Pre-Investment Project for the Trans-Caspian-Black Sea Gas Corridor

INOGATE Meeting, May 18-19, 2011
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Topics of the Presentation

- Background and Perspectives
- Financing of the Technical Assistance Project
- Status of Work and Next Steps
- Rationale and Challenges
- Lights Out? – findings of the World Bank’s regional energy study of Eastern Europe and Central Asia
Background and Perspectives

- **European Union Perspective:** European Commission’s Second Strategic Energy Review in late 2008: “innovative measures are required” for the Southern Corridor / gas supply diversification

- **Energy Community Perspective:** Gasification of South East Europe (Energy Community Secretariat presentation on May 18)

- **Caspian Perspective:** Large gas reserves, interest to export to Europe

- **EU’s Southern Corridor Summit in Prague in May 2009:** Feasibility study of the Caspian Development Corporation (CDC) to be carried out “for the identification of relevant actions for the implementation”.

- **The Commission** requested the World Bank to manage the study.
Financing of the Technical Assistance Project

- EU financing from INOGATE
- The European Investment Bank (EIB)
- PPIAF (=Public-Private Infrastructure Advisory Facility), an existing multi-donor technical assistance trust fund
- A new multi-donor trust fund established by the World Bank to receive EU/INOGATE and EIB funding
Status of Work and Next Steps

· **Phase 1, stage 1, completed in February 2011:**
  · the mechanism for joint gas purchasing and gas infrastructure development (=CDC) designed; and
  · the process to attract the initial found group of companies (IFG) that would establish the CDC has also been designed

· **Final Implementation Report of phase 1, stage 1:** available on the web-sites of the European Commission and the World Bank

· **Next steps:**
  · **phase 1, stage 2:** run the process to attract the initial founding group for CDC
  · **phase 2 -** studies necessary for the gas transmission connecting the Caspian area (conditional upon formal endorsement of Azerbaijan and Turkmenistan)
Rationale of Joint Gas Purchasing

- By aggregating gas demand, the CDC can:
  - Simplify a complex set of negotiations which otherwise would involve multiple of purchasers
  - Provide extra payment security to sellers from joint purchasing – jointly and severally responsible for paying for gas
  - Help underpin financing of new gas infrastructure
  - Trigger the development of otherwise untapped gas reserves
Lights Out? – Findings of the World Bank’s energy study for Eastern Europe and Central Asia region

- The region faces a potential energy crunch

- The recent financial crisis provided some relief to address these potential energy constraints but continuing inaction/delay in investments would constrain sustainable growth

- Significant investments will be required (3% of cumulative GDP over 2010-2030)

- The public sector alone won’t be able to provide this level of investments - countries need to act quickly to create an enabling environment for private investment

- At the same time, countries need to ensure that their energy strategies are responsive to environmental concerns
Further Information

CDC report:

Lights Out?:
www.worldbank.org/eca/energyreport

For information about the World Bank’s energy work:
www.worldbank.org/energy

All program and project documents are also available:
www.worldbank.org > projects and operations > documents
Caspian Development Corporation