

February 3, 2004

Project Finance Agreements Signed  
for the Construction of Baku-Tbilisi-Ceyhan (BTC) Pipeline.

On February 3, 2004, at the Gulustan Palace in Baku, Azerbaijan, project finance agreements concerning the construction of the Baku-Tbilisi-Ceyhan (BTC) crude oil pipeline were signed in the presence of the President of the Azerbaijan Republic, H.E. Ilham Aliyev, by representatives of the Azerbaijan Republic, Georgia, the Republic of Turkey, the Baku-Tbilisi-Ceyhan Pipeline Company (BTC Co.), and an international lender group. The BTC pipeline is being developed by BTC Co., which comprises eleven companies from eight countries, including INPEX Corporation, and is operated by the British company BP p.l.c.

Through these agreements, capital will be procured for the construction of the BTC crude oil pipeline. The pipeline will transport oil from Azerbaijan's Azeri-Chirag-Gunashli (ACG) oil field, which is currently in production and in which INPEX owns a 10 percent interest, and other oil fields in and around the Caspian Sea. The total length of the pipeline will be 1,760km running from Baku, Azerbaijan, through Tbilisi, Georgia, to Ceyhan, Turkey on the Mediterranean Sea.

The pipeline will cost approximately US\$2.9 billion to construct, with the total project cost, including loan interest during construction and other costs, estimated at approximately US\$3.6 billion. Of that amount, US\$1 billion (approximately 30 percent) has already been procured from stakeholders through BTC Co., and the remaining US\$2.6 billion (approximately 70 percent) will be procured through these agreements from an international group of financial institutions, including the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD), various export credit agencies, and private banks.

Financing provided by private financial institutions is guaranteed by public finance corporations in the six countries of Japan, United States, United Kingdom, France, Germany, and Italy in accordance with the amount of capital, equipment, and material procured from each country. From Japan, the Japan Bank for International Cooperation (JBIC) is participating in coordinated international financing (managed by Mizuho Corporate Bank), and the Nippon Export and Investment Insurance (NEXI) is providing

insurance.

The BTC pipeline will begin transporting oil in 2005, with an anticipated peak capacity of approximately one million barrels per day beginning in 2008. Currently, more than 12,000 people are working on laying the pipeline at 17 construction sites in the three countries of Azerbaijan, Georgia, and Turkey. The overall project is going smoothly, with over 50 percent already completed.

The construction of the BTC pipeline is being carried out by BTC Co., which is itself an international consortium comprising 11 companies from eight countries, and is taking place in three countries. The large, international scale of this project can be glimpsed from the signing ceremony, which involved a total of 208 contracts that required more than 17,000 signatures from 78 contracting parties. As a project that will connect the Caspian Sea and Mediterranean Sea with a crude oil pipeline, it has become the object of high expectations throughout the world.