

**Government and Industry Cooperation in Practice:  
Azerbaijan's Experience**

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**ABSTRACT**

In recent times, Azerbaijan has seen the development of a significant modern offshore industry. The oil and shipping industries in Azerbaijan bring economic benefits but also give rise to the need for robust oil spill prevention and preparedness measures.

Azerbaijan signed the International Convention on Oil Pollution Preparedness, Response and Co-operation (OPRC) in 2004 and continues to develop and refine its national system of oil spill response. This paper discusses how the Azerbaijan government and key players in the oil industry have successfully worked together to achieve alignment in prevention, protection and response to major incidents.

The implementation of the OPRC Convention is the responsibility of the Ministry of Emergency Situations (MES) of the Republic of Azerbaijan. Within the national response system a national oil spill contingency plan has been developed. The main offshore developments in the Caspian since the 1990s have been led by BP, as operator of a number of Production Sharing Agreements. BP has implemented comprehensive oil spill response plans and is working in partnership with MES to integrate this planning into the national framework. The oil spill management systems adopted by BP and the government are compatible and commensurate with guidance published by the International Maritime Organization in 2011. These aligned management systems allow for an effective Joint Command and coordination of resources in the case of a major incident. The key to building effective oil spill preparedness are a willing dialogue, integrated command structure, joint training and exercising and upgrade of hardware and information systems' software. The cooperation between government and BP relating to offshore risks strengthens the national capacity to deal with spills risks other than from offshore platforms, including the anticipated increase of oil shipments across the Caspian Sea.

Furthermore, these efforts have been supported by international organizations and the regional industry initiative, OSPRI, of which BP is a member.

The experience of Azerbaijan provides a model demonstrating how partnership between government and industry can achieve synergy and it confirms the importance of signing and implementing the OPRC Convention.

### **INTRODUCTION**

The Republic of Azerbaijan sits on the western shore of the Caspian Sea and has been an area for oil exploration, production and transportation for many years. In 1847, the world's first ever oil well was drilled near Baku, Azerbaijan and the first ever purpose-built oil tanker sailed on the Caspian from Baku in 1878. The country's first oil boom in the late 1800s has been mirrored by a second boom in post-Soviet times, from the country's independence in 1991 to the present day.

A government strategy for the development of Azerbaijan's Caspian Sea oil reserves was crowned with the signing of a ground-breaking Production Sharing Agreement (PSA) in 1994. PSA is a common type of contract signed between government of Azerbaijan and a group of oil companies concerning how much of the oil extracted from the country each of PSA participants will receive. The very first PSA that Azerbaijan has signed is also referred to as the 'Contract of the Century'.

This agreement linked the State Oil Company of the Republic of Azerbaijan (SOCAR) with a consortium of international oil companies. BP has been appointed to act as the operator on behalf of this consortium.

Azerbaijan produced over 1 million barrels of crude oil per day in 2009. The majority of oil is exported via the Baku-Tbilisi-Ceyhan pipeline across Georgia and Turkey to the Mediterranean Sea. Additional oil transportation takes place by pipeline and rail to marine terminals on the Georgian Black Sea coast, including volumes of crude oil transiting through Azerbaijan from Kazakhstan. Therefore Azerbaijan has a thriving, modern oil industry and associated oil transportation activities, not to forget other cargo shipping in the Caspian Sea. It is recognised that the oil spill risks associated with these various activities require robust oil spill prevention and preparedness measures. This paper focuses on the efforts of the government and industry to work in partnership to develop effective oil spill preparedness.

### **THE OIL SPILL PREPAREDNESS FRAMEWORK**

The International Maritime Organization's (IMO) International Convention on Oil Pollution Preparedness, Response and Co-operation, 1990 (OPRC Convention) provides the framework for effective oil spill contingency planning in the marine context. The OPRC Convention was signed by Azerbaijan in 2004 and a National Marine Oil Spill Contingency Plan (henceforth the 'National Plan') was drafted in 2004/05 with the support of international consultants financed through a Trust Fund administered by the European Bank for Reconstruction and Development (EBRD). Government and industry cooperation is a key to the successful implementation of the OPRC Convention (Micallef and Thiam, 2008; Velikova and Taylor, 2009).

Commencing in 2001, a detailed dispersant use policy had been formulated for Azerbaijan, with support from the oil industry (Abbasova et al, 2005); this was incorporated into the draft National Plan. Azerbaijan also signed the IMO's 1992 Civil Liability Convention (1992 CLC) in

2004, providing the first level of compensation for damages resulting from oil spills from tankers.

As the oil industry developed its operations, with the associated need to establish oil spill preparedness and response, reference was made to corporate requirements and international best practice (e.g. guidance published by the International Petroleum Industry Environmental Conservation Association, IPIECA). The lending institutions (e.g. The World Bank and EBRD) that provided loans for part of the funding of industry's investments instigated formal reviews of the operational oil spill contingency plans, referenced against international approaches. Industry also remained in close communication with government to ensure that operational plans were compatible with the draft National Plan.

The Azerbaijan Railways Company is currently (2011) developing its oil spill contingency planning with the support from international consultants funded through The World Bank, as part of a larger multi-million dollar railway infrastructure investment.

At the regional level, Azerbaijan's government is working closely with the other Caspian Sea littoral States and international partners to develop regional cooperation for oil spill response under the framework of the Tehran Convention. This Convention provides the legal basis for the Caspian Sea regional cooperation in cases of major oil spills; this is being implemented through the development of specific Protocol relating to oil pollution incidents (Taylor et al, 2011). The IMO and the international oil industry are closely integrated with this regional effort – the latter through the Oil Spill Preparedness Regional Initiative (OSPRI), administered through IPIECA. BP and most of the PSA consortium members are also members of OSPRI.

### **NATIONAL FRAMEWORK**

The primary government lead for oil spill preparedness issues through to the mid-00s was the Ministry for Ecology and Natural Resources (MENR). Changes in the government's structure prevented finalization and approval of the draft National Plan through this period. In December of 2005 the Ministry of Emergency Situations (MES) was created and in 2009 MES took on formal responsibilities relating to oil spill preparedness as the National Competent Authority under the OPRC Convention. In 2009/10 the draft National Plan was reviewed and updated by MES, to reflect current government organization and to clarify roles and responsibilities. This review was undertaken in cooperation with the oil industry and with reference to guidance concerning incident management systems from the International Maritime Organization (IMO, 2011). Table 1 outlines the principles of the IMO's guidance and how they are being implemented by the government and by BP and its PSA co-venturers.

<b>Principle of Incident Management</b>	<b>Implementation in Azerbaijan by the government and BP</b>
Command, control and organization	Government (in the draft National Oil Spill Contingency Plan) and BP (in their operations' oil spill contingency plans) have adopted an organizational structure based on the Incident Command Structure. The draft National Plan and BP plans' have functional groups reporting to Incident Command.
Response planning	Government and BP's incident management procedures adopt a systematic and closely aligned approach to response planning. This includes the continual cycle of incident assessment, decision-making, implementation of operations and monitoring.
Response objectives, strategies and tactical directions	BP's incident management system is based on objective-driven response. This translates into tactical and operational implementation within the framework of the draft National Oil Spill Contingency Plan. This draft Plan mandates the development of an Incident Response System Manual for government which it is anticipated will incorporate a similar approach for non-BP incidents in Azerbaijan.
Incident action plan	Government and BP include the development of an Incident Action Plan as an integral part of their incident management systems.

Table 1: The government and BP systems in relation to incident management principles

### **ALIGNMENT OF INCIDENT MANAGEMENT SYSTEMS**

The specific case of the partnership between MES and BP (acting as the operator for the PSA consortium) in Azerbaijan illustrates how a shared vision of effective incident management can lead to integrated systems and mutual benefit. The adoption of a common system extends beyond prevention and preparedness for oil spills into other emergency situations associated with offshore activities, including medical emergencies and mass evacuation.

The adopted incident management system in Azerbaijan takes its roots from the Incident Command System (ICS) originally developed in the USA and forming a basis for the IMO guidance in this area. BP, along with many of the international oil companies, uses a form of ICS in most of its operations around the world and had based its operational oil spill contingency plans in Azerbaijan on this approach from first oil in 1997 onwards. These contingency plans have been comprehensively reviewed by independent consultants acting for the lending institutions and approved by the relevant government authorities. The original draft National Plan has also adopted a basic form of ICS in 2004/05. The review and update in 2009/10 consolidated and further embedded the ICS approach, including terminology and management processes. Hence

there was convergent evolution in the adoption of an ICS-based approach by both industry and government in Azerbaijan.

In order to strengthen the integration of government's system with that of BP, an agreement was reached to provide a road map for alignment of the two systems (Figure 1).



Figure 1: The government and BP system are undergoing alignment

A Mutual Operations Plan is under development jointly by MES and BP to capture the details of the aligned system. Whilst the two systems had a common root, there was a need to ensure the adaption of ICS by each party had not created any points of confusion. It is also necessary to ensure that communication and coordination procedures were compatible. A key to identifying issues or areas for improvement with alignment is through joint training and exercising.

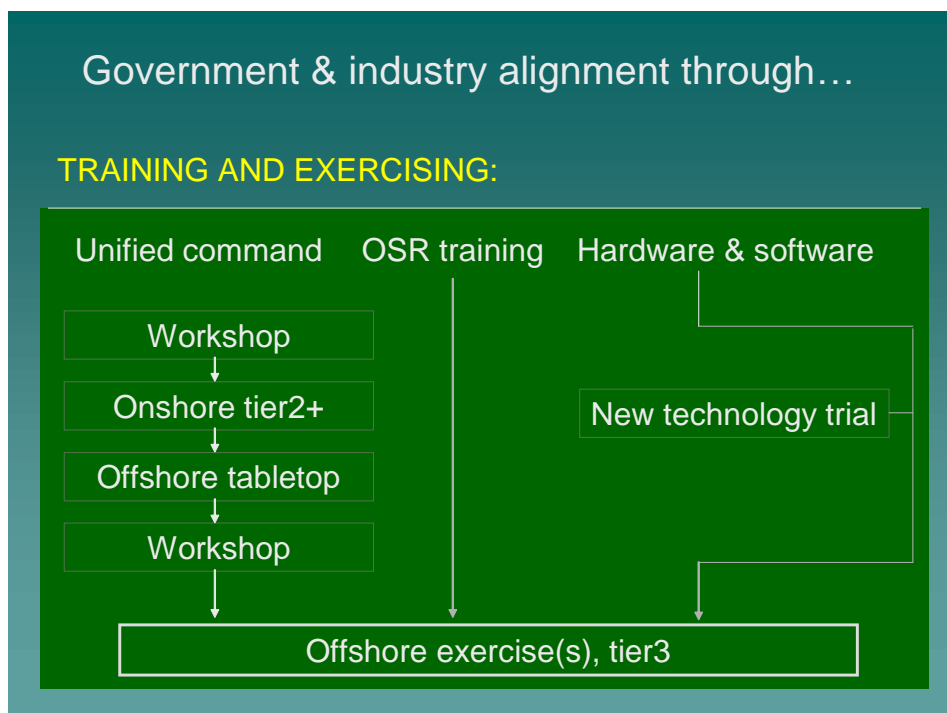


Figure 2: The government and BP Azerbaijan alignment through training and exercising

To date two major exercises in November 2009 and September 2010 have been carried out. A need for clear media response and medical evacuation strategies for joint response activities became apparent. The revised strategies have been incorporated into the current version of the plan.

Consideration is also being given to the physical integration of oil spill response resources i.e. oil pollution combating equipment.

The contents of the Mutual Operations Plan are outlined below:

- An overview of preventative measures for subsea pipelines;
- Access to sites and inspections by government;
- Procedures for escalating emergency response;
- The transition from BP management of an incident to a Unified Command;
- How the Unified Command is structured;
- The media strategy for joint response activities;
- Medical evacuation strategy; and
- Mass evacuation strategy.

It is believed that these key elements – and obtaining clarity in their implementation – are critical to the implementation of effective management of major incidents.

## CONCLUSIONS

Azerbaijan is developing a highly aligned and integrated approach to incident management between the government and industry. The framework for this partnership and cooperation is the OPRC Convention. The particular circumstances in Azerbaijan, whereby there is one dominant offshore operator and incident management systems had already independently converged, have led to integration that goes beyond that found in many other countries. The benefits of aligned systems for incident management and the associated cooperation between government and

industry are manifest. It is anticipated the robust management system that is developing in Azerbaijan at the national level will strengthen the countries contribution to regional cooperation mechanisms through the Tehran Convention.

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