



02 FUTURE FOCUS

\$2 billion project links Georgia with the West

10 SUPPORT SYSTEM

BP backs community development

14 TREASURE TROVE

Preserving Georgia's rich cultural heritage



THE INTERNATIONAL MAGAZINE OF THE BP GROUP

GEORGIA SPECIAL

BP MAGAZINE



HISTORIC MOVE

As BP invests in a new project that extends Georgia's role in transporting oil and gas to Europe, *BP Magazine* heads to the country to find out what this means for the future and to learn about its rich heritage.

Report > **Amanda Breen** Photography > **Jon Challicom / Getty**



Situated at the crossroads of Asia and Europe, Georgia is set to broaden its vital role in the transportation of hydrocarbons from the resource-rich Caspian Sea to markets farther west. A new \$2 billion project with BP and its co-venturers is helping to secure the country's place as an important business hub in the region, as well as strengthen its ties with partners beyond.



Moving forwards: (clockwise from top left) the bright lights of Batumi, the coastal city on the Black Sea; BP's Misha Datiashvili, onshore site manager for BTC and SCP operations; and the view across the nation's capital, Tbilisi, over the Mtkvari River.

When Georgians greet one another in their native Kartuli language, they express far more than a simple hello. As they utter “Gamarjoba” to friends or strangers, they wish them victory.

This single word reveals much about the nation's history and its people's resilience; it reflects centuries of turbulence across a territory that lies at the crossroads of Western Asia and Eastern Europe. The land has seen the rise and fall of empires, both ancient and modern. History books detail a long list of invaders and conquerors, who divided, annexed or dominated the kingdom.

Geography might be considered the root cause of Georgia's struggles for many eras – bordered by four countries on three sides, with its west coast bounded by the Black Sea, intruders came from all angles. The 20th century proved to be no exception, with Georgia incorporated into the Soviet Union from 1921.

Nearly a quarter of a century after the fall of communism, an independent Georgia and its people have picked themselves up from the disarray of the Soviet collapse and are seizing the opportunities offered by their geographic location. Since 1999, Georgia has emerged as a crucial transit country for oil and gas from the resource-rich Caspian Sea.

Three BP-operated pipelines – two carrying oil and one gas, nearly 1,000 kilometres in total – traverse the landscape from east to west. They deliver millions of barrels of oil and billions of cubic metres of gas each year to their intended destinations for further export to global markets.

Nearly 250 kilometres of the giant 1,738-kilometre Baku-Tbilisi-Ceyhan (BTC)

pipeline run through Georgia, climbing to an altitude of 2,800 metres in the Caucasus Mountains. Transporting gas, the South Caucasus Pipeline (SCP) was built in the same corridor of land. The third pipeline is the Western Route Export Pipeline, commonly known as the Baku-Supsa pipeline. It is the oldest of the three, carrying oil to a terminal on the Black Sea coast.

With all three pipelines buried underground, few facilities remain visible: pump stations in the east of the country, pressure-reducing facilities, metering stations at borders and offtakes, the terminal at Supsa, and various block and check valves along the routes. Scarcely visible infrastructure does not equate to insignificant operations, though.

“Around one per cent of the world's hydrocarbons pass through Georgia quietly every day,” says BP's country manager, Chris Schlueter. “By quietly, I mean the operations take place in a safe, environmentally responsible and compliant manner, with almost 100% reliability.

“Georgia has very much played its cards right in the region as far as attracting these pipeline developments. It is not a hydrocarbon-rich country itself. However, it is strategically positioned geopolitically and it has created and sustained the right business environment to encourage investments.”

New \$2 billion project

These investments are by no means over yet. In addition to its current operations here that employ more than 530 staff, BP and its partners are now working on a new project that represents the single largest foreign investment in Georgia at \$2 billion over the next four years.

Along with neighbouring Azerbaijan, Georgia is at the ‘top end’ – close to the hydrocarbon source – of the Southern Gas Corridor that will deliver vast quantities of Caspian gas to Turkey and on to Europe (see box on page 4). As well as expanding part of the existing SCP, the development means two new gas compressor stations for the country – facilities that will require new skills to operate new technology.

“The project needs to be ready by 2018 in Georgia,” says Schlueter, during a visit to a construction site close to Gardabani. “But the challenges don't just lie in building the new pipeline loop and compressor stations on schedule, they come during start-up and operations. We will be entering the world of large-scale gas compression, with huge jet engines as part of our facilities; we need to operate those safely and efficiently from day one and our goal is to employ a fully-nationalised technician workforce.”

Once those compressor stations are pumping gas, eyes will turn farther west to witness the eventual delivery of additional supplies through Turkey and on to the heart of Europe. Just as Georgia starts to play an even greater transit role for the energy industry, the country is also looking westwards in its vision of a secure economic and political future.

“The European Union is a natural partner for Georgia,” says Ambassador Zviad Chumburidze, secretary general of the EU-Georgia Business Council. Created in 2006, with BP as a founding member, the organisation aims to support the Georgian business community in establishing direct links with Europe. “We have excellent relationships with our neighbours in the region, but we also view the EU as a stable and predictable partner for the future.”

More than 40 billion cubic metres of gas have been produced from Shah Deniz since 2006. The full-field development means a further 16 billion cubic metres per year of gas for customers.



GEORGIA'S ROLE IN THE SOUTHERN ENERGY CORRIDOR

BP is leading a consortium to bring the Caspian's giant Shah Deniz gas field into full production. Work is under way to expand the existing 42-inch South Caucasus Pipeline to carry the extra volume, forming the first link in a chain to create a new Southern Gas Corridor. This includes:

- A 48-inch pipeline 'loop' to run parallel to the existing SCP for 424 kilometres to the Azerbaijan-Georgia border.
- The new pipeline to extend four kilometres over the border to a new compressor station, where the gas is compressed to increase its pressure, allowing it to move onwards through the pipeline.
- Another new section of pipeline to continue from the compressor station for a further 59 kilometres, before reconnecting with the existing line.
- Gas will pass through a second new compressor station, west of Lake Tsalka.
- A new two-kilometre pipeline section will connect into the Trans-Anatolian Pipeline (TANAP) at the Turkish border.

Closer to Europe

This partnership took a step forward in June 2014, with the signature of the EU Association Agreement, which includes a so-called 'deep and comprehensive free trade area' – in other words, a chance for Georgian businesses to reach some 500 million potential customers. On the day of the pact, then European Council President Herman Van Rompuy declared: "The EU stands by your side, today more than ever before." Georgia saw the impact of the deal immediately: exports to the EU rose by 12% within six months.

"We're taking steps to become a small but distinctive contributor to the European market," Chumburidze says. "For example, our agricultural sector has a promising export future. At the moment, we have a couple of dozen companies operating with a small turnover in the EU – we're already selling blueberries in five countries and supplying kiwi fruits to a German supermarket chain."

Over at the American Chamber of Commerce (AmCham) in Georgia, making inroads into Europe and beyond is also viewed positively, not necessarily for reasons of immediate economic benefit, but for what such developments represent

on a broader level. "The Association Agreement is significant in itself, of course, but it also requires Georgia to comply with a number of standards that prompt many changes in legislation," says Sarah Williamson, AmCham in Georgia president. "For the Government to take responsibility for implementing those changes over a fixed timeframe sends an important signal to potential investors that the country is serious about its aspirations to join Europe and the West."

Both the European and American trade associations also actively promote Georgia as an important business hub in the region, with a strong banking sector (two Georgian institutions are listed on the London Stock Exchange), a multilingual population, and friendly political relations with its neighbours. "We play a role in getting US investors to come here and look at Georgia," says Williamson. "There are plenty of investment opportunities in diverse sectors, from hydropower to offshore software development, agriculture to tourism."

With spectacular scenery among the mountain ranges of the Caucasus, a diverse climate, as well as a rich artistic and cultural history, Georgians are fully aware

Country facts

Land area

69,490 sq km

Population total (2014)

4.504 million

Gross domestic product (2014)

\$16.53 billion

Urban population

53%

(Source: World Bank)



of what their country has to offer visitors (see page 14). And, they take great pride in their hospitality, intent on showing tourists a warm welcome. After all, in this predominantly Orthodox Christian nation, where hilltop monasteries are dotted across the landscape, a proverb says ‘every guest is God-sent’.

There can't be many countries in the world where immigration officers present foreigners with anything other than a passport stamp – but visitors arriving at Tbilisi Airport are handed a half-bottle of Georgian wine. It's a move that is likely to put a smile on the face of the most weary traveller.

Destination Georgia

As with any capital city, Tbilisi, of course, has its many attractions. There's the charm of winding alleyways and the dome-shaped sulphur baths that jut out like giant beehives in the old town, in contrast to the daring modern architecture on the banks of the Mtkvari River, with the glass Bridge of Peace and curious tubular design of the newest concert hall. However, Tbilisi does have to vie for visitor attention with another destination, a five-hour drive west to the shores of the Black Sea.



GETTY

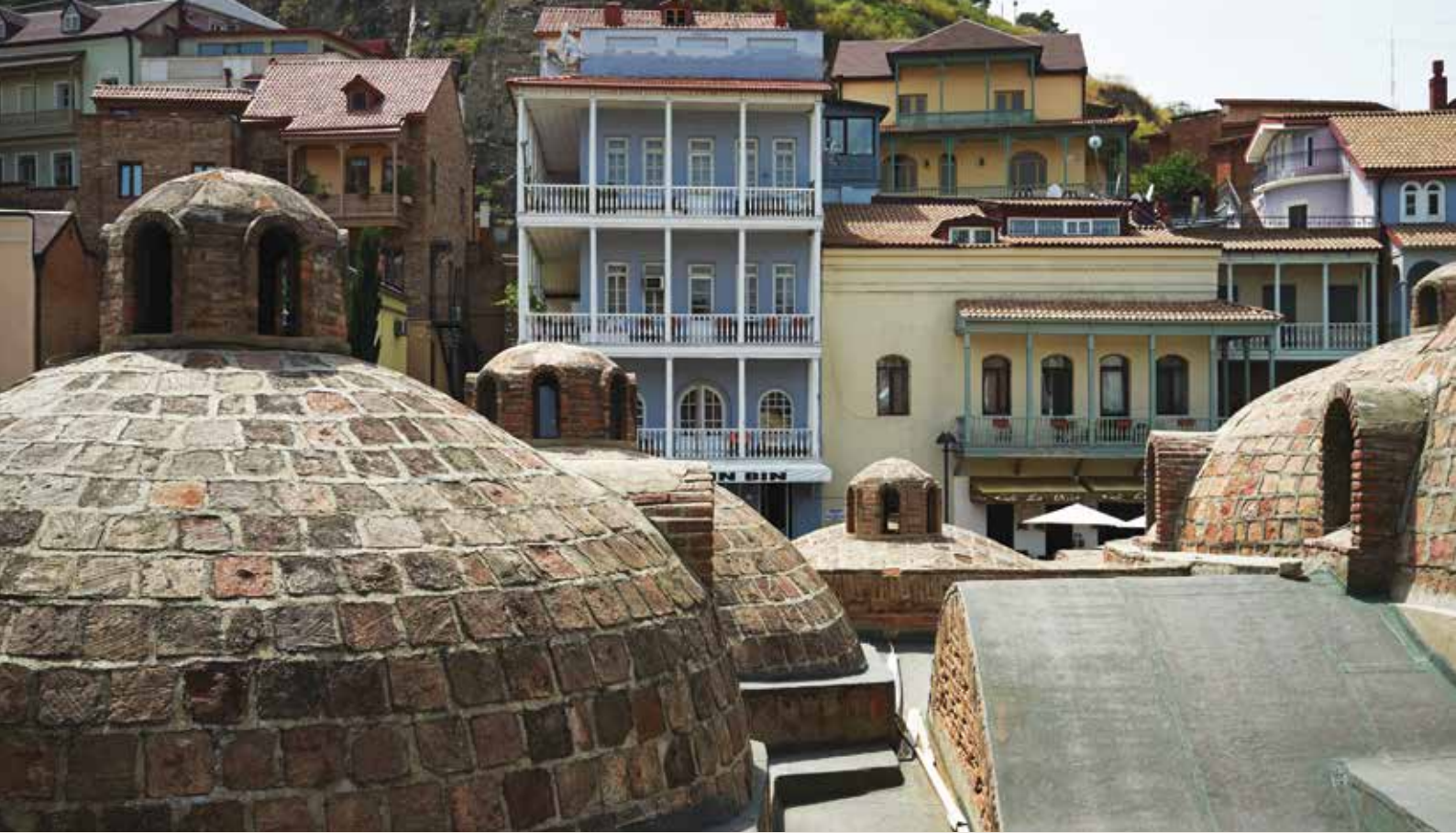
In the autonomous region of Adjara, the coastal resort of Batumi offers tourists at least one activity they can't find elsewhere in the Caucasus: gambling. Batumi is a place of bright lights and global hotel brands, smart piazzas and a palm-fringed boardwalk or ‘bulvar’ along the waterfront. A mini Las Vegas springs to mind. A flowerbed at the city limits greets visitors with the words ‘Batumi Miracle’ – a nod to the vast redevelopment that is restoring the metropolis to its former pre-communist glory.

“Even before Soviet times, Batumi and the surrounding region were known as a tourist destination,” says Giorgi Ermakov, mayor of the municipality. “We're well-equipped to »

New developments: construction work (top) is under way at the site of the new gas compressor station close to the Georgia-Azerbaijan border; and on the Black Sea coastline, the city of Batumi (above) continues to draw investment.

Old and new: (this page) studying plans on site for BP's new compressor station in east Georgia; (opposite top) sulphur baths in Tbilisi's historic quarter with their distinctive dome-shaped roofs; and (bottom right) the Presidential Palace overlooks the city's new Philharmonic Building.





Georgia is strategically positioned geopolitically and it has created the right business environment to encourage investments.”

Chris Schlueter





cater for a variety of tastes and demands. Different climatic zones allow visitors to swim in the sea and go into the mountains to ski during the same trip, while accommodation covers the entire spectrum, including five-star luxury, meaning there is something to suit every budget.”

Weekend visitors fly into Batumi from Azerbaijan, Armenia and even Israel, or drive across the nearby border from Turkey to try their luck in the city’s casinos. Each summer, the annual Black Sea Jazz Festival boosts tourist numbers further, with big name, international stars on the bill. But, the mayor recognises that Batumi cannot take anything for granted. Conscious of the need to attract future investment, ensure the sustainability of its growing tourism industry and improve the living standards of its increasing population, the city joined the EU Covenant of Mayors initiative last year.

“By signing the covenant, we commit to reducing our carbon dioxide emissions by 20% by 2020,” he says. “At city hall, we consider energy efficiency to be a cornerstone in the economic development of Batumi – it goes hand-in-hand with our tourism strategy, so we had to seize this opportunity for our community to become more sustainable.”

Improved waste management, greener public transport and infrastructure projects, and building reforms will all have their parts to play in helping Batumi reach its overall goal in five years’ time. BP and its oil and gas co-venturers are supporting this effort as part of a national \$2.4 million renewable energy

and energy efficiency programme, by introducing cleaner energy measures in municipal buildings. For Batumi city hall, this means the replacement of single-glazed wooden frame windows with double-glazed PVC ones and the upgrade of the heating and cooling systems from diesel to electricity, cutting energy bills and reducing emissions.

Investing in education

Among its other social investment projects in Georgia, BP focuses on education. As well as ventures in project management and economics, its longest-running partnership in this area is with the British Council, providing English language training for media professionals. At first glance, this may not be an obvious choice of sector for corporate support, but the benefits reach far beyond the individuals in the classroom.

“English has long been an important and popular language to learn in Georgia, but since the signature of the EU Association Agreement last year, it has taken on even greater significance,” says Zaza Purtseladze, director of the British Council in Georgia. “If our journalists can communicate more easily with their global colleagues and contacts, they become an even greater asset to their employers and the country as a whole.”

More than 300 journalists have completed the language training in Tbilisi and the regions since the programme’s launch in 2005. Those who sign up on the courses take time out of their day jobs reporting for television channels, print publications or the internet to attend. “In our

profession, if you can’t speak English well, you’re like a bird that can’t fly,” says Ia Tiginashvili, arts correspondent for Georgian Patriarchate TV ‘Ertsulovneba’. “I now feel comfortable communicating in any work situation in English, whether that’s interviewing a foreign ambassador or doing research online.”

These bilingual skills are put to good use when Georgian news stories make international headlines. When heavy flooding hit Tbilisi in June 2015, local journalists appeared on camera for global media outlets, explaining the situation on the ground. An intense storm had delivered some of the worst flooding in the city for a quarter of a century, leaving 19 people dead and causing massive damage to homes and infrastructure.

The Tbilisi hippo

Despite the human tragedy, it was the story of Tbilisi Zoo – and its escaped animals wandering the city streets – that generated the bulk of news coverage around the world. Images of a bear stranded on an air-conditioning unit on the side of an apartment building and the sight of a dazed hippo with a tranquiliser dart in its neck quickly spread across traditional and social media channels.

For Georgians facing the reality, though, the story rapidly became something quite different: a demonstration of a community coming together in a time of need. Thousands of volunteers, many of them students, turned out to help clean up the



affected areas. Others made their contribution by inundating the Georgian Red Cross with donations of clothes, toys and household items for distribution among the needy.

That sense of community within the country is mirrored at an international and strategic level by Georgia's increasingly strong ties to neighbours and partners. By seeking closer engagement with the European Union and embracing international investment – including that of the energy industry – Georgia is looking to build a resilient future through partnership. Certainly, as long as oil and gas is produced in the region, the resources will need to be carried to customers.

As BP's Schlueter concludes: "While often the 'glitz' and excitement of our industry is deemed to come from new discoveries, ultimately, the pipelines and transit operations deliver the revenue. The pipelines in this country are not simply for two or three-year operations – they are here for the long term, and we invest with the confidence that they are in the right place and will be carrying oil and gas for a long, long time."

Whether in turning out together to tackle an internal crisis, such as the floods, or working towards greater cross-border cooperation for the decades ahead, Georgians are living out the motto on their country's coat of arms, 'strength is in unity'. For a nation with such a turbulent history, it's a compelling sentiment – and one that seems more relevant today than ever before.



Connecting people: opened in 2010, the pedestrian Bridge of Peace on Tbilisi's Mtkvari River joins the old city with the new district (top); and volunteers at the Georgian Red Cross aid base in Tbilisi in the aftermath of the June 2015 floods (above).

ENTREPRENEURIAL SPIRIT

BP's commitment to the countries in which it operates goes beyond delivering safe and reliable energy operations. *BP Magazine* visits a small village in eastern Georgia, where the community development initiative set up by the business is working closely with local people to help revive the prospects of this once-declining district.



The small village of Vakhtangisi is literally at the end of the road for eastern Georgia – it's a matter of metres from the Azerbaijani border and the crossing seems to attract more attention than the community itself. A quick internet search even reveals a blogger choosing it as a destination for an eyebrow-raising 'Nothing there tour'. Look closely, however, and nothing could be farther from the truth.

Villagers have responded to the challenges of recent years, when work and enterprise have been hard to come by since the closure of former Soviet factories in the nearby industrial town of Rustavi. There are now a number of new small businesses in the village and a thriving community-based organisation that is taking charge of small infrastructure improvements.

Due to its location within four kilometres of the SCP expansion, Vakhtangisi and its 820 households have been offered the opportunity to participate in the community development initiative created by BP and its co-venturers to support communities affected by the pipeline. The village is among 18 that have joined the programme since 2013, in a second wave of activity that complements the original initiative established to support those affected by construction and operation of the BTC and SCP pipelines.

A Georgian non-governmental organisation, the Centre for Training and Consultancy (CTC) runs the programme on BP's behalf in the east of the country, with up to three components on offer in each village: improvement of agricultural practices through demonstration farming; supporting micro-entrepreneurship to provide additional income sources; and building skills among community groups to improve local infrastructure.

"We promote the programme and encourage locals to respond with their ideas and outline their own contributions to the initiative," says Irina Khantadze, executive director for CTC. "We cannot work on people,


we need to work *with* them, so there is a competitive element that allows us to see which individuals or groups are motivated. They also need to provide input into the programme, be it financial or practical.

"Take the infrastructure improvements projects, for example, the community-based organisation needs to plan and prepare their choice of project and obtain the right permission from local authorities. They then need to carry out the work and maintain the completed development. We provide financial and technical support by paying for the materials needed and offering the right specialist skills, such as engineering."

In Vakhtangisi, villagers elected nine of their neighbours to form a registered community organisation, which then asked locals the question: what is your main priority for improvements? Renovating the playing fields, or 'stadium' as it is called locally, came out top, along with reconnecting parts of the village that had been cut off by small waterways.

A football pitch and basketball and volleyball courts now sit on an old piece of village wasteland, after the group received around \$6,000 funding, with 35% additional contribution from the community itself. This contribution is a vital constituent of the programme, creating community ownership and project sustainability in the longer term.

"In the past, we've had a lot of social problems here, but this initiative offered us a tool to solve them," says Khatia Mzhavanadze, the group's deputy leader. "Now, every evening, young people show up to use the facilities, as well as visitors from neighbouring villages."

 "We cannot work on people, we need to work with them, so there is a competitive element that allows us to see which individuals or groups are motivated."

Irina Khantadze

Community improvements:

(clockwise from opposite page) a local farmer who is participating in the demonstration farming programme in Vakhtangisi; SCPX project staff at work in Rustavi pipe yard; and the new 'stadium' facilities in Vakhtangisi.





TELMAN KERIMOV, small mill owner

“Before I opened here, there was nowhere in the village for people to bring their corn or wheat for grinding. I did some work in my orchard at home, but it’s better to be inside this cabin, especially as I do good business in winter.”

IADIGAR NABIYEV, barber shop owner

“I used to cut hair at home, but now that my business is located in this minimarket zone, I pick up passing trade, especially people travelling across the border. The salon has been open for more than a year and I’ve received ongoing training through the programme to help manage the business and its finances.”



ARIF ASLANOV set up a car wash

“Villagers used to drive to a town 10 kilometres away to clean their cars; we’ve had no small services here since Soviet times. Back then, I worked for a government department, but I’ve been mostly unemployed since. The small enterprise grant financed the equipment I needed, including the pressure washer. We opened in November 2014 and business has increased through word of mouth.”



KHATIA MZHAVANADZE, deputy leader of the community organisation

“When we first heard about the programme, there wasn’t much trust towards it as we had no experience. People assumed it was a bank loan and something that would need to be repaid. But, after a first round of applications, villagers saw that the money really was a grant and there was much more enthusiasm.”



A RICH HISTORY

Georgia boasts a rich cultural heritage, with ancient landmarks dating back to Roman times. In a collaboration with the Georgian National Museum, BP is helping to preserve these sites for future generations.

For a visitor distracted by the green expanse of the Mukhrani Valley, it would be quite possible to overlook one of Georgia's ancient landmarks in the small village of Dzalisa. The only clue from the roadside that this site may be something more than a meadow is a sizeable shelter across a field of knee-high wild flowers.

Some 20 kilometres from the nation's one-time capital, Mtskheta, with its UNESCO-listed World Heritage Sites, Dzalisa is described as one of the most significant archaeological discoveries from the Classical period.

Excavations began here in the early-1970s, although much of the structure remains underground. Guided by two experts from the Georgian National Museum, suddenly it becomes easy to imagine the site transformed from today's rural retreat to its former glory as a bustling Roman city, complete with private and public bath complexes.

The earliest material identified dates back to the second and first centuries BC, but a number of cultural layers from different periods have also been revealed during years of research. "This is one of the unique ancient cities in the Caucasus, with its monumental palace complex and an 800 square-metre swimming pool," says archaeologist Vakhtang Shatberashvili. "It is also unusual because there was no wall surrounding the city, indicating that this was a strong kingdom with little fear of enemy attack.

"There is evidence of an advanced society with a complex water supply for drinking, irrigation and technical needs, as well as heating and sewage systems. We believe the city functioned until around the eighth century, when it was abandoned."

As part of its support for Georgia's cultural heritage, BP funding has helped to develop and preserve the site here. Most of

the excavated layers at Dzalisa – including the hot, warm and cold baths, the changing rooms and a set of coloured floor mosaics that are devoted to Dionysus, the Greek god of wine-making – are today protected in a climate-controlled shelter.

Conservationist Nino Okruashvili says: "The previous housing had a south-facing glass façade, so high temperatures and humidity inside did not provide the ideal environment for preservation of the remains. When the sun shone, it was impossible to see the mosaics, some of which have already lost their original colour. The renovated structure protects the tiles and allows air to circulate under the roof."

A raised walkway also means visitors can look down on the remains, including examples of early 'kvevri' vessels – large, bulbous earthenware containers, sunk into the ground, used to ferment and store wine by Medieval Georgians. These receptacles are still manufactured in the 21st century – spot them for sale at roadside ceramic stalls – and modern wine-makers point to them as a unique symbol of the Georgian wine industry. Large enough for a man to climb inside, they traditionally produce heavier wines in a method identified by UNESCO in 2013 as of 'intangible cultural heritage'.

A short drive from Dzalisa, at the nearby 100-hectare vineyard of Château Mukhrani, kvevri wines take 18 months to mature on an estate where efforts are under way to revive old grape varieties left to dwindle during the Soviet era. Originally established during the 19th century by aristocrat and politician Ivane Mukhranbatoni – who pumped the estate's sparkling wine through an outdoor fountain – the cellars of the imitation French chateau have been restored and now house 60,000 barrels of wine.





National treasures:
 (clockwise from left) excavations at Dzalisa under a climate-controlled shelter, just part of the ancient Roman city uncovered; kvevri vessels on display in the Georgian National Museum; wines at Château Mukhrani; and ancient gold jewellery featured in the museum's Archaeological Treasure exhibition.

This is the modern face of a practice that has thrived in this territory for centuries, according to Professor David Lordkipanidze, general director of the Georgian National Museum. "Georgia is part of an area known as the 'fertile crescent', with early traces of agriculture, including cultivated grapes dating back some 8,000 years. It's interesting to look at this key period in human history as it demonstrates the domestication of communities and points to the role of wine as part of culture, even then.

"Our country may be small, but it is rich in archaeological sites that show uninterrupted human settlement; in Dmanisi, we have unearthed remains of the earliest humans out of Africa, with the discovery of fossils that are 1.8 million years old."

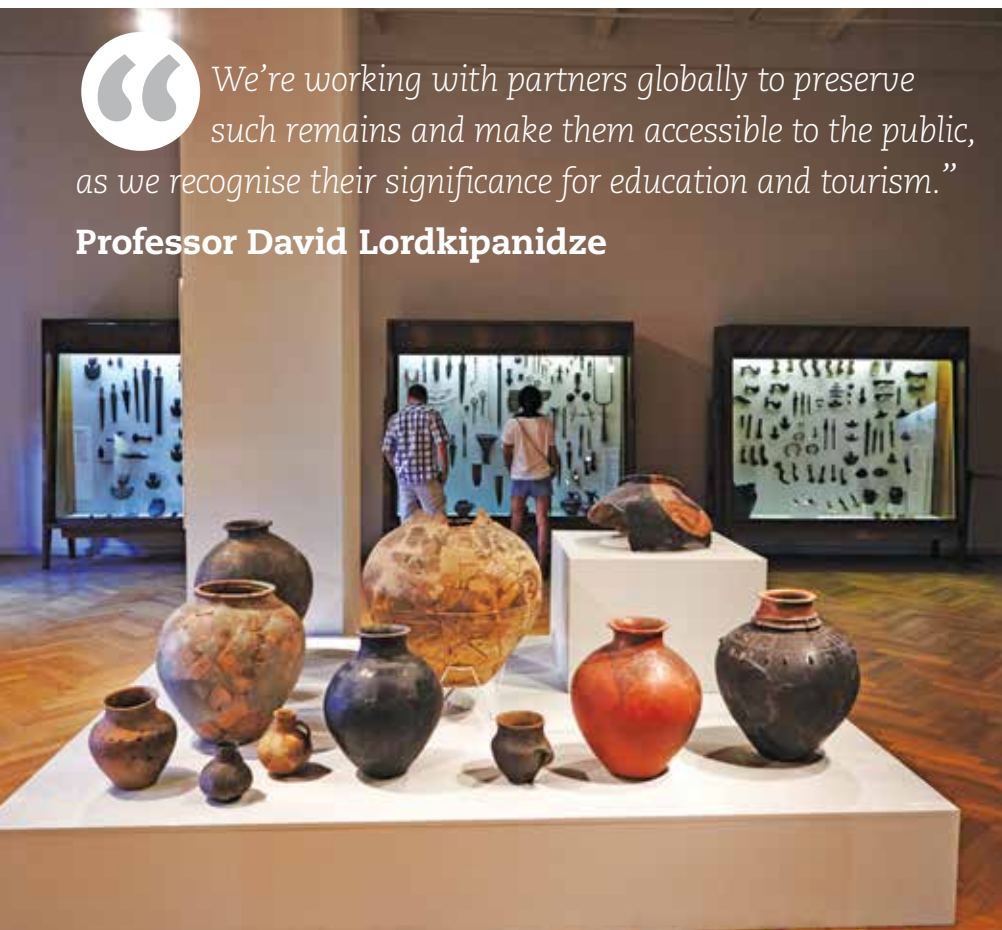
These anthropological studies offer Georgia the opportunity to put itself firmly on the map, both scientifically and culturally. "We're working with partners globally to preserve such remains and make them accessible to the public, as we recognise their significance for education and tourism," Lordkipanidze adds. "With the support of BP, we have built a shelter and a small museum at Dmanisi, for example. On a broader level, I consider the museum's public-private partnership with BP to be a very good model for other sectors in this country and a collaboration that is doing very useful things for the Georgian community."


The museum's Archaeological Research Centre took charge of excavations under BP's cultural heritage protection programme during the construction of the BTC pipeline. Objects discovered during that period are either on display in the museum's exhibitions or preserved in storage. With the SCP expansion project now under way, the museum is once again providing technical leadership and archaeological studies.



We're working with partners globally to preserve such remains and make them accessible to the public, as we recognise their significance for education and tourism."

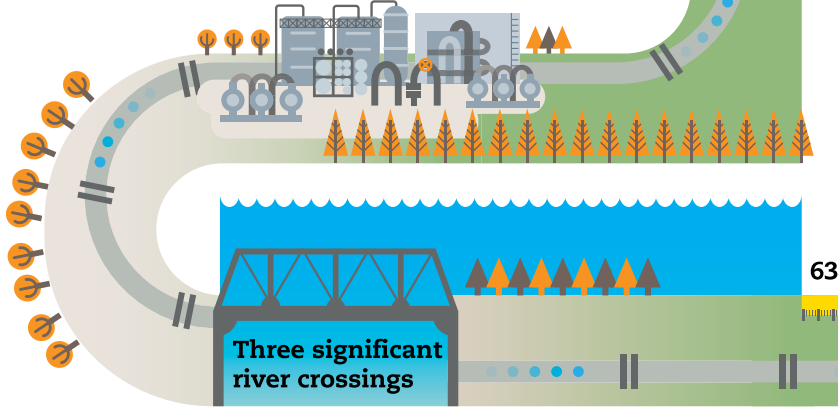
Professor David Lordkipanidze



 **1,730 metres**, or more than twice the height of the world's tallest building – maximum altitude reached



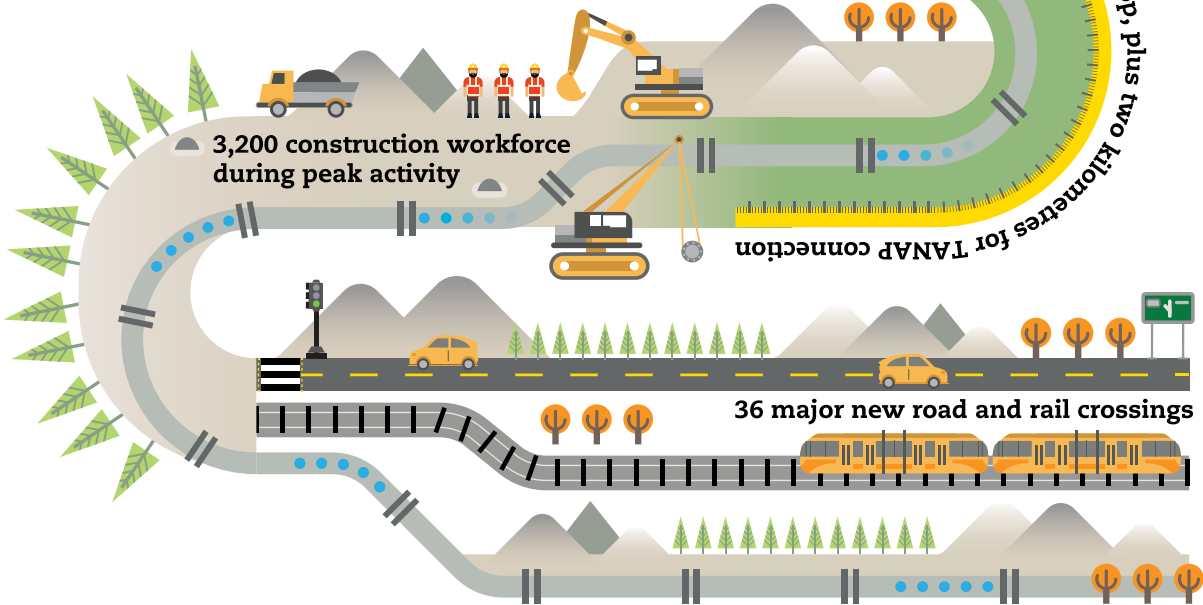
130,000 square metres, or the size of 20 football pitches – approximate area of each compressor station



Three significant river crossings

63 kilometres of pipeline loop, plus two kilometres for TANAP connection

3,200 construction workforce during peak activity



36 major new road and rail crossings



BP MAGAZINE ONLINE

Go online at bp.com/bpmagazine to see new stories, films and photography every week. To sign up for monthly email alerts contact bpmagazine@bp.com

editor

Amanda Breen
bpmagazine@bp.com

sub editor

Emily Furlong

design

Phil Steed – Steed Design
phil@steeddesign.com
www.steeddesign.com

graphics

Nick Edwards
nick.edwards@bp.com

BP Photographic Services

Danny Morris
danny.morris@bp.com

