

Independent Recourse Mechanism (IRM)

Eligibility Assessment Report

Complaint: BTC Georgia / Atskuri

1. On 6 July 2007, the IRM received a complaint relating to the Main Baku-Tbilisi-Ceyhan (BTC) Oil Pipeline Project, as implemented in the vicinity of Atskuri Village, Akhaltsikhe District, Georgia (the “Project”). On 18 July 2007, in accordance with Paragraph 17 of the IRM Rules of Procedure (“IRM, RP”), Mrs Enery Quinones, the Chief Compliance Officer (CCO) notified the Affected Group of the registration of the complaint and subsequently designated one of the IRM Experts, Dr. Owen McIntyre, to assist in making an Eligibility Assessment of the registered complaint (the “Complaint”). The Complaint is at Annex 1 to this Report.

Relevant Facts

2. In the course of the construction and operation of the BTC Oil Pipeline, it has been necessary for BTC Co. (the “Project Sponsor”) to purchase land and rights to land from landowners along the pipeline route. A number of landowners (7)¹, who are residents of Atskuri Village in the Akhaltsikhe District of Georgia (the “Affected Group”), claim that they have suffered losses as a result of the implementation of the BTC Oil Pipeline Project. More particularly, the members of the Affected Group variously complain that:
 - clearance work and damage to their land on the oil pipeline construction route exceeded the area indicated in the proposal package for which compensation was available;
 - the area covered by the pipeline passage on an ongoing basis exceeds the area indicated in the proposal package for which compensation was available;
 - they have suffered loss due to vibration and subsidence damage to dwelling houses and other buildings caused by heavy construction traffic and road improvements carried out during construction of the pipeline;
 - they have suffered loss of harvests due to damage caused to the irrigation channel of the village during construction of the pipeline;
 - they have suffered loss of harvests due to the lack of economic viability of ‘orphan’ land²;

¹ Natela Khugashvili; Tamar Labadze; Jemal Tenoshvili; Rusiko Chernievi; Valerian Labadze; Vakhtang Labadze; Badri Gasitashvili.

² In the context of the BTC Project, “orphan land” is taken to refer to ‘additional land areas beyond the construction corridor ... which, due to minority of the size, are referred to as “economically infeasible”’. See letter from Stuart Duncan to members of the Affected Group in IRM Complaint No. 2006/1 *BTC Pipeline (Georgia)* re ‘Compensation against orphan land and inflicted loss’, Complaint No. 2006/1, Annex 15.

- they have been disadvantaged as a result of undue delay and uneven treatment in the payment of compensation for damage to land and plants and for uncollected harvests; and
 - they have been disadvantaged as a result of a lack of responsiveness and undue delay in the project grievance procedure and inadequate application of that procedure.
3. The members of the Affected Group have, since 2004, made various individual complaints and requests for further information and compensation to BTC Co., to its construction contractor, Spie Capag-Petrofac International, and to the Association for the Protection of Rights of Landlords in Akhaltsikhe.
 4. The Complaint sets out in detail the adverse impacts which implementation of the Project is alleged to have had (and continues to have) on the interests of each member of the Affected Group³. The Affected Group has made the present Complaint to the IRM requesting an examination of the problems raised in the Complaint with a view to obtaining final clarification of the position in relation to their entitlement to fair and adequate compensation for their losses⁴.

Steps Taken to Conduct an Eligibility Assessment

5. On 18 July 2007 the CCO notified the Affected Group that its Complaint had been registered, and on 31 July the Project Sponsor was similarly notified and provided a copy of the Complaint⁵.
6. Following registration of the Complaint, on/about 1 August 2007, the CCO appointed Dr. Owen McIntyre as the Eligibility Assessment Expert. Dr. McIntyre, together with the Bank's CCO, Mrs. Enery Quinones, are the IRM Eligibility Assessors for purposes of the present report.
7. In the course of the previous IRM Complaint No. 2006/01 *BTC Pipeline (Georgia)*, the IRM Eligibility Assessors have had extensive contacts with representatives of the Project Sponsor in Georgia, and have been provided with background documentation on the BTC Project, including the March 2006 and September 2005 Social and Resettlement Action Plan (SRAP) Reports setting out the results of an independent expert review of the operation of the BTC grievance procedure and land acquisition programme.
8. The Eligibility Assessors were therefore of the opinion that they were in receipt of sufficient information to consider the eligibility of the Complaint and that no additional steps, such as a Project site visit or retaining of additional expertise, were warranted at this stage.

³ Complaint, paras. 13-41.

⁴ Complaint, paras. 56-57.

⁵ Ultimately, the Project Sponsor declined to provide any comments or response to the allegations or subject matter of the Complaint.

Findings

Eligibility for Registration

9. On 18 July 2007, the CCO determined that the Complaint contained the mandatory requirements of a complaint in accordance with IRM, RP 8, and was not otherwise manifestly ineligible for registration. More specifically, the Complaint:
- Sets out the date of the Complaint, *i.e.* 6 July 2007;
 - Provides the name and contact details of each member of the Affected Group⁶;
 - Provides the name and contact details of the two Authorised Representatives of the Affected Group⁷, (Ms. Leila Sesadze and Mr. Jemal Tenoshvili) and evidence of their authority to represent and to act on behalf of the Affected Group in relation to the Complaint⁸;
 - Confirms that both Authorised Representatives are locally based, one being a member of the Affected Group (Mr. Jemal Tenoshvili) and the other being the mother of a member of the Affected Group (Ms. Leila Sesadze)⁹. Further, the Complaint confirms that the Authorised Representatives are fluent in Georgian, the native language of the Affected Group¹⁰;
 - Confirms that the Authorised Representatives must act jointly (*i.e.* that neither of the Authorised Representatives is empowered to act alone)¹¹;
 - Provides the name and a summary description of the Project¹²;
 - Provides a description of how and why the Project has, or is likely to have, a direct, adverse and material effect on the common interest of the Affected Group¹³;

⁶ Complaint, paras. 1 and 3.

⁷ Complaint, paras. 4 and 62.

⁸ Notarised documents dated 18-25 June 2007, contained in Annex 9 to the Complaint conferring Power of Attorney on the Authorised Representatives. Notarised documents have been provided conferring Power of Attorney on behalf of Natela Khugashvili, Rusiko Chernievi, Valerian Labadze, Vakhtang Labadze and Badri Gasitashvili. The complainant Jemal Tenoshvili is one of the Authorised Representatives and so does not require any formal Power of Attorney. The Complaint informs us, at para. 4, that complainant Tamar Labadze was too infirm to attend at the office of a notary but, equally, that she remains prepared to certify, in writing or verbally, the authority of the Authorised Representatives to act on her behalf, if requested to do so.

⁹ Complaint, para. 5.

¹⁰ Complaint, para. 6.

¹¹ Each of the individual notarised documents conferring Power of Attorney on the Authorised Representatives, translated and reproduced in Annex 9 to the Complaint, though not entirely clear on this issue, provides that such power is conferred on Leila Sesadze and Jemal Tenoshvili, thus suggesting that they must act jointly. Also, in respect of their authority to act as Authorised Representatives granted under the notarised documents reproduced in Annex 9, the Authorised Representatives themselves declare, at para. 62 of the Complaint, that 'The group of victims, in order to protect the interests of the group, has granted us the right for *joint* activity'. Further, in the case of any lack of clarity as to the nature of the mandate granted to two or more Authorised Representatives, it would appear appropriate to regard them as required to act jointly.

¹² Complaint, paras. 7-11.

¹³ Complaint, paras. 13-41.

- Provides a description of the good faith efforts made by the Affected Group to resolve the issues raised in the Complaint with the Project Sponsor and with the Bank¹⁴ and an explanation of why the Affected Group believes that there is no reasonable prospect of resolving the issues through the continuation of such efforts¹⁵;
 - Attaches copies of all available material correspondence and other relevant material supporting the Complaint¹⁶.
10. Furthermore, in accordance with IRM, RP 9(e), the Complaint indicates the steps the Affected Group expects to be taken by the IRM in order to address the direct adverse and material effect that the Project has, or is likely to have, on the common interest of such group. The Affected Group requests:
- ‘...the examination of the problematic matters raised by them in this claim, determination and assessment of the damage inflicted to them and payment of the relevant compensation, if the said damage is determined’¹⁷.
11. In addition, as per IRM, RP 9(f), the Complaint suggests that the EBRD violated a Relevant EBRD Policy in that:
- ‘the relevant representatives of European Bank for Reconstruction and Development did not respond timely and adequately in order to ensure consistent and fair implementation of the resettlement action plan’¹⁸.

¹⁴ Complaint, paras. 42 and 43. These have included: the establishment of a group made up of representatives of the village Sakrebulo and the Akhaltsikhe Land Management Service to examine and report on alterations and irregularities in relation to land measurement (see Complaint, Annexes 1 and 4); the making of a complaint in May 2005 to the IFC/CAO (see Complaint, Annex 2); and the making of a complaint on 15 June 2007 to the EBRD Representative in Georgia, Mr. Nikolay Hajinski (see Complaint, Annex 8). The Complaint also highlights that the Affected Group often applied to the representatives of the Project Sponsor by means of verbal claims, which it claims was in accordance with the guidance issued in the village by the Project Sponsor (see Complaint, para. 45).

¹⁵ The Complaint sets out in detail, at paras. 13-41, the various individual and collective efforts of members of the Affected Group, dating back to 2004, to raise the issues on which the current Complaint is based. It is apparent from correspondence received by several of the members of the Affected Group from BTC Co. that several of the claims for compensation have now been rejected with no prospect of the issue being revisited by BTC Co. See, for example, the letter from Mr. David Morgan to Mr. Gela Mumladze and Mrs. Tamar Labadze dated 30 June 2006, (Ref. BTC/OUT/2340/06), reproduced in Annex 2 to the Complaint; the letter from Mr Stuart Duncan to Mr. Tenoshvili dated 27 September 2004 (Ref. BTC/OUT/980/04), reproduced in Annex 3 to the Complaint; the letter from Mr Stuart Duncan to Ms. Rusudan Cherniev dated 5 November 2004 (Ref. BTC/OUT/1030/04), reproduced in Annex 4 to the Complaint.

¹⁶ See Annexes 1 to 9 of the Complaint.

¹⁷ Complaint, para. 56. This strongly suggests that the Affected Group expects the IRM to engage in a Problem-solving Initiative.

¹⁸ Complaint, para. 55.

However, the Complaint does not elaborate on the nature of the alleged breach of World Bank / IFC O.D. 4.30 on Involuntary Resettlement and it is not *prima facie* clear what such breach might have involved, as resettlement plans designed to compensate displaced persons for their losses at full replacement cost were clearly developed¹⁹. It would also appear that a special resettlement unit was created within the project entity and that nongovernmental organisations (NGOs), including the Association for Protection of Rights of Landlords, were involved in planning, implementing and monitoring resettlement²⁰. Nor does the Complaint allege that EBRD officials failed to inform the Project Sponsor of the Bank's resettlement policy²¹, failed to assist the Project Sponsor's efforts through, for example, assistance in designing and assessing resettlement policy, strategies, laws, regulations, and specific plans²², or failed to have the adequacy of the resettlement plan reviewed by appropriate social, technical and legal experts²³. Similarly, it is not clear from the Complaint whether the Affected Group considers that the Bank had failed to require submission by the Project Sponsor of a time-bound resettlement plan and budget that conforms to Bank policy²⁴, that Bank officials had failed to conduct an adequate appraisal mission²⁵, or that they failed to supervise the resettlement process throughout implementation using the requisite social, economic and technical expertise.²⁶ Further, it is not clear whether the failure of the relevant representatives of EBRD to respond timely or adequately in order to ensure consistent and fair implementation of the resettlement action plan, would, in any event amount to a breach of any Relevant EBRD Policy warranting a Compliance Review.

¹⁹ Pursuant to World Bank / IFC O.D. 4.30, paragraphs 3(b) and 14. See, for example; the letter from Mr. Hugh G. McDowell dated 7 March 2007 to Mr. Jemal Tenoshvili, reproduced in Annex 3 to the Complaint, referring to the 'informational brochure' setting out, *inter alia*, 'the table of amounts payable against the relevant categories of lands' in the conclusion of servitude agreements, etc.

²⁰ As recommended under World Bank / IFC O.D. 4.30, paragraph 6. See, for example, the letter from Mr. Hugh G. McDowell dated 7 March 2007 to Mr. Jemal Tenoshvili, reproduced in Annex 3 to the Complaint, referring to the availability of representatives of the Association for Protection of Landlords' Rights 'in order to answer your questions, discuss the proposal and clarify whether you intend accepting it'.

²¹ As required under World Bank / IFC O.D. 4.30, paragraph 24.

²² As recommended under World Bank / IFC O.D. 4.30, paragraph 23.

²³ As required under World Bank / IFC O.D. 4.30, paragraph 25.

²⁴ As required under World Bank O.D. 4.30, paragraph 30.

²⁵ As required under World Bank O.D. 4.30, paragraph 30.

²⁶ As required under World Bank O.D. 4.30, paragraph 31.

12. Further, pursuant to IRM, RP 9(e), the Complaint indicates that the steps the Affected Group expects to be taken by the IRM involve a Problem-solving Initiative (PSI) rather than a Compliance Review. Though the Complaint does not expressly state that the Affected Group is not requesting a Compliance Review it is clear that by requesting the IRM to facilitate the examination of the matters raised in the Complaint and the determination and assessment of any damages due, it expects a PSI²⁷. Further, the Complaint states that:

‘The *sole* objective of the claims brought by the complainants is to obtain a final clarification regarding the situation related to their plots and to receive fair and adequate compensation against the damages inflicted to them’²⁸.

This statement suggests that the Affected Group are more concerned with reaching a mutually acceptable resolution of the issues raised, rather than any finding of formal non-compliance by the Bank with a Relevant EBRD Policy²⁹.

Eligibility for Further Processing

13. Upon registration of a Complaint, the IRM requires the Eligibility Assessors to make an Eligibility Assessment of the Registered Complaint within 30 Business days of the receipt of the Complaint³⁰. Eligibility for further processing is determined by IRM, RP 18 and 19.

²⁷ As a matter of practice, it has been agreed that, even where the Affected Group expressly or implicitly indicates the steps that it expects to be taken by the IRM, *e.g.* a Compliance Review or Problem-solving Initiative, pursuant to IRM RP 9, the Eligibility Assessors be entitled to reserve the right to examine the Complaint in the light of all available steps and to recommend an alternative step where appropriate. This position would appear to be the only one consistent with IRM RP 22, 23, 25 and 27. On a more practical level, it would help to ensure that an Affected Group does not arbitrarily exclude itself from seeking the assistance of the IRM due to a lack of familiarity with the IRM Rules of Procedure. Notwithstanding, in this case, the Eligibility Assessors saw no evidence to suggest a material violation of a Relevant EBRD Policy. Hence, the decision that a Compliance Review is not warranted.

²⁸ Complaint, para. 57. (Emphasis added).

²⁹ It should be noted that IRM RP 35 expressly provides in relation to a Compliance Review that ‘The Compliance Review Report may not recommend the award of compensation or any other benefits to Affected Groups beyond that which may be expressly contemplated in a Relevant Bank Policy.’

³⁰ In this instance, the Chief Compliance Officer has found it necessary to rely on IRM 14 to extend this time period ‘for as long as is strictly necessary to ensure full and proper investigation’ of the issues relevant to the making of this Eligibility Assessment.

IRM, Rules of Procedure 18

Does the Complaint relate to a Project? [IRM, RP 18 (a)]

14. As required under IRM RP 18(a), the Eligibility Assessors have determined that the BTC Oil Pipeline Project is a 'Project' within the meaning of IRM, RP 1³¹. As required under IRM RP 18(a)(i), the Project received Board Approval on 11 November 2003. Further, as required under IRM, RP 18(a)(ii), the Complaint has been filed within twelve months after the date of the physical completion of the project, which occurred on 13 July 2006.

Is the Complaint from an Affected Group? [IRM, RP 18 (b)]

15. As required under IRM RP 18(b), the complainants qualify as an 'Affected Group' within the meaning of IRM RP 1(a), as they consist of two or more individuals from the 'Impacted Area', as defined under IRM, RP 1(p)³², who have a common interest and claim that the Project has a direct adverse and material effect on that common interest.
16. For the purposes of establishing the common interest of each of the members of the Affected Group, it is useful to have regard to the EBRD's Environmental Policy, which states that:

'In line with its mandate to promote environmentally sound and sustainable development, the term "environment" is used in this Policy in a broad sense to incorporate not only ecological aspects but also [...] community issues, such as [...] involuntary resettlement ...'³³.

In turn, the relevant World Bank / IFC policy document (OD 4.30)³⁴, which sets out EBRD's policy on Involuntary Resettlement, includes within its scope 'projects that cause involuntary displacement'³⁵, which include those in which 'productive assets and income sources are lost'³⁶. Further, in setting out guidance on 'Valuation of and Compensation for Lost Assets', IFC OD 4.30 refers specifically to certain types of loss, 'such as access to ... (c) grazing, and forest areas'³⁷. Similarly, the IFC's *Handbook for Preparing a Resettlement Action Plan*, in its glossary of terms, defines 'economic displacement' as:

³¹ IRM RP 1(x) defines a 'Project' to mean :

'A specific project or technical assistance that is designed to fulfil the Bank's purpose and functions, and in support of which a Bank Operation is outstanding or may reasonably be expected'.

³² IRM RP 1(p) defines the 'Impacted Area' to mean

'Any geographical area which is, or is likely to be, affected by a Project'.

³³ EBRD Environmental Policy. 29 April 2003, paragraph 3.

³⁴ World Bank / IFC Operational Directive 4.30, 1 June 1990.

³⁵ *Ibid.*, paragraph 1.

³⁶ *Ibid.*, paragraph 2.

³⁷ *Ibid.*, paragraph 15.

‘Loss of income streams or means of livelihood resulting from land acquisitions or obstructed access to resources (land, water or forest) resulting from the construction or operation of a project or its associated facilities’³⁸;

and a ‘project-affected person’ as:

‘Any person who, as a result of the implementation of a project, loses the right to own, use or otherwise benefit from a built structure, land (residential, agricultural or pasture), annual or perennial crops or trees, or any other fixed or moveable asset, either in full or in part, permanently or temporarily’³⁹.

17. Therefore, all members of the Affected Group would appear to belong to an ‘Affected Group’ sharing a ‘common interest’ for the purposes of IRM RP 18(b).

*Is there evidence of a direct adverse effect on the common interest of the Group?
[IRM RP 18(b)]*

18. The correspondence received from the Affected Group provides *prima facie* evidence that the Project has had a direct adverse and material effect on the Affected Group’s common interest⁴⁰.

The members of the Affected Group variously allege that the Project Sponsor’s construction activities have resulted in the following direct adverse and material effects on their common interest⁴¹:

- clearance work and damage to their land on the oil pipeline construction route which exceeded the area indicated in the proposal package, for which compensation was available;
- the area covered by the pipeline passage on an ongoing basis exceeds the area indicated in the proposal package, for which compensation was available;
- they have suffered loss due to vibration and subsidence damage to dwelling houses and other buildings caused by heavy construction traffic and road improvements carried out during construction of the pipeline;
- they have suffered loss of harvests due to damage caused to the irrigation channel of the village during construction of the pipeline;
- they have suffered loss of harvests due to the lack of economic viability of ‘orphan’ land;
- they have been disadvantaged as a result of undue delay and uneven treatment in the payment of compensation for damage to land and plants and for uncollected harvests;

³⁸ *Handbook for Preparing a Resettlement Action Plan* (IFC, 2002), at ix.

³⁹ *Ibid.*, at p. x.

⁴⁰ See Complaint, at pp.2-7 and the relevant annexes.1-8.

⁴¹ See Complaint, at pp.2-7 and the relevant annexes.1-8.

- they have been disadvantaged as a result of a lack of responsiveness and undue delay in the project grievance procedure and inadequate application of that procedure.
19. For the purposes of establishing that there is *prima facie* evidence that the Project has, or is likely to have, a direct, adverse and material effect on a group's common interest as required under IRM, RP 18(b), it is useful to have regard to the correspondence supplied by the Affected Group, which, *inter alia*:
- sets out evidence of disagreement relating to the occupation of excess areas of land⁴²;
 - sets out evidence of disagreement as to the entitlement of members of the Affected Group to compensation for loss of additional fruit trees⁴³;
 - sets out evidence of concern as to the causing of vibration or subsidence damage to buildings⁴⁴;
 - sets out evidence of the delays experienced by members of the Affected Group in having their claims dealt with by the Project Sponsor⁴⁵;
 - sets out evidence of alterations in respect of the area of land used during construction of the pipeline⁴⁶;

Has the Group initiated good faith efforts to resolve the issue?
[IRM RP 18(c)]

20. In relation to the requirement under IRM RP 18(c) that the Affected Group has initiated good faith efforts to resolve the issue with the Bank and other Relevant Parties, it is noted that members of the Affected Group approached a group made up of representatives of the village Sakrebulo and the Akhaltsikhe Land Management Service established to examine and report on alterations and irregularities in relation to land measurement⁴⁷. One member of the Affected Group made a complaint in May 2005 to the IFC CAO⁴⁸. It is also noted that on 15 June 2007, the Affected Group requested that the EBRD Representative in Tbilisi, Mr. Nikolay Hadjiyski, examine their complaint⁴⁹. The Complaint also states that, in addition to the various written applications made to the Project Sponsor, the Affected Group often applied to the representatives of the Project Sponsor by means of verbal claims, which it asserts was in accordance with the guidance issued in the village by the Project Sponsor⁵⁰.

⁴² See, for example, the letter from Mr Stuart Duncan to Mr. Tenoshvili, dated 27 September 2004 (Ref. BTC/OUT/980/04), reproduced in Annex 3 to the Complaint.

⁴³ See, for example, the letter from Mr. Stuart Duncan to Ms. Rusudan Cherniev, (Ref No. BTC/OUT/1076/04), dated 5 November 2004, reproduced in Annex 4 to the Complaint.

⁴⁴ See, for example, the letter from Mr Badri Gasitashvili to Mr. Stuart Duncan, reproduced in Annex 7 to the Complaint.

⁴⁵ See, for example, the letter from Ms. Natela Khugashvili, dated 20 March 2007, Complaint, Annex 1, setting out the delays regarding the handling of her claim dating back to 3 August 2004.

⁴⁶ See, for example, the Acts issued by the group made up of representatives of the village Sakrebulo and the Akhaltsikhe Land Management Service established to examine and report on alterations and irregularities in relation to land measurement (see Complaint, Annexes 1 and 4)

⁴⁷ See Complaint, Annexes 1 and 4.

⁴⁸ See Complaint, Annex 2.

⁴⁹ Complaint, paras. 54 and 55. For the full text of this request, see Complaint, Annex 8.

⁵⁰ See Complaint, para. 45

Is there a reasonable prospect of resolving the issue through the continuation of such efforts? [IRM RP 18(c)]

21. In relation to the requirement under IRM RP 18(c) that there is no reasonable prospect of resolving the issue through the continuation of such efforts, the final and definitive tone of much of the recent correspondence from the Project Sponsor clearly suggests that it is not prepared to entertain the further claims of the local residents.⁵¹ In addition, the apparent delay in the Project Sponsor responding to certain claims of the members of the Affected Group⁵² might reasonably affect the confidence of the Affected Group in the likelihood of reaching an acceptable resolution of the issues involved.

IRM, Rules of Procedure 19

22. Even where a Complaint fulfils the requirements of IRM, RP 18, a Complaint shall not be eligible for IRM processing if it does not comply with the criteria listed under IRM RP 19:
- The carefully documented and recorded background to the Complaint and the efforts of the Affected Group and Project Sponsor and of bodies such as the IFC/CAO to resolve various of its constituent elements would suggest that the complaint is neither ‘frivolous nor malicious’.[IRM, PR 19 (a)];
 - As the members of the Affected Group are not engaged in an area of economic activity similar or related to that of the Project Sponsor, it is difficult to see how the primary purpose of the Complaint could be to ‘seek competitive advantage through the disclosure of information or through impeding or delaying the Project or the Bank Operation’. [IRM, PR 19 (b)];
 - The Complaint does not relate to procurement matters. [IRM, PR 19 (c)];
 - The Complaint does not relate to an allegation of fraud or corruption. [IRM, PR 19 (d)];
 - The Complaint does not relate to Article 1 of the Agreement establishing the Bank, the Portfolio Ratio Policy or any other policy specified by the Board for the purposes for [IRM, RP 19(e)];
 - The Complaint does not relate to the adequacy or suitability of EBRD policies. [IRM, PR 19 (f)], and;
 - The Complaint does not relate to matters upon which an Eligibility Assessment report has already been approved by the Board or the President. [IRM, PR 19 (g)].

⁵¹ It is apparent from correspondence received by several of the members of the Affected Group from BTC Co. that several of the claims for compensation have now been rejected with no prospect of the issue being revisited by BTC Co. See, for example, the letter from Mr. David Morgan to Mr. Gela Mumladze and Mrs. Tamar Labadze dated 30 June 2006, (Ref. BTC/OUT/2340/06), reproduced in Annex 2 to the Complaint; the letter from Mr Stuart Duncan to Mr. Tenoshvili dated 27 September 2004 (Ref. BTC/OUT/980/04), reproduced in Annex 3 to the Complaint; the letter from Mr Stuart Duncan to Ms. Rusudan Cherniev dated 5 November 2004 (Ref. BTC/OUT/1030/04), reproduced in Annex 4 to the Complaint.

⁵² See, for example, the letter from Ms. Natela Khugashvili, dated 20 March 2007, Complaint, Annex 1, setting out the delays regarding the handling of her claim dating back to 3 August 2004.

Position of the Bank

23. Based on discussions with members of the Environment and Sustainability Department (ESD), the Operations Team, and the Resident Office, the position of the EBRD in response to the Affected Group's complaints can be summarized as follows. The EBRD reviewed the Project, including social issues and resettlement impacts, as part of a large group of lenders including numerous export credit agencies, commercial banks and the IFC. Social due diligence was assessed by independent lender consultants (Mott MacDonald Ltd.), as well as specialist staff from the various lender institutions. A framework for compensation for the effects of physical and economic displacement expected to be incurred as a result of the implementation of the project was presented in a Resettlement Action Plan (RAP), which was made public and approved by the group of lenders, including EBRD.

It should be noted that an independent group of social specialists has been established for external monitoring of social and resettlement issues. This panel is referred to as the SRAP Panel, and its reports are available in the public domain. This panel currently conducts six-monthly visits to each country of the project. EBRD social staff accompany the SRAP at least once per year to both Georgia and Azerbaijan to assess these issues, and continue to monitor them. Monitoring is done on the implementation of the RAP, as well as with respect to the Grievance Procedures agreed with the Project Sponsor. The latest site visit on social issues in Georgia was in 2006 (26/9-5/10 2006). EBRD social experts have been to the specific village of Atskuri (4/9/05) and, together with the SRAP panel member, met with the Gangabeli and community members and heard similar issues to those being raised in the Complaint. The SRAP panel follows up on the social issues as part of monitoring, and has also been providing technical advice to the Project Sponsor, to ensure compliance with project commitments and the requirements under OD 4.30, including implementation of the grievance procedure. SRAP panel will continue until resettlement is complete, that is until a point in time when they can carry out an assessment to determine that project affected people are not worse off after resettlement related activities have been completed.

Recommendations and observations of the Eligibility Assessors

24. In accordance with IRM, RP 27(b)(ii), the Eligibility Assessors recommend to declare the Complaint eligible, but not warranting a Compliance Review. This recommendation is without prejudice to the ability of the CCO to recommend a PSI in accordance with IRM, RP 44.

25. Furthermore, although IRM, RP 22 requires that where ‘the Eligibility Assessors are minded to recommend that a Compliance Review is not warranted [...] the Eligibility Assessors shall give the Affected Group an opportunity [...] to comment upon the finding that a Compliance Review is not warranted and include such comments in the Eligibility Report’. This provision would appear to be anomalous in a case such as the present Complaint, where it would appear that the Affected Group is not seeking a Compliance Review. To give effect to IRM, RP 22 would, in this instance, be time-consuming, confusing and could not in any way further the aims of the IRM⁵³.
26. As noted above, the decision to recommend a PSI is within the discretion of the CCO and shall be the subject of a separate Problem-solving Initiative Report as provided for at IRM, RP 44. As a preliminary matter, however, in the consideration and determination as to whether a PSI would likely have a positive result⁵⁴ and whether the Relevant Parties are likely to be amenable to such an initiative⁵⁵, the Eligibility Assessors are of the view that it is important to distinguish the present Complaint from the previous IRM Complaint No. 2006/1, *BTC Georgia / Akhali Samgori*, in respect of which the same Project Sponsor has declined to participate in a Problem-solving Initiative under the auspices of the IRM.
27. Firstly, whilst a number of the grievances listed by individual members of the Affected Group relate to damage allegedly caused to the village irrigation system during construction of the pipeline as is also the case in Complaint No. 2006/1, there is no related litigation pending before the Georgian civil courts in which members of the present Affected Group or other residents of Atskuri Village are involved. Further, there is no risk that the outcome of the ongoing civil litigation in respect of damage alleged in Akhali Samgori Village could influence the outcome of a PSI in relation to the present Complaint or vice versa.
28. Secondly, as regards those grievances concerned with encroachment by BTC in excess of the areas indicated in the proposal package either during pipeline construction or by the pipeline passage, possible deficiencies in the Georgian Government’s system of land registration records, and the Government’s ongoing review of such records should not obstruct the initiation of a Problem-solving Initiative process. The relevant World Bank policy document (OD 4.30),⁵⁶ which sets out the EBRD policy on Involuntary Resettlement, makes it quite clear that difficulties in establishing clear legal title or other problems relating to the applicable legal system of land tenure do not obviate a Project Sponsor’s responsibilities.⁵⁷ Similarly, the obligation to examine claims relating to ‘orphan land’ cannot be delayed on the basis of uncertainty over land title or land tenure.

⁵³ As set out in *Independent Recourse Mechanism: The guide to making a complaint about an EBRD-financed project* (July 2004), at p. 2.

⁵⁴ See, IRM RP 43(b).

⁵⁵ See, IRM RP 43(c).

⁵⁶ World Bank Operational Directive 4.30, (1 June 1990). See EBRD Environmental Policy (April 2003), para. 3.

⁵⁷ For example, para. 3(e) of World Bank Operational Directive 4.30 provides that:

29. Thirdly, a number of grievances raised by members of the Affected Group relate to inherently local issues, such as vibration and subsidence damage to dwelling houses or the loss of fruit trees in excess of those for which compensation was paid, which require an assessment of the facts on the ground in each case and could never impact any ongoing civil litigation or be dependent on a Government review of land registration records.
30. Finally, it is quite clear from the Complaint that a number of the members of the Affected Group believe that the project grievance procedure has not operated according to the standards that might have been expected. Once again, this is an issue which might clearly benefit from a Problem-solving Initiative and would not impact any ongoing civil litigation or be dependent on a review of land registration records.

‘Land, housing, infrastructure, and other compensation should be provided to the adversely affected population ... The absence of legal title to land by such groups should not be a bar to compensation’.

Indeed, para. 12 would appear to place a duty on the Project Sponsor to make an effort to better understand the national legal framework applicable to questions of land title and land tenure:

‘A clear understanding of the legal issues involved in resettlement is needed to design a feasible resettlement plan. An analysis should be made to determine the nature of the legal framework for the resettlement envisaged, including ... (c) land titling and registration procedures’.

Para. 17 of OD 4.30 further elaborates on the nature of the duty on a Project Sponsor to take steps to deal with problems arising from deficiencies in the local system for registering and recording land title and land tenure:

‘Resettlement plans should review the main land tenure and transfer systems ... The plan should address the issues raised by the different tenure systems found in a project area ... Plans should contain provisions for conducting land surveys and regularizing land tenure in the earliest stages of project development.’

ANNEX 1

COMPLAINT FROM THE AFFECTED GROUP

6 JULY 2007

To Chief Compliance Officer
European Bank for Reconstruction and
Development

One Exchange Square
London EC2A 2JN
United Kingdom

Fax: +44 20 7338 7633

E-mail: irm@ebrd.com

THE CLAIM BY RESIDENTS OF ATSKURI VILLAGE OF AKHALTSIKHE DISTRICT, GEORGIA

DATE: July 6, 2007

1. INFORMATION ON GROUP OF VICTIMS

1 • **Identity of the group of victims:**

Natela Khugashvili
Tamar Labadze
Jemal Tenoshvili
Rusiko Chernievi
Valerian Labadze
Vakhtang Labadze
Badri Gasitashvili

2 • **Joint interests of the group of victims:**

The members of the group of victims constitute the citizens of Georgia, who suffered damages as a result of implementation of the Baku-Tbilisi-Ceyhan Oil Pipeline Project. For the purposes of clarification of problematic matters and with the request for payment of damages, the claimants repeatedly applied to both Baku-Tbilisi-Ceyhan Pipeline Company and the construction contractor thereof Spie Capag-Petrofac International, as well as the local office of European Bank for Reconstruction and Development. However, the problems still remain unsettled and damages are still subject to payment.

3 • **Address of the group of victims:**

Atskuri village, Akhaltsikhe District, Georgia
Contact telephone numbers: (+995 99) 68 19 73
(+995 98) 17 89 30

Note: the streets in the village bear no titles and numeration and thus, more exact address other than above is unavailable.

2. INFORMATION ON AUTHORIZED REPRESENTATIVES

4 • **Identities of the authorized representatives:** Leila Sesadze and Jemal Tenoshvili

The documents proving assignment of the representation powers are provided in Annex 9, exclusive by the sole – the claimant Tamar Labadze, who could not pass through the

procedure of notarization of the said powers due to the advanced age. However, she remains prepared to certify the above in writing or verbally, if requested so.

- 5 • **Interrelationship with (Relation to) the group of victims:**
Leila Sesadze – the mother of the claimant Natela Khugashvili;
Jemal Tenoshvili – one of the claimants;
- 6 • **Fluency in the native language demonstrated by the group of victims:** We, the members of the group of victims speak the native Georgian language fluently (can read, write and speak fluently).

3. INFORMATION ON THE PROJECT FUNDED BY EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

- 7 • **Title of the Project:** The Main Baku-Tbilisi-Ceyhan Export Oil Pipeline
- 8 • **Country:** Azerbaijan, Georgia, Turkey
- 9 • **Description of the Project:**
The Baku-Tbilisi-Ceyhan (BTC) Oil Pipeline Project is focused on development, financing, construction and operation of the crude oil transportation system. By means of the said transportation system, it is planned to convey annually 1 billion barrels of the crude oil from the Sangachal Terminal located nearby Baku (Azerbaijan) to the Ceyhan new export terminal in the Mediterranean Sea coast through Georgia.
- 10 The Project Investor, BTC Company, by means of the specially incorporated financial company BTC Finance B.V., has borrowed from the International Finance Corporation 125 million US Dollars as the A rank credit and 125 million US Dollars as the B rank credit. The decision on granting the credit was adopted in November, 2003.
- 11 BTC Oil Pipeline Project is financed and implemented by the companies as follows: Ameralda Hess (2.36% interests), BP (30.10%), Conoco Phillips (2.50%), Eni (5.00%), INPEX (2.50%), ITOCHU (3.40%), SPCAR (25.00%), Statoil (8.71%), TOTAL (5.00%), TPAO (96.53%) and Unocal (8.90%).
- 12 • **What impact did (or what impact may) the Project make on joint interests and how did the group suffer the damages**
The Baku-Tbilisi-Ceyhan Oil Pipeline passes through the territory of Atskuri village of Akhaltsikhe district. In the course of construction of the oil pipeline, the claimants suffered certain type of damages, which are set force below in details.
- 13 **The Claimant Natela Khugashvili**
I possess the plot in Atskuri village of Akhaltsikhe district. The Baku-Tbilisi-Ceyhan Oil Pipeline passes through my plot. In 2002, I received the Proposal Package, where it was indicated that the pipeline passage should occupy part of my plot i.e. the area of 1,240 sq.m. (the total area of the plot constitutes 1,662 sq.m.). I signed the sale-purchase agreement and accepted the offered amount. It appeared in the course of construction of the oil pipeline that the construction company used the remaining part of my plot as well (approximately 420 sq.m.) and cut down the plants existing on the plot without payment of any consideration.
- 14 After disclosure of the said breach, I repeatedly applied to the construction company requesting payment of the relevant consideration against the damage. After one such application (on August

3, 2004), the Public Relations Officer of the construction company, Nino Lomidze, examined the situation on-site and ascertained the fact of occupation of the excess land (the facts of occupation of the excess land and cutting down of the plants were also confirmed under the act executed by the group constituted by the representatives of the village Sakrebulo and the Akhaltsikhe Land Management Service, as well as the landlords of the plots adjacent to my plot). Later, I received the response by the construction company to my claim, whereunder the company admitted the fact of occupation of the excess land (there was nothing concerning the plants in the said response). The company thereby indicated that the excess land has been purchased by BTC Pipeline Company and therefore, they considered that I should apply for the said consideration right to BTC Pipeline Company.

- 15 I took into account the advice above and since then, I repeatedly applied to BTC Pipeline Company, but I received neither positive nor negative feedback to any of my claims. During the years of 2005 and 2006, I was twice paid a certain amount (the amounts differed in each case) so that no-one clarified/informed me what the said amounts were paid for. It was made clear to my fellow-villagers and I that that was the good will expressed by British Petroleum. I am of the opinion that the said consideration was related to the temporary overtime occupation of the village lands by the company (as you are well aware, the construction process lasted for the longer period than the projected one). That assumption of mine was based on the fact that right within that period, the residents of Atskuri village tried to clarify whether any additional compensations were owed to the village against the harvest uncollected due to occupation of the village lands for the excess period. Other residents of Atskuri village also received the similar consideration and there are sure that that was the compensation against the harvest. Thus, I believe that the said amount was paid due to delay in the construction process i.e. the consideration against the harvest uncollected on the area of 1,240 sq.m.
- 16 Until very recently, I kept prosecuting the dispute with BTC Pipeline Company concerning the land occupied in excess and the cutting down plants. Meanwhile, the company completed construction of the pipeline and commenced with the recovery of the passage. At present, the pipeline passage covers 250 sq.m. from among the disputable area of 420 sq.m., and the useless area of 170 sq.m. remains beyond the passage.
- 17 For the last time, I applied to BTC Pipeline Company on March 20, 2007. In response, I received the letter issued by the Leader of Social Group of British Petroleum, Maria Morgan, dated April 13 of the same year, where she wrote that my claim was subject to detailed examination and only then the Company could respond thereto (let me remind you that I prosecute the dispute regarding the subject matter for almost four years!). On May 18, 2007, I met the representative of British Petroleum, Gia Gvaladze, in order to discuss my claim. I could not get any clear answer to my concerns at that meeting. On May 18, 2007, I was delivered the closure form as to my latest claim.
- 18 In addition to the land dispute, I am also disturbed by the problem related to damage of my mother's house. As you are well aware, in the course of construction of the pipeline, the heavy transportation means permanently drove through the village road; as a result, the most part of houses, including my mother's house, adjacent to the road were damaged. Along with other villages, we keep prosecuting the dispute with the Company regarding the damage inflicted to the houses for years.
- 19 **The Claimant Tamar Labadze**
My house is located in Atskuri village adjacent to the road, which was used by heavy trucks and passenger cars of BTC Pipeline Company and the contractors thereof in order to reach the construction passage of the oil pipeline as of summer of the year of 2004. The intensive traffic of

heavy trucks caused a vibration and that resulted in the damage to my house, which was out of condition – there had been a fire there, following where to the house was repaired. As a result of the vibration caused by the traffic of heavy trucks, my house got cracks and splits. In case of mis-conduct of repair and reinforcement works, the collapse of the house may be expected, which may be followed by unforeseen consequences.

- 20 On June 23, 2004, I applied with the written claim to BTC Pipeline Company, which claim I threw into the box of input claims located in Atskuri village. I have indicated in my claim that as a result of the vibration caused by the traffic of heavy trucks held by the Company, my house got cracks and splits. I requested an on-site examination of the situation from the Company.
- 21 In response to the above, on September 25, 2004, I received the letter by Spie Capag-Petrofac, whereunder there was indicated that that was the very first time the Company had received a claim with the content like mine and that had happened in Georgia. There was also indicated in the said letter that on September 3, 2004, the Company carried out the vibration test and that the test results cleared that the rate of vibration caused by the traffic of heavy trucks held by the Company was very low if compared with the rate of vibration set under the international standards and which could cause any damage to buildings and structures. The Company noted in their letter that the Company disagreed with the fact that the vibration caused by the traffic of transportation means held by the Company could result in damage to my house and therefore, they denied my claim concerning any payable consideration.
- 22 After been familiarised with the response above, I considered the letter issued by Spie Capag-Petrofac inadequate and groundless due to the facts as follows:
- 23 The response did not correspond to the problems brought in my claim and produced the impression of some standard template letter, which they used to send to any claimant, who might claim due to any damage caused by the traffic of transportation means held by them. That is also proved by the fact that I did not demand any compensation in my claim, but rather requested the Company for on-site examination of the situation by them. Despite the above, the Company responded that they denied my claim concerning any payable consideration.
- 24 In addition, the Company carried out the vibration test in Atskuri in fact, but they did not do that nearby my house and nowhere near the houses which had been constructed like my house. The vibration test was carried out in the part of Atskuri village, which is positioned on the other side of Mtkvari river, as well as in the so called “Ancient Georgians” zone and nowhere in the zone in which my house is located in. At that, the vibration test was mainly carried out nearby the houses which were made of wood.
- 25 In October of the year of 2004, the meeting of the residents of the village and the representatives of BTC Pipeline Company and the contractors thereof was held. The meeting was attended by the Public Relations Officer of BTC Pipeline Company, Ana Petriashvili, and the representative of Spie Capag-Petrofac, Enver Khvitia. I declared my claim once more at that meeting and requested the said persons for the grounded response to my concerns; however, unfortunately, I received no response from them.
- 26 In May of the year of 2005, I applied with the claim to the Ombudsman of International Finance Corporation and requested the appointment of an independent expert and assessment of the rate of damage. As a result, British Petroleum appointed Mot McDonald Company and in January of the year of 2006, they conducted the said assessment. The assessment did not consider conduct of any repeated tests and was based only on the information provided by the Company. Neither any test was carried out nearby my house, nor did anyone examine it.

27 Based on the report delivered by Mot McDonald Company (which I do not deem as the independent expert), neither the Company nor the Ombudsman of International Finance Corporation recognised validity of the problems referred to in my claim. On June 30, 2006, I received the letter issued by the Manager of BTC Pipeline Company David Morgan (along with the report by Mot McDonald Company annexed thereto), whereunder it was indicated that BTC Co. deemed the problem settled and intended no additional activity with that regard.

28 The Claimant Jemal Tenoshvili

My plot was also covered by the pipeline passage and that passage occupied most of my plot. My problematic matters are similar to the issues described by Natela Khugashvili. And this is not surprising at all as her plot is adjacent to mine. The Company occupied the land in excess to the area envisaged under the Proposal Package in my case as well (as distinct from Natela Khugashvili, there were no plants on the land occupied in excess). I, like my fellow-villagers, repeatedly applied to the construction company and BTC Pipeline Company requesting payment of the compensation against the land occupied in excess, however, that was to no avail. In 2005-2006, I also received the consideration against the uncollected harvest, like Natela Khugashvili did, but that was not against the land occupied in excess. I also hold the remaining land uncovered by the pipeline passage, further use whereof is economically infeasible.

29 At present, the process of conveyance of the lands covered by the pipeline passage to the former possessors thereof is carrying on. That process also concerned my plot. On March 16, 2007, I accepted the document "Consent to Free Use of the Plot", and according to the documents annexed thereto, representatives of BTC Pipeline Company and the Association for Protection of Rights of Landlords should reach me within, at most, 7 days in order to discuss the terms and conditions set under the Proposal Package. Unfortunately, no-one has visited me and the process of conveyance of the plot still remains subject to completion. In spring, I tried to enter my plot covered by the passage for sowing purposes; however, the pipeline security guards prevented me from entering until execution of an agreement with the Company. Thus, my right of use of my plot was restricted again this year, as well as any opportunity of harvesting on it.

30 The document above was also attached by the other document "Consent to the Proposed Amount", whereunder it was indicated that I should be delivered the amount of GEL 833.00, however, no basis of such payment was clarified.

31 The Claimant Rusiko Chernievi

My plot was also covered by the construction passage of the pipeline. In August of the year of 2002, an inventory of the plot was performed, following which, compensation was paid. Neither my family members nor I attended the inventory process of my plot. Later, I was asked to be photographed in front of my plot. I could not reach my plot due to my declining years and illness and instead, they photographed my daughter in front of the plot. Upon taking the photograph, only some plants were shot (one apple-tree, as well as the kidney bean and the maize plants). The photograph is missing one apple-tree and four plum-trees. My daughter asked the photographer to take a photograph of the said plants as well in order not to miss them upon calculation of a compensation amount. She was told that an aerial photograph of the plot had already been taken and should those plants be damaged in the course of the construction process, a consideration would be paid in any case.

32 Unfortunately, as that appeared later, those plants have become the subject of the dispute with BTC Pipeline Company and the construction company. In the course of construction, one apple-tree and four plum-trees were cut down. As soon as being informed with regard to the cutting down of the plants, my daughter reached the plot in order to get clarification concerning the

cutting down of plants from employees of the Company. The Officer, Leri Jojua, of BTC Pipeline Company told her that the damage should be paid later; however, she should not prevent the construction process.

- 33 Since then and up to present, I keep trying in vain to get paid any compensation against the cut down plants. I have repeatedly applied both to BTC Pipeline Company and the construction company. However, none of them admit existence of those plants on the plot (the fact of existence of the plants is proved under the act executed by the Atskuri Sakrebulo on June 16, 2004) and accordingly, they recognise no responsibility for payment of any consideration.
- 34 One more issued remains unclear to me. In the years of 2005 and 2006, the compensations against the uncollected harvests were paid out in the village twice. I received the compensation only in 2006, while my fellow-villagers received the compensations both in 2005 and 2006.
- 35 In addition, in the course of construction, the construction company damaged the irrigation system; therefore, my fellow-villagers and I can not cultivate the lands and accordingly, we could not harvest as well. The company promised that they would repair the irrigation system, but that promise still remains subject to fulfilment.

36 The Claimant Valerian Labadze

My claim is quite similar to the case of Rusiko Chernievi as described above. My plot (I am the successor of my deceased aunt Galina Labadze, who got paid the compensation against the plot covered by the passage in the year of 2003) is adjacent to the plot held by Rusiko Chernievi. Five fruit-bearing apple-trees on my plot were also cut down. I received the compensation against three from among those five, and two still remain the subject to compensation. I, like Rusiko Chernievi was assured that the main thing was that I should not prevent the construction process and I would certainly receive the consideration against the plants being damaged in excess. Unfortunately, it appeared that that was the lie. Thus, I still expect the compensation against two apple-trees cut down in excess.

37 The Claimant Vakhtang Labadze

My claim is identical to those brought by two previous claimants. In the course of construction of the pipeline, several apple-trees were cut down in excess on my plot as well. I repeatedly applied in writing both to the construction company and the Association for Protection of Rights of Landlords in Akhaltsikhe, as well as BTC Pipeline Company. All responses to my written claims were negative and in addition, they were always in verbal form. After the emphatic request for a written response, Leri Jojua passed me the letter signed by Stewart Duncan, which referred to the number of the plot adjacent to mine (where no-one could notice more than two plants). I suspect that no-one has objectively examined the situation on-site and that mistake was caused by that fact. I also believe that if certain efforts be made, the rightfulness of my demand could be proved easily by means of aerial photographs.

38 The Claimant Badri Gasitashvili

My house is located in Atskuri, at the first kilometre of the Atskuri-Tiseli road on the height existing on the right side of that road (the Atskuri-Tiseli road passes by the base of the said height). As soon as the construction of the BTC pipeline commenced and further, the gas pipeline, both heavy trucks and passenger cars of the construction company permanently passed through that road.

- 39 As the road is narrow at the place where my house stands and that was really hard for the trucks loaded with the pipes and the building materials to disperse there, the company has widened the roadway. They have excavated away the part of the height right at the location of my house. Due

to the excavation of the land, the soil started crumbling down. As the time went by, the cracks started appearing in the walls of my house; at the same time, in order to avoid collapsing the fence, I carried it closer by 0.5 metres. In autumn of the year of 2006, the cattle-shed located in the yard collapsed and the fact of that collapse occurred right during the period, when the construction company carried the huge cobbles through the road and accordingly, the vibration was very strong.

- 40 I repeatedly applied with the verbal claims to the representative of BTC Pipeline Company Tamar Tandashvili, as well as Enver Khvitia and Dato Gogoladze, but the response always was that that did not constitute the problem of the Company, since they did not inflict any direct damage to me. I was advised to apply to the transportation company or the construction company directly.
- 41 On March 13, 2006, I applied to the Land and Permits Manager Stuart Duncan of BTC Pipeline Company; however, I neither got any response to that letter of mine nor did anyone reach me in order to examine the situation on-site. As it has come to my attention, this year, the Company intends reconstructing the said section of the road and I am afraid that in the course of those works, some more parts could be excavated away from the height, and that would finally ruin my house.

4. ACTIVITIES PERFORMED BY THE GROUP FOR THE PURPOSES OF SETTLEMENT OF THE PROBLEM

- 42 The activities performed by the claimants for the purposes of solution of the problem are described above (see Paragraph 3), and the list of documents evidencing those activities and being at our disposal is set forth below (see Paragraph 5).
- 43 In addition to the above, as far as European Bank for Reconstruction and Development constitutes the financing body of Baku-Tbilisi-Ceyhan Oil Pipeline Project, on June 19, 2007, the claimants also applied to the Representative of European Bank for Reconstruction and Development in Tbilisi, Mr. Nikolay Hajinski, with the request for examination of and relevant response to the claim. Unfortunately, there was no response to the claim.

5. THE FACTS AND ARGUMENTS

- 44 The list of documents being at our disposal and proving the truth of problems brought by the claimants in the claim and reflecting the activities performed for the purposes of solution thereof is set forth below.
- 45 The provided documents do not fully reflect the activities performed by the claimants, since, the claimants frequently missed the copies of letters filed with BTC Pipeline Company, the contractors thereof and various public authorities and entities. Furthermore, the claimants often applied to the representatives of the Company and the construction contractor thereof with the verbal claims, since following to the guideline disseminated in the village by the Company, the claimants could submit both the verbal and written claims.
- 46 In case of examination of the problems brought in the proposed claim, the claimants hope that the originals of letters sent by the claimants, the copies whereof are missing, as well as the verbal claims (which, as a rule, should be registered in the claims registry maintained by BTC Pipeline Company and the construction contractor thereof) would be available to representatives of the Bank from the relevant institutions and companies.

- 47 Annex 1: the documentation provided by the Claimant Natela Khugashvili (in 9 sheets).
- 48 Annex 2: the documentation provided by the Claimant Tamar Labadze (in 14 sheets).
- 49 Annex 3: the documentation provided by the Claimant Jemal Tenoshvili (in 8 sheets).
- 50 Annex 4: the documentation provided by the Claimant Rusiko Chernievi (in 9 sheets).
- 51 Annex 5: the documentation provided by the Claimant Valerian Labadze (in 5 sheets).
- 52 Annex 6: the documentation provided by the Claimant Vakhtang Labadze (in 6 sheets).
- 53 Annex 7: the documentation provided by the Claimant Badri Gasitashvili (in 2 sheets).
- 54 Annex 8: the letter of June 15, 2007 by the claimants addressed to the Representative of European Bank for Reconstruction and Development in Tbilisi Mr. Nikolay Hajinski (in 7 sheets). Note: to the letter was attached the same documentation as here; thus, the annexes to the letter addressed to Nikolay Hajinski are not attached hereto. However, as per request, the claimants are prepared to produce the full package sent to Mr. Hajinski.

6. OPERATION POLICY OF THE BANK, REQUIREMENTS WHEREOF WERE MIS-COMPLIED WITH

- 55 We believe that by the activity thereof, Baku-Tbilisi-Ceyhan Pipeline Company has breached the Policy 4.30 of the World Bank on Forced Resettlement, which is mandatory for European Bank for Reconstruction and Development in accordance with the Environmental Policy; and the relevant representatives of European Bank for Reconstruction and Development did not responded timely and adequately in order to ensure for consistent and fair implementation of the resettlement action plan.

7. OPTIONS FOR SETTLEMENT OF THE PROBLEM

- 56 The claimants demand for examination of the problematic matters raised by them in this claim, determination and assessment of the damage inflicted to them and payment of the relevant compensation, if the said damage is determined.
- 57 The sole objective of the claims brought by the claimants is to obtain a final clarification regarding the situation related to their plots and to receive the fair and adequate compensation against the damages inflicted to them.

8. THE PREVIOUS CLAIMS

- 58 The activities effected by the claimants until now, inclusive of the facts of application to various public authorities and the responses to the claim, are described above (see Paragraph 3).
- 59 For the purposes of solution of the problem, the claimants did not apply to a court, since they can not bear the costs required for a case prosecution. The claimants refer to the prejudicialness of courts and control of the judiciary system by officials as to another reason for refraining from application to a court.

9. COMMUNICATION LANGUAGE

60 The most desirable language for communication with the Bank is the native Georgian language.

10. CONFIDENTIALITY OF THE GROUP MEMBERS

61 Neither claimants nor representatives thereof request for confidentiality.

11. DECLARATION AND SIGNATURE

62 We, the signatories hereunder, acting as the duly authorized representatives of the group of victims, hereby present this claim. The group of victims, in order to protect the interests of the group, has granted us the right for joint activity (see Annex 9, the notarised copies of Notary Acts proving assignment of the powers).

Signature [Signature]

Leila Sesadze
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Tel.: (+995 99) 68 19 73,
(+995 98) 17 89 30
Fax: (+995 32) 223 874
E-mail: atskuri_akhaltzikhe@yahoo.com or
greenalt@wanex.net

Signature [Signature]

Jemal Tenoshvili
Residing at: Atskuri village,
Akhaltzikhe district, Georgia
Fax: (+995 32) 223 874
E-mail: atskuri_akhaltzikhe@yahoo.com or
greenalt@wanex.net

Translated from Georgian

ANNEX 1

Documentation provided by the Claimant Natela Khugashvili

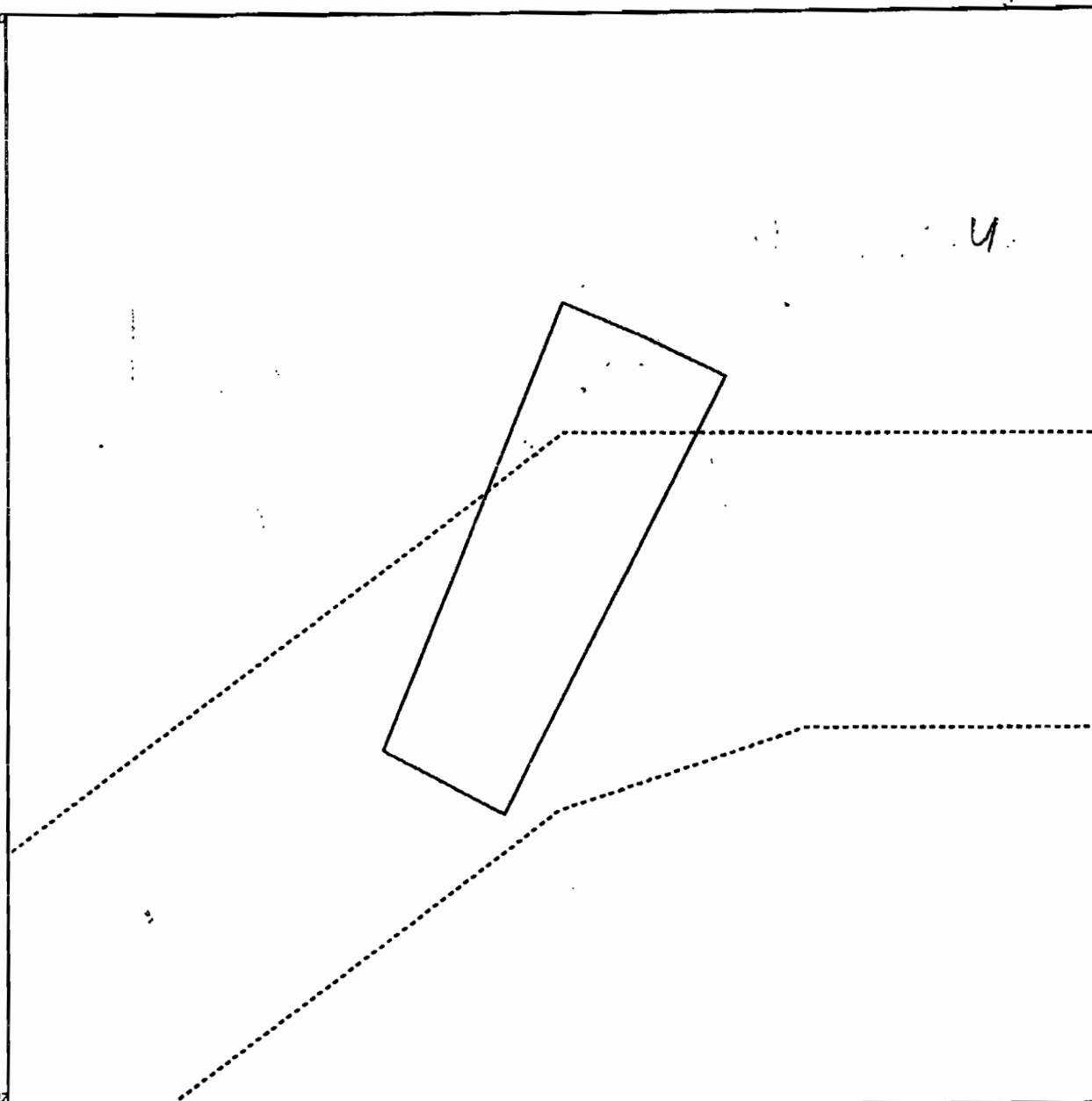
| Plot data | | | |
|---|----------------------------|--|----------------------------|
| District | Akhaltikhe | Full name | Khugashvili Natela |
| Sakrebulo | Atskuri | Address | Atskuri village |
| Plot No | 6204263 | Land category | Plot / tillage, irrigative |
| Land registration No | 620410178 | Total plot area, sq.m. | 1,662.1892 |
| Status | Private | Plot area within the construction passage, sq.m. | 1,239.5233 |
| Plot sketch | | | |
| <p>[Plot sketch]</p> <p>Scale 1 : 1,000</p> | | | |
| Conventional signs: | | | Signature |
| Trench | | | Full name |
| Tree | Drainage / irrigation pipe | Holder / Lessee | |
| Water well | Structure | BP Representative | |
| Fence | Photograph | I Witness | |
| Sowing edge | (direction) | II Witness | |
| | | Date | |

| მიწის ნაკვეთის მონაცემები | | | |
|---------------------------|-----------|---|----------------------------|
| რაიონი | ახალციხე | სახელი, გვარი | ზუგაშვილი ნათელა |
| საკრებულო | აწყური | მისამართი | სოფაწვერი |
| ნაკვეთის № | 6204263 | მიწის კატეგორია | სასნავი / სასნავი სარწყავი |
| მიწის სარეგისტრაციო № | 620410178 | ნაკვეთის მთლიანი ფართობი, მ2 | 1662.1892 |
| სტატუსი | კერძო | ნაკვეთის ფართობი სამშენებლო დერეფანში, მ2 | 1239.5233 |

მიწის ნაკვეთის ნახაზი

N 4621160

N 4620997

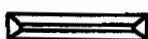


E 8350001

მაშტაბი 1 : 1000

E 8350159

აღნიშვნები :



= ბოგირი / თხრილი

T = ხე



= ღრენაფი / სარწყავი მილი

⊙ = წყლის კა



= ნაგებობა

✱ = ღობე



= ფოტოსურათი (მიმართულებით)

----- = ნათესის საზღვარი

| | ხელმოწერა | სახელი, გვარი |
|---------------------|-----------|---------------|
| მესაკუთრე/მოიჯარე | | |
| BP-ს წარმომადგენელი | | |
| მოწმე(1) | | |
| მოწმე(2) | | |
| თარიღი | | |

The Act

Atskuri Community Sakrebulo

....., 2004

We, the undersigned, the Acting Chairman of the Atskuri Community Sakrebulo, Gela Mumladze, the Senior Officer of the Land Management Service of Akhaltsikhe District, Ramis Gvaramadze, the Members of the Atskuri Community Sakrebulo, Nikoloz Labadze and Malkhaz Kebabze, the resident of Atskuri village, Taniel Labadze and Temur Tabagari executed this Act due to the following situation:

In accordance with the information received through the land measuring carried out by the Land Management Service, the Public Registry and [illegible], the inventory was held within the 44-metre construction passage of the BTC main pipeline of [illegible] BP. Payout of the compensation amount against [illegible] covered by the 44-metre construction passage above [illegible], however, right in the course of construction, certain alterations occurred. As a result of the on-site visit of the commission and the repeated land measuring, the following was disclosed:

The holder of the private plot – Khugashvili Natela, whose plot is located in Atskuri (Divchairi); plot number – 6204263; registration number of the plot – 620 410178; total area of the plot – 1,662.1892 sq.m. After the primary land measuring, the area of 1,239.5233 sq.m. was occupied by the construction passage. However, after commencement of the works, due to unknown causes, the said area was increased to 0.04²³ ha. The commission arrived during business hours. The trees and bushes were cut down, however some remained standing. In order to acknowledge the actual situation, the owner invited the holders of the adjacent plots, who confirmed the above by causing their signatures. In witness whereof, we hereby caused our signatures. The acknowledgement of truth is attached hereto.

1. [Signature] /Mumladze/
2. [Signature] /Gvaramadze/
3. [Signature] /N.Labadze/

4. [Signature] /Kebabze/
5. [Signature] /T.Labadze/
6. [Signature] /Tabagari/

We, the undersigned, hereby acknowledge validity of the fact by causing our signatures hereunder.

*Totadze Gocha
Makhatadze Abesalomi
Gogoladze Misha
Labadze Vepkhia
Makhatadze Romani
Makhatadze Tamazi
Labadze Iuza*

We hereby confirm that our agricultural plots are adjacent to the plot held by our neighbour Natela Khugashvili. The plot registration number is 620410178. Indeed, 4 (four) pear-trees, 6 (six) [illegible], 12 (twelve) plum-trees and 18 (eighteen) dog-rose bushes, as well as the lichen covering the area of 0.01²⁰ sq.m. existed there. At present, due to occupation by the 44-metre construction passage, the said trees and bushes are missing.

In witness whereof, we hereby cause our signatures:

- 1. [Signature] /G. Totadze/*
- 2. [Signature] /A. Makhatadze/*
- 3. [Signature] /M. Gogoladze/*
- 4. [Signature] /V. Labadze/*
- 5. [Signature] /R. Makhatadze/*
- 6. [Signature] /T. Makhatadze /*
- 7. [Signature] /I. Labadze/*

[The bilingual letter by Spie Capag S.A.-Petrofac International Ltd.
addressed to Mrs. Natela Khugashvili]

Date: 11.09.04

Ref: PL-GO-L-0285-C 0285

| | |
|---|--|
| To: Mrs:Natela Khugashvili Akhaltsikhe Region, village Atskuri | ქალბატონ: ნათელა ხუგაშვილს ხალციხის რაიონი, სოფელი აწყური |
|---|--|

| | |
|-----------------|--|
| Subject: | Close out confirmation to complaint #285 of 03.09.2004 თანხმობა 3 აგვისტოს № 285 საჩივრის დახურვაზე |
|-----------------|--|

Dear Mrs. Natela :

Our company discussed your complaint regarding the extra land and cut trees on that area. Our CLO visited you on 11th of September and has verified that there is an extra land taken from your land parcel, but that extra land was acquired by BTC Co and you can approach BTC Co for the further discussions.

As this problem doesn't pertain to the construction company, your complaint has been closed out.

With Regards,

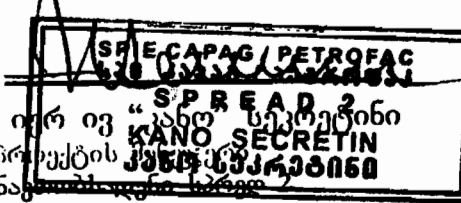
Pierre Yves "Kano" Secretin
Project Manager
Pipeline Spread 2
Spie Capag-Petrofac International Limited.

ქალბატონო ნათელა,

ჩვენმა კომპანიამ განიხილა თქვენი საჩივარი ძედმეტი მიწის მითვისების და დამატებითი ხეების მოჭრის თაობაზე. ჩვენმა საზოგადოებასან ურთიერთობის ოფიცერმა მოინახულა თქვენი ნაკვეთი და აღმოჩნდა რომ იქ ნამდვილად არის ზედმეტი მიწა აღებული, მაგრამ ის ზედმეტი მიწა ბოჯ კომპანიის მიერ იყო შეძენილი და შეგიძლიათ მიაკითხოთ ბოჯ კომპანიას შემდგომი განხილვისათვის.

რადგანაც ეს პრობლემა არ მიეკუთვნება სამშენებლო კომპანიას თქვენი საჩივარი დაიხურა.

პატივისცემით,


იქ ივ "კანო" სეკრეტინი
პროექტის მენეჯერი
ნათელა ხუგაშვილს
სპი-კაპაგ პეტროფაკი

Received and accepted by: _____

მივიღე და ვეთანხმები: 

[The trilingual letter by BP
addressed to Mrs. Natela Khugashvili]



Complaint reference number: BP-058

Date: 13/04/2007

Dear Natela Khugashvili

This letter is to acknowledge receipt of the complaint you submitted to BP.

It will be necessary to thoroughly investigate your complaint and we will provide a specific response to your complaint when such investigations are completed. If you make any further enquiries in relation to this complaint, please quote the above Reference Number.

Yours Sincerely

Maria Morgan
Social Team Leader

საჩივრის ნომერი: BP-058

პატივცემულო ნატელა ხუგაშვილი

ამ წერილით ვადასტურებთ, რომ თქვენს მიერ წარდგენილი საჩივარი BP-ში შემოვიდა.

გაუწყებთ, რომ თქვენ მიერ წარდგენილი საჩივარი დეტალურ და საფუძვლიან შესწავლას საჭიროებს და მასზე რეაგირებას საკითხის ზემოთხსენებული შესწავლის შემდეგ მოვახდენთ, რის შესახებაც შესაბამის შეტყობინებას მიიღებთ. თუკი ამავე საჩივართან დაკავშირებით დამატებით რაიმე შეკითხვით მოგვმართავთ, გთხოვთ მიუთითოთ ზემოთ ნაჩვენები საიდენტიფიკაციო ნომერი.

პატივისცემით,

მარია მორგანი
სოციალური ჯგუფის ლიდერი

Номер жалобы: BP-058

Уважаемый / Уважаемая Натела Хугашвили

Настоящим подтверждаем, что в Компанию BP поступила ваша жалоба. Просим принять к сведению, что до того как реагировать на данный вопрос, нам необходимо всесторонне изучить данную жалобу. В случае, если вы обратитесь к нам с дополнительными вопросами в связи с данной жалобой, просим указать идентификационный номер обозначенный в начале письма.

С уважением,

Мария Морган
Лидер социальной группы

*BTC Pipeline Company
in Georgia*

Ref. No [illegible]

*Natela Khugashvili
the resident of Atskuri village
of Akhaltsikhe District*

The Claim

In 2002, the Company entered with me in the agreement concerning [illegible] of the plot held by me, which was occupied by the construction passage. The agreement concerned the area of 1,240 sq.m. of the plot No 620 42 62, which area constituted 1,662 sq.m. following to the land measuring results.

In the course of construction, the Company used the remaining area as well. On 3 August, 2004, I informed Petrofac with that regard; they sent their representative, who confirmed misappropriation of the remaining area in excess and the cut down trees. The above was [illegible] in their response as of 11 September, 2004. I have repeatedly sent the claim, which remained without any positive or negative answer. On 17 March, [illegible], your representatives visited the village, who carried on the process of restitution of the plots. I applied to them with the claim and requested that I should receive back the plot of 1,662 sq.m. instead of 1,237 sq.m. They did no [illegible] my claim and left [illegible] of the agreement regarding my plot.

I hereby request once again the representative office of the Company in Georgia to consider my problems and acknowledge the [illegible] plot area, pay me the relevant compensation and enter with me in [illegible] use of the area of 1,662 sq.m. of the plot No620 42 62.

Looking forward to your response within the established term.

I hereby attach to the claim as follows:

*the cadastral sketch;
the document issued BTC Pipeline Company concerning the compensation;
the responses by Petrofac;
the Act executed by the Atskuri Sakrebulo.*

[Stamp]

Yours sincerely, Natela Khugashvili

20 March, 2007.

The Claim Closure Field Form
[Russian translation]

We hereby confirm that the claim brought by Mr./Ms. on / / was examined and is closed following to the details provided hereunder. The form was filled out in two counterparts, one of which is to be stored with BP and the genuine copy is to be delivered to the claimant.

[Russian translation]

| | |
|--|--|
| BP representative [Russian translation] | <i>[Illegible]</i> |
| The claimant [Russian translation] | <i>Natela Khugashvili</i> |
| Other reference number (if any) (The number of letter or the number of BP-XXX claim) [Russian translation] | <i>BTC / 3227</i> |
| Location (District/Village/Kilometerage/Coordinates) [Russian translation] | <i>Atskuri village</i> |
| Claimant's contact details (Address/Telephone number) [Russian translation] | <i>Compensation against the whole [Illegible] of the plot beyond the construction passage and [Illegible] of the trees within the passage</i> |
| Plot number [Russian translation] | <i>6204263</i> |
| Claim details [Russian translation] | <i>I request for the compensation against 420 sq.m. as of the year of 2006 and the cut down trees.</i> |
| Grounds of closure of the claim [Russian translation] | <i>She was paid for the year of 2006 [Illegible] of 250 sq.m. we proposed 420 sq.m. – 250 sq.m. [Illegible] [Illegible] compensation, which she denied. There were no trees on that plot following to our information.</i> |

Signature by the BP representative [Signature] Date 18.05.2007
[Russian translation]

Signature by the Claimant [Signature] Date 18.05.2007
[Russian translation]

ANNEX 2

Documentation provided by the Claimant Tamar Labadze

David Morgan
[Illegible] Manager – Georgia

/Logo/

30 June, 2006
BTC/OUT/2340/06

To Mr. Gela Mumladze and Ms. Tamar Labadze
Atskuri village of Akhaltsikhe district

Dear Mr. Mumladze and Ms. Labadze,

We hereby deliver the Russian copy of the Vibration Testing Report related to the transportation means engaged at construction of the gas pipeline and the oil pipeline, delivery whereof was requested from Baku-Tbilisi-Ceyhan Pipeline Company (hereinafter referred to as BTC Co) at the meeting held at the office of the Compliance Advise Ombudsman (hereinafter referred to as CAO) on 16 February of this year for the purposes of final settlement of the claim related to the vibration caused by the transportation means.

We hereby iterate that BTC Co deem the said matter settled and on our side, we do not plan any further activity to be performed with that regard.

Yours sincerely,

[Illegible]

David Morgan

Annex – 3 copies of the Report above.

[The English copy of the Response to Complaint by Spie Capag Petrofac
addressed to Ms. Tamar Labadze in 2 sheets]

Date: 25.09.04

To: Mrs. Tamar Labadze

Akhaltzikhe Region, Village Atskuri

Response to complaint #0177 of 23.06.04

Dear Mrs. Labadze,

The BTC Pipeline construction contractor – Spie-Petrofac – has reviewed your complaints related to alleged damage to houses and buildings due to vibration from pipeline construction traffic on nearby roads. The JV has several years working experience on pipeline building in different countries using its machinery and transport and first time in Georgia faced this kind of complaint from local residents.

In order to verify the ground of your complaints the Spie JV conducted vibration tests. The Spie JV used the United States environmental regulations and the U.S. Department of Transportation guidelines specific to construction-generated vibration, the U.S. standard that allows ground vibration levels, measured by peak particle velocity, of 1.27 inches/second measured at the nearest structure.

As you are aware, Spie Petrofac carried out tests on 07.04.04 in Vale to measure vibrations generated by project traffic. A fully loaded truck weighing approximately 32 tons was used during the test, passing at speeds between 20 km/hour and 60/km per hour.

The tests (attached 13 pages) indicate that the vibration levels as a result of the passing truck were significantly below internationally accepted standards that could cause structural damage to buildings.

Moreover Spie-Petrofac has compared to vibration levels, which are normally applied to historic structures and monuments as the project standard. The consensus among international experts is that acceptable vibration levels for historic structures should be no more than 10-20% of those for modern buildings. When applying the standard for historic structures and monuments (10-20% of those for modern structures), this vibration limit is reduced to 0.127- 0.254 inches/second.

From the attached results, it is clear to see that the vibration limits recorded during the relevant tests were significantly lower than even those allowed for historic structures and monuments. Specifically, the vibration levels generated by construction traffic are less than half of the lowest allowable limit for historic structures and monuments.

[The English copy of the Vibration Testing Report
by Spie Capag Petrofac in 10 sheets]

Environment Department Akhaltsikhe – SPJV Spread 2

Vibration Testing Report

Atskuri

The vibration tests hereafter described were done as an answer to request from the local inhabitants in order to identify the extend of impacts of vibrations generated by the Project's vehicles on the structure of houses in the village.

These tests were performed on the 3^d of September 2004, on 7 houses selected as being representative of the maximal vibration exposure of houses in their area. The equipment used was a seismometer type "Minimate Plus" (Serial No.BE9174) manufactured and calibrated in 23.01.04. by "Instatel inc." This equipment, usually employed to measure the vibrations due to seismic movements and to blasting, is able to handle triggers ranging from 0.508 to 254 mm/sec.

Before starting the tests, we set the triggering at 0.6 mm/sec., value corresponding to the vibrations generated by normal activities surrounding the habitations (ambient vibration – measured initially before doing the actual tests); below this value, vibrations are not considered as significantly impacting the structure of a proper habitation. The records were taken on different points over the village: 2 houses on the right side of Kura river, and 5 near the main Akhaltikhe-Borjomi road.

The simulation of the actual traffic conditions in terms of equipment and speed was done as described below:

- a Kamaz truck loaded with pre-cast concrete panels weighting approximately 19 tons was used to simulate vibrations for the first 3 houses located from each side of Atskuri bridge (since only light and logistic support vehicles are allowed to cross that bridge) at low speed (20 km/h) and high speed (40 to 50 km/h);
- a fully loaded Mercedes Pipe trailer weighting approximately 32 tons was used for the 4 remaining houses, simulating the traffic occurring on the main road, at low speed (20 to 25 km/h) and high speed (55 to 60 km/h).

Hereafter are given the results that we obtained during this campaign.

Results:

• 1st House – Dato Chubinidze

This house is the second one on the left side of the way to Atskuri bridge from the central road. It a two-story house made of bricks, comprising several cracks that have been observed inside on the North, West and South walls.



General view of the house from the road

| | | | | | |
|------|----------|--------------------------|----------------|------------|------------------|
| 0 | 13/09/04 | Vibration test - Atskuri | Anton Gogvadze | M. Lasne | PP Secretin |
| Rev. | Date | Reason of issue | Prepared by | Checked by | Project approval |

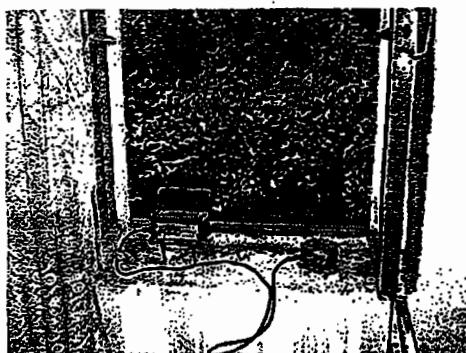


To measure the most vibrations we installed the seismometer on the edge on the window of the western wall (2^d floor), which is the most exposed to traffic vibrations (located approximately 7 m away from the road).

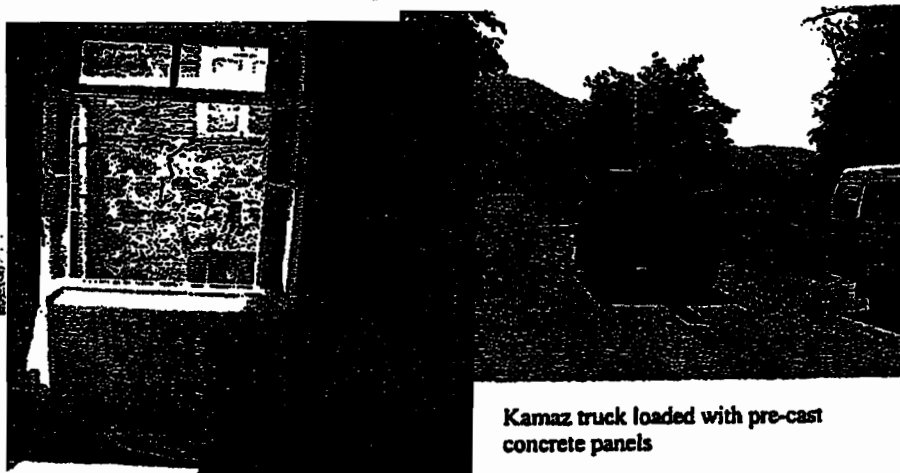
We used for this test a Kamaz truck loaded with pre-cast concrete elements. No significant activity was observed (mainly Toyota light vehicles traffic).

The tests gave us the following results:

- Apparatus Serial N: BE9174
- Trigger level: 0.6 mm/sec
- Placement of apparatus: The seismometer was placed on the second level of the house in the room, which was the nearest to the road. The floor in the room being made of wood, it was rather decided to place the apparatus on the window in order to allow a better progression of the vibrations.
- Results obtained for:
 - * Kamaz truck passing quickly (40 km/h): Attachment 1
 - * Kamaz truck passing slowly (20 km/h): Attachment 2



Seismometer installed on a window of the western wall,



View of a major crack observed on the southern wall, 2d floor

Kamaz truck loaded with pre-cast concrete panels

Remarks:

The results from the seismometer show that there is a difference between the normal activity and when the Kamaz truck passes by various speeds (low and high): new frequencies are generated by the passage of the Kamaz truck, which then gives us a different type of vibrations.

The house on which test were conducted comprises several cracks, especially an important one going from the floor to the window ledge. These cracks seem to be anterior to the Project, due to an improperly reinforced structure.

• 2nd House – Eugenia Kurtanidze

This house is located approximately 250 m from Atskuri bridge on the main village road leading to Tiseli. It is a one-story house made of 1 main wall constructed out of stones sealed together with concrete, and of 3 wooden walls, with mainly soiled floor. The nearest wall from the road (stones and concrete) is approximately 2 m away from it.

| | | | | | |
|--|----------|--------------------------|------------------------------|--------------|------------------|
| 0 | 13/09/04 | Vibration test - Atskuri | Anton Gogvadze | M. Lasne M.L | PY Secretin |
| Rev. | Date | Reason of issue | Prepared by | Checked by | Project approval |
| Designation: Vibration Testing Report- Atskuri | | | Registration No: MS-JV2-0007 | | Page 2 of 7 |



It was decided to install the sensor of the seismometer inside the house, on one of the only hard standing places that we could find in the house and that could transmit vibrations in a satisfactory manner (stony area of the floor, 2 m away from the main wall).



General view of the house from the road leading to Tiseli



Seismometer installed on a stony area of the floor, at approximately 2 m from the main wall

The tests gave us the following results:

- Apparatus Serial N: BE9174
- Trigger level: 0.6 mm/sec
- Placement of apparatus: The sensor of the seismometer was placed on a stony part of the floor which was the optimal place nearest to the road, to enable a better progression of the vibration.
- Results obtained for:
 - * Kamaz truck passing quickly (50 km/h): No Results (i.e. no vibrations exceeding 0.6mm/s)
 - * Kamaz truck passing slowly (20 km/h): No Results (same).

Remarks:

No significant cracks were observable in the house and the vibrations caused by the project vehicles present were lower than 0.6mm/sec.

• **3rd House – Eugenia Gelashvili**

This house is situated 600 m from Atskuri bridge, on the main road of the village leading to Tiseli. It is a two-story house with wooden floor located approximately 5 m from the main road.

The seismometer was installed on the concrete floor of the balcony which appeared to be the nearest to the road.

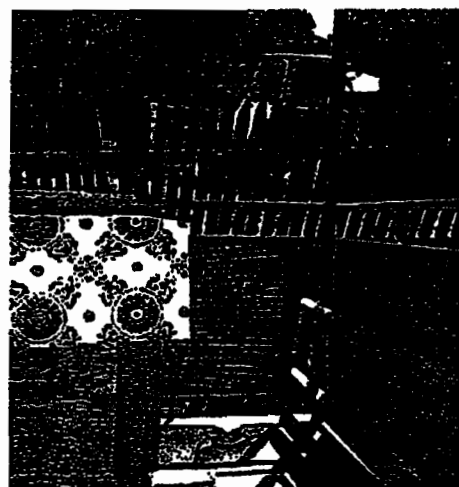
The tests gave us the following results:

- Apparatus Serial N: BE9174
- Trigger level: 0.6 mm/sec
- Placement of apparatus: Concrete floor of the balcony.
- Results obtained for:
 - * Kamaz truck passing quickly (50 km/h): No Results
 - * Kamaz truck passing slowly (20 km/h): No Results

| | | | | | |
|------|----------|--------------------------|-----------------|---------------|------------------|
| 0 | 13/04/04 | Vibration test - Atskuri | Anton Gogvadze | M. Lasne M.L. | PY Secretin |
| Rev. | Date | Reason of issue | Prepared by A.G | Checked by | Project approval |



General view of the house from the road leading to Tiseli



Installation of the seismometer of the concrete balcony

Remarks:

No important damage was noticeable in the house and the vibrations caused by the project vehicles present were lower than 0.6mm/sec.

• **4th House – Eter Bujishvili**

This house, located near the national road from Akhaltsikhe to Borjomi, is a one-story house, whose nearest wall to the road is approximately 15 m away from it.

It was decided to install the seismometer on the window ledge.

The tests gave us the following results:

- Apparatus Serial N: BE9174
- Trigger level: 0.6 mm/sec
- Placement of apparatus: The sensor of seismometer was placed on the window ledge.
- Results obtained for:
 - * Mercedes Pipe trailer passing quickly (60 km/h): Attachment 3
 - * Mercedes Pipe trailer passing slowly (25km/h): No results



Seismometer installed on the ledge of the window – nearest wall from the national road

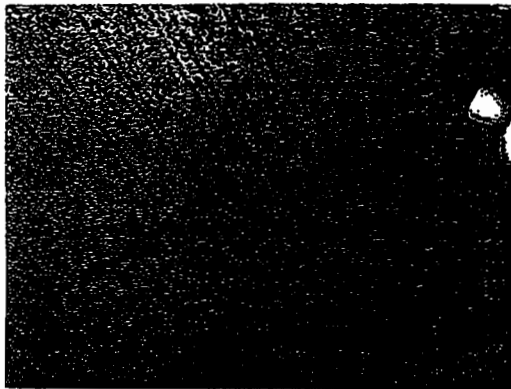
Remarks :

The results from the seismometer show that there is a difference between the normal activity and when the Mercedes Pipe trailer is passing quickly. New frequencies are being generated by the Mercedes Pipe trailer, which then gives us vibrations exceeding the ambient level.

The house on which the tests were conducted has cracks on the roof and on a few walls. These cracks did not appear to be recent during the visit; the walls as well as the roof presented significant traces of persistent humidity, with an insufficient chainage considering the surface of the roof. All this gives an explanation for the apparition of the observed cracks.

| | | | | | |
|------|----------|--------------------------|-----------------|--------------|------------------|
| 0 | 13/09/04 | Vibration test - Atskuri | Anton Gogvadze | M. Lasne W-L | PY Secretin |
| Rev. | Date | Reason of issue | Prepared by A.B | Checked by | Project approval |

is also worth mentioning that this house is located near the railway. During the tests we could witness the passage of one train, which obviously created much more vibrations than the truck itself. Those vibrations could have contributed – as far as this house is concerned - to worsen a situation which appears to be already problematic.



View of cracks observed on the roof



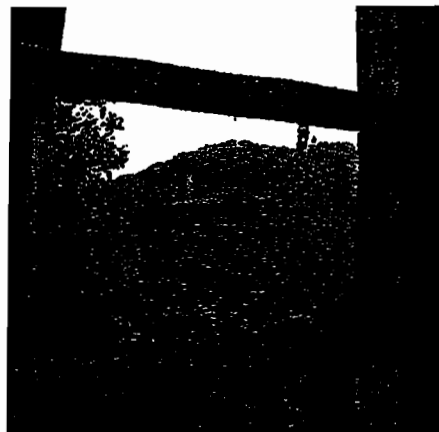
View of cracks observed on the roof

5th House – Dali Gambashidze

This house is a two-story house with wooden floors, situated on down side of the bridge of the national road from Akhaltsikhe to Borjomi, approximately 50 m away from it. The seismometer was installed on the internal window ledge which appeared to be the closest from the road as well as the most suitable place for the sensor.



Pipe trailer passing on the bridge of the national road during the tests



View of the bridge of the national road



Installation of the seismometer

The tests gave us the following results:

Apparatus Serial N: BE9174
Trigger level: 0.6 mm/sec
Placement of apparatus: The seismometer was placed on the window ledge, which was the optimal place nearest to the bridge. This place was allowing a better progression of the vibration.

Results obtained for:

- * Mercedes Pipe trailer passing quickly (60 km/h): No Results
- * Mercedes Pipe trailer passing slowly (25 km/h): No Results

| | | | | | |
|------|----------|--------------------------|-----------------|--------------|------------------|
| 0 | 13/04/04 | Vibration test - Atskuri | Anton Gogvadze | M. Lasne M.L | PY Secretin |
| Rev. | Date | Reason of issue | Prepared by A.G | Checked by | Project approval |



Remarks:

There were some light apparent cracks in a few corners of the house, but nothing of big concern or danger.

The owners of the house mentioned that this area used to witness much higher vibrations before the bridge was repaired.

However, during these tests, the vibrations caused by the project vehicles present were lower than 0.6 mm/sec and therefore, there was from these tests no evident proof that such cracks may have been generated or worsened by the Project's vehicles.

• **6th House – Nona Chubinidze**

This house is a one-story house with wooden floor situated on the right (northern) side of the national road from Akhaltsikhe to Borjomi towards Akhaltsikhe, near the bridge. It is located approximately 30 m away from the national road.

It was decided to install the seismometer on the concrete stairs, which were the nearest place to the road allowing a good progression of vibrations.

The tests gave us the following results:

- Apparatus Serial N: BE9174
- Trigger level: 0.6 mm/sec
- Placement of apparatus: Concrete stairs
- Results obtained for:
 - * Mercedes Pipe trailer passing quickly (60 km/h): No Results
 - * Mercedes Pipe trailer passing slowly (25 km/h): No Results



View of the house from the national road

Remarks:

There was no important damage noticeable in the house and the vibrations caused by the Project's vehicles present were lower than 0.6mm/sec; therefore, there is no evident proof that such cracks would have been increased by Project's traffic.



Installation of the seismometer

• **7th House – Omar Gasitashvili**

This house is a two-story house with wooden floor, situated on the right (northern) side of the national road from Akhaltsikhe to Borjomi towards Akhaltsikhe, approximately 30 m from the road.

| | | | | | | |
|------|------------|--------------------------|------------------|------------|------|------------------|
| 0 | 13/09/2004 | Vibration test - Atskuri | Anton Gogvadze | M. Lasne | M.C. | PY Secretin |
| Rev. | Date | Reason of issue | Prepared by A.G. | Checked by | | Project approval |



The seismometer was installed on the window ledge, which was the nearest place to the road allowing a good progression of the vibration.

The tests gave us the following results:

- Apparatus Serial N: BE9174
- Trigger level: 0.6 mm/sec
- Placement of apparatus: window ledge
- Results obtained for:
 - * Mercedes Pipe trailer passing quickly (60 km/h): No Results
 - * Mercedes Pipe trailer passing slowly (25 km/h): No Results

Remarks:

There was no important damage noticeable in the house and the vibrations caused by the project vehicles present were lower than 0.6mm/sec.



View of the house from the national road



Installation of the seismometer

Conclusion

It seems that there are no significant results generated when trucks drive by the habitations except for generating new sinusoidal vibrations at lower frequencies. Among the 7 houses tested, results have been obtained for 2 only (house # 1 -Dato Chubinidze- and # 4 -Eter Bujishvili), and still they do not indicate a significant increase in vibration that could damage a proper house (see attachments).

The houses on which tests have been performed were found to be in a generally bad state, with cracks demonstrating that the masonries have already be weakened before the Project by insufficient structural reinforcement and persistence of humidity in the walls and the roof. Considering this initial state, even small vibrations can contribute to worsen the existing structure.

As a conclusion, none of the houses tested presented evident proofs of damages that would have been specifically caused by Project's vehicles traffic.

| | | | | | |
|------|----------|--------------------------|------------------|---------------|------------------|
| 0 | 13/04/04 | Vibration test - Atskuri | Anton Gogvadze | M. Lasne W.L. | PY Secretin |
| Rev. | Date | Reason of issue | Prepared by A.G. | Checked by | Project approval |

Designation: Vibration Testing Report- Atskuri Registration N°: MS-JV2-0007

Date/Time Tran at 12:36:46 September 3, 2004
 Trigger Source Geo: 0.600 mm/s
 Range Geo :254 mm/s
 Record Time 1.0 sec at 1024 sps
 Job Number: 1

Serial Number BE9174 V 4.37-4.35 MiniMate Plus
 Battery Level 6.2 Volts
 Calibration January 23, 2004 by Instantel Inc.
 File Name K174ASML1A0

Notes
 Location: Atskuri
 Client: Chubidze Dato
 User Name:
 General:

Extended Notes

Post Event Notes

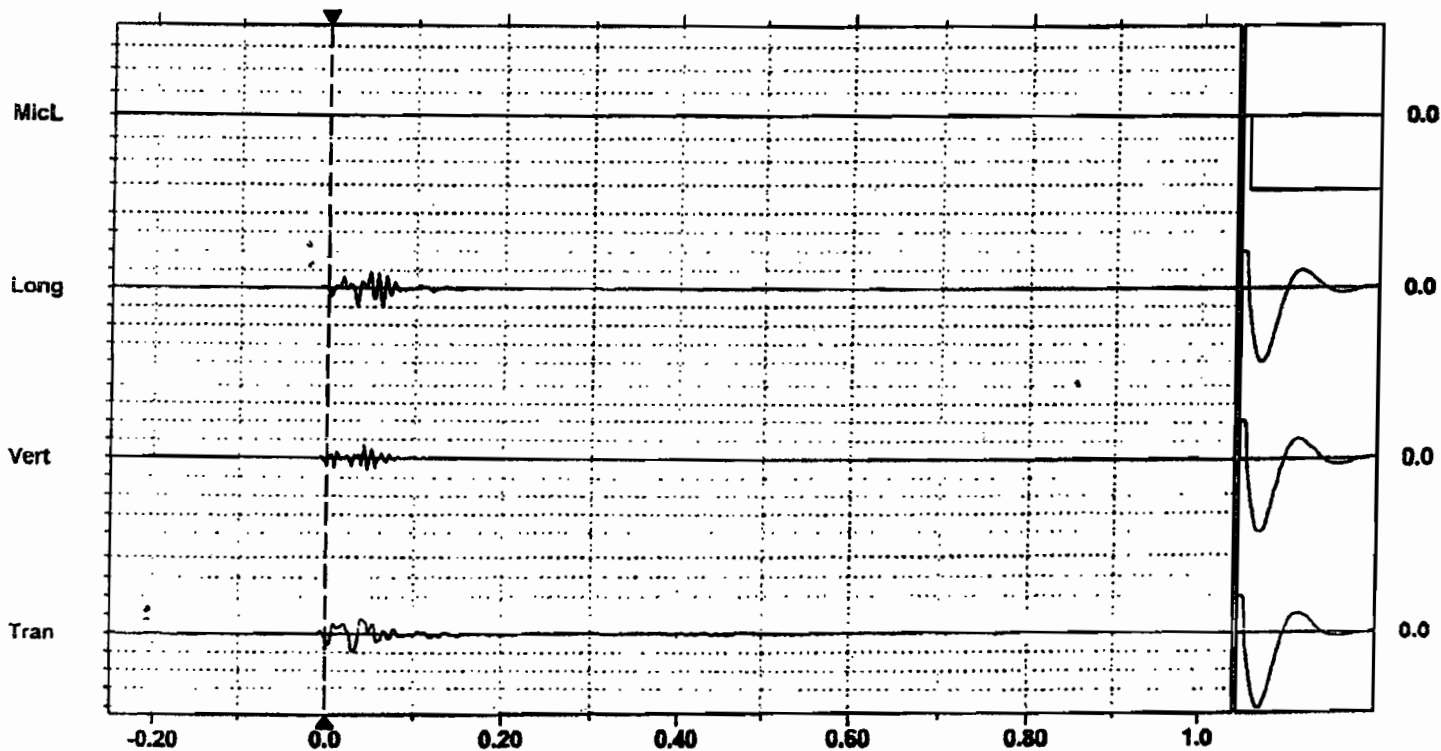
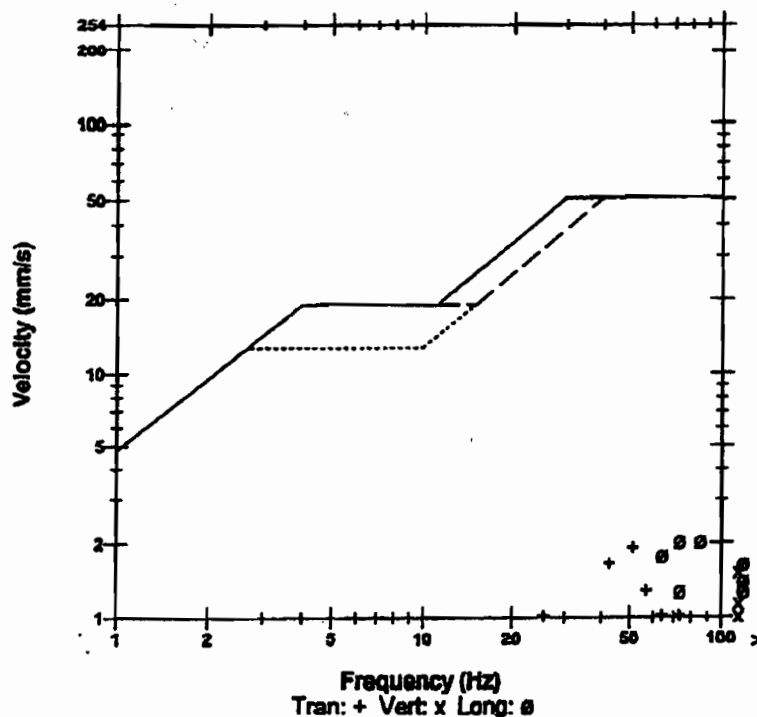
Microphone Linear Weighting
 PSPL <0.500 pa.(L) at -0.250 sec
 ZC Freq N/A
 Channel Test Check (Freq = 0.0 Hz Amp = 0 mv)

| | Tran | Vert | Long | |
|---------------------|---------|---------|---------|------|
| PPV | 1.90 | 1.52 | 2.03 | mm/s |
| PPV | 58.6 | 54.7 | 57.2 | dB |
| ZC Freq | 51 | >100 | 73 | Hz |
| Time (Rel. to Trig) | 0.030 | 0.042 | 0.033 | sec |
| Peak Acceleration | 0.0795 | 0.119 | 0.119 | g |
| Peak Displacement | 0.00651 | 0.00186 | 0.00372 | mm |
| Sensorcheck | Passed | Passed | Passed | |
| Frequency | 7.2 | 7.4 | 7.0 | Hz |
| Overswing Ratio | 3.9 | 3.8 | 4.3 | |

Peak Vector Sum 2.63 mm/s at 0.032 sec

N/A: Not Applicable

USBM RI8507 And OSMRE



Time Scale: 0.10 sec/div Amplitude Scale: Geo: 2.00 mm/s/div Mic: 10.00 pa.(L)/div
 Trigger = 

Sensorcheck



Event Report

Attachment 2

Date/Time Tran at 12:38:07 September 3, 2004
Trigger Source Geo: 0.600 mm/s
Range Geo: 254 mm/s
Record Time 1.0 sec at 1024 sps
Job Number: 1

Serial Number BE9174 V 4.37-4.35 MiniMate Plus
Battery Level 6.2 Volts
Calibration January 23, 2004 by Instantel Inc.
File Name K174A9MJ.3J0

Notes

Location: Atskuri
Client: Chubinidze Dato
User Name:
General:

Extended Notes

Post Event Notes

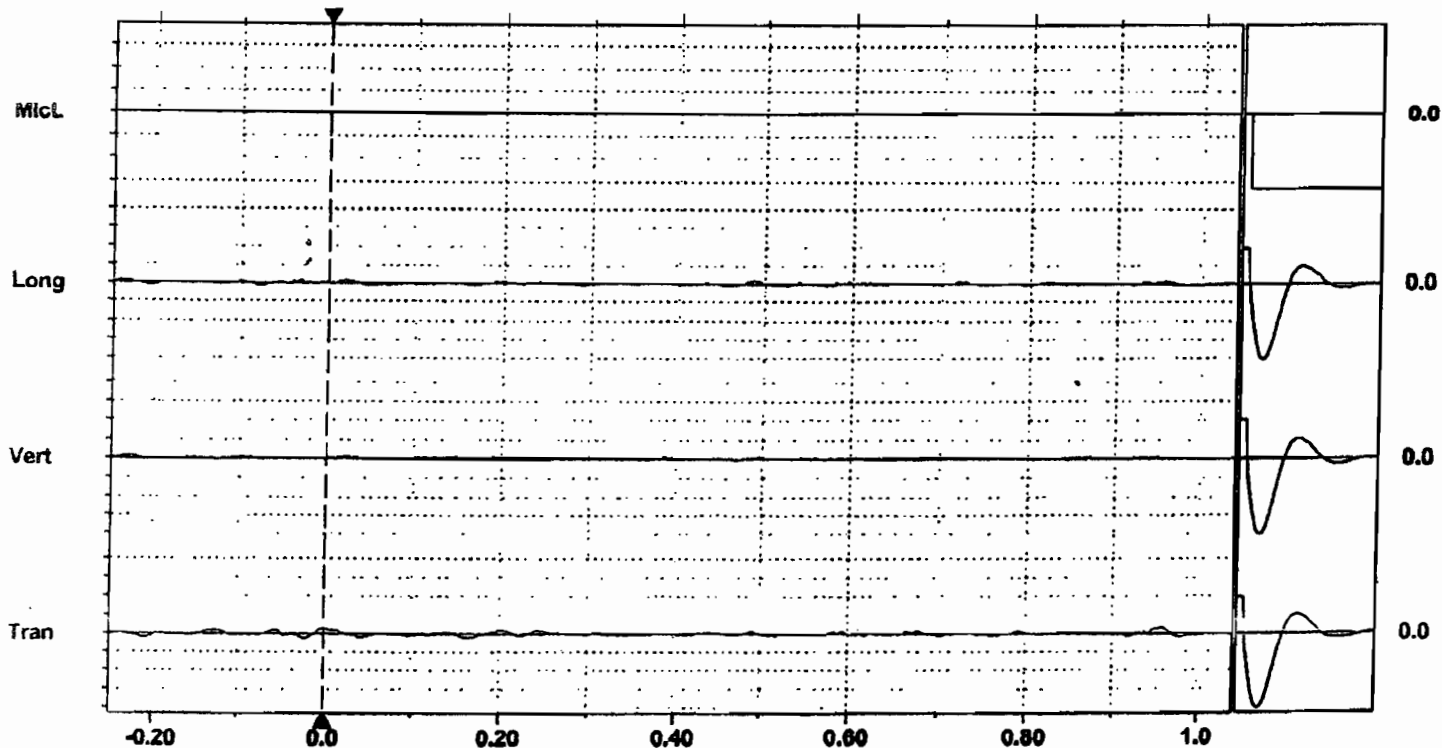
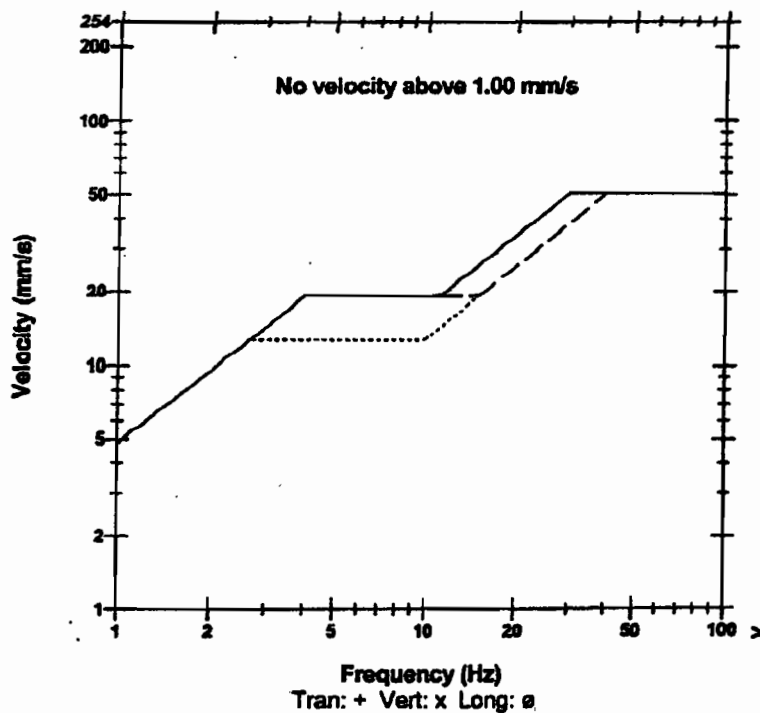
Microphone Linear Weighting
PSPL <0.500 pa.(L) at -0.250 sec
ZC Freq N/A
Channel Test Check (Freq = 0.0 Hz Amp = 0 mv)

| | Tran | Vert | Long | |
|---------------------|---------|---------|---------|------|
| PPV | 0.635 | 0.254 | 0.381 | mm/s |
| PPV | 47.1 | 39.1 | 42.6 | dB |
| ZC Freq | 18 | >100 | 27 | Hz |
| Time (Rel. to Trig) | 0.000 | -0.240 | -0.235 | sec |
| Peak Acceleration | 0.0133 | 0.0133 | 0.0265 | g |
| Peak Displacement | 0.00558 | 0.00161 | 0.00267 | mm |
| Sensorcheck | Passed | Passed | Passed | |
| Frequency | 7.2 | 7.4 | 7.0 | Hz |
| Overswing Ratio | 3.9 | 3.8 | 4.2 | |

Peak Vector Sum 0.741 mm/s at 0.956 sec

N/A: Not Applicable

USBM R18507 And OSMRE



Time Scale: 0.10 sec/div Amplitude Scale: Geo: 2.00 mm/s/div Mic: 10.00 pa.(L)/div
Trigger =

Sensorcheck

Date/Time Long at 15:04:04 September 3, 2004
 Trigger Source Geo: 0.600 mm/s
 Range Geo: 254 mm/s
 Record Time 1.0 sec at 1024 sps
 Job Number: 1

Serial Number BE9174 V 4.37-4.35 MiniMate Plus
 Battery Level 8.2 Volts
 Calibration January 23, 2004 by Instantel Inc.
 File Name K174A0MP.US0

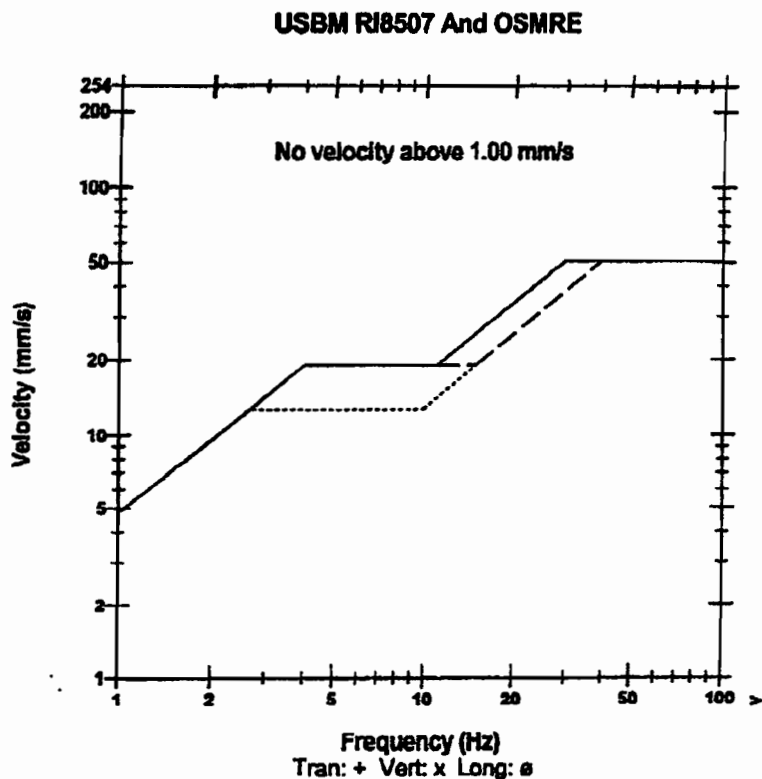
Notes
 Location: Atskuri
 Client: Bujishvili Eter
 User Name:
 General:

Extended Notes

Post Event Notes

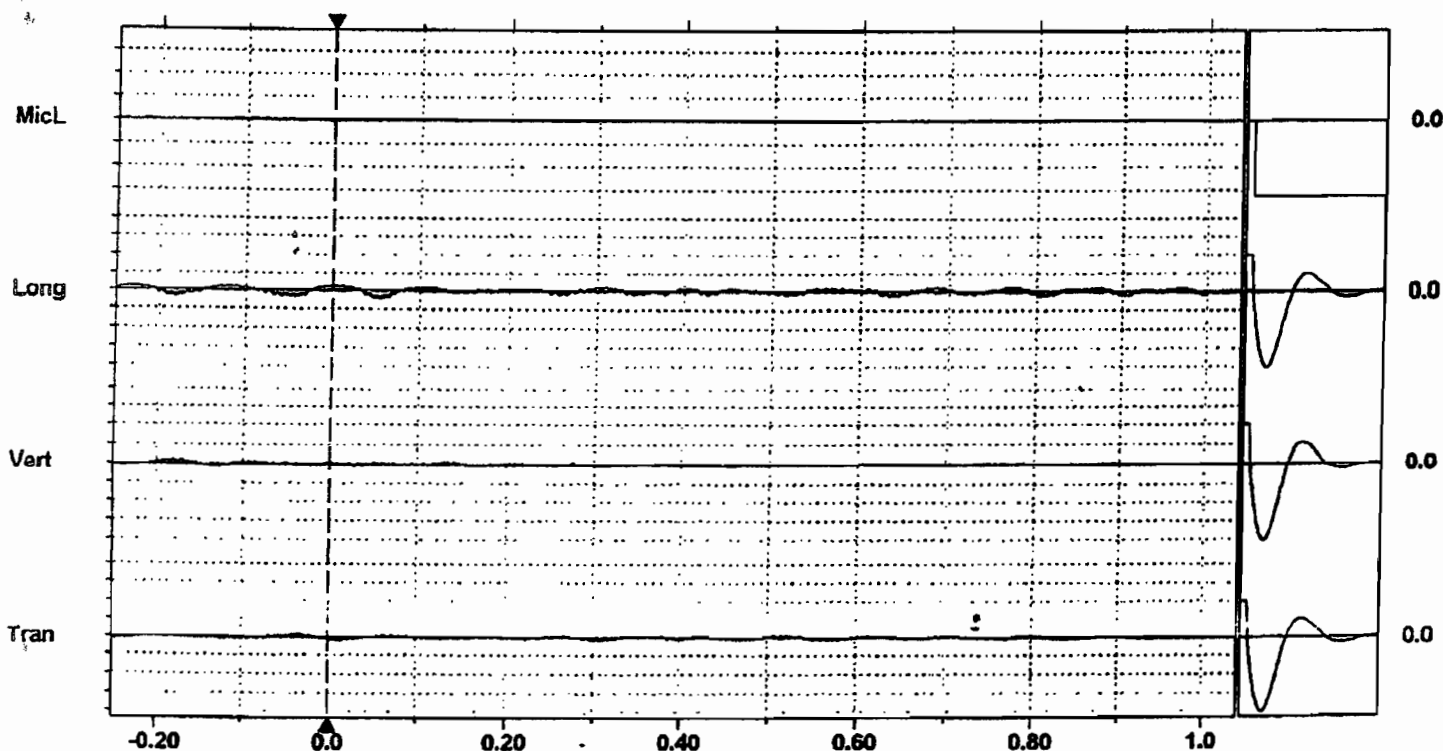
Microphone Linear Weighting
 PSPL <0.500 pa.(L) at -0.250 sec
 ZC Freq N/A
 Channel Test Check (Freq = 0.0 Hz Amp = 0 mv)


| | Tran | Vert | Long | |
|---------------------|---------|---------|---------|------|
| PPV | 0.254 | 0.381 | 0.635 | mm/s |
| PPV | 39.1 | 42.6 | 47.1 | dB |
| ZC Freq | >100 | 27 | 11 | Hz |
| Time (Rel. to Trig) | -0.246 | -0.182 | 0.000 | sec |
| Peak Acceleration | 0.0265 | 0.0133 | 0.0265 | g |
| Peak Displacement | 0.00087 | 0.00229 | 0.00961 | mm |
| Sensorcheck | Passed | Passed | Passed | |
| Frequency | 7.2 | 7.4 | 7.0 | Hz |
| Overswing Ratio | 3.9 | 3.8 | 4.1 | |



Peak Vector Sum 0.696 mm/s at 0.001 sec

N/A: Not Applicable



Time Scale: 0.10 sec/div Amplitude Scale: Geo: 2.00 mm/s/div Mic: 10.00 pa.(L)/div
 Trigger = 

Sensorcheck

ANNEX 3

Documentation provided by the Claimant Jemal Tenoshvili

Consent to Free Use of the Plot

Address Atskuri village 16 March, 200 [Illegible]

Plot No 6204267

I, the undersigned *Jemal Tenoshvili*
hereby express my consent to the offer by Baku-Tbilisi-Ceyhan Pipeline Company (Georgia),
whereunder I shall use the plot held by Baku-Tbilisi-Ceyhan Pipeline Company (Georgia) free of
charge, the terms and conditions of use whereof are envisaged in details within the delivered
package of documents of the proposal.

For the purposes of finalisation of the agreement, I hereby express my consent to attend the
pending meeting in order to sign the Usage Agreement.

Full name of the user of the plot (by caps) *Jemal Tenoshvili*

Signature of the user of the plot /Signature/

I hereby endorse on behalf of Baku-Tbilisi-Ceyhan Pipeline Company (Georgia)

Full name (by caps) [Illegible]

Signature /Signature/

Acceptance of Proposed Consideration

Address Atskuri village March 16, 2005

Plot No 6204267

I, the undersigned *Jemal Tenoshvili*
with regard to assignment of the servitude, the terms and conditions whereof are envisaged in details within the delivered package of documents of the proposal, hereby accept the sum to the amount of GEL (833.00) proposed by Baku-Tbilisi-Ceyhan Pipeline Company (Georgia).

For the purposes of finalisation of the agreement, I hereby express my consent to attend the pending meeting in order to sign the Servitude Agreement.

Full name of the user of the plot (by caps) *Jemal Tenoshvili*

Signature of the user of the plot /Signature/

I hereby endorse on behalf of Baku-Tbilisi-Ceyhan Pipeline Company (Georgia)

Full name (by caps) [Illegible]

Signature /Signature/

Hugh G. McDowell
General Manager – Georgia

/Logo/

Date 07/03/2007
Ref. 620410384 Cat: B
BTC Ref. 6204267

Jemal Tenoshvili
Category [Illegible]

The letter on reversionary assignment of the right of use of the plot
and servitude agreements

Dear Mr. Jemal Tenoshvili,

BAKU-TBILISI-CEYHAN PIPELINE COMPANY (hereinafter referred to as BTC Co) hereby applies to you in respect of the obligation assumed by the PROJECT concerning reversionary assignment of the right of use of the lands purchased by the PROJECT within the construction passage, if applicable, to the former owners.

the PROJECT also express their willingness for obtaining the servitude in respect of the additional area from among the land held by you at present and which is situated beyond the construction passage.

In each specific case, you are requested to sign the formal agreement. BAKU-TBILISI-CEYHAN PIPELINE COMPANY hereby highlights that the right of use of the land covered by the construction passage shall be assigned to you only if you sign the formal agreement on additional servitude required for BAKU-TBILISI-CEYHAN PIPELINE COMPANY hereby against the proposed rates.

BAKU-TBILISI-CEYHAN PIPELINE COMPANY hereby attaches the informational brochure, which describes in details the requirements, the processes related thereto and which endorses the terms and conditions, on which BAKU-TBILISI-CEYHAN PIPELINE COMPANY shall reversionary assign the right of use of the plot to you and pay you the fee against the servitude. You are the holder of the category “b” as described in pages 6 and 7 of the informational brochure.

The lump sum payment offer against the servitude is based on the rates per hectare provided in the table of amounts payable against the relevant categories of the lands in page 5 of the informational brochure. The area subject to the effect of the servitude is indicated in the annexed sketch.

Accordingly, BAKU-TBILISI-CEYHAN PIPELINE COMPANY hereby offers you the following amount required for the servitude:

the amount payable against the servitude - GEL 833.00.

BAKU-TBILISI-CEYHAN PIPELINE COMPANY

BTC Co
38 Saburtalo str., Tbilisi, 0177, Georgia

Switchboard (995 32) 593400
Direct Fax (995 32) 593480
Registration in the Cayman Islands
No CR-112708

BAKU-TBILISI-CEYHAN PIPELINE COMPANY, along with the representatives of the ASSOCIATION FOR PROTECTION OF LANDLORDS RIGHTS (hereinafter referred to as the APLR) being party to the land management group, hereby deliver to you the package of documents of the proposal (the letter, the informational brochure and the sample servitude agreement annexed thereto) for your consideration; we are prepared to answer your questions, which you may have with regard to the said proposal. In order to confirm receipt of the proposal package, you are hereby requested to sign the relevant written document, which subscription shall by no means signify your consent to the proposal *per se*.

Within at least 7 days of delivery of this proposal, BAKU-TBILISI-CEYHAN PIPELINE COMPANY, along with the representatives of the ASSOCIATION FOR PROTECTION OF LANDLORDS RIGHTS (APLR), will pay you another visit in order to answer your questions, discuss the proposal and clarify whether you intend accepting it.

In the case of you expressing your willingness to accept the proposal, you would be required to sign THE RELEVANT WRITTEN DOCUMENTS concerning acceptance of the said proposal and furthermore, the ASSOCIATION FOR PROTECTION OF LANDLORDS RIGHTS would assist you in preparation of corresponding documents required for execution of a formal agreement with BAKU-TBILISI-CEYHAN PIPELINE COMPANY. The list of documents required for the purposes above is attached to this package for your consideration. As soon as all the required documents are collected, the ASSOCIATION FOR PROTECTION OF LANDLORDS RIGHTS should fix a time convenient to you in order to let you visit the relevant [Illegible], sign the formal agreement and get the agreed amount to the full extent.

Should you deny the proposal, you are requested to sign THE RELEVANT WRITTEN DOCUMENT ON DENIAL OF THE PROPOSAL, which shall be notarised. If so, BAKU-TBILISI-CEYHAN PIPELINE COMPANY shall proceed with ownership of the land and you shall have no right of use thereof.

Yours sincerely,

/Signature/
Hugh G. McDowell

BAKU-TBILISI-CEYHAN PIPELINE COMPANY

BTC Co
38 Saburtalo str., Tbilisi, 0177, Georgia

Switchboard (995 32) 593400
Direct Fax (995 32) 593480
Registration in the Cayman Islands
No CR-112708

27 September, 2004
BTC/OUT/980/04

To Mr. Jemal Tenoshvili
Atskuri village

Ref. The Plot No 6204267

Dear Mr. Tenoshvili,

In response to your letter as of 17 September of this year (our ref. BTC/INC/1302/04), Baku-Tbilisi-Ceyhan Pipeline Company (hereinafter referred to as the Pipeline Company) hereby informs you following to your numerated items as follows.

The subject matter of your letter was also referred to in your Claim No PL-GO-L0237-C0237 been delivered to the Akhaltsikhe Informational Office. The copy of this letter shall be also forwarded to Spie Capag Petrofac International for information.

1. The engineers of the Pipeline Company have carried out the detailed survey of the private land covered by the pipeline passage within the territory of Atskuri village, which cleared that the construction passage complied with the exact location and dimensions set under the sketches used in the course of purchase of the land. The construction passage occupies no excess area of the plot.

The lay-out photographic materials used by the Pipeline Company demonstrate that the information delivered by the State regarding the location, size and configuration of the plot coincided the bounds examined on-site.

2. You have been already paid the compensation against the remaining area of the land to the amount of GEL 593.00.
3. Arrangement of an access road, if necessary, constitutes the responsibility of the contractor. With regard to the said matter, you have already delivered your Claim No 0310. The Pipeline Company will instruct the contractor in order to settle that matters as soon as possible.

Yours sincerely,

Stewart Duncan

[The bilingual response by Spie Capag S.A.-Petrofac International Ltd.
to the claim addressed to Mr. Jemal Tenoshvili]

amec[®]spie



PETROFAC
INTERNATIONAL LTD.

Date: 29.08.04

Ref: PL- GO - L 0310 - C 0310

ბატონ: ჯემალ თენოშვილს

To : Jemal Tenoshvili

ახალციხის რ. აწყური

Akhaltsikhe region. Atskuri

Subject :

პასუხი 23 აგვისტოს № 0310 საჩივარზე.

Response to Complaint # 0310 of 23.Aug.04.

ბატონო ჯემალ,

Mr. Jemal,

კომპანია სპი-კაპაგ პეტროფაკი გაცნობებთ რომ, მიიღო თქვენი საჩივარი და განსახილველად გადასცა საჩივარი სამშენებლო დეპარტამენტს.

We want to inform you that, Spie capag- Petrofac International Limited received your complaint and sent it to the construction department.

უახლოეს მომავალში მათი წარმომადგენელი გეწვევით და თქვენთან ერთად განიხილავს აღნიშნულ საკითხს.

Their representatives will visit you in the nearest future to examine the claim with you.

პატივისცემით

With regards

დიდიე მიშელი

Didier Michel

ადმინისტრაციის მენეჯერი

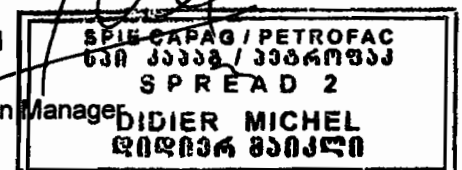
Administration Manager

ნავთობსადენი სპრედ 2

Pipeline Spread 2

სპი-კაპაგ პეტროფაკი

JV Spie-Petrofac



BTC Co LAND TENURE SKETCH

/Logo/

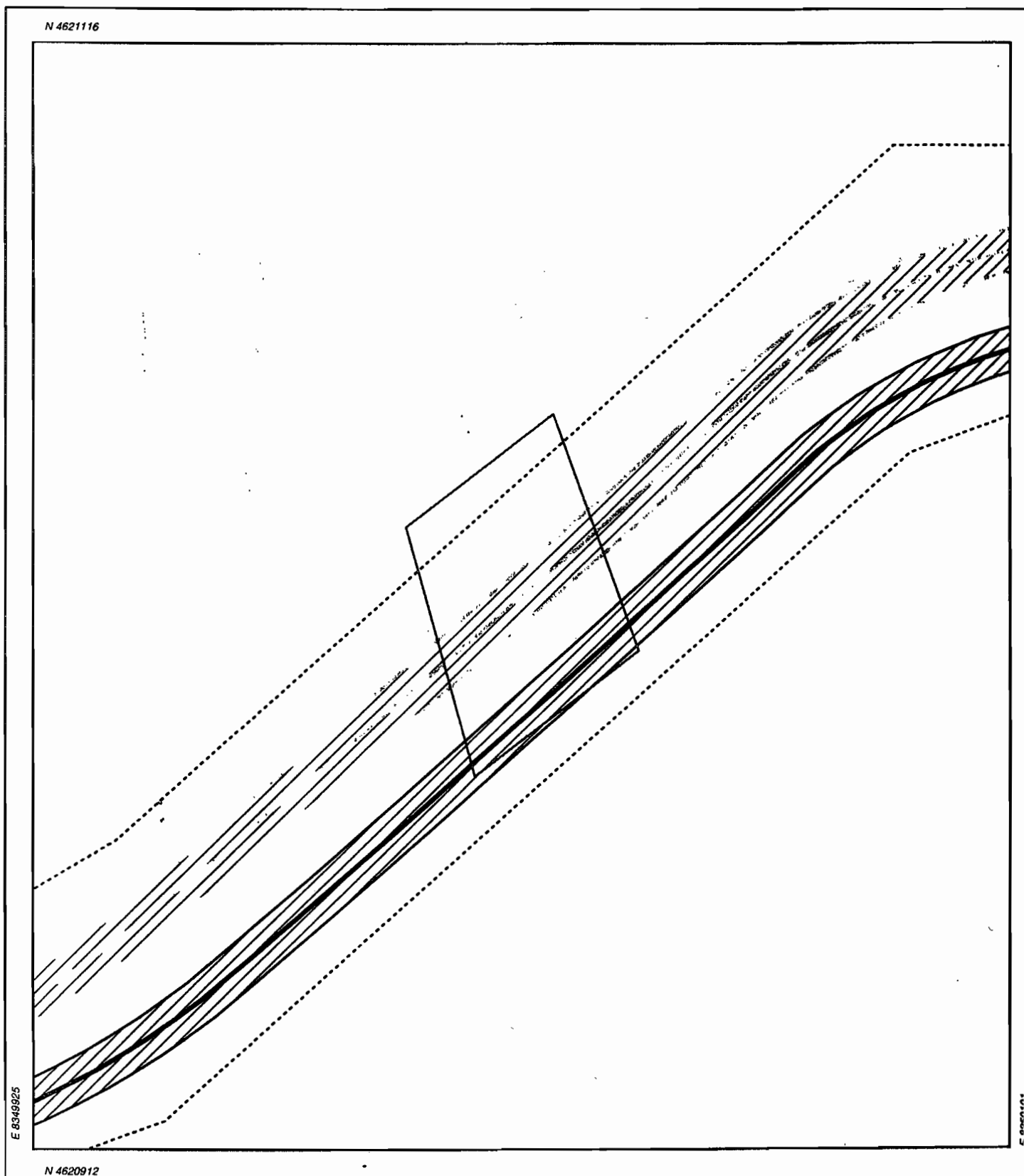
| | | | |
|----------------------|-------------|------------------------|---------------------|
| District | Akhaltzikhe | User of land | Jemal Tenoshvili |
| Sakrebulo | Atskuri | Address | Atskuri village |
| Land registration No | 620410261 | Land category | Tillage, irrigative |
| Database No | 6204267 | Total plot area, sq.m. | 1,570.98 |
| Landlord | BTC Co | | |

No 4621116

[Plot sketch]

Scale 1 : 1,000

| რაიონი | ახალციხე | მიწის მოსარგებლე | თენიშვილი ჯემალი |
|-----------------------|-----------|----------------------|------------------|
| საკრებულო | აწყური | მისამართი | სოფ.აწყური |
| მიწის სარეგისტრაციო № | 620410261 | მიწის კატეგორია | სახნაუი სარწყავი |
| № მონაცემთა ბაზაში | 6204267 | ნაკვეთის ფართობი, მ2 | 1570.98 |
| მიწის შესაკუთრე | BTC Co | | |



ANNEX 4

Documentation provided by the Claimant Rusiko Cherniev

5 November, 2004
BTC/OUT/1030/04

To Ms. Rusudan Cherniev
Atskuri village

Ref. The Plot No 6204474

Dear Ms. Cherniev,

In response to your letter No 6204474 as of 27 September of this year, Baku-Tbilisi-Ceyhan Pipeline Company (hereinafter referred to as the Pipeline Company) hereby confirms that the error occurred in the course of the primarily land survey referring to your property.

There was indicated in the previous letter that on 29 August, 2004, the inventory was completed, however, that was untrue, since the proper date of the inventory was 29 August, 2002. You attended the said inventory along with the Land Management Officer, Mr. Valeri Jojua of the Pipeline Company and the representative of the Association for Protection of Landlords Rights, Ms. Svetlana Parulava and collectively signed the inventory sheet. The Pipeline Company hereby apologises for the misunderstanding caused by the said typographic error.

Despite the eliminated error, the conclusion issued in response to the previous letter remains in effect and means that no additional compensation shall be paid out against the plum-trees.

Yours sincerely,

Stewart Duncan

CC Spie Capag Petrofac International
Mr. Irakli Parulava, Association for Protection of Landlords Rights

[Illegible]

[Illegible]

I hereby inform you that within plot No 6204474 (the land registration [Illegible] No 620409403), after development of the 44-metre construction passage, 2 apple-trees and 4 plum-trees were cut down. The compensation was made against the plot and 1 apple-tree. The remaining 4 plum-trees and 1 apple-tree still remain subject to payment of compensation.

Please consider our demand and pay compensation against 4 plum-trees and 1 apple-tree since they were surely destroyed and that is proved under the act executed on 16.16.2004 annexed hereto. Please deliver the answer within 5 days. Otherwise, I will apply to other means.

The contact phone – 877 72 83 51 (contact person – Marina)

The Applicant

R. Cherniev

RECEIVED – 6 OCT 2004

27 September, 2004
BTC/OUT/977/04

To Ms. Rusudan Cherniev
Atskuri village

Ref. The Plot No 6204474

23/09/04

Dear Ms. Cherniev,

In response to your letter as of 27 September of this year (our reference No BTC/INC/1302/04), Baku-Tbilisi-Ceyhan Pipeline Company (hereinafter referred to as the Pipeline Company) hereby informs you as follows.

The subject matter of your letter was also referred to in your Claim No PL-GO-L0237-C0237 and has been delivered to the Akhaltsikhe Informational Office. The copy of this letter shall also be forwarded to Spie Capag Petrofac International for information.

1. The land inventory was performed at Atskuri in July-August of the year of 2002, and as a result, the farm crops and the perennial plants were fixed within the proposed construction passage inclusive of your plot. On 29 August, 2004, the inventory was carried out at your plot in presence of yourself, the Land Management Officer of the Pipeline Company and the representative of the Association for Protection of Landlords Rights. Photographic and written evidence was produced, which was recognised as a true and valid record by all the attending parties. In the course of inventory, one apple-tree was registered within the proposed construction passage and no plum-trees were fixed there.

The engineers of the Pipeline Company have carried out a detailed survey of the private land covered by the pipeline passage within the territory of Atskuri village, which cleared that the construction passage complied with the exact location and dimensions set under the sketches used in the course of purchase of the land. The construction passage occupies no excess area of the plot.

The lay-out photographic materials used by the Pipeline Company demonstrate that the information delivered by the State regarding the location, size and configuration of the plot coincided the bounds examined on-site.

The land purchase transaction was formalised based on the land data provided by the State, and the price of the farm crops was calculated following to the agreed inventory. The compensation amount calculated in accordance with the project rates, inclusive of the price of one apple-tree, was fully paid in the course of formalisation of the deal, and the acquired plot was registered as the property of the Pipeline Company.

Based on all the above, the Pipeline Company hereby confirms that as regards to your former plot No 6204474, the deal was finalised and at present, the Pipeline Company holds the said plot. Thus, no further compensation may be allowed against four plum-trees.

Yours sincerely,

Stewart Duncan

CC Spie Capag Petrofac International Limited

/Logo/

Akhaltzikhe Office
73 Kostava St.

Claim Form

| | |
|------------------------------|------------------------------------|
| Date of receipt of the claim | 14.07.04 |
| [Illegible] number | PL-GO-1-0237-C0237 |
| Full name | Rusudan Cherniev |
| Address, telephone | Atskuri village, Tel. 877 72 83 51 |

Merits of the claim

I hereby inform you that the [illegible] of the pipeline pass through my plot; the land price was paid, and the price of 4 (four) plum-trees [illegible] on the said plot remains subject to payment.

Please reimburse the price of the cut down trees.

(The plot No 6204474).

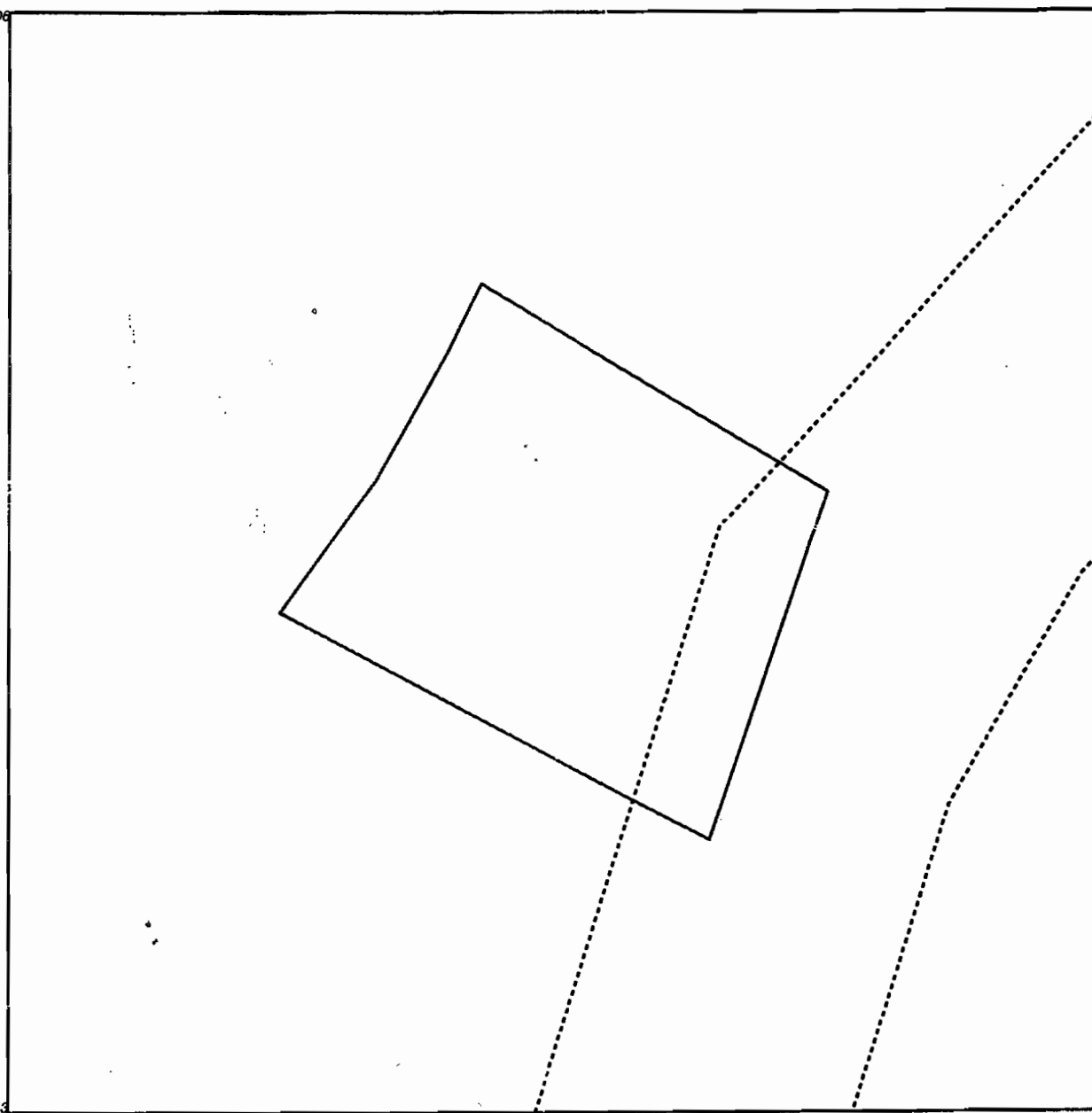
/Signature/

| მიწის ნაკვეთის მონაცემები | | | |
|---------------------------|-----------|---|-------------------------|
| რაიონი | ასპლციხე | სახელი, გვარი | ლაბაძე გალინა |
| საკრებულო | აწყური | მისამართი | - |
| ნაკვეთის № | 6204475 | მიწის კატეგორია | მდინარე / ბაღი სარწყავი |
| მიწის სარეგისტრაციო № | 620409381 | ნაკვეთის მთლიანი ფართობი, მ2 | 3530.215 |
| სტატუსი | კერძო | ნაკვეთის ფართობი სამშენებლო ღერეფანში, მ2 | 672.2991 |

მიწის ნაკვეთის ნახაზი

N 4620806

N 4620643



E 8346661

E 8346819

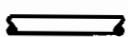
მასშტაბი 1 : 1000

აღნიშვნები :



= ბოგირი / თხრილი

T = ხე



= ღრენაფი / სარწყავი მილი

(W) = წყლის ჭა



= ნაგებობა

X-X = ღობე

= ფოტოსურათი
(მიმართულებით)

----- = ნათესის საზღვარი

| | ხელმოწერა | სახელი, გვარი |
|---------------------|-----------|---------------|
| მესაკუთრე/მოიჯარე | | |
| BP-ს წარმომადგენელი | | |
| მოწმე(1) | | |
| მოწმე(2) | | |
| თარიღი | | |

The Act

Atskuri Community Sakrebulo

16.06.2004

We, the undersigned persons, constituting the committee established by the Acting Chairman of the Atskuri Community Sakrebulo Gela Mumladze, the Atskuri Community Sakrebulo, the acting Chairman of the Atskuri Community Sakrebulo, G. Mumladze, the Members of the Atskuri Community Sakrebulo, N. Labadze and M. Keadze and the Senior Officer of the Land Management Service of Akhaltsikhe District, Ramis Gvaramadze executed this Act against the actual fact as follows:

In accordance with the information received through the land measuring carried out by the Land Management Service and the Public Registry, BP held the inventory within the 44-metre construction passage of the BTC main pipeline. Payout of the compensation amount against privately held plots covered by the said 44-metre construction passage; however, right in the course of construction, certain alterations took place. As a result of the on-site visit of the commission, the following was disclosed:

The holder of the private plot – Rusiko Cherniev, whose plot is located in the Atskuri gardens; plot number – 6204474; registration number of the plot – 620 409408; the total area of the plot – 3,460.5273 sq.m. After the primary land measuring, the area of [illegible] sq.m. were occupied by the construction passage, against whereof she received the compensation amount. At the time of arrival of the commission, there was fixed that [illegible].

- 1. [Signature] /Mumladze/*
- 2. [Signature] /N.Labadze/*
- 3. [Signature] /Keadze/*
- 4. [Signature] /Gvaramadze/*
- 5. [Signature] /T. Labadze/*
- 6. [Signature] /Tabagari/*

The list of the commission members is missing Taniel Labadze and Temur Tabagari. They do constitute the members of the duly established commission (please, refer to Order as of 16.06.2004).

/Seal/

Acting Chairman of the Atskuri

Community Sakrebulo

/Signature/

[G. Mumladze]

We, the undersigned the residents of Atskuri village, hereby acknowledge validity of the fact by causing our signatures hereunder.

*Tariel Labadze
Vepkhia Labadze
Valeri Labadze
Jeneri Tabagari*

We hereby confirm that our agricultural plots are adjacent to the plot held by our neighbour Rusiko Cherniev. The plot registration number is 602409403. Indeed, 4 (four) plum-trees and 1 (one) apple-tree existed there. At present, due to occupation by the 44-metre construction passage, the said trees are missing.

In witness whereof, we hereby cause our signatures:

- 1. [Signature] /T. Labadze/*
- 2. [Signature] /V. Labadze/*
- 3. [Signature] /V. Labadze/*
- 4. [Signature] /J. Tabagari/*

I hereby certify validity of the signatures above.

*Acting Chairman of the Atskuri
Community Sakrebulo /Signature/ [G. Mumladze]*

ANNEX 5

Documentation provided by the Claimant Valerian Labadze

| Plot data | | | |
|---|----------------------------|--|----------------------------|
| District | Akhalsikhe | Full name | Galina Labadze |
| Sakrebulo | Atskuri | Address | - |
| Plot No | 6204475 | Land category | River / garden, irrigative |
| Land registration No | 620409381 | Total plot area, sq.m. | 3,530.215 |
| Status | Private | Plot area within the construction passage, sq.m. | 672.2991 |
| Plot sketch | | | |
| <p>[Plot sketch]</p> <p>Scale 1 : 1,000</p> | | | |
| Conventional signs: | | | Signature |
| Trench | | | Full name |
| Tree | Drainage / irrigation pipe | Holder / Lessee | |
| Water well | Structure | BP Representative | |
| Fence | Photograph | I Witness | |
| Sowing edge | (direction) | II Witness | |
| | | Date | |

E. A. Johnson
General Manager – Georgia
Baku-Tbilisi-Ceyhan Pipeline Company, Georgia
38 Saburtalo str., 380094, Tbilisi, Georgia

/Logo/

Tel. (995 32) 699600 Office
Fax (995 32) 593480
[Illegible] 002-2000-LA OFO - 6204475

To Galina Labadze
The Plot No 6204475

Date 03/11/2002

Dear Ms. Labadze,

We hereby apply to you with the offer related to passing through your plot(s) for the purposes of construction, operation and technical maintenance of the Baku-Tbilisi-Ceyhan oil pipeline and the South Caucasus gas pipeline, as shown in the attached map and reflected in the annexed document "On Property Inventory and Compensation". Execution of the said document was preceded by the detailed inventory and assessment of your property, which was completed upon assistance by the independent experts.

The guidelines for acquisition of lands and compensations therefore (which copy you have been already delivered) describe the methods, by means whereof we calculated the amount, which we offer you against the part of your plot required to us; as well as the amount, which we offer against the loss of the relevant harvest and any other property damage.

Please refer to the detailed list of the components used upon calculation of the compensations amounts payable to you in the annexed document "On Property Inventory and Compensation".

We hereby offer you the following amount:

| | | | |
|---------------------------------------|---|------------|------------------|
| the land | - | GEL | 3,553.64 |
| the harvest and other property damage | - | GEL | 14,613.61 |
| Total | | GEL | 18,168.00 |

BAKU-TBILISI-CEYHAN PIPELINE COMPANY

BTC Co

Switchboard (995 32) 699600
Direct Fax (995 32) 593480

38 Saburtalo str., Tbilisi, 380094, Georgia

We would appreciate, if you could consider our offer above, which we deem generous enough and hope we could meet you in the nearest future in order to discuss our offer and reach an agreement.

The member of the Land Acquisition Group of the Baku-Tbilisi-Ceyhan Oil Pipeline and one of the representatives of the Association for Protection of Landlords Rights shall arrange a meeting, which may be held at your place or any other place to the satisfaction of both of the parties in order to fix your response to this proposal. At the same meeting, they will also clarify to you further procedures required for final formalisation of an agreement and payment of the amount to you.

We would also appreciate, if you sign the “Documentation Receipt Form”, the only purpose of which is to confirm receipt of these documents by you and which by no means should mean your consent to our proposal at this stage.

Yours faithfully,

/Signature/

Ed A. Johnson
General Manager – Georgia
Baku-Tbilisi-Ceyhan Pipeline Company in Georgia

Annexes

The plot sketch

The Document on Property Inventory and Compensation

BAKU-TBILISI-CEYHAN PIPELINE COMPANY

BTC Co

Switchboard (995 32) 699600
Direct Fax (995 32) 593480

38 Saburtalo str., Tbilisi, 380094, Georgia

BAKU-TBILISI-CEYHAN PIPELINE COMPANY
THE DOCUMENT ON PROPERTY INVENTORY AND COMPENSATION

1. Information on Holder

NAME OF HOLDER GALINA LABADZE

2. Information on Plot

DISTRICT: AKHALTSIKHE SAKREBULO: ATSKURI
PLOT CODE: 6204475 CATEGORY: GARDEN/IRRIGATIVE
SUBJECT TO IRRIGATION: YES

3. Assessment of the Plot

AREA WITHIN THE CONSTR. PASSAGE: 0.06722991 ha CATEGORY: GARDEN/IRRIGATIVE
DISTRICT: AKHALTSIKHE IRRIGATION: YES
PRICE OF LAND: 52858.00
 LAND 3,553.64 GEL

4. Compensation – annual crops

| NUMBER | TYPE | AREA | RATE | COMPENSATION | COMMENT |
|--------|-------|------|------|--------------|-----------|
| 1 | HAY | 0.07 | 500 | 33.61 | |
| | TOTAL | | | | 33.61 GEL |

5. Compensation – other

| DESCRIPTION | QUANTITY | TERM | RATE | COMPENSATION |
|-------------|----------|------|------|---------------|
| [Illegible] | 1 | 30 | 162 | 14,580 |
| | TOTAL | | | 14,580.00 GEL |

6. Total

| | |
|----------------------------|---------------|
| PARAGRAPH 3 – LAND PRICE | 3,553.64 GEL |
| PARAGRAPH 4 – ANNUAL CROPS | 33.61 GEL |
| PARAGRAPH 5 – OTHER | 14,580.00 GEL |
| TOTAL | 18,168.00 GEL |

7. Notes

ANNEX 6

Documentation provided by the Claimant Vakhtang Labadze

[The English copy of the letter by Stewart Duncan of BTC
addressed to Ms. Zoya Kkutsishvili in two sheets]

Stuart Duncan
Land and Permitting Manager - Georgia



Date: November 29, 2005
Our reference: BTC/OUT /1926 /05

To: Mrs Zoia Khutsishvili
Atskuri Village

Subject: Letter number BTC/INC/2354
Parcel Number 6204498
Previous registered owner Vahktang Labadze

Dear Mrs Khutsishvili,

With reference to your letter dated 09/11/05 (our reference BTC/INC/2354), the Baku-Tbilisi-Ceyhan Pipeline Company (BTC Co) wishes to reply as follows.

You, along with several other villagers and landowners from Atskuri, have previously raised the concern that the construction corridor is wider than agreed and incorrectly located in relation to the land that was acquired by BTC Co.

Various surveys have been carried out, which indicated that this was not the case. However, as a direct result of the meeting held at the Akhaltsikhe BTC Co offices on 13/10/05 (which you attended), BTC Co undertook to carry out a final detailed survey of the current boundaries of the construction corridor and to confirm the results of the survey to you. A BTC Co engineer finally completed the survey on 10/11/05.

As a result of the survey BTC Co can confirm that the construction corridor on the ground matches the width and location of the corridor as shown on the plans used for the purchase of the intersected area of land parcel number 6204498. The construction corridor is therefore correct in relation to the data on land ownership supplied to BTC Co by the State Authorities.

BTC Co therefore rejects claims that the construction corridor is wider than shown on the land acquisition plans in relation to parcel number 6204498.

BTC Co has previously confirmed that the State Authorities are responsible for the accuracy of the information on land ownership and use supplied to BTC Co. BTC Co has received no advice from the State Authorities that the information supplied and utilised in the land acquisition process at this location should be altered. Also, the land parcel boundaries shown on the State data closely match the actual parcel boundaries on the ground, as evidenced by the photographic background mapping.

Joint land inventories were carried out using the same construction corridor data and State data as was utilised in land purchase. All parties present at the inventories signed the

The Baku-Tbilisi-Ceyhan Pipeline Company

BTC Co
38, Saburtalo str, Tbilisi, 0177, Georgia

Switchboard: [995 32] 593400
Direct Fax: [995 32] 593480
Registered in the Cayman Islands.
No: CR-112708

inventory forms as a true record of the crops and perennial plants existing within the construction corridor at that time. Mr Labadze subsequently agreed to the formal offer produced by BTC Co and received payment in full based upon the land data and the land inventory details. BTC Co can therefore confirm that no further payments of compensation will be considered for additional trees or perennial plants, which are alleged to have been removed from **within** the purchased corridor. The site survey has shown that the construction corridor is correct, which confirms that trees or perennial plants located outside the original corridor and claimed to have been additionally removed, should not have been affected by construction.

BTC Co therefore rejects your claims for additional payment in relation to perennial plants removed as a result of Project activities.

You comment that you have lost the land parcel and therefore a source of income. BTC Co must note that the area of land parcel 6204498 intersected by the construction corridor was purchased from your family as part of a negotiated voluntary agreement. BTC Co would also emphasise that the land value per hectare used in the purchase agreement was substantially higher than the potential market value. You also received payment for perennial plants and crops at Project rates, which are gross values with no deductions for inputs of any kind.

BTC Co is the registered owner of the intersected area of land parcel number 6204498 and intends to retain ownership of this land for the operational life of the pipelines. BTC Co has, however, committed to returning the use of the affected land to the previous landowner wherever possible, in return for the landowner's formal agreement to obey certain safety restrictions and rights of access, which are required by BTC Co. You will therefore be given the opportunity to use the land for agricultural purposes in the future, pending signature of the appropriate formal agreement, with the result that the effect upon your future income should be minimal.

The process of land use handback should commence in your area during spring/ summer 2006 and you will be approached directly by a BTC Co land team, who will provide detailed information and who will be able to answer any queries you may have in relation to the process.

Yours sincerely



S J Duncan

The Baku-Tbilisi-Ceyhan Pipeline Company

BTC Co
38, Saburtalo str, Tbilisi, 0177, Georgia

Switchboard: (995 32) 593400
Direct Fax: (995 32) 593480
Registered in the Cayman Islands.
No: CR-112708

[The English copy of the letter by Stewart Duncan of BTC
addressed to Mr. Vakhtang Labadze in one sheet]

Stuart Duncan

Land and Permitting Manager - Georgia



Date: September 29, 2005

Our reference: BTC/OUT /1760 /05

To: Mr Vakhtang Labadze

Atskuri Village

Subject: Complaint number AK697/BTC460

Parcel number 6204476

Dear Mr Labadze,

With reference to complaint number AK697/BTC460, which you lodged at the Akhaltsikhe Information Office on 07/09/05, the Baku-Tbilisi-Ceyhan Pipeline Company wishes to respond as follows.

BTC Co does not accept your claim that additional apple trees were cut within the construction corridor and previously provided reply reference BTC/OUT/978/04, dated 27/09/04, which explained the reasons for rejection of the claim.

BTC Co therefore confirms rejection of your claim for compensation for additional trees within the construction corridor.

With regard to the alleged removal of trees outside the purchased construction corridor, you have already received a reply in relation to this matter from the construction contractor.

Yours sincerely

A handwritten signature in black ink, appearing to be 'S J Duncan', with a long horizontal flourish extending to the right.

S J Duncan

1. Information on Holder

2. Information on Plot

3. Assessment of the Plot

4. Compensation – annual crops

5. Compensation – other

[illegible]

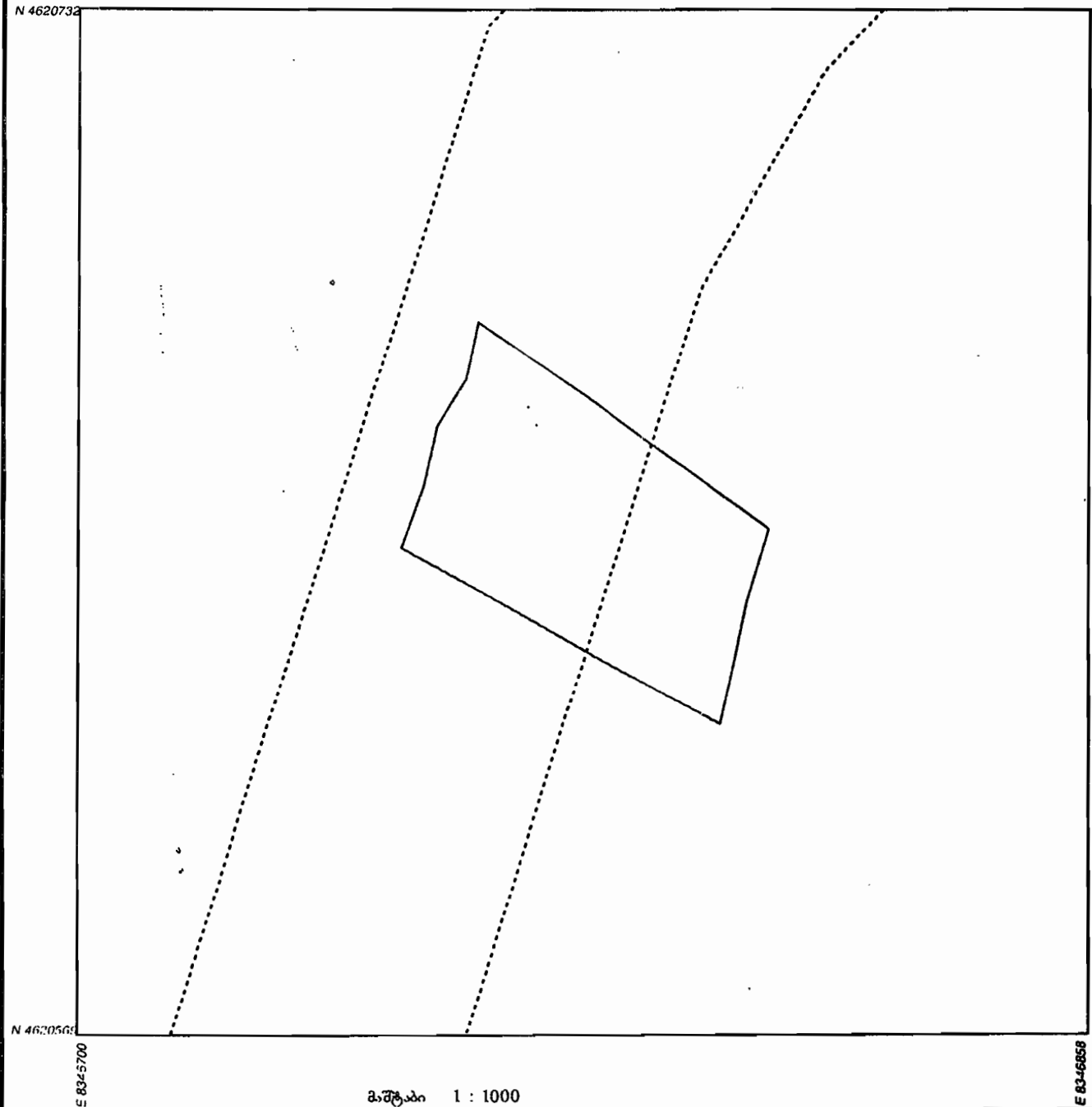
7. Notes

| Plot data | | | | |
|---|----------------------------|--|--------------------|-----------|
| District | Akhaltzikhe | Full name | Vakhtang Labadze | |
| Sakrebulo | Atskuri | Address | Atskuri village | |
| Plot No | 6204498 | Land category | River / irrigative | |
| Land registration No | 620409380 | Total plot area, sq.m. | 1,888.1341 | |
| Status | Private | Plot area within the construction passage, sq.m. | 1,158.6178 | |
| Plot sketch | | | | |
| <p>[Plot sketch]</p> <p>Scale 1 : 1,000</p> | | | | |
| Conventional signs: | | | Signature | Full name |
| Trench | | Holder / Lessee | | |
| Tree | Drainage / irrigation pipe | BP Representative | | |
| Water well | Structure | I Witness | | |
| Fence | Photograph | II Witness | | |
| Sowing edge | (direction) | Date | | |

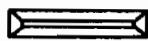
მიწის ნაკვეთის მონაცემები

| | | | |
|-----------------------|-----------|--|-------------------------|
| რაიონი | ახალციხე | სახელი, გვარი | ლაბაძე ვახტანგი |
| საკრებულო | აწყური | მისამართი | სოფ.აწყური |
| ნაკვეთის № | 6204498 | მიწის კატეგორია | მდინარე / ბაღი სარწყავი |
| მიწის სარეგისტრაციო № | 620409380 | ნაკვეთის მთლიანი ფართობი, მ2 | 1888.1341 |
| სტატუსი | კერძო | ნაკვეთის ფართობი საშენებლო დერეფანში, მ2 | 1158.6178 |

მიწის ნაკვეთის ნახაზი

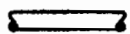


აღნიშვნები :



= ბოვირი / თხრილი

T = ხე



= ღრენაფი / სარწყავი მილი

⊙ - წყლის ჭა



= ნაგებობა

X-X = ღობე

= ფოტოსურათი
(მიმართულებით)

----- = ნათესის საზღვარი

| | ზღმონერა | სახელი, გვარი |
|---------------------|----------|---------------|
| მესაკუთრე/მოიჯარე | | |
| BP-ს წარმომადგენელი | | |
| მოწმე(1) | | |
| მოწმე(2) | | |
| თარიღი | | |

ANNEX 7

Documentation provided by the Claimant Badri Gasitashvili

To Mr. Stewart Duncan
Baku-Tbilisi-Ceyhan Pipeline Company
Lands and Permits Manager

From Badri (Poria) Gasitashvili
the resident of Atskuri village
of Akhaltsikhe district

Statement

I live in Atskuri, at the first kilometer of the Atskuri-Tisli road, on the hill situated on the right side of the road, which passes by the base of the said hill.

The road was extensively used since the commencement of construction of the Baku-Tbilisi-Ceyhan pipeline.

In summer of the years of 2004 and 2005, the base of the hill was excavated for the purposes of widening the road, and that resulted in collapse of the soil.

The soil crumbled down so that I was forced to move the fence in by 0.5 m. The said crumbling also caused for cracks in the walls of my house. Such subsidence of the soil may destroy the house in several years.

Following to the above, I applied to Public Relations Officers at the local representative office of BP in the city of Akhaltsikhe.

There was no response to the said case.

I hereby request evaluation and payment of damages.

Please also refer to the annexed photographs (22 pieces).

The Applicant B. Gasitashvili
/Signature/

To Mr. Nikolay Hajinski
the Representative of European Bank
for Reconstruction and Development in Georgia

From The residents of Atskuri village
of Akhaltsikhe district

Claim

We, the undersigned, the citizens of Georgia live in Atskuri village of Akhaltsikhe district. The Baku-Tbilisi-Ceyhan oil pipeline passes through the territory of our village. In the course of construction of the oil pipeline, we suffered certain damage, which we will set forth in details below. We have repeatedly applied to both Baku-Tbilisi-Ceyhan Pipeline Company and the construction contractor thereof Spie Capag-Petrofac International in order to get payment against the said damages. However, the problems still remain unsettled and damages are still subject to payment.

So far as European Bank for Reconstruction and Development constitutes the financing body of Baku-Tbilisi-Ceyhan Oil Pipeline Project, now we hereby apply to you as the representative of the said Bank in Georgia. Please examine our claim and response respectively.

The brief descriptions of the dispute subjects of each of us are set forth below, followed by our collective problematic matters and the summarised requests.

The Claimant Natela Khugashvili

I possess the plot in Atskuri village of Akhaltsikhe district. The Baku-Tbilisi-Ceyhan Oil Pipeline passes through my plot. In 2002, I received the Proposal Package, where it was indicated that the pipeline passage should occupy part of my plot i.e. the area of 1,240 sq.m. (the total area of the plot constitutes 1,662 sq.m.). I have signed the sale-purchase agreement and accepted the offered amount. It appeared in the course of construction of the oil pipeline that the construction company used the remaining part of my plot as well (approximately 420 sq.m.) and cut down the plants existing on the plot without payment of any consideration.

After disclosure of the said breach, I repeatedly applied to the construction company requesting payment for the relevant consideration against the damage. After one of such applications (on 3 August, 2004), the Public Relations Officer of the construction company, Nino Lomidze, examined the situation on-site and ascertained the fact of occupation of the excess land (the facts of occupation of the excess land and the cutting down of the plants were also confirmed under the act executed by the group constituted by the representatives of the village Sakrebulo and the Akhaltsikhe Land Management Service, as well as the landlords of the plots adjacent to my plot). Later, I received the response by the construction company to my claim, whereunder the company admitted the fact of occupation of the excess land (there was noting concerning the plants in the said response). The company thereby indicated that the excess land has been purchased by BTC Pipeline Company and therefore, they considered that I should apply for the said consideration right to BTC Pipeline Company.

I took into account the advice above and since then, I repeatedly applied to BTC Pipeline Company, but I received neither positive nor negative feedback to any of my claims. During the

years of 2005 and 2006, I was twice paid the certain amount (the amounts differed as per cases) so that no-one clarified/informed me what the said amounts were paid for. My fellow-villagers and I were told that that was the good will expressed by British Petroleum. I am of the opinion that the said consideration was related to the temporary overtime occupation of the village lands by the company (as you are well aware, the construction process lasted for the longer period than the projected one). That assumption of mine was based on the fact that right within that period, the residents of Atskuri village tried to clarify whether any additional compensation was owed to the village against the harvest uncollected due to occupation of the village lands for the excess period. Other residents of Atskuri village also received the similar consideration and they are sure that that was the compensation against the harvest. Thus, I believe that the said amount was paid due to delay in the construction process i.e. the consideration against the harvest uncollected on the area of 1,240 sq.m.

Until very recent times, I kept prosecuting the dispute with BTC Pipeline Company concerning the land occupied in excess and the cut down plants. Meanwhile, the company completed construction of the pipeline and commenced with the recovery of the passage. At present, the pipeline passage covers 250 sq.m. from among the disputable area of 420 sq.m., and the useless area of 170 sq.m. remains beyond the passage.

For the last time, I applied to BTC Pipeline Company on 20 March, 2007. In response, I received the letter issued by the Leader of Social Group of British Petroleum Maria Morgan dated by 13 April of the same year, where she wrote that my claim was subject to detailed examination and only then the Company could respond thereto (let me remind you that I prosecute the dispute regarding the subject matter for almost four years!). On 18 May, 2007, I met the representative of British Petroleum Gia Gvaladze in order to discuss my claim. I could not get any clear answer to my concerns at that meeting also. On 18 May, 2007, I was delivered the closure form as to my latest claim.

In addition to the land dispute, I am also disturbed by the problem related to damage of my mother's house. As you are well aware, in the course of construction of the pipeline, the heavy transportation means permanently drove through the village road; as a result, the most part of houses, including my mother's house, adjacent to the road were damaged. Along with other villages, we keep prosecuting the dispute with the Company regarding the damage inflicted to the houses for years.

The Claimant Tamar Labadze

My house is located in Atskuri village adjacent to the road, which was used by heavy trucks and passenger cars of BTC Pipeline Company and the contractors thereof in order to reach the construction passage of the oil pipeline as of summer of the year of 2004. The intensive traffic of heavy trucks caused the vibration and that resulted in the damage to my house, which was already out of condition – there was the fire there, following where to the house was repaired. As a result of the vibration caused by the traffic of heavy trucks, my house got cracks and splits. In case of mis-conduct of repair and reinforcement works, the collapse of the house may be expected, which may be followed by unforeseen consequences.

On 23 June, 2004, I applied with the written claim to BTC Pipeline Company, which claim I threw into the box of input claims located in Atskuri village. I have indicated in my claim that as a result of the vibration caused by the traffic of heavy trucks held by the Company, my house got cracks and splits. I requested the Company for on-site examination of the situation.

In response to the above, on 25 September 2004, I received the letter by Spie Capag-Petrofac, whereunder there was indicated that that was the very first time, when the Company was

addressed a claim with the content like mine and that happened in Georgia. It was also indicated in the said letter that on 3 September, 2004, the Company carried out the vibration test and that the test results cleared that the rate of vibration caused by the traffic of heavy trucks held by the Company was very low if compared with the rate of vibration set under the international standards and which could cause for any damage to buildings and structures. The Company noted in their letter that the Company disagreed to the fact that the vibration caused by the traffic of transportation means held by the Company could result in damage to my house and therefore, they denied my claim concerning any payable consideration.

After been familiarized with the response above, I considered the letter issued by Spie Capag-Petrofac inadequate and groundless due to the facts as follows:

The response did not correspond to the problems brought in my claim and produced the impression of some standard template letter, which they used sending to any claimant, who might claim due to any damage caused by the traffic of transportation means held by them. That is also proved by the fact that I did not demand for any compensation in my claim, but rather requested the Company carry out an on-site examination of the situation. Despite the above, the Company responded that they denied my claim concerning any payable consideration.

In addition, the Company carried out the vibration test in Atskuri in fact, but they did not do that nearby my house and by no means near the houses been constructed like my house. The vibration test was carried out in the part of Atskuri village, which is positioned on the other side of Mtkvari river, as well as in the so called "Ancient Georgians" zone and by no means in the zone, where my house is located in. At that, the vibration test was mainly carried out nearby the houses, which were made of wood.

In October of the year of 2004, there was held the meeting of the residents of the village and the representatives of BTC Pipeline Company and the contractors thereof. The meeting was attended by the Public Relations Officer of BTC Pipeline Company, Ana Petriashvili and the representative of Spie Capag-Petrofac, Enver Khvitia. I declared my claim once more at that meeting and requested the said persons for the grounded response to my concerns, however, unfortunately, I received no response from them.

In May of the year of 2005, I applied with the claim to the Ombudsman of International Finance Corporation and requested for the appointment of an independent expert and assessment of the rate of damage. As a result, British Petroleum appointed Mot McDonald Company and in January of the year of 2006, they conducted the said assessment. The assessment did not consider conduct of any repeated tests and was based only on the information provided by the Company. Neither any test was carried out nearby my house, nor did anyone examine it.

Based on the report delivered by Mot McDonald Company (which I do not deem as the independent expert), neither the Company nor the Ombudsman of International Finance Corporation recognised validity of the problems referred to in my claim. On 30 June, 2006, I received the letter issued by the Manager of BTC Pipeline Company, David Morgan (along with the report by Mot McDonald Company annexed thereto), whereunder there was indicated that BTC Co. deemed the problem settled and intended no additional activity with that regard.

The Claimant Jemal Tenoshvili

My plot was also covered by the pipeline passage and that passage occupied the very most part of my plot. My problematic matters are similar to the issues described by Natela Khugashvili. And this is not surprising at all so far as her plot is adjacent to the plot of mine. The Company occupied the land in excess to the area envisaged under the Proposal Package in my case as well

(as distinct from Natela Khugashvili, there were no plants on the land occupied in excess). I, like my fellow-villagers, repeatedly applied to the construction company and BTC Pipeline Company requesting for payment of the compensation against the land occupied in excess, however, that was to no avail. In 2005-2006, I also received the consideration against the uncollected harvest, like Natela Khugashvili did, but that was by no means against the land occupied in excess. I also hold the remaining land uncovered by the pipeline passage, further use whereof is economically infeasible.

At present, the process of conveyance of the lands covered by the pipeline passage to the former possessors thereof is being carried out. That process also concerned my plot. On 16 March, 2007, I accepted the document "Consent to Free Use of the Plot", and according to the documents annexed thereto, representatives of BTC Pipeline Company and the Association for Protection of Rights of Landlords should reach me within at most 7 days in order to discuss the terms and conditions set under the Proposal Package. Unfortunately, no-one has visited me until now and the process of conveyance of the plot still remains subject to completion. In spring, I tried to enter my plot covered by the passage for the sowing purposes, however, the pipeline security guards prevented me from entering until execution of an agreement with the Company. Thus, my right of use of my plot was restricted again this year, as well as any opportunity of harvesting thereon.

The document above was also attached by the other document "Consent to the Proposed Amount", whereunder it was indicated that I should be delivered the amount of GEL 833.00; however, no basis of such payment was clarified.

The Claimant Rusiko Cherniev

My plot was also covered by the construction passage of the pipeline. In August of the year of 2002, the inventory of the plot was performed, following whereof, certain compensation was paid. Neither my family members nor I attended the inventory process of my plot. Later, I was asked to be photographed in front of my plot. I could not reach my plot due to my declining years and the illness and instead, they photographed my daughter in front of the plot. Upon taking the photograph, only some plants were shot (one apple-tree, as well as the kidney bean and the maize plants). The photograph is missing one apple-tree and four plum-trees. My daughter asked the photographer to take a photograph of the said plants as well in order not to miss them upon calculation of a compensation amount. She was answered that the air photograph of the plot had already been taken and should those plants be damaged in the course of the construction process, a consideration would be paid in any case.

Unfortunately, as that appeared later, those plants has become the subject of the dispute with BTC Pipeline Company and the construction company. In the course of construction, one apple-tree and four plum-trees were cut down. As soon as we had been informed with regard to the cutting down of the plants, my daughter reached the plot in order to get clarification concerning the cut down plants from employees of the Company. The Officer, Leri Jojua, of BTC Pipeline Company told her that the damage should be paid later; however, she should not prevent the construction process.

Since then and up to present, I keep trying in vain to get paid any compensation against the cut down plants. I have repeatedly applied both to BTC Pipeline Company and the construction company. However, none of them admit existence of those plants on the plot (the fact of existence of the plants is proved under the act executed by the Atskuri Sakrebulo on 16 June, 2004) and accordingly, they recognise no responsibility for payment of any consideration.

One more issued remains unclear to me. In the years of 2005 and 2006, the compensations against the uncollected harvests were paid out in the village twice. I received the compensation only in 2006, while my fellow-villagers received the compensations both in 2005 and 2006.

In addition, in the course of construction, the construction company damaged the irrigation system; therefore, my fellow-villagers and I can not cultivate the lands and accordingly, we could not harvest as well. The company promised that they would repair the irrigation system, but that promise still remains the subject to fulfilment.

The Claimant Valerian Labadze

My claim is quite similar to the case of Rusiko Chernievi as described above. My plot (I am the successor of my deceased aunt Galina Labadze, who got paid the compensation against the plot covered by the passage in the year of 2003) is adjacent to the plot held by Rusiko Chernievi. Five fruit-bearing apple-trees were cut down on my plot also. I received the compensation against three from among those five, and two still remain subject to compensation. I, like Rusiko Chernievi was assured that the main thing was that I should not prevent the construction process and I would certainly receive the consideration against the plants been damaged in excess. Unfortunately, it appeared that that was a lie. Thus, I still expect the compensation against two apple-trees cut down in excess.

The Claimant Vakhtang Labadze

My claim is identical to those brought by two previous claimants. In the course of construction of the pipeline, several apple-trees were cut down in excess on my plot as well. I repeatedly applied in writing both to the construction company and the Association for Protection of Rights of Landlords in Akhaltsikhe, as well as BTC Pipeline Company. All responses to my written claims were negative and in addition, they were always in verbal form. After the emphatic request for a written response, Leri Jojua passed me the letter signed by Stewart Duncan, which referred to the number of the plot adjacent to mine (where no-one could notice more than two plants). I suspect that no-one has objectively examined the situation on-site and that mistake was caused by that fact. I also believe that should certain efforts be exerted, the rightfulness of my demand could be proved easily by means of aerial photographs.

The Claimant Badri Gasitashvili

My house is located in Atskuri, at the first kilometre of the Atskuri-Tisli road on the height existing on the right side of that road (the Atskuri-Tisli road passes by the base of the said height). As soon as the construction of the BTC pipeline commenced and furthermore, the gas pipeline, both heavy trucks and passenger cars of the construction company permanently passed through that road.

Since the road is narrow at the place where my house stands and that was really hard for the trucks loaded with the pipes and the building materials to disperse there, the company has widened the roadway. They have excavated away the part of the height right at the location of my house. Due to the excavation of the land, the soil started crumbling down. As the time went by, cracks started appearing in the walls of my house; at the same time, in order to avoid the fence collapsing, I carried it closer by 0.5 metres. In autumn of the year of 2006, the cattle-shed located in the yard collapsed and the fact of that collapse occurred right during the period when the construction company carried the huge cobbles through the road and accordingly, the vibration was very strong.

I repeatedly applied with the verbal claims to the representative of BTC Pipeline Company Tamar Tandashvili, as well as Enver Khvitia and Dato Gogoladze, but the response always was that that did not constitute the problem of the Company, since they did not inflict any direct

damage to me. I was advised to apply to the transportation company or the construction company directly.

On 13 March, 2006, I applied to the Land and Permits Manager Stuart Duncan of BTC Pipeline Company; however, I neither got any response to that letter of mine nor did anyone reach me in order to examine the situation on-site. As it has come to my attention, this year, the Company intends reconstructing the said section of the road and I am afraid that in the course of those works, some more part could be excavated away from the height, and that would finally ruin my house.

We, the undersigned hereby request for examination of the problematic matters brought by us hereunder, determination and assessment of the damage inflicted to us and for payment of a relevant compensation to us if the said damage is proved.

The sole objective of our claim is to finally clear the existing situation and to receive an adequate and fair compensation against the damages inflicted to us.

*Please refer to the documentation proving
the facts provided hereunder in Annexes (in 53 sheets only)*

15 June, 2007

Natela Khugashvili /Signature/

Tamar Labadze /Signature/

Jemal Tenoshvili /Signature/

Rusiko Cherniev /Signature/

Valerian Labadze /Signature/

Vakhtang Labadze /Signature/

Badri Gasitashvili /Signature/

Registry Entry No I-2374

G e o r g i a

Notary Act

On this twenty-fifth day of June of the year of two thousand seven,

I, Tamar Vashakidze, the Public Notary in Tbilisi, was applied at my notary's office (located at 9 Tsabadze Str.) by Netela Sesadze, born on 23.09.1962 in Akhaltsikhe, residing at 16 Java II Lane, Tbilisi, ID NoG 0063574, personal No 01019002181 issued on 11.07.1995 by the Nadzaladevi Department of Interior,

and requested for execution and notarisation of the Power of Attorney to be issued to

Leila Sesadze, born on 05.03.1938 in Aspindza, residing at Atskuri village of Akhaltsikhe district, ID NoD 0595379, personal No 47001021661 issued on 28.09.2004 by the Akhaltsikhe Department of Interior.

I established the identity of the Assignor on the basis of the furnished ID, examined her capabilities and truth of expression of her will. Furthermore, I drafted this Power of Attorney. The Assignor read it, stated neatly and clearly that it fully expressed her will and personally caused her signature under the Power of Attorney in my presence.

P o w e r o f A t t o r n e y

On this twenty-fifth day of June of the year of two thousand seven,

I, the Assignor Netela Sesadze, born on 23.09.1962 in Akhaltsikhe, residing at 16 Java II Lane, Tbilisi,

hereby authorise Leila Sesadze, born on 05.03.1938 in Aspindza, residing at Atskuri village of Akhaltsikhe district,

in order to carry on my dispute concerning the damage inflicted to me in the course of the Baku-Tbilisi-Ceyhan oil pipeline, represent and defend my interests at the at Independent Authority of European Bank for Reconstruction and Development being in charge of examination of claims, sign all documents and execute all actions related thereto and connected to attainment of the task above.

This Power of Attorney is in effect for the term of five years and remains valid inclusive of June 25, 2012.

The fee of GEL 5.00 against the notary service was paid.

[Signature]

Public Notary

[Signature]

[Seal]

T.Vashakidze

Georgia

Registry Entry No1-2867

Notary Act

On this eighteenth day of June of the year of two thousand seven, I, Liana Minadze, the Public Notary in the city of Akhaltsikhe, was applied at my notary's office (located at 2 Tamarashvili Str., the city of Akhaltsikhe) by **Badri Gasitashvili** and stated that he was willing to authorise **Jemal Tenoshvili** and **Leila Sesadze**, execute the relevant Power of Attorney and notarisation thereof. I ascertained that indeed, **Badri Gasitashvili** (born on 08.12.1972 in Akhaltsikhe, ID No D0782438, personal No 47001022323 issued by the Akhaltsikhe Office of Passport Agency on 23.12.2005, residing in Atskuri village of Akhaltsikhe district) applied to me. I examined his capabilities and hereby certify that I had no basis for doubting his capabilities. Furthermore, I determined the truth of his will. I read the Power of Attorney to him and clarified the content thereof. He confirmed that the Power of Attorney fully expressed his will and signed this Power of Attorney in my presence.

Power of Attorney

On this eighteenth day of June of the year of two thousand seven, by virtue of this Power of Attorney, I, **Badri Gasitashvili** authorized **Leila Sesadze** (born on 05.03.1938 in Aspindza, ID No D0595379, personal No 47001021661 issued by the Akhaltsikhe Department of Interior on 28.09.2004, residing in Atskuri village of Akhaltsikhe district) and **Jemal Tenoshvili** (born on 06.07.1952 in Akhaltsikhe, ID No G0720093, personal No 47001028948 issued by the Akhaltsikhe Agency of Passports and Registration of Population on 15.07.2005, residing in Tiseli village of Akhaltsikhe district),

in order to carry on my dispute concerning the damage inflicted to me in the course of the Baku-Tbilisi-Ceyhan oil pipeline, represent and defend my interests at the at Independent Authority of European Bank for Reconstruction and Development being in charge of examination of claims.

This Power of Attorney is in effect for the term of five (5) years and remains valid inclusive of 18 June of the year of two thousand twelve.

The fee of GEL 5.00 against the notary service was paid according to Clause III of Article 29 of the Law of Georgia "On Fees against Notary Services" (as of 11 June, 1998, of No1417).

[Signature]

Badri Gasitashvili

Public Notary

[Signature]

T.Vashakidze

Georgia

Registry Entry No1-2879

Notary Act

On this nineteenth day of June of the year of two thousand seven, I, Liana Minadze, the Public Notary in the city of Akhaltsikhe, was applied at my notary's office (located at 2 Tamarashvili Str., the city of Akhaltsikhe) by **Vakhtang Labadze** and stated that he was willing to authorise **Jemal Tenoshvili** and **Leila Sesadze**, execute the relevant Power of Attorney and notarisation thereof. I ascertained that indeed, **Vakhtang Labadze** (born on 01.01.1958 in Akhaltsikhe, ID No G0825050, personal No 47001033646 issued by the Akhaltsikhe Office of Passport Agency on 30.12.2005, residing in Atskuri village of Akhaltsikhe district) applied to me. I examined his capabilities and hereby certify that I had no basis for doubting his capabilities. Furthermore, I determined the truth of his will. I read the Power of Attorney to him and clarified the content thereof. He confirmed that the Power of Attorney fully expressed his will and signed this Power of Attorney in my presence.

Power of Attorney

On this eighteenth day of June of the year of two thousand seven, by virtue of this Power of Attorney, I, **Vakhtang Labadze** authorised **Leila Sesadze** (born on 05.03.1938 in Aspindza, ID No D0595379, personal No 47001021661 issued by the Akhaltsikhe Department of Interior on 28.09.2004, residing in Atskuri village of Akhaltsikhe district) and **Jemal Tenoshvili** (born on 06.07.1952 in Akhaltsikhe, ID No G0720093, personal No 47001028948 issued by the Akhaltsikhe Agency of Passports and Registration of Population on 15.07.2005, residing in Tiseli village of Akhaltsikhe district),

in order to carry on my dispute concerning the damage inflicted to me in the course of the Baku-Tbilisi-Ceyhan oil pipeline, represent and defend my interests at the at Independent Authority of European Bank for Reconstruction and Development being in charge of examination of claims.

This Power of Attorney is in effect for the term of five (5) years and remains valid inclusive of 19 June of the year of two thousand twelve.

The fee of GEL 5.00 against the notary service was paid according to Clause III of Article 29 of the Law of Georgia "On Fees against Notary Services" (as of 11 June, 1998, of No1417).

[Signature]

Vakhtang Labadze

Public Notary

[Signature]

T.Vashakidze

Georgia

Registry Entry No1-2868

Notary Act

On this eighteenth day of June of the year of two thousand seven, I, Liana Minadze, the Public Notary in the city of Akhaltsikhe, was applied at my notary's office (located at 2 Tamarashvili Str., the city of Akhaltsikhe) by **Valerian Labadze** and stated that he was willing to authorise **Jemal Tenoshvili** and **Leila Sesadze**, execute the relevant Power of Attorney and notarization thereof. I ascertained that indeed, **Valerian Labadze** (born on 25.06.1957 in Akhaltsikhe, ID No G0782210, personal No 47001031783 issued by the Akhaltsikhe Office of Passport Agency on 24.11.2005, residing in Atskuri village of Akhaltsikhe district) applied to me. I examined his capabilities and hereby certify that I had no basis for doubting his capabilities. Furthermore, I determined the truth of his will. I read the Power of Attorney to him and clarified the content thereof. He confirmed that the Power of Attorney fully expressed his will and signed this Power of Attorney in my presence.

Power of Attorney

On this eighteenth day of June of the year of two thousand seven, by virtue of this Power of Attorney, I, **Valerian Labadze** authorized **Leila Sesadze** (born on 05.03.1938 in Aspindza, ID No D0595379, personal No 47001021661 issued by the Akhaltsikhe Department of Interior on 28.09.2004, residing in Atskuri village of Akhaltsikhe district) and **Jemal Tenoshvili** (born on 06.07.1952 in Akhaltsikhe, ID No G0720093, personal No 47001028948 issued by the Akhaltsikhe Agency of Passports and Registration of Population on 15.07.2005, residing in Tiseli village of Akhaltsikhe district),

in order to carry on my dispute concerning the damage inflicted to me in the course of the Baku-Tbilisi-Ceyhan oil pipeline, represent and defend my interests at the at Independent Authority of European Bank for Reconstruction and Development being in charge of examination of claims.

This Power of Attorney is in effect for the term of five (5) years and remains valid inclusive of 18 June of the year of two thousand twelve.

The fee of GEL 5.00 against the notary service was paid according to Clause III of Article 29 of the Law of Georgia "On Fees against Notary Services" (as of 11 June, 1998, of No1417).

[Signature]

Valerian Labadze

Public Notary

[Signature]

T.Vashakidze

Georgia

Registry Entry No1-2886

Notary Act

On this nineteenth day of June of the year of two thousand seven, I, Liana Minadze, the Public Notary in the city of Akhaltsikhe, was applied at my notary's office (located at 2 Tamarashvili Str., the city of Akhaltsikhe) by **Rusudan Cherniev** and stated that she was willing to authorise **Jemal Tenoshvili** and **Leila Sesadze**, execute the relevant Power of Attorney and notarisation thereof. I ascertained that indeed, **Rusudan Cherniev** (born on 20.01.1924 in Akhaltsikhe, ID No G0739220, personal No 47001030143 issued by the Akhaltsikhe Office of Passport Agency on 31.08.2005, residing in Atskuri village of Akhaltsikhe district) applied to me. I examined her capabilities and hereby certify that I had no basis for doubting her capabilities. Furthermore, I determined the truth of her will. I read the Power of Attorney to her and clarified the content thereof. She confirmed that the Power of Attorney fully expressed her will and signed this Power of Attorney in my presence.

Power of Attorney

On this eighteenth day of June of the year of two thousand seven, by virtue of this Power of Attorney, I, **Rusudan Cherniev** authorized **Leila Sesadze** (born on 05.03.1938 in Aspindza, ID No D0595379, personal No 47001021661 issued by the Akhaltsikhe Department of Interior on 28.09.2004, residing in Atskuri village of Akhaltsikhe district) and **Jemal Tenoshvili** (born on 06.07.1952 in Akhaltsikhe, ID No G0720093, personal No 47001028948 issued by the Akhaltsikhe Agency of Passports and Registration of Population on 15.07.2005, residing in Tiseli village of Akhaltsikhe district),

in order to carry on my dispute concerning the damage inflicted to me in the course of the Baku-Tbilisi-Ceyhan oil pipeline, represent and defend my interests at the at Independent Authority of European Bank for Reconstruction and Development being in charge of examination of claims.

This Power of Attorney is in effect for the term of five (5) years and remains valid inclusive of 19 June of the year of two thousand twelve.

The fee of GEL 5.00 against the notary service was paid according to Clause III of Article 29 of the Law of Georgia "On Fees against Notary Services" (as of 11 June, 1998, of No1417).

[Signature]

Rusudan Cherniev

Public Notary

[Signature]

T.Vashakidze