TFMC Shah Deniz 2 Project in Baku - Azerbaijan
12.09.2017
# Azerbaijan

## Key Facts
- **Capital:** Baku
  - Modern, safe and well organized city
- **Population:**
  - Azerbaijan approx 9.5 m
  - Baku approx 2.0 m
- **Main Languages:**
  - Azeri
  - Russian
  - English not generally spoken, but rapidly increasing
- **Independence Dec 1991 (from Soviet Union)**
- **Azerbaijan has experienced rapid economic growth in the last 10 years and major investments have gone into modernization (especially Baku)**
- **Vikings found their way to Baku in 9th / 10th century**

## Oil & Gas
- **Worlds first successfully drilled oil well for industrial oil exploration was completed just outside Baku in 1847 at a depth of 21 meters**
  - 13 years before first drilled well in US
- **Today, Azerbaijan has a well established Oil & Gas industry with a good variety of professional and quality products and services provided locally.**
- **Main shortcomings are:**
  - Not keeping up with technological advances and investment in new technology
  - Lack of consistency and continuation of development of local resources. Highly skilled technicians readily available but few have 15+ year continuous and relevant experience.
South Caucasus Pipeline expansion

enabled by additional Gas from SD II project
TechnipFMC in Azerbaijan – Shah Deniz II

- **International Delivery**
  - Production Manifolds
  - Foundation Structures
  - SCM (for XT)
  - IWOCS Systems
  - Well Jumpers for XT Tie-ins
  - Topside Control System
  - Connection & Tie-in Tooling
- **Subsea Services in Baku**
  - RIG/Vessel offshore support
  - Receipt Inspections
  - Mod/de-mob of equipment and tooling
  - Maintenance activities
  - Commissioning
  - Logistics and Inventory management
  - 24/7 Tech/Eng support
  - Project management
Transport, assembling and testing of Subsea equipment

Production Manifold and Foundation Bottom Structure transported to the Caspian Sea

Production Manifold to be assembled on top of Foundation Bottom Structures

Foundation Bottom Structures assembled on Suction Anchors in Baku

Testing of UCON connection tool
TFMC Azerbaijan Key Activities

- Established FMC Branch in Azerbaijan Dec 2014
- Receipt of Equipment from Jan 2015 onwards
- Mobilization & Installation of equipment from 2016 onwards
- Longer term contract, covering 10 year’s scope
- Installation activities planned over the next 10 years
- Significant scope of supply
- Complex equipment at multiple locations, platform, rig, vessel & subsea
- Multiple interfaces with 3rd party equipment; OneSubsea, Saipem, BOS Shelf ++
- Highly skilled experienced workforce required across all activities
Operating in Azerbaijan

• In general, Azerbaijan is a reasonably predictable and easy country to establish and conduct operations

  • Understand and align to administrative processes and requirements
    • In general predictable, but compliance is required and processes can take time

  • Assessing potential for Local partnerships or Joint Ventures
    • No specific requirements but JV’s / consortium are relatively common practice.
    • Pros/cons need to be considered on case by case (or project by project) basis
    • Many professional and serious industry partners available to partner with if deemed beneficial

  • Nationalization Requirements
    • Main focus on development of national resources, but also includes investments, utilization of national supply chains and transfer of knowhow
      • Requirements are stated as min 95% unskilled / 90% skilled Nationals within the workforce after 3 years.
      • However, demonstrating a serious and professional approach and achieving targets, SOCAR shows willingness to discuss and agree on the most sensible approach
Nationalisation Target - Challenges

Availability of resources:
- BP SD2: First Subsea project in Azerbaijan
- In depth FMC equipment experience required, but no national personnel with required experience available

Training: Ensuring sufficient exposure to equipment and tasks
- Action 1: Implement structured development program
- Action 2: Provide exposure to equipment, tasks via on-the-job training.
  - Challenge: Low frequency of tasks in Az., average of 1 subsea installation per year: training will require time
- Action 3: Training abroad
Market Outlook

- Major potential opportunities and high level of optimism
- SOCAR / Government showing willingness to progress/negotiate and overcome current market/industry challenges
- Main elements of future path:
  - O&G market price
  - Cost of development – Supplier pricing
  - Local legislation / incentive schemes