Azerbaijan: Shah Deniz Stage II Gas Field Expansion Project

**Project Name**: Shah Deniz Stage II Gas Field Expansion Project

**Project Number**: 48330-001

**Borrower/Company**: Lukoil Overseas Shah Deniz

**Country**: Azerbaijan

**Location**: Nation-wide

**Approval Number**: 7453/3270

**Type of ADB Assistance / Amount**

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<th>Type of ADB Assistance</th>
<th>Amount</th>
<th>Committed</th>
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<tr>
<td>Ordinary capital resources</td>
<td>USD 250.00 million</td>
<td>Committed</td>
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<tr>
<td>To be decided.</td>
<td>USD 225.00 million</td>
<td>Committed</td>
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**Strategic Agendas**

- Inclusive economic growth
- Regional integration

**Drivers of Change**

- Partnerships
- Private sector development

**Sector / Subsector**

Energy - Oil and gas transmission and distribution

**Gender Equity and Mainstreaming**

No gender elements

**Responsible ADB Department**: Private Sector Operations Department

**Responsible ADB Division**: Portfolio Management Division, PSOD

**Responsible ADB Officer**: Mokroussov, Sergey

**Project Sponsor(s)**: OAO Lukoil

**Description**

The upstream project includes construction of 26 subsea wells, two offshore platforms, gas and condensate subsea pipelines, expansion of the Sangachal terminal, two 900 mmscfd gas compressors, and connection to the South Caucasus Pipeline.

**Objectives and Scope**

1. To increase the output of one of Azerbaijan’s most important economic generators,
2. To establish Azerbaijan a peer in the regional economy in contributing to the promotion of value-added industries such as downstream processing, and
3. To generate substantial employment in Azerbaijan.

**Linkage to Country/Regional Strategy**

The project is aligned with the draft Azerbaijan country partnership strategy (CPS) 2014-2018, specifically in the support of select downstream petrochemical investments. The project will help convince the international finance community on the bankability of large-scale financings in Azerbaijan.

**Safeguard Categories**

- **Environment**: A
- **Involuntary Resettlement**: B
- **Indigenous Peoples**: C

**Summary of Environmental and Social Aspects**

**Environmental Aspects**

URS was appointed to undertake the ESIA in November 2013 to comply with EBRD requirements. The main environmental issues are air quality, water and wastewater quality, noise and vibration level, marine and terrestrial biodiversity (flora and fauna), hazardous and non-hazardous wastes generation and occupational health and safety within the project’s area of influence from gas condensate field development, construction works and operation of project facilities including associated infrastructure facilities.

**Involuntary Resettlement**

The State Oil Company of Azerbaijan Republic (SOCAR) is responsible for land acquisition in connection with the project. The due diligence of the land acquisition process will confirm whether the actions are in accordance with EBRD’s and ADB’s safeguard principles and policy requirements. The Environmental and Social Compliance Audit report shall identify corrective actions, measures and recommendations to address the gaps identified, to comply with the Safeguard Requirements on Involuntary Resettlement.

**Indigenous Peoples**

The ESIA confirms that there are no indigenous communities in the project locations that will be impacted.

**Stakeholder Communication, Participation, and Consultation**

The audit will review the stakeholder engagement process adopted and propose corrective actions, as required, to ensure compliance with ADB requirements.

**Timetable for assistance design, processing and implementation**

- **Concept Clearance**: -
- **Due Diligence**: -
- **Credit Committee Meeting**: 02 Jun 2015 to 02 Jun 2015
- **Approval**: 05 Aug 2015
- **Last PDS Update**: 30 Oct 2018
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