

Turkey : Tuz Golu Gas Storage Expansion

1. Project Information

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|-----------------------------------|--|-------------------|---|
| Project ID: | P000062 | Instrument ID: | L0062A |
| Member: | Turkey | Region: | Western Asia |
| Sector: | Energy | Sub-sector: | Gas processing, storage, transportation, and distribution |
| Instrument type: | <input checked="" type="checkbox"/> Loan:600.00 US Dollar million <input type="checkbox"/> Guarantee | Co-financier(s): | International Development Association, World Bank Group |
| ES category: | A | Borrowing Entity: | Boru Hatları ile Petrol Taşıma A.Ş. (BOTAŞ) |
| Implementing Entity: | Boru Hatları ile Petrol Taşıma A.Ş. (BOTAŞ) | | |
| Project Team Leader: | Hari Bhaskar (DG: Rajat Misra; Responsible Department: INF1) | | |
| Project Team Members: | Aditi Khosla, Project Counsel; Rabindra Shah, OSD - Procurement Specialist; Shonell Robinson, OSD - Financial Management Specialist; Susrutha Goonasekera, OSD - Social Development Specialist; Gerardo Pio Parco, OSD - Environment Specialist; | | |
| Completed Site Visits by AIIB: | Sep, 2020 Missions conducted in Aug 2018, Feb 2019, Sep 2019, Mar 2020, Jun 2020 and Sep 2020. Regular calls being conducted among WB, AIIB and the borrower post suspension. Nov, 2021 Virtual missions conducted together with the World Bank in October and November 2021 Mar, 2022 Virtual mission together with the World Bank | | |
| Planned Site Visits by AIIB: | Sep, 2022 Planned virtual mission | | |
| Current Red Flags Assigned: | 0 | | |
| Current Monitoring Regime: | Regular Monitoring | | |
| Previous Red Flags Assigned: | 2 | | |
| Previous Red Flags Assigned Date: | 2021/09 | | |

2. Project Summary and Objectives

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

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

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

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

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

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

3. Key Dates

| | | | |
|----------------|---------------|------------------------|---------------|
| Approval: | Jun. 24, 2018 | Signing: | Jun. 27, 2018 |
| Effective: | Jul. 17, 2018 | Restructured (if any): | |
| Orig. Closing: | Oct. 31, 2024 | Rev. Closing (if any): | |

4. Disbursement Summary (USD million)

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

5. Project Implementation Update

Both the World Bank (WB) and AIIB lifted the partial suspension in January 2022 that was imposed in April 2021. The suspension was imposed in April 2021 due to certain E&S non-compliance issues. WB and AIIB regularly monitored the mitigation actions that were implemented by the borrower and in January 2022, lifted the suspension after both the banks were satisfied with the mitigation actions. Accordingly, the two red flag assigned to the project earlier are being removed in this edition of the PIMR. WB and AIIB plan to monitor BOTAS' adherence to E&S compliance on a regular basis.

Another topic that has come up recently is about the wells that are being drilled. A total of 40 underground wells have been planned originally and it has been observed recently (post seismic studies) that some of the well locations may not be suitable due to various reasons (salt layer not thick enough or due to gas (CO₂) breakthrough). BOTAS is conducting further studies to identify alternative locations for the wells. BOTAS discussed a couple of alternative solutions with WB and AIIB during the mission in March 2022 and will get back to the banks with a proposal (and the expected increase, if any, in the project cost) in end Q2 / early Q3 2022.

| Components | Physical Progress | Environmental & Social Compliance | Procurement |
|---|--|--|------------------------------|
| Component 1: Tuz Golu gas storage expansion facilities (USD590 million) | Top hole drilling, fresh and brine discharge pipelines, and energy transmission works ongoing. Approximately 35-40% of the works are completed. Delays experienced in equipment supply due to Covid 19 impact. | Partial suspension imposed earlier due to E&S non-compliance has been lifted by both WB and AIIB in January 2022 | Major procurement completed. |
| Component 2: Supervision consultancy (USD8 million) | Contract awarded and the consulting firm is on board. | N/A | Completed |
| Component 3: ESIA and RAP monitoring consultancy | Contract awarded and the consulting firm is on board. | N/A - this consultant is monitoring E&S compliance of works at the project site but has no E&S compliance issues themselves. | Completed |

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

| | | | |
|----------------|--|--|--|
| (USD2 million) | | | |
|----------------|--|--|--|

Financial Management:

Both the entity and project financial statements for the year 2020 have been submitted by BOTAS. Financial statements for the year 2021 are expected to be submitted by end June 2022.

6. Status of the Grievance Redress Mechanism (GRM)

GRM has been established and is functional. Around 15 grievances are open. BOTAS in the process of attending to them. Some of the open grievances relate to additional demands / requests from the landowners on land acquisition and employment opportunities. With the construction works starting in full swing after lifting of suspension, we expect GRM to be active again.

7. Results Monitoring

As mentioned in section 5 above, the project scope is likely to undergo change. A comprehensive review of the results indicators (including the revised indicators, if any, due to the change in scope) will be done once the scope change is finalized, reviewed and accepted by the banks including the revised results indicators.

Project Objective Indicators #1

Reduction of gas supply curtailments (billion cubic meter)

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

Project Objective Indicators #2

Reduction of spot LNG purchases (%)

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

Project Objective Indicators #3

Increase in gas storage capacity (billion cubic meter)

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

Intermediate Result Indicators #1

Turkish consumers benefitting from gas supply (million)

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

Intermediate Result Indicators #2

Implementing RAP to compensate project affected persons (%)

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

Intermediate Result Indicators #3

Registered grievances addressed within the stipulated time frame (%)

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

Intermediate Result Indicators #4

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

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

Intermediate Result Indicators #5

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

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

Remarks:

With the partial suspension in force for the best part of 2021 and with the envisaged change in scope now, it would be ideal to wait for the finalized scope and the revised results indicators to take up a comprehensive review of the results indicators. We expect to have good actual data for the year 2022 in early 2023.