkey's Energy Supply (bcm/annum)	Dec. 31, 2021	4.5	N/A	
#3: Improving the Security of South East Europe's Energy Supply (bcm/annum)	Dec. 31, 2020	4	0	
#3: Improving the Security of South East Europe's Energy Supply (bcm/annum)	Dec. 31, 2021	4.5	N/A	

Supply (bcm/annum)				
1: Diversifying Azerbaijan's Gas Export Markets (bcm/annum)	Dec. 31, 2016	0	0	
#2: Improving the Security of Turkey's Energy Supply (bcm/annum)	Dec. 31, 2016	0	0	
#3: Improving the Security of South East Europe's Energy Supply (bcm/annum)	Dec. 31, 2016	0	0	

Intermediate Result Indicators	Year	Target	Actual	Others, if any
#1: Availability of TANAP for Gas Supply to Turkey bcm/annum) (*3)	Dec. 31, 2016	N/A	0	
#2: Turkish Gas Consumers benefitting from gas supply (million) (*4) IBRD has not reported data on this indicato	Dec. 31, 2016	N/A	11	
3: Registered grievances addressed within the stipulated time frame (%)	Dec. 31, 2016	N/A	91%	
4: Number of community consultations held as of the total number of communities along the actively worked sections of the pipeline (%)	Dec. 31, 2016	N/A	100%	
#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)	Dec. 31, 2016	N/A	18%	
#6: Progress in registration of affected private land parcels (Number and %)	Dec. 31, 2016	N/A	6,072 (32%)	
#7: Share of women employed by construction constructors out of total employee number	Dec. 31, 2016	N/A	5%	
#1: Availability of TANAP for Gas Supply to Turkey bcm/annum)	Dec. 31, 2018	5.4	5.4	
#1: Availability of TANAP for Gas Supply to Turkey bcm/annum)	Dec. 31, 2019	5.4	N/A	
#1: Availability of TANAP for Gas Supply to Turkey bcm/annum)	Sep. 18, 2020	5.4	5.7	
#1: Availability of TANAP for Gas Supply to Turkey bcm/annum)	Dec. 31, 2021	5.4	N/A	
#2: Turkish Gas Consumers benefitting from gas supply (million)	Dec. 31, 2017	12	12	
#2: Turkish Gas Consumers benefitting from gas supply (million)	Dec. 31, 2018	13	13	
#2: Turkish Gas Consumers benefitting from gas supply (million)	Dec. 31, 2019	14	N/A	
#2: Turkish Gas Consumers benefitting from gas supply (million)	Dec. 31, 2019	15	N/A	
#2: Turkish Gas Consumers benefitting from gas supply (million)	Dec. 31, 2020	15	N/A	
3: Registered grievances addressed within the stipulated time frame (%)	Dec. 31, 2017	90%	95%	
3: Registered grievances addressed within the stipulated time frame (%)	Dec. 31, 2018	91%	95%	
3: Registered grievances addressed within	Oct. 31, 2019	92%	N/A	

the stipulated time frame (%)				
3: Registered grievances addressed within the stipulated time frame (%)	Sep. 18, 2020	93%	98.5%	
3: Registered grievances addressed within the stipulated time frame (%)	Dec. 31, 2021	93%	N/A	
4: Number of community consultations held as of the total number of communities along the actively worked sections of the pipeline (%)	Dec. 31, 2017	100%	100%	
4: Number of community consultations held as of the total number of communities along the actively worked sections of the pipeline (%)	Dec. 31, 2018	100%	100%	
4: Number of community consultations held as of the total number of communities along the actively worked sections of the pipeline (%)	Oct. 31, 2019	100%	N/A	
4: Number of community consultations held as of the total number of communities along the actively worked sections of the pipeline (%)	Sep. 18, 2020	100%	100%	
4: Number of community consultations held as of the total number of communities along the actively worked sections of the pipeline (%)	Dec. 31, 2021	100%	N/A	
Indicator #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)	Dec. 31, 2017	30%	30%	
Indicator #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)	Dec. 31, 2018	35%	35%	
Indicator #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)	Dec. 31, 2019	40%	N/A	
Indicator #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)	Sep. 18, 2020	40%	40%	
Indicator #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)	Dec. 31, 2021	40%	n/a	
Indicator #6: Progress in registration of	Dec. 31, 2017	11,267	11,300	

affected private land parcels (Number and %)		(60%)	(60%)	
Indicator #6: Progress in registration of affected private land parcels (Number and %)	Dec. 31, 2018	16,900 (90%)	17,463 (93%)	
Indicator #6: Progress in registration of affected private land parcels (Number and %)	Dec. 31, 2019	18,590 (99%)	n/a	
Indicator #6: Progress in registration of affected private land parcels (Number and %)	Dec. 31, 2020	21,242 (100%)	21021 (99%)	
Indicator #6: Progress in registration of affected private land parcels (Number and %)	Dec. 31, 2021	20,731 (98%)	n/a	
Indicator #7: Share of women employed by construction constructors out of total employee number	Dec. 31, 2017	5%	5%	
Indicator #7: Share of women employed by construction constructors out of total employee number	Dec. 31, 2018	5%	5%	
Indicator #7: Share of women employed by construction constructors out of total employee number	Dec. 31, 2019	5%	5%	
Indicator #7: Share of women employed by construction constructors out of total employee number (*6)	Dec. 31, 2020	5%	10% (11 of 114)	
Indicator #7: Share of women employed by construction constructors out of total employee number	Dec. 31, 2021	5%	n/a	

Remarks: End of project Target is based on closing date of July 31, 2021, therefore end of project targets are set for the end of the year 2020. Shah Deniz 2 gas field is expected to reach full production capacity by 2022, enabling gas flow through TANAP to reach 16 bcm/ annum.

*3 : 5.4 bcm at 90% availability. TANAP expects the actual availability of its pipeline system to be higher.

*4: IBRD has not reported data on this indicator.

*5: Number of meetings held at village level

*6: The current value is higher than target due to significant winding down of construction activities where large number of male employees have been demobilised as compared to female employees