

SAIPEM's presence in:

Azerbaijan



After a brief spell in 1996, Saipem has been continuously present in Azerbaijan since 2002 as an installation and fabrication contractor for the Azeri Oil & Gas industry. Today, Saipem operates in Azerbaijan mainly through **Saipem Contracting Netherlands BV Azerbaijan Branch**.

Saipem's activities

Saipem's recent activities in the country can be summarised as follows:

- **Azeri-Chirag-Gunashili (ACG) oil field development project:** Saipem worked on a project known as 'the contract of the century', from 2002 until 2008. The field produced close to 1 million barrels of oil a day. Furthermore, Saipem was contracted to provide inspection, maintenance and repair of the related production installations.
- **Shah Deniz 2 (SD2) gas field project & South Caucasus Pipeline Expansion (SCPX) project:** in 2014, Saipem was awarded multibillion contracts by BP for the installation of all the offshore structures of the new Shah Deniz 2 gas field project and for the construction and commissioning of the SCPX project in Azerbaijan and Georgia. Shah Deniz Stage 2 project activities are carried out in the Shah Deniz field (Caspian Sea), 90 km offshore Azerbaijan in water depths between 75 to 550 metres. The scope of work of the project includes the transportation and installation of jackets, topsides and subsea production systems and structures, the laying of over 360 km pipelines, diving support services and the upgrade of the Pipelay Barge Israfil Huseynov (PLBH), Dive Support Vessel Academic Tofiq Ismayilov (DSV ATI) and Derrick Barge Azerbaijan (DBA) installation vessels. The SCPX project, whose scope of work consists of laying 487 km of pipeline (of which 63 km are located in Georgia), is being implemented by the Saipem-Azfen Joint Venture (SAJV), formed by Saipem and the local Oil & Gas contractor, Azfen. These contracts are considered very strategic for BP and for the Republic of Azerbaijan, as the projects will deliver gas to Europe via the TAP pipeline. The execution of these contracts will last at least until 2018. However, the agreements

1,094

SAIPEM'S EMPLOYEES

51%

OF WHICH ARE LOCAL

82%

OF GOODS AND SERVICES ORDERED LOCALLY

47,571

TOTAL TRAINING MAN-HOURS DELIVERED TO SAIPEM'S EMPLOYEES

contain options that could extend Saipem's activities to 2022 or later.

A relevant key factor for the success of the project award is the fact that, in line with its sustainability policy, Saipem has formed partnerships with local companies, the most important one being with BOS Shelf, a local fabrication company originally founded by Saipem in a JV with Socar, the National Oil & Gas company. The ownership of this company has now been transferred to Socar; the company will provide a large part of the fabrication work for the SD2 project as a partner of Saipem in a Consortium.

Business outlook

Particular focus will be placed on the Downstream & Power Generation field. Azerbaijan is looking to diversify its natural resource-dependent economy. In the meanwhile, the country is moving forward with ambitious downstream projects, most notably in petrochemicals. This is largely supported by capital generated during the expansion of national oil production in the 2000s. Azerbaijan represents a good area of opportunity in the near future for Saipem.

S. Gasimov, Sunrise & Chirag 2, Azerbaijan



On-the-ground presence

The sustainable business approach of Saipem in Azerbaijan contributes to the development of local communities by offering employment opportunities, training and transfer of know-how, and working efficiently with local suppliers and subcontractors. To develop the Local Content in line with the nationalisation programme, Saipem initiated the system of Competency Assessment through the creation of a training scheme, utilising specialist trainers both in and out of the country to promote and support the advancement of Azerbaijanis.

Young Graduates Internship Programme



Young graduates during a training class

For the 6th year in a row Saipem successfully implemented the Young Graduates Internship Programme. The initiative was established to provide Saipem a mechanism that would allow young talents to benefit from on-the-job experience during internships prior to their formal entry in the labour market. The initiative was implemented in cooperation with Junior Achievement Azerbaijan (JAA), a local organisation with extensive experience in business education. Since 2010, Saipem and JAA selected and trained 120 students in their final year of study. During the implementation of the initiative Saipem established good working relations with the network of 8 local universities, both state and private. The training consists of academically-enriching and experiential learning sessions on work-readiness education and career perspectives. Based on their performance during training, Saipem business needs and interviews, students advance to the next stage of the programme to take advantage of the industry induction and internship opportunities at Saipem offices in the country. Following the completion and results of the six-month

internship programme, the Company invites interns to continue and develop their careers at Saipem.

Observing the lack of local engineers in the market and, therefore, recognising the importance of developing local specialists through educational and hands-on initiatives, starting in the 2014-2015 academic year, Saipem implemented an Engineering Module with the aim of developing local young resources with a specialization in engineering. The principal target of the initiative is to increase the number of participating universities in order to engage more students in the activities that are to provide them with the necessary skills and capabilities, based on the corporate and industry-specific requirements and potential expansion in the Caspian Region and beyond. The programme is being implemented at Qafqaz University and Azerbaijan State Oil Academy in collaboration with the universities' career planning centres.

As a result, 4 interns successfully passed the selection and evaluation process and were recruited as Engineer Trainees. The company designed a specific career development path for the selected young engineering resources.

Saipem decided to continue the programme in the 2015-2016 academic year and expanded the Engineering Module implementation by actively involving BOS Shelf.

120

TOTAL STUDENTS TRAINED

45

TOTAL STUDENTS SELECTED FOR THE INTERNSHIP

35

TOTAL STUDENTS HIRED

Improving skills of local medical personnel

Saipem implemented a professional training course for 9 local doctors working for Saipem offshore projects. The Company succeeded in reaching the agreement to conduct specific training with the Republican Narcological Centre of Azerbaijan's Ministry of Health, the state organisation that is the only competent authority with such potential, but at the same time that

does not provide training services for external entities. The aim of training was to provide them with the necessary competencies for drug and alcohol testing onboard. In general, the process of training and intercommunication between Saipem medical personnel and the Narcological Centre was significant for the exchange of experience and information, and professional development. The content of the training programme provided by the Centre was unique, as it incorporated the expertise of medical staff directly involved in the field of drug treatment. This experience showed that the necessary resources can be found within the country. Participants obtained official certification following the training. Additionally, in order to improve the Centre's ICT infrastructure and prepare them for long-term maintenance, Saipem supported the Centre's modernisation with IT equipment. The initiative was successfully completed in July 2015.

9

LOCAL DOCTORS TRAINED



Promoting Local Content in operating projects

The SCPX project has different challenges: the number of local communities potentially affected by project operations (147 Project Affected Communities (PACs), of which 102 PACs in Azerbaijan and 45 in Georgia) and the challenging local content requirements also involving subcontractors' personnel.

With the aim of bringing awareness to local communities located within the Project Zone of Influence, SAJV organised periodic public meetings to inform community members in advance about project activities to be held in their particular areas and how these operations could affect and impact them. 21 community safety meetings and 18 school safety sessions were held.

In the framework of the project local employment strategy, SAJV carried out awareness sessions for local

communities to inform them of project vacancies, how to apply for open jobs and the selection process. These activities will be continuously conducted as per project progress and construction schedule.

As part of its support to the development of Local Content and enhancement of the subcontractors' qualification process, Saipem set up an audit plan to verify the subcontractors' compliance with international and corporate standards and requirements.

The audits cover recruitment processes, Local Content development requirements, personnel training and development, community and employee grievances and labour rights in general (salary, working hours, overtime). In 2015, 5 local companies were audited by Saipem internal personnel and non-conformities and improvement areas were identified. The outcomes of the audits were shared with the subcontractors and they were requested to perform corrective actions.

Thanks to its extensive experience in recruitment, training, development of local personnel and local vendors, the SAJV successfully achieved and exceeded the defined targets for the SCPX project.

SAJV together with the Client company (BP), are now planning initiatives to promote the socio-economic development initiatives for local communities surrounding the pipeline route.

Protecting biodiversity

The SCPX pipeline route is located in the Kur-Araz Valley and Floodplain Ecoregion, not crossing any ecologically protected areas but passing through impact-sensitive ones.

Since several ecological sensitivities were identified, the SCPX project includes many stringent environmental requirements related to ecosystems, habitats and species protection before and during construction:

- disturbance minimisation;
- working width restriction;
- flora and fauna translocation;
- avoiding seasonal sensitivities;
- traffic restrictions; and
- aquatic environment protection.

All these aspects are managed and described in an Ecological Management Plan. The client appointed an Ecological Management Contractor (EMC) that is coordinated by Saipem and that carries out 'Preconstruction Ecological Surveys' for all project areas. The Preconstruction Ecological Surveys report is used as an environmental document to compile all site specific ecological baseline conditions and proposed mitigation actions. EMC performed the pre-construction survey undertaken in the 0-69 km section of the SCPX route in order to identify the presence of the Iris Acutiloba species during and after the flowering season, between April and May.

Pre-construction survey of *Iris Acutiloba*Digging out the plant and bulb with native soil during transplantation of *Iris Acutiloba*

Iris Acutiloba is an endemic and rare Caucasian species which is included in the revised Red Data Book of Azerbaijan (2nd Ed., 2013). Its National IUCN Status was recorded as vulnerable.

Flowering *Iris Acutiloba* were found at 47 locations during the first part of the survey. An additional larger area with flowering plants was found immediately outside the route. A dedicated site meeting was held by the SAJV Environmental Team and other staff to provide information on how to ensure effective protection of the area.

The second part of the survey covered the remaining part of the potential habitat along the SCPX route up to km 69. Both flowering and non-flowering plants were found at 11 locations of this section. 7 flowering plants were also found at 2 sites outside the route.

Overall, more than 360 individual *Iris Acutiloba* plants were found inside the 0-69 km section and were immediately transplanted in receptor sites carefully selected to provide a suitable micro-habitat and exposure. Rounds of monitoring were carried out to observe the condition of the plants and confirm the success of the transplantation.

more than **360**

IRIS ACUTILOBA PLANTS TRANSPLANTED

The *Iris Acutiloba*

Spill prevention and preparedness in sensitive areas

The Shah Deniz 2 project takes into account a wide range of international and regional environmental conventions and commits to complying with national environmental legal requirements and industry best standards and practices.

The Caspian Sea is an area of high environmental and socio-economic sensitivity due to its geographic position and singularity (it is the world's largest salt-water lake). Ecologically, it is an important spawning, feeding and migration area for a number of fish species, such as sturgeons; it is the principal flyway for waterfowl and shorebirds migrating from Africa and the Middle East to northern Russia and Siberia, as well as the home for the endemic and endangered Caspian seal. From a socio-economic aspect it possesses a great commercial fishing value and is one of the world's major oil-producing regions.

In order to preserve the Caspian Sea and ensure long-term and sustainable operations, the project has recognised spill prevention as one of the main environmental objectives and has developed pollution hazard maps for all worksites (Pipelay Barge Israfil Huseynov, Derrick Barge Azerbaijan, Dive Support Vessel, as well as landfall site). The pollution hazard maps contain information about the sources of potential pollution, the location of spill response equipment, as well as the quantity of spill response materials. These maps are posted in various locations around the project worksites and communicated by each supervisor to the workforce during regular Tool Box Talks.

The maps are continuously updated in line with changes in areas for the storage of potential sources of pollution. Identification and mapping of spill sources in the facilities (e.g. vessels and landfall site) is only the first step in the overall spill risk assessment process. However, it is a crucial element in ensuring reliable and high-quality input to spill response planning and control.