

K. Dent

FOR THE AZERBAIJAN
REPUBLIC



Heydar Aliyev

FOR THE REPUBLIC OF
TURKEY



Ahmet Necdet Sezer

AGREEMENT BETWEEN THE REPUBLIC OF TURKEY
AND THE AZERBAIJAN REPUBLIC CONCERNING THE
DELIVERY OF AZERBAIJAN NATURAL GAS TO
THE REPUBLIC OF TURKEY

WHEREAS the Government of the Republic of Turkey and the Government of the Azerbaijan Republic (hereinafter referred to individually as the "Party" and collectively the "Parties"),

in furtherance of the principles set forth in various international trade and investment agreements related to the subject of this Agreement and to which they are parties,

acknowledge that projects to be developed in the energy sector in the Azerbaijan Republic will also contribute to increasing the economic prosperity of the countries of the region and will further strengthen commercial and economic relations between the two countries;

affirm their support for the exploration, development and production of the oil and natural gas resources of the Azerbaijan Republic and other countries of the region and the transportation of these resources via the East-West corridor;

acknowledge the desire of the Azerbaijan Republic to develop its natural gas resources for domestic consumption and export to Georgia and the Republic of Turkey;

take account of the intent of the Republic of Turkey to diversify its sources of gas supply in order to be able to satisfy its rapidly increasing gas demand in a timely manner and under satisfactory conditions for both Parties;

acknowledge the economic and technical expediency of the simultaneous implementation of the Natural Gas Transmission System for the transportation of the natural gas from Azerbaijan Republic to the Republic of Turkey and the Baku-Tbilisi-Ceyhan Main Export Pipeline project and shall undertake all necessary actions and efforts with the framework of their authority for the implementation of these two projects.

NOW THEREFORE, the Parties have reached agreement on the following:

ARTICLE 1

The Azerbaijan Republic is obligated to supply to the Republic of Turkey, and the Republic of Turkey is obligated to purchase, up to 6.6 billion cubic meters of Azerbaijan natural gas per annum to Turkey. The title and possession of natural gas will pass to the Republic of Turkey at the Turkish-Georgian border.

The conditions for the annual allocation of the volumes of supplies of Azerbaijani natural gas to the Republic of Turkey, technical, commercial and administrative terms and conditions of supplies, Delivery Point, as well as other appropriate terms and conditions are set forth in the Natural Gas Sales and Purchase Contract concluded on even date herewith between the purchase entity and sales entity, which have the appropriate rights, and which the government of the Azerbaijan Republic shall designate in writing to the government of the Republic of Turkey as having the right to sell (the "Seller"), and which the Republic of Turkey shall designate in writing to the Azerbaijan Republic as having the right to buy (the "Buyer"). The Government of the Republic of Turkey guarantees the performance of the Buyer and the Government of the Azerbaijan Republic guarantees the performance of Seller under the Sales and Purchase Contract.

ARTICLE 2

In the event that the Government of Turkmenistan and the sponsor companies of the Trans-Caspian natural gas pipeline project take a decision on the implementation of the Trans-Caspian natural gas pipeline project in accordance with the Intergovernmental Declaration On The Principles For Implementing The Trans-Caspian Pipeline of November the 18th 1999 among the Republic of Turkey, the Azerbaijan Republic, Georgia and Turkmenistan, the Parties shall undertake all necessary actions and efforts within the framework of their authority to provide

assistance for the implementation of Trans-Caspian natural gas pipeline project.

ARTICLE 3

The Seller authorized by the Azerbaijani Party shall bear responsibility for the financing, construction and operation of such gas pipeline from the Azerbaijan Republic to the Turkish - Georgian border; whereas the buyer authorized by the Turkish Party shall bear responsibility for the financing, construction and operation of the portion of the gas pipeline within the borders of the Republic of Turkey.

The Parties shall provide assistance to, and cooperate with, each other to make the necessary legal and administrative adjustment within the framework of the existing legislation and international treaties and this Agreement for the construction and operation of said pipeline.

ARTICLE 4

The amount of natural gas in excess of the Republic of Turkey's needs supplied from the Azerbaijan Republic to the Republic of Turkey in accordance with this Agreement may be exported to third countries by the Republic of Turkey.

Natural gas in excess of the amount defined in this Agreement, upon mutual consent of the Seller and the Buyer, may be exported to third countries either by the Seller, or the Buyer on behalf of the Seller, or jointly.

ARTICLE 5

The Parties shall endeavor to resolve disagreements over the interpretation and application of the provisions of this Agreement firstly through diplomatic channels. If, irrespective of the status of diplomatic efforts, either Party at its sole discretion considers a disagreement unresolved, it may submit the issue to ad hoc arbitration, by delivering written notice to the other Party, for final and binding resolution. Said ad hoc arbitration panel shall be set up and function by application to this agreement *mutatis mutandis* of the provisions included in Article 27(3) of the Energy Charter Treaty relating to dispute resolution.

ARTICLE 6

This Agreement shall enter into force upon notification by the Parties to each other through diplomatic channels of the completion of the national

procedures necessary for the Agreement to enter into force, and shall remain in force until the date the Natural Gas Purchase and Sales Agreement, to be executed between the entities authorized by the Parties within the framework of this Agreement, expires.

ARTICLE 7

This Agreement supersedes and nullifies any prior protocol, memorandum, declaration, agreement or treaty made, executed between the Parties related to the subject of this Agreement to the extent such prior protocol, memorandum, declaration, agreement or treaty is inconsistent with this Agreement.

AGREED AND EXECUTED this 12th day of March, 2001, at Ankara, Turkey in two (2) originals in the English language.

FOR THE GOVERNMENT OF THE AZERBAIJAN REPUBLIC FOR THE GOVERNMENT OF THE REPUBLIC OF TURKEY

Title Deputy Prime Minister Title Minister of Energy and
Minister of Natural Resources
Name A. Shazifov Name M. C. Ezzumer

