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Shah Deniz Stage 2 Project Enters the Next Phase of Development

The Shah Deniz consortium has reached an important milestone and approved the decision to commence Front End Engineering and Design (FEED) on the estimated \$25 billion Shah Deniz Stage 2 project.



This was officially announced in Baku today during the meeting between the President of the Republic of Azerbaijan H.E. Ilham Aliyev and Bob Dudley, Group Chief Executive of BP, the Operator of Shah Deniz, who is on a working visit to Azerbaijan.

The Shah Deniz Stage 2 project will bring gas from the Caspian Sea to markets in Turkey and Europe, opening up the 'Southern Gas Corridor'. Achieving this important milestone allows the consortium to maintain its target for first gas exports around the end of 2017.

The Shah Deniz 2 project is set to produce 16 billion cubic metres of gas per year. The entry into FEED represents the start of a key phase in the project during which engineering studies will be refined, further wells will be drilled, commercial agreements will be finalised and key construction contracts will commence.

During the FEED phase of the project, the Shah Deniz consortium will finalise its selection of export routes across Turkey and into Europe.

Rashid Javanshir, President of the Azerbaijan, Georgia and Turkey Region of BP, said: "We are pleased to announce this major step forward. Over the past two years we have made substantial progress on all the individual components of this mega-project.

Engineering studies, commercial agreements and the support of the State of Azerbaijan and other governments give the Shah Deniz consortium the confidence to embark upon this FEED phase."

"With over 30 trillion cubic feet of gas resources, Shah Deniz is truly a giant field. And with more than 26 wells, two new platforms, a terminal expansion and up to 4000km of new pipelines to Europe, this chain of major projects represent one of the largest oil and gas developments in the world,' he added.

Shah Deniz Stage 2 is expected to add a further 16 billion cubic meters per year (bcma) of gas production to the approximately 9 bcma from Shah Deniz Stage 1.

This Stage 2 development of the Shah Deniz field, which lies some 70 kilometres offshore in the Caspian, is expected to include two new bridge-linked production platforms; 26 subsea wells to be drilled with 2 semi-submersible rigs; 500 km of subsea pipelines built at up to 550m of water depth; a 16 bcma upgrade for the South Caucasus Pipeline (SCP); and expansion of the Sangachal Terminal. Further pipelines will be built and expanded to transport Shah Deniz gas through Turkey and Europe.

Gas sales and transit agreements were signed in October 2011 with BOTAS, the Turkish pipeline company, and the Turkish Government, - all within an Inter-Governmental Agreement (IGA) signed by the Republic of Azerbaijan and the Republic of Turkey. Since that date, agreements have been signed to allow the Trans Anatolia Pipeline to commence engineering studies for potential gas transportation across Turkey. Three options are being considered to carry gas into Europe: the Trans Adriatic Pipeline (TAP) with a route to Italy; Nabucco West taking gas from Turkish-European border through Eastern Europe to the West and the South East Europe Pipeline (SEEP) taking gas through Hungary, Bulgaria and Romania. The Shah Deniz consortium will make a final route selection in 2013.