

Türkiye : Tuz Golu Gas Storage Expansion

1. Project Information

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|-----------------------------------|--|-------------------|---|
| Project ID: | P000062 | Instrument ID: | L0062A |
| Member: | Türkiye | 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 (Responsible 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 Jun, 2022 World Bank mission from June 27 to 30, 2022 Mar, 2022 Virtual mission together with the World Bank | | |
| Planned Site Visits by AIIB: | Nov, 2022 Physical mission by World Bank with possible physical or virtual participation by AIIB | | |
| Current Red Flags Assigned: | 0 | | |
| Current Monitoring Regime: | Regular Monitoring | | |
| Previous Red Flags Assigned: | 0 | | |
| Previous Red Flags Assigned Date: | 2022/04 | | |

2. Project Summary and Objectives

The project objective is to increase the reliability and security of Türkiye'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 Türkiye benefits the entire population of Türkiye as this will help Türkiye 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 June 2022, and will get back to the banks with a proposal (and the expected increase, if any, in the project cost) in Q4 2022. It appears that the most feasible alternative is to reduce the output of the storage to about 2.2 bcm (instead of 4 bcm) but we will have to await the proposal from BOTAS to know more about it.

| 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 50% of the works are completed. | No major issues observed. The recent mission observed that E&S implementation has improved as compared to pre-suspension period. | Major procurement completed. The anticipated changes in design (under finalization now) will entail change orders which will be reviewed by the banks before finalization. |
| Component 2: Supervision consultancy (USD8 million) | Contract awarded and the consulting firm is on board. | N/A | Completed |
| Component 3: ESIA and RAP | Contract awarded and the consulting firm is on | N/A - this consultant is monitoring E&S compliance of works at the | 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.

| | | | |
|---------------------------------------|--------|---|--|
| monitoring consultancy (USD2 million) | board. | project site but has no E&S compliance issues themselves. | |
|---------------------------------------|--------|---|--|

Financial Management:

Audit reports for the year 2021 were due in June 2022. After a few follow-ups, the reports have been submitted in Oct 2022.

6. Status of the Grievance Redress Mechanism (GRM)

GRM has been established and is functional. A total of 331 grievances have been submitted so far out of which 328 grievances have been closed. BOTAS is working on closing the remaining grievances. The updates will be reviewed during the mission planned in November 2022.

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.
- Also, the construction works have just started after revoking the suspension, and it is expected that the actual results will be measured in Q1 2023 for the year ending Dec 2022. It is also expected that the changes (as described in 1 above) would have been finalized by then.

Project Objective Indicators #1

Reduction of gas supply curtailments (billion cubic meter)

| Year | Target | Actual | Comments, if any |
|---------------|--------|---------|---|
| Dec. 31, 2021 | 0 | 1.5 bcm | Actual result of 2022 is expected to be measured in early 2023. |

Project Objective Indicators #2

Reduction of spot LNG purchases (%)

| Year | Target | Actual | Comments, if any |
|---------------|--------|--------|--|
| Dec. 31, 2021 | 0 | 0 | Actual reduction is estimated to happen from 2022, as per the original project design. Actual result of 2022 is expected to be measured in early 2023. |

Project Objective Indicators #3

Increase in gas storage capacity (billion cubic meter)

| Year | Target | Actual | Comments, if any |
|---------------|--------|--------|---|
| Dec. 31, 2021 | 0 | 0 | with first reservoir expected to be commissioned in 2023, storage capacity will start coming into play from 2023 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. Results will only improve when measured in early 2023 for the year 2022. |

Intermediate Result Indicators #2

Implementing RAP to compensate project affected persons (%)

| Year | Target | Actual | Comments, if any |
|---------------|--------|--------|---|
| Dec. 31, 2021 | 100 | n/a | RAP under implementation in full swing. Actual percentage to be measured in early 2023 for the year 2022. |

Intermediate Result Indicators #3

Registered grievances addressed within the stipulated time frame (%)

| Year | Target | Actual | Comments, if any |
|---------------|--------|--------|--|
| Dec. 31, 2021 | 60 | 99 | More than 99% of the grievances registered have been closed. |

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, 2021 | 60 | 99 | More than 99% of the grievances registered have been closed. |

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, 2021 | 25 | n/a | Results for 2022 to be measured in early 2023 |

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.