

APPENDIX 1: This Host Government Agreement is attached to and forms an integral part of the Intergovernmental Agreement dated 26 June 2012

HOST GOVERNMENT AGREEMENT

BETWEEN

**THE GOVERNMENT OF
THE REPUBLIC OF TURKEY**

AND

**TRANS ANATOLIAN
GAS PIPELINE COMPANY B.V.**

CONCERNING

THE TRANS ANATOLIAN NATURAL GAS PIPELINE SYSTEM

CONTENTS

CLAUSE	PAGE
ARTICLE 1 - DEFINITIONS AND INTERPRETATION	2
ARTICLE 2 - EFFECTIVE DATE AND TERM	11
ARTICLE 3 - TRANSIT PASSAGE OF NATURAL GAS	11
ARTICLE 4 - RIGHTS OF THE TANAP PROJECT ENTITY	12
ARTICLE 5 - DESIGNATED STATE AUTHORITY	13
ARTICLE 6 - OPERATOR	13
ARTICLE 7 - APPLICATION REQUIREMENTS	13
ARTICLE 8 - COOPERATION	15
ARTICLE 9 - COMMITMENTS WITH RESPECT TO CERTAIN AGREEMENTS ENTERED INTO BY THE STATE, STATE AUTHORITIES AND/OR STATE ENTITIES	16
ARTICLE 10 - NON-INTERRUPTION OF PROJECT ACTIVITIES	16
ARTICLE 11 - THE HOST GOVERNMENT'S REPRESENTATION	17
ARTICLE 12 - TANAP PROJECT ENTITY'S REPRESENTATIONS AND WARRANTIES	17
ARTICLE 13 - BOOKS AND RECORDS	18
ARTICLE 14 - INSURANCE	18
ARTICLE 15 - GOVERNMENT FACILITATION	19
ARTICLE 16 - LAND RIGHTS	19
ARTICLE 17 - ENVIRONMENT, HEALTH, SAFETY AND SOCIAL IMPACT	22
ARTICLE 18 - PERSONNEL	23
ARTICLE 19 - LABOUR STANDARDS	24
ARTICLE 20 - TECHNICAL STANDARDS	24
ARTICLE 21 - ACCESS TO RESOURCES AND FACILITIES	24
ARTICLE 22 - SECURITY	25
ARTICLE 23 - TAXES	25
ARTICLE 24 - CUSTOMS, IMPORT AND EXPORT	28
ARTICLE 25 - FOREIGN CURRENCY	29
ARTICLE 26 - LIABILITY OF TANAP PROJECT ENTITY	30
ARTICLE 27 - LIABILITY OF THE HOST GOVERNMENT	31
ARTICLE 28 - FORCE MAJEURE	31
ARTICLE 29 - DISCRIMINATORY CHANGE OF LAW	33
ARTICLE 30 - EXPROPRIATION	35
ARTICLE 31 - SUCCESSORS AND PERMITTED ASSIGNEES	36
ARTICLE 32 - DE-COMMISSIONING	38

ARTICLE 33 - APPLICABLE LAW	38
ARTICLE 34 - DISPUTE RESOLUTION	38
ARTICLE 35 - TERMINATION	40
ARTICLE 36 - NOTICES	41
ARTICLE 37 - MISCELLANEOUS	43
APPENDIX 1 - TECHNICAL STANDARDS	45
APPENDIX 2 - LAND RIGHTS	47
APPENDIX 3 - FORM OF PARENT COMPANY GUARANTEE	55
APPENDIX 4 - LETTER AGREEMET	57

This **HOST GOVERNMENT AGREEMENT** is made between:

the **GOVERNMENT OF THE REPUBLIC OF TURKEY**, represented by the Ministry of Energy and Natural Resources; and

TRANS ANATOLIAN GAS PIPELINE COMPANY B.V., a company organized and existing under the laws of the Netherlands (hereinafter referred to as the "**TANAP Project Entity**")

(each a "**Party**" and together the "**Parties**").

WITNESSETH:

WHEREAS, the TANAP Consortium Members are considering the development of a secure and efficient pipeline system, to be known as the Trans Anatolian Natural Gas Pipeline System, for the Transit Passage, receipt and/or delivery of Natural Gas at the Entry Point and at various Exit Points to, within and across the territory of the Republic of Turkey for delivery to European markets, including the gas market of the Republic of Turkey;

WHEREAS, this Agreement is entered into pursuant to the TANAP Intergovernmental Agreement between the Republic of Azerbaijan and the Republic of Turkey and in furtherance of the Intergovernmental Agreement between the Republic of Turkey and the Republic of Azerbaijan dated 25 October 2011;

WHEREAS, on 24 December 2011, the Republic of Turkey and the Republic of Azerbaijan, entered into the Memorandum of Understanding regarding the TANAP Project with the intention of establishing a project consortium Entity (hereinafter referred to as the TANAP Project Entity) in which the participating interest of the Turkish Participants as defined in such Memorandum of Understanding will be 20% (twenty per cent) and the participating interest of the Azerbaijani Participants as defined in such Memorandum of Understanding will be 80% (eighty per cent);

WHEREAS, the Republic of Turkey and the Republic of Azerbaijan further agreed in the TANAP IGA that the TANAP Project Entity shall have the rights and exemptions granted under this Agreement provided that state entities owned by the Republic of Azerbaijan will always have at least 51% (fifty one per cent) participating interest in the TANAP Project Entity;

WHEREAS, the TANAP Consortium Members intend to invest in the TANAP System, as well as to operate and utilise and/or market its capacity to Shippers, through the TANAP Project Entity on the terms and conditions of this Agreement as well as the Project Agreements and in accordance with international standards and practices;

WHEREAS, the Host Government wishes to facilitate and support the TANAP Project and to promote and protect Investment in the TANAP System within its Territory, recognising that this Investment is of a kind that is to be encouraged by the creation of stable, equitable, favourable and transparent conditions in accordance with the objectives and principles of the Energy Charter Treaty;

WHEREAS, it is intended that the TANAP IGA and the signed text of this Agreement, forming part of it, together comprise the framework of principles and procedures applicable to the TANAP Project; and

WHEREAS, the Host Government acts on behalf of the State and the State Authorities in matters such as those provided in this Agreement.

NOW, THEREFORE, for and in consideration of these premises, the Parties hereby agree as follows:

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 Capitalised terms used in this Agreement (including the Preamble) and not otherwise defined herein, shall have the meanings ascribed to them below:

“Advance Corporation Tax” has the meaning ascribed to it in Article 23.3 of this Agreement;

“Affiliate” means, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with that Person. For purposes of this definition, “control” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of a majority or other controlling interest in the voting securities, equity or other ownership interest in an Entity, by law, or by agreement between Persons conferring such power or voting rights;

“Agreed Interest Rate” means for each day of an Interest Period with respect to any amount due and payable under or pursuant to this Agreement, interest at the rate per annum equal to LIBOR plus 1 (one) percentage point in effect on the Business Day immediately preceding the first day of the initial applicable Interest Period and, thereafter, as in effect on the Business Day immediately preceding the first day of each succeeding Interest Period;

“Agreement” means this host government agreement which will become effective in accordance with Article 2, including all appendices attached hereto, together with any written extension, renewal, replacement, amendment or other modification hereof signed by all the Parties, all of which by this reference are incorporated herein;

“Application Requirements” has the meaning ascribed to it in Article 7.1 of this Agreement;

“Best Available Terms” means, at any time with respect to any goods, works, services or technology to be rendered or provided at any location, the commercially competitive cost-based terms reasonably obtainable in the relevant market, except where the State or a State Entity or State Authority is the sole provider of such goods, works, services or technology in the Territory,

in which case it shall be a price equal to that which such Entity charges other Entities, whether State owned or private;

“Best Endeavours” means the taking by the relevant Person of all lawful steps in such Person’s power which a prudent and determined Person would have taken under the circumstances;

“BOTAS” means Boru Hatları ile Petrol Taşıma A.Ş., a corporation incorporated under the laws of the Republic of Turkey whose head office is at Bilkent Plaza A-2 Blok Bilkent, Ankara, Turkey;

“Business Day” means any day on which clearing banks are customarily open for business (excluding Saturdays, Sundays and public holidays) in the Republic of Turkey;

“Change of Law” means, in relation to the Republic of Turkey, any of the following which comes into effect after the Effective Date of this Agreement:

- (a) any international agreement which has been signed and ratified by the State, legislation, directive, order, promulgation, issuance, enactment, decree, regulation or similar legislative act of the State, a State Authority or a State Entity (including any which relate to Taxes); and/or
- (b) any change to any of the foregoing (including any change by way of or resulting from amendment, repeal, withdrawal, termination or expiration) (whether such legislative acts in (a) came into effect before or after the Effective Date of this Agreement); and/or
- (c) any change in the jurisprudence of the superior courts of the Republic of Turkey which is binding on the lower courts;

“Commercial Operation Start Date” means the first date on which Gas enters the TANAP System at the Entry Point pursuant to a commercial gas transportation agreement;

“Contractor” means any Person supplying, whether by contract, or sub-contract (provided that such sub-contract has a total contract value of at least USD 150,000 (one hundred and fifty thousand USD)), goods, work, technology or services, including consultancy services, financial services (including inter alia, credit, financing, insurance or other financial accommodations) to the TANAP Project Entity and/or to the Operating Companies, in connection with the TANAP Project, excluding however any natural person acting in his or her role as an employee of any other Person;

“Corporation Tax” has the meaning ascribed to it in Article 23.2 of this Agreement;

“Costs” means, in relation to any Shipper which is controlled by one or more TANAP Consortium Members or their Affiliates any new or increased cost or expense, and in relation to the TANAP Project Entity or any Operating Company

any new or increased cost or expense and any reduction in revenue resulting from, or otherwise attributable to, any Discriminatory Change of Law and that is incurred or suffered in connection with the TANAP Project by any Interest Holder. Such costs or expenses may include:

- (a) capital costs;
- (b) financing costs;
- (c) costs of operation and maintenance; and/or
- (d) taxes, royalties, duties, imposts, levies or other charges imposed on or payable by the Interest Holder;

“Decommissioning Plan” has the meaning ascribed to it in Article 32.2 of this Agreement;

“Designated State Authority” has the meaning ascribed to it in Article 5.1 of this Agreement;

“Discriminatory Change of Law” has the meaning ascribed to it in Article 29.1 of this Agreement;

“Economic Equilibrium” means the economic value to any Interest Holder of the relative balance established under this Agreement and the Project Agreements established pursuant to this Agreement at the applicable date between the rights, interests, exemptions, privileges, protections and other similar benefits provided or granted to such Person and the concomitant burdens, costs, obligations, restrictions, conditions and limitations agreed to be borne by such Person;

“Effective Date” has the meaning ascribed to it in Article 2.1 of this Agreement;

“Energy Charter Treaty” means the Energy Charter Treaty as opened for signature in Lisbon on 17 December 1994;

“Entity” means any company, corporation, limited liability company, partnership, limited partnership, enterprise, joint venture, unincorporated joint venture, association, trust or other juridical entity, organisation or enterprise duly organised by treaty or under the laws of any state or any subdivision thereof;

“Entry Point” means the entry point to the TANAP System at the border of the Republic of Turkey with Georgia as nominated or modified by the TANAP Project Entity and subject to approval by the Host Government;

“Environmental and Social Impact Assessment” or the **“ESIA”** has the meaning ascribed to it in Article 17.2 of this Agreement;

“Environmental and Social Standards” has the meaning ascribed to it in Article 17.1;

“Exit Point” means any exit point from the TANAP System whether at the border of the Republic of Turkey with the Republic of Bulgaria and/or the Hellenic Republic and/or within the Territory; or any other exit point as nominated or modified by the TANAP Project Entity and subject to approval by the Host Government;

“Expropriation” has the meaning ascribed to it in Article 30;

“Facilities” means all physical assets, equipment and installations of any type from time to time owned, in the possession of, or operated or legally controlled by or on behalf of the TANAP Project Entity in the Territory for the purposes of the Project Activities;

“Fair Market Value” means the value to a Project Participant of its Investment with the intention of putting the Project Participant in the position it would have been in if no Expropriation had occurred having taken into account the effects of the Expropriation on its overall business including any related Investments in relation to TANAP Project. Such value shall be calculated assuming a going concern, assuming a willing buyer and a willing seller in a non-hostile environment, and disregarding all unfavourable circumstances leading up to or associated with the Expropriation;

“Force Majeure” has the meaning ascribed to it in Article 28;

“Foreign Currency” means a currency which is widely traded in international foreign exchange markets;

“Foreign Employee” means any employee of any Project Participant that is not a citizen of the State;

“Host Government” means the Government of the Republic of Turkey;

“ICC Rules” means the Rules of Arbitration of the International Chamber of Commerce;

“Initial Operation Period” means the period of twenty-five (25) Years from the Effective Date;

“Interest Holder” means:

- (a) the TANAP Project Entity;
- (b) Operating Companies;
- (c) any Shipper which is controlled by one or more TANAP Consortium Members or its Affiliates, where “control” has the same meaning as in the definition of Affiliate; or

(d) any successor or permitted assignee of any Person referred to in (a) to (c) above;

"Interest Period" means, for purposes of the definition of "Agreed Interest Rate", a period of thirty (30) days, beginning the first day after the date on which any such amount becomes due and payable and ending thirty (30) days thereafter, with each succeeding Interest Period beginning on the first day after the last day of the Interest Period it succeeds;

"International Financial Reporting Standards" means the international financial reporting standards as adopted by the International Accounting Standards Board or a successor organization;

"Land Registry Law" means the "Land Registry Law" numbered 2644 published in the official gazette of the State on 29 December 1934, as may be amended or replaced from time to time;

"Land Rights" means those rights of examination, testing, evaluation, analysis, access, inspection, construction, use, possession, occupancy, control, assignment and enjoyment (other than ownership) with respect to land in the Territory as set forth in Appendix 2 to this Agreement. The term "Land Rights" is used in its broadest sense to refer not only to the Project Land within, over or under which the Facilities, as completed, will be located, but also such other and additional lands (including seabeds and coasts which will be granted in accordance with National Laws), access routes and land rights within the Territory as the TANAP Project Entity and its designated Contractors may require and designate for the purposes of conducting Project Activities or any other activities necessary for enabling the conduct of Project Activities desired by the TANAP Project Entity for the Project Land in respect of the Facilities;

"Land Rights Entity" has the meaning ascribed to it in Article 16.1 of this Agreement;

"Lender(s)" means any financial institution or other Person providing or mandated to provide any indebtedness, loan, financial accommodation, extension of credit, or other financing or insurers providing political risk insurance to the TANAP Project Entity and/or TANAP Consortium Members in connection with the financing of the TANAP Project (including in respect of any refinancing thereof), and any successor or permitted assignee of any such financial institution or other Person providing financing;

"LIBOR" means the London Interbank Offered Rate (expressed as an annual percentage rate) for three months US Dollar deposits as published by Reuters (or an equivalent successor) at around 11:00 am London time on the relevant day, or if such rate has ceased to be available, any successor or equivalent generally accepted reference rate (in US Dollars for three months) agreed by the Parties and, if no such successor or equivalent generally accepted reference rate exists, the reasonably available funding costs (in US Dollars for three months) of the Person to whom payment is owed;

“Local Currency” means the legal currency issued by the State;

“Loss or Damage” shall mean any loss, or damage, including any cost, injury, liability, obligation, expense (including interest, penalties, attorneys' fees and disbursements), litigation, proceeding, claim, charge or penalty suffered or incurred by a Person, but excluding any indirect or consequential losses or damages and loss or deferral of profit unless caused by any gross negligence or wilful misconduct imputable to such Person;

“National Laws” means the law, including legislation of all kinds, applicable and as may be amended or replaced from time to time in the Territory;

“Natural Gas” or **“Gas”** means any hydrocarbon or mixture of hydrocarbons and other gases consisting primarily of methane, all of which is substantially in the gaseous phase at an absolute pressure of one decimal zero one three two five (1.01325) bar and at a temperature of fifteen degrees Celsius (15°C);

“Natural Gas Market Law” means the “Natural Gas Market Law” numbered 4646 published in the official gazette of the State on 2 May 2001, as may be amended or replaced from time to time;

“Operating Company” means one or more Entities appointed or selected in accordance with the provisions of Article 6 of this Agreement;

“Person” means any physical person or any Entity;

“Pipeline Corridor” means a sixteen (16) metres wide area of land within the Construction Corridor (including exclusive control of the area above such land to a specified height and rights to such land's subsurface to a specified depth) extending from the Entry Point to the Exit Points;

“Primary Term” has the meaning ascribed to it in Article 2.2 of this Agreement;

“Project Activities” means any and all of the activities conducted by any and all of the Project Participants in connection with the TANAP System including, engineering studies, technical studies, evaluation, development, design, permitting, project development, acquisition of Land Rights, construction, commissioning, installation, financing, insuring, ownership, operation (including the Transit Passage by and on behalf of the TANAP Project Entity or the Shippers), commercial exploitation, repair, replacement, refurbishment, maintenance, capacity expansion or extension (such as laterals), protection and decommissioning of the TANAP System, procurement of personnel, services, plant and material including long lead items, implementation of Project Agreements, this Agreement and all other relevant contracts and agreements, maintenance, repair, and all activities connected with any expansion or extension of the TANAP System;

“Project Agreement” means any agreement (other than this Agreement) or contract, to which, on the one hand, the Host Government, any State Authority or State Entity and, on the other hand, any Project Participant are or later become a party relating to Project Activities, as any such agreement, contract or other document may be extended, renewed, replaced, amended or otherwise modified from time to time in accordance with its terms;

“Project Land” means (i) the Construction Corridor and (ii) those other designated areas of land (contiguous or non-contiguous), including access routes, notified to the State Authorities by the TANAP Project Entity used as the locations upon or under which the TANAP System exists, from time to time, throughout the life of the TANAP Project;

“Project Participants” means the TANAP Project Entity, the TANAP Consortium Members, Interest Holders, Contractors, Operating Companies, Shippers or Lenders;

“Reasonable Endeavours” means endeavours available to the Party concerned as are appropriate in the relevant circumstances;

“SD2 Gas Sales Agreement” means the gas sales agreement entered into by SOCAR (as seller) and BOTAS (as buyer) dated 25 October 2011 for the sale and purchase of Gas from Azerbaijan;

“Shipper” means a Person contracting with the TANAP Project Entity for the use of transportation capacity in the TANAP System;

“SOCAR” means the State Oil Company of the Republic of Azerbaijan;

“State” means the sovereign state of the Republic of Turkey;

“State Authorities” means the Host Government and each and every aspect thereof at every level in respect of the Territory, including all central and local authorities or bodies (whether or not part of or controlled by any superior legal authority in the governmental hierarchy) and any and all instrumentalities, branches and subdivisions of any of the foregoing, and any entity that is directly or indirectly controlled by the State or one or more of its State Authorities;

“State Entity” means any Entity in which, directly or indirectly, the State or the Host Government has equity or similar economic interest or which is directly or indirectly controlled by the Host Government, including agents and representatives of the Host Government. For purposes of this definition, “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, by law, or otherwise, provided, however, that any State Entity which may also be a Project Participant will not be a State Entity whenever it is acting in the role of a Project Participant;

“State Land(s)” means the lands that have not been registered with the land registry records as they have not been subjected to cadastral work yet or they are classified as unoccupied lands or areas allocated for common usage of public or public services (roads, pasture, meadow, summer pasture, winter quarters, and etc.) and those lands registered in the name of the Treasury of the Republic of Turkey, within the Territory;

“TANAP Consortium Member” means an Entity holding a participating interest in the TANAP Project Entity;

“TANAP Intergovernmental Agreement” or **“TANAP IGA”** means the intergovernmental agreement signed by and between the Republic of Turkey and the Republic of Azerbaijan on 26 June 2012 concerning the TANAP System together with its appendices as set forth therein, including as such agreement may be extended, renewed, replaced, amended or otherwise modified at any given moment in time in accordance with its terms;

“TANAP Project” means the TANAP System and the Project Activities all as defined and contemplated by this Agreement, the TANAP Intergovernmental Agreement and the Project Agreements, intended to be operational and ready to transport Natural Gas volumes in line with the commencement of production from stage 2 of the Shah Deniz field;

“TANAP System” means the Natural Gas pipeline system including attendant Facilities through the Territory from an Entry Point on the Turkey-Georgia border to Exit Points in the Territory and to Exit Points on the Turkey-Greece and/or Turkey-Bulgaria border and any other Exit Points as agreed by the State and the Republic of Azerbaijan via mainly 56 inch pipeline and having initial capacity sufficient at least to include production from stage 2 of the Shah Deniz field, and including any expansions to accommodate additional Gas volumes originating or transiting from the Republic of Azerbaijan;

“Taxes” means all existing or future taxes, levies, duties, customs duties, import duties, export duties, imposts, VAT, withholdings, fees, assessments or other similar charges payable to or imposed by the State or a State Authority, together with interest, penalties and fines (including financial sanctions and administrative penalties) with respect thereto, and **“Tax”** means any of the foregoing;

“Taxation Office” means any taxation office of the State and any successor thereto;

“Technical Standards” means those codes and regulations regarding the construction, installation, operation and maintenance of the Facilities as set forth in Article 20 and Appendix 1 of this Agreement;

“Territory” means the land territory of the Host Government, its territorial sea and the air space above it, as well as the maritime areas over which it has jurisdiction or exercises sovereign rights in accordance with public international law;

“Transit Certificate” means the certificate which shall be granted in accordance with the Transit Law, for the carrying out of those Project Activities that are within the scope of the Transit Law;

“Transit Law” means the “Law on Transit Passage Through Petroleum Pipelines” numbered 4586 published in the official gazette of the State on 29 June 2000, as may be amended or replaced from time to time;

“Transit Passage” means the transit, carriage, passage or transportation of Natural Gas originating or transiting from the Republic of Azerbaijan through the TANAP System across the Territory of the Republic of Turkey and destined for the member states of the European Union, other European states or other states neighbouring the Republic of Turkey; and includes the transportation of Natural Gas destined for delivery to the Turkish market for as long as it is within the TANAP System;

“Transit Passage Gas” means the Natural Gas in Transit Passage;

“US Dollars” or **“USD”** means the legal currency of the United States of America;

“VAT” means value added tax applicable to the provision of goods, works, services or technology; and

“Year” means a Gregorian calendar year.

1.2 Interpretation

- (a) The division of this Agreement into articles, sections and other portions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof.
- (b) Unless otherwise indicated, all references to an “Article” or “Section” followed by a number or a letter refer to the specified Article or Section of this Agreement.
- (c) The terms “this Agreement”, “hereof”, “herein” and “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof.

1.3 Construction

Unless otherwise specifically indicated or the context otherwise requires, words importing the singular shall include the plural and vice versa and words importing any gender shall include all genders, and “include”, “includes” and “including” shall be deemed to be followed by the words “without limitation”.

Reference to any Person under this Agreement shall include reference to any successors or permitted assignees of such Person.

1.4 Knowledge

References in this Agreement to “knowledge”, “awareness” and synonymous terms shall, unless the context indicates the contrary, be deemed to refer to actual rather than to constructive or imputed knowledge.

**ARTICLE 2
EFFECTIVE DATE AND TERM**

2.1 This Agreement shall enter into force and become effective and binding on the date (the “**Effective Date**”) on which the TANAP Intergovernmental Agreement has entered into force.

2.2 Subject to Article 2.3, this Agreement shall continue for a primary term of forty-nine (49) years following the Effective Date (the “**Primary Term**”).

2.3 Any extension of the term of this Agreement beyond the Primary Term shall be subject to mutual agreement of the Parties.

**ARTICLE 3
TRANSIT PASSAGE OF NATURAL GAS**

3.1 Unless otherwise agreed under this Agreement, the Host Government grants to the TANAP Project Entity the exclusive right to conduct the Transit Passage via the TANAP System to its full extent, consistent with the principle of freedom of transit, free of any fees, charges and costs or any other kind of payment and without distinction or discrimination as to the origin, destination or ownership of such Natural Gas, and without imposing any delays or restrictions, other than those specifically provided for in Article 3.2.

3.2 The Host Government shall use Best Endeavours to ensure the uninterrupted, unimpeded, unrestricted and uncurtailed flow of Transit Passage Gas and shall take appropriate measures and actions to avoid and prevent the interruption or curtailment of such Transit Passage Gas, except as specifically provided under this Agreement, any Project Agreement and/or where there are reasonable grounds for the Host Government to believe that the continuation of the Transit Passage creates or would create any danger or hazard to public health and safety or the environment or any disproportionate danger or hazard to property.

3.3 The Host Government acknowledges and agrees that it shall (i) not take any Transit Passage Gas and shall take preventative measures to this end; and (ii) not claim title to or ownership of or otherwise claim or exert other property or possessory rights over any Transit Passage Gas and, for the avoidance of doubt, this Article 3.3 is not related to any State Authority’s or State Entity’s right to take delivery of Transit Passage Gas under the terms of a commercial gas transportation agreement to which such State Authority or State Entity is a party, at the designated Exit Point(s).

- 3.4 The TANAP Project Entity shall have the exclusive right to use and/or market to Shippers the total capacity of the TANAP System at its sole discretion and to negotiate, agree and charge tariffs to Shippers under commercial gas transportation agreements with such Shippers without any requirement for approval by State Authorities and/or State Entities. The TANAP Project Entity shall notify to the Designated State Authority, for information purposes only, the tariff calculation methodology, if any, and the tariffs and capacity allocations agreed with the Shipper(s) under each commercial gas transportation agreement which the TANAP Project Entity enters into.
- 3.5 The Host Government confirms that all Gas to be delivered under the SD2 Gas Sales Agreement will be transported from the Entry Point to the Exit Point(s) in Eskişehir and the Thrace Region within the Territory via the TANAP System subject to: (i) the same tariff (adjusted for the actual transportation distance in the Territory) as applies to other Gas from stage 2 of the Shah Deniz field transiting through the TANAP System; and (ii) the achievement of a commercial gas transportation agreement between BOTAS and the TANAP Project Entity.
- 3.6 In the event of (i) curtailment of capacity in the TANAP System or (ii) a shortage of Natural Gas produced from stage 2 of the Shah Deniz field available for delivery into the TANAP System at the Entry Point, allocation of available capacity or volumes, as applicable, shall be made on a pro-rata basis among all eligible Shippers of Natural Gas produced from stage 2 of the Shah Deniz field.

ARTICLE 4

RIGHTS OF THE TANAP PROJECT ENTITY

- 4.1 For the purposes of the TANAP Project, the Host Government hereby agrees that the TANAP Project Entity shall have:
- (a) the right to implement and carry out the TANAP Project, conduct all Project Activities, and enjoy all other rights provided to it by the State Authorities under the terms of this Agreement and the Project Agreements;
 - (b) the right to (as the case may be) construct, own, use, possess, operate or control the TANAP System under the terms of this Agreement and the Project Agreements; and
 - (c) the right to implement in accordance with this Agreement the TANAP System for Transit Passage of Natural Gas up to a volume of thirty two (32) billion cubic meters per Year in consultation with the Host Government, and above a volume of thirty two (32) billion cubic meters per Year subject to the approval of the governments of the State and the Republic of Azerbaijan.

ARTICLE 5
DESIGNATED STATE AUTHORITY

- 5.1 The Host Government hereby authorises and appoints the Ministry of Energy and Natural Resources of the Republic of Turkey, to act as the Designated State Authority (the “**Designated State Authority**”). If requested by the TANAP Project Entity, the Designated State Authority, shall provide assistance:
- (a) for the issuance of rights, licences, visas, permits, certificates, authorisations, approvals, consents and permissions provided in this Agreement;
 - (b) for the provision of information, documentation, data and other materials specified by this Agreement or any Project Agreement or appropriate to evidence any grants of rights hereunder or under any Project Agreement in a form sufficient and appropriate to facilitate the carrying out of the TANAP Project or Project Activities or any part thereof;
 - (c) for the submission and receipt of notifications, certifications and other communications provided herein; and
 - (d) with respect to the State Authorities and State Entities, as appropriate to facilitate the implementation of the TANAP Project.
- 5.2 The Designated State Authority shall, promptly following the Effective Date, nominate a direct point of contact for the TANAP Project Entity with respect to the TANAP Project.

ARTICLE 6
OPERATOR

- 6.1 The TANAP Project Entity shall have the right and sole discretion to establish, own and control and/or appoint or select one or more Operating Companies for operating the TANAP System that have been incorporated in the Territory and without being subject to any requirements or restrictions in relation to shareholding structure.
- 6.2 The TANAP Project Entity shall use Reasonable Endeavours to utilise local expertise in services needed for operating the TANAP System.
- 6.3 Any Operating Company shall be entitled to exercise rights of the TANAP Project Entity arising under this Agreement and/or any Project Agreement to which it is a party in relation to Project Activities.

ARTICLE 7
APPLICATION REQUIREMENTS

- 7.1 Upon request by the TANAP Project Entity, the Designated State Authority shall use Reasonable Endeavours to provide a list of the documentation necessary to obtain a specific licence, consent, permit, authorisation, exemption, visa,

certificate, approval or permission (the “**Application Requirements**”) on the part of the TANAP Project Entity and such other Project Participants as the TANAP Project Entity may designate in order to carry out Project Activities. Any absence in the list or future requirements imposed by the legislation shall not remove the obligations of the Project Participants. The Application Requirements may be updated from time to time.

7.2 Upon request of the TANAP Project Entity, subject to the submission of the Application Requirements therefor, the Host Government shall use Reasonable Endeavours to ensure that any relevant State Authority and/or State Entity provides, within forty-five (45) days but in no event later than the period set forth in the applicable National Laws, all licences, consents, permits, authorisations, exemptions, visas, certificates, approvals or permissions necessary or appropriate (and any renewals or extensions as applicable), to enable TANAP Project Entity and all other Project Participants to carry out all Project Activities in a timely, secure and efficient manner, including:

- (a) operation of the Facilities;
- (b) use and enjoyment of the Land Rights (subject to the provisions of Article 16 and Appendix 2 Land Rights);
- (c) customs clearances;
- (d) import and export licences regarding all equipment, materials, machinery, vehicles, tools, spare parts and supplies and all other goods which will be used in connection with the Project Activities;
- (e) visas, work permits and residence permits;
- (f) rights to open and maintain bank accounts;
- (g) rights to lease or, where appropriate, acquire office space and employee accommodations;
- (h) rights and licences, in accordance with relevant National Laws, to operate communication and telemetry facilities (including the dedication of a sufficient number of exclusive radio and telecommunication frequencies as requested by the TANAP Project Entity to allow the uniform and efficient operation of the TANAP System) for the secure and efficient conduct of Project Activities;
- (i) rights to establish such branches, permanent establishments, offices and other forms of business or presence in the Territory as may be reasonably necessary in the opinion of any Project Participant to properly conduct Project Activities, including the right to lease or, where appropriate, purchase or acquire any real or personal property required for Project Activities or to administer the businesses or interests in the TANAP Project; and

- (j) rights to operate vehicles and other mechanical equipment, and in accordance with relevant National Laws, the right to operate aircraft, ships and other water craft, in the Territory.
- 7.3 Without prejudice to Articles 23 and 24 all costs, fees, payments or other relevant expenses as may be revised from time to time in relation to licences, consents, permits, authorisations, exemptions, visas, certificates, approvals or permissions provided pursuant to Article 7.2 shall be paid by the relevant Project Participants in accordance with National Laws provided that such costs, fees, payments or expenses shall be non-discriminatory.

ARTICLE 8 COOPERATION

- 8.1 The Host Government shall within the limits of its authority provide its support and cooperation and take appropriate actions for the efficient and timely implementation, conduct and execution of Project Activities contemplated by this Agreement and the Project Agreements.
- 8.2 The Host Government shall co-operate with the TANAP Project Entity in relation to the process of raising finance for the TANAP Project. In this respect, upon request of the TANAP Project Entity, solely for the purpose of assisting in any attempt to finance all or any part of the TANAP Project or all or any part of its Project Activities within the Territory, the Host Government, on its own behalf and on behalf of the State Authorities, shall confirm in writing, or, as appropriate, execute such documents as are necessary or appropriate to extend directly to any and all applicable Lenders (including multilateral lending agencies and export credit agencies) the representations, covenants and undertakings of the State Authorities as, and to the extent, set forth in this Agreement. If required for the purposes of Lenders' step-in rights, the Host Government shall negotiate direct agreement(s) with the Lenders.

For the avoidance of doubt, this Article 8 does not oblige the Host Government to provide finance for the TANAP Project, the TANAP System, the TANAP Project Entity or the TANAP Consortium Members or to accept financial liabilities in respect of them.

- 8.3 The TANAP Project Entity and Contractors (including those which may be State Entities) shall:
- (a) have the right to procure all services, works, goods and equipment for construction, installation, commissioning and decommissioning of the TANAP System in compliance with internationally accepted competitive procurement procedures which shall not discriminate against or prevent participation of Turkish companies in relation to such tenders. The application of a bidder evaluation scheme shall consider all export credit agency and non-export credit agency covered bids on a non-discriminatory and transparent basis;

- (b) select Turkish companies for the provisions of such services, works, goods and equipment where the offers of Turkish companies are better than or equal to those of companies from other countries in terms of price, quality, availability and other material requirements of any tender;
- (c) acknowledge and agree that the Designated State Authority shall have the right to monitor the TANAP Project Entity's and Contractors' compliance with the principles set out in this Article 8.3.

ARTICLE 9

COMMITMENTS WITH RESPECT TO CERTAIN AGREEMENTS ENTERED INTO BY THE STATE, STATE AUTHORITIES AND/OR STATE ENTITIES

- 9.1 The privatisation, insolvency, liquidation, reorganisation or any change in the viability, ownership, organisational structure or legal existence of any State Authority or State Entity party to any Project Agreement shall not affect the rights and obligations of the Host Government hereunder or in respect of such Project Agreement.
- 9.2 The Host Government shall, throughout the entire term of this Agreement and of the Project Agreements to which any State Authority or State Entity is a party, ensure that the obligations of such State Authority or State Entity under this Agreement or any Project Agreement are always vested in and undertaken by an Entity authorised to perform and capable of performing such obligations. All obligations of the State Authorities and State Entities under this Agreement and any Project Agreement shall be, and for all purposes hereby be conclusively deemed to be, the obligations of the Host Government.

ARTICLE 10

NON-INTERRUPTION OF PROJECT ACTIVITIES

- 10.1 Without prejudice to its obligations under Article 3 and except as otherwise specifically provided in this Agreement or any other Project Agreement, the Host Government shall not, and shall neither permit nor require any State Entity or State Authority to, interrupt, curtail, frustrate, delay or otherwise impede any Project Activities provided always that where there are reasonable grounds to believe that the continuation of the Project Activities in the Territory creates or would create any danger or hazard to public health and safety or the environment or any disproportionate danger or hazard to property, the Host Government may interrupt the Project Activities in its Territory only to the extent and for the length of time necessary for the removal of the danger or hazard.
- 10.2 If any event occurs or any situation arises which there are reasonable grounds to believe threatens to interrupt, restrict, curtail, frustrate, delay or otherwise impede the Project Activities (a "threat" for the purpose of this Article 10), the Host Government and its State Authorities shall use Reasonable Endeavours to prevent and eliminate such threat, save for any event or situation which is a consequence of operational maintenance or any failure by the TANAP Project Entity, its Contractors and any Operating Company.

ARTICLE 11
THE HOST GOVERNMENT'S REPRESENTATION

The Host Government hereby acknowledges that, as of Effective Date, it has the power to enter into and carry out this Agreement and to perform its obligations hereunder.

ARTICLE 12
TANAP PROJECT ENTITY'S REPRESENTATIONS AND WARRANTIES

12.1 The TANAP Project Entity hereby represents and warrants to the Host Government that, as of the Effective Date:

- (a) it is duly organised, or incorporated, and validly existing in accordance with the legislation of the jurisdiction of its organisation or incorporation, has the lawful power to engage in the business it presently conducts and contemplates conducting, and is duly approved (or to the best of its knowledge is capable of being duly licensed and will in due course become duly approved) or qualified as a national or foreign corporation (as the case may be) in each jurisdiction wherein the nature of the business transacted by it makes such approval or qualification necessary;
- (b) it has the power to enter into and carry out this Agreement and to perform its obligations under this Agreement and all such actions have been duly authorised by all necessary procedures on its part;
- (c) the execution, delivery and performance of this Agreement will not conflict with, result in the breach of, constitute a default under or accelerate performance required by any of the terms of its organisational or incorporation documents or any agreement, decree or order to which it is a party or by which it or any of its assets is bound or affected;
- (d) this Agreement has been duly and validly executed and delivered by it and constitutes a legal, valid and binding obligation upon it, enforceable in accordance with its terms;
- (e) there are no actions, suits, proceedings or investigations pending or, to its knowledge, threatened against it before any court, arbitral tribunal or any governmental body which individually or in the aggregate may result in a material adverse effect on its business or assets or its condition, financial or otherwise, or in any impairment of its ability to perform its obligations under this Agreement, and it has no knowledge of any violation or default with respect to any order, decree, writ or injunction of any court, arbitral tribunal or any governmental body which may result in any such material adverse effect or such impairment;
- (f) it has complied with all laws applicable to it such that it has not been subject to any fines, penalties, injunctive relief or criminal liabilities which individually or in the aggregate have materially affected or may materially

affect its business operations or financial condition or its ability to perform its obligations under this Agreement; and

- (g) no representation or warranty by it contained in this Agreement contains any untrue statement of material fact or omits to state a material fact necessary to make such representation or warranty not misleading in light of the circumstances under which it was made.

ARTICLE 13 BOOKS AND RECORDS

- 13.1. The TANAP Project Entity shall keep copies of books of account, originals or copies of contracts and copies of other files and records reasonably necessary for the Project Activities. Such files and records shall be available for inspection and audit on an annual basis by representatives of the Host Government giving thirty (30) days' notice, unless otherwise mutually agreed, at the TANAP Project Entity's office in the Territory, for as long as may be required by National Laws.
- 13.2. All such books or accounts and other records shall be kept and maintained in the currency of account for the relevant transaction and in accordance with the International Financial Reporting Standards.

ARTICLE 14 INSURANCE

- 14.1 With regard to insurance, the TANAP Project Entity shall effect and maintain insurance and (where applicable) shall cause its Contractors and Operating Companies to effect and maintain insurance, in such amounts and in respect of such risks related to the TANAP Project, as are in accordance with the internationally accepted standards and business practices of the international Natural Gas pipeline industry, having due regard to the location, size and technical specifications of the Project Activities, subject at all times to the availability of such insurance coverage on reasonable commercial terms, and such insurance may be obtained from such companies (including captive insurance companies of the TANAP Consortium Members) as selected by the TANAP Project Entity (or, where applicable, the relevant Contractor or Operating Company). Such insurance coverage, without prejudice to the generality of the foregoing, where available on commercially reasonable terms shall include:
 - (a) loss, damage, injury or death caused by seepage, pollution or contamination or adverse environmental impact in the course of or as a result of the Project Activities;
 - (b) the cost of removing debris or wreckage and cleaning-up operations (including seeping, polluting or contaminating substances) following any accident in the course of or as a result of the Project Activities; and
 - (c) loss or damage to property or bodily injury or death suffered by any third party in the course of or as a result of the Project Activities.

- 14.2 Prior to the commencement of construction of the TANAP System, the TANAP Project Entity shall inform and provide to the Host Government copies of certificates of insurance or other statements from brokers, insurers or underwriters confirming any insurance providing coverage with respect to Project Activities or procured pursuant to this Article 14 and shall do likewise at the renewal of each insurance. If such insurances outlined in Article 14.1 above are not available at commercially reasonable terms, notice shall be given as soon as practicable to the Host Government together with details of reasonable alternative measures to cover the risk such as self-insurance mechanisms.

ARTICLE 15 GOVERNMENT FACILITATION

- 15.1 The Host Government shall (i) to the extent within its authority, give sympathetic consideration to develop and propose to the relevant legislative body, and support the making, passage and enactment of all laws, decrees, decisions or other legislative and regulatory steps as are or may become necessary under its laws to enable the TANAP Project Entity to implement the terms of this Agreement and all Project Agreements and to authorise, enable and support the Project Activities and the activities and transactions contemplated by this Agreement and all Project Agreements; and (ii) use Reasonable Endeavours to cause to be given, in writing, all decrees, orders, regulations, rules, interpretations, authorisations, approvals and consents necessary or appropriate to evidence and perform the obligations under this Agreement.
- 15.2 The Host Government shall, to the extent possible (and, where appropriate, through the Designated State Authority in accordance with Article 5), keep the TANAP Project Entity informed in respect of the development of any laws or regulations in connection with its obligations under this Agreement.

The TANAP Project Entity shall apply to the Designated State Authority for a Transit Certificate and the Designated State Authority shall provide assistance with and coordinate the filing of such application. The Designated State Authority shall not unreasonably withhold any approvals, authorisations and provisions required for, and shall ensure that no unreasonable delay occurs in the granting of, the Transit Certificate.

- 15.3 The Host Government shall assist the TANAP Project Entity in establishing TANAP System interconnections with the national Natural Gas transmission network in the Territory in accordance with National Laws and other transmission networks at the Entry Point and Exit Point(s), as such may be required from time to time.

ARTICLE 16 LAND RIGHTS

- 16.1 Without prejudice to the provisions of Article 5.1 above, the Host Government shall authorise and appoint a State Entity for the purposes of performing the

State's obligations in relation to Land Rights (the "**Land Rights Entity**"), as set forth in this Article 16.

- 16.2 The Land Rights and, in particular, the rights of exclusive use, construction, possession and control (excluding ownership) respecting the Project Land as shall be granted by the State Authorities to the TANAP Project Entity in this Agreement constitute rights to property other than ownership of land.
- 16.3 The Host Government shall assist the TANAP Project Entity with the acquisition and exercise of Land Rights to the extent set out in this Article 16 and Appendix 2, subject always to observing the rights of any other Entity in respect of any infrastructure (including pipeline) which pre-exists the notification of the Construction Corridor by the TANAP Project Entity to the Host Government. Any right granted or made under this Agreement is granted by the Host Government in relation to the carrying out of the TANAP Project and Project Activities by the TANAP Project Entity.
- 16.4 The Host Government shall perform the obligations under this Article 16 and Appendix 2 within the limits of its authority and in accordance with National Laws, provided always that where the Host Government is able to expedite the process in respect of Land Rights or to facilitate the grant thereof, all in accordance with such obligations, laws and regulations, then the Host Government shall use its Reasonable Endeavours in this respect.
- 16.5 The obligations of the Host Government under this Article 16 and Appendix 2 are conditional on the TANAP Project Entity meeting all verifiable and appropriate costs and expenses in relation to the acquisition of the Land Rights which shall include:
 - (a) paying costs and expenses arising as a result of any additional obligations and requirements generated from the application of Environmental and Social Standards as defined in Article 17 and/or principles set forth in the Performance Standard 5 of the International Finance Corporation (Land Acquisition and Involuntary Resettlement); costs and expenses subject to this Article 16.5(a) shall be paid by the TANAP Project Entity;
 - (b) being responsible under the terms of the National Laws for settling or paying compensation for the acquisition of all Project Land to the Persons from whom the Land Rights were acquired (whether State Authorities or other Persons or Entities); and
 - (c) indemnifying the Host Government against any such costs and expenses and all claims.
- 16.6 In respect of Project Land and subject to Articles 16.4 and 16.5 above, the Host Government shall:
 - (a) in the case of State Land, make Land Rights available to the TANAP Project Entity in accordance with the procedures that are established

under the National Laws, and cause other relevant State Authorities to do so;

- (b) in the case of non-State Land, assist the TANAP Project Entity in acquiring Land Rights in accordance with the procedures that are established under the National Laws;
- (c) where the Land Rights Entity has the established capability and expertise to conduct or manage the process of acquiring Land Rights on behalf of third parties, the Host Government shall ensure that an offer is made to the TANAP Project Entity to do so on its behalf on reasonable cost based terms;
- (d) use Reasonable Endeavours (to the extent permitted by the National Laws) to issue, or cause to be issued, and support applications for the issuing of all necessary licences, consents, permits, authorisations or exemptions and land registration certificates required under applicable National Laws and regulations for the TANAP Project Entity to acquire and exercise the Land Rights in all Project Land and to provide public notice of the rights of the TANAP Project Entity to such Land Rights.

The TANAP Project Entity shall not be subject to the restrictive provisions of the Land Registry Law regarding acquisition of rights *in rem* for foreign Persons and foreign capital companies.

16.7 The Host Government shall grant to the TANAP Project Entity:

- (a) the exclusive and unrestricted rights *in rem* (excluding ownership) to use, occupy, possess, control and construct upon and/or under the land within the Project Land (as appropriate) for the purpose of conducting the Project Activities; and
- (b) the right to restrict or allow at the TANAP Project Entity's sole discretion use, occupation, possession and control of, and construction upon and/or under the Project Land by any other Persons except for those required for the public services that would need to be procured by State Authorities. State Authorities shall always use Best Endeavours not to intervene with the Project Land and not adversely to affect the Project Activities.

16.8 The Host Government shall within the limits of its authority assist and procure that the relevant State Authorities assist, the TANAP Project Entity in exercising the Land Rights obtained under this Article subject to the TANAP Project Entity meeting any appropriate costs incurred in doing so.

16.9 Subject to this Agreement, the TANAP Project Entity shall share with the State any graphic and non-graphic data collected while exercising the Land Rights and in the course of identifying the Construction Corridor.

16.10 The TANAP Project Entity, taking into account the pre-existing infrastructure (including pipelines) as set forth under Article 16.3, rights of way in the

Territory and the applicable environment, health, safety and social requirements relating thereto, shall notify to the Host Government a Construction Corridor and Pipeline Corridor for the construction of the TANAP System and the subsequent conduct of the Project Activities. For this purpose, the Land Rights Entity and the TANAP Project Entity shall agree the terms and procedures with regard to the acquisition and grant of the Land Rights as set forth under this Article 16 and Appendix 2.

ARTICLE 17 ENVIRONMENT, HEALTH, SAFETY AND SOCIAL IMPACT

- 17.1 The environmental, social and community health impact standards relating to the TANAP Project shall be established by the TANAP Project Entity, after completion of an environmental and social impact assessment to be conducted in respect of the TANAP Project in accordance with this Article 17 and shall be recorded in written form (to be prepared by the TANAP Project Entity for approval by the Host Government) (the **“Environmental and Social Standards”**). Such Environmental and Social Standards shall comply with National Laws and shall also take due account of international standards and practices generally prevailing in the Natural Gas pipeline industry, including relevant Performance Standards of the International Finance Corporation.
- 17.2 The TANAP Project Entity shall develop, for approval by the Host Government, an environmental and social impact assessment (including an environmental and social investment programme) for the TANAP Project (the **“Environmental and Social Impact Assessment”** or the **“ESIA”**), in accordance with the Environmental and Social Standards. The ESIA shall be developed in coordination and consultation with applicable State Authorities and/or State Entities and shall be assessed and approved in accordance with the National Laws.
- 17.3 Following the approval of the Environmental and Social Standards and the ESIA by the Host Government, the TANAP Project Entity shall at all times pursue the Environmental and Social Standards and the ESIA throughout its Project Activities.
- 17.4 Without prejudice to the TANAP Project Entity’s obligations pursuant to this Article 17, if a seepage or release of Natural Gas occurs from the Facilities, or any other event occurs which is causing or likely to cause material environmental damage or material risk to human health and safety, as a result of fault or negligence of any responsible Project Participant, the TANAP Project Entity shall immediately take all necessary action to:
- (a) prevent to the extent reasonably possible further environmental and safety damage; and
 - (b) restore, so far as reasonably possible, the environment to the baseline conditions as per the ESIA that would have existed if the damage had not occurred including compensatory measures to restore interim losses

that occur from the date of damage occurring until the complete restoration.

- 17.5 On request from the TANAP Project Entity, the Host Government shall, in addition to any indemnification obligations the State Authority and/or the State Entity may have under this Agreement, use its Best Endeavours to make available promptly and in reasonable quantities, any labour, materials and equipment not otherwise immediately available to the TANAP Project Entity or its Contractors at TANAP Project Entity's cost to assist in any remedial or repair effort in respect of any event to which Article 17.4 applies.
- 17.6 Without prejudice to the TANAP Project Entity's obligations under Article 17.4, if, and to the extent, the TANAP Project Entity fails to comply with its obligations under this Article 17, the Host Government shall be entitled to take all necessary preventive or restorative measures itself and to recover the reasonable costs therefor from the responsible Project Participant.
- 17.7 The TANAP Project Entity shall implement and administer in respect of the Project Activities a health, safety and environmental ("**HSE**") program (subject to review of the Host Government). Such HSE program shall comply with National Laws and shall also take due account of international standards and practices generally prevailing in the natural gas pipeline industry and shall include development of an HSE manual establishing the TANAP Project Entity's and its Contractors' HSE guidelines and requirements. While performing the Project Activities, the TANAP Project Entity shall, and shall cause all of its Contractors to, comply with the requirements of the HSE program. During performance of the Project Activities, the TANAP Project Entity shall take precautions for the safety of physical persons and shall provide protection to prevent injury to physical persons and damage to property.

ARTICLE 18 PERSONNEL

- 18.1 To the extent permitted by National Laws, the TANAP Project Entity shall have the right to employ or enter into contracts with, for the purposes of conducting the Project Activities, such Persons and their respective personnel (including citizens of the State and Foreign Employees) who, in the opinion of the TANAP Project Entity, demonstrate the requisite knowledge, qualifications and expertise to conduct such activities.
- 18.2 Except as otherwise provided in this Agreement and subject to National Laws, the Host Government shall permit the free movement within its Territory of the Foreign Employees referred to in Article 18.1 and of their property intended for their private use.
- 18.3 Without prejudice to the provisions of Article 18.4 below, the Host Government shall ensure that the State Authorities shall not cause or permit to exist any restriction on the entry or exit of any Foreign Employees referred to in Article 18.1 with respect to the TANAP Project, subject only to the enforcement of

immigration (including visa, work permit and residence permit regulations), customs, criminal and other National Laws.

- 18.4 In view of the restrictions currently applicable under National Laws in relation to the granting of work permits to Foreign Employees who are engineers, the Host Government shall ensure that its State Authorities do not apply any restrictive provisions of National Laws that may hinder, curtail, delay or prevent the granting of a work permit to any Foreign Employees who are engineers.

ARTICLE 19 LABOUR STANDARDS

- 19.1 The labour standards applicable to the TANAP Project shall be the rules that are established pursuant to National Laws.
- 19.2 All employment programmes and practices applicable to employees working on the TANAP Project in the Territory, including hours of work, leave, remuneration, fringe benefits and occupational health and safety standards, shall not be less beneficial than is provided by the State's relevant legislation generally applicable to its citizens.

ARTICLE 20 TECHNICAL STANDARDS

The TANAP Project Entity shall be entitled to apply a uniform set of Technical Standards for the TANAP Project and the Project Activities. It is agreed that for the purposes of construction or operation of any Facilities or the conduct of any Project Activities, notwithstanding the standards set out in National Laws, the standards from time to time in effect of the organisations set forth in Appendix 1 of this Agreement shall be acceptable for all purposes.

ARTICLE 21 ACCESS TO RESOURCES AND FACILITIES

- 21.1 The Host Government shall use Reasonable Endeavours to provide and/or make available within its Territory to the TANAP Project Entity and to each Project Participant, on their reasonable request and at their cost and expense on Best Available Terms under market conditions, all goods, works and services as may be necessary or appropriate for the TANAP Project in the reasonable opinion of the requesting TANAP Project Entity or Project Participant and that are owned or controlled by State Authority and/or State Entity (including raw materials, electricity, water, gas, communication facilities, other utilities, onshore construction and fabrication facilities, supply bases, vessels, import facilities for goods and equipment, warehousing and means of transportation, and information which may be of use for Project Activities including information regarding geology, hydrology and land drainage, archaeology and ecology), all with respect to the TANAP Project.
- 21.2 The TANAP Project Entity and its relevant Contractors shall have the right to use, store and possess any mapping data and maps of such scale as are

reasonably necessary to conduct the Project Activities in accordance with National Laws. In particular, the Host Government shall use Reasonable Endeavours to support any request by the TANAP Project Entity for the use, storage and/or possession of mapping data and maps outside the Territory in accordance with National Laws.

- 21.3 The TANAP Project Entity shall apply for permits for the performance of survey flights over the Corridor of Interest in accordance with National Laws.
- 21.4 The Host Government shall support the acquisition by the TANAP Project Entity of any data regarding infrastructure that are reasonably necessary for the construction and operation of the TANAP System.
- 21.5 The State Authorities hereby consent to any Project Activities or actions taken preparatory to, or in connection with, the TANAP Project by the Project Participants that comply with the Technical Standards as described in Article 20 and Appendix 1.

ARTICLE 22 SECURITY

- 22.1 Commencing with the initial Project Activities relating to route identification and evaluation and continuing throughout the life of the TANAP Project:
 - (a) notwithstanding the obligation of the TANAP Project Entity under Article 22.1(b), the Host Government shall, consistent with the functions of the State under its National Laws in preserving security within the Territory, exert all lawful and reasonable endeavours to provide the security of the TANAP System and Project Activities in accordance with National Laws;
 - (b) the TANAP Project Entity shall provide the security of manned Facilities, including material storage yards and permanent installations, in accordance with National Laws; and
 - (c) the Parties will develop a security plan to co-ordinate these activities.
- 22.2 Unless otherwise provided under National Laws, the obligations of the Host Government under this Article 22, under no circumstances, shall cause the Host Government to be liable for Loss or Damages of the TANAP Project Entity.

ARTICLE 23 TAXES

- 23.1 General
 - (a) For the term of this Agreement and except as otherwise specifically provided herein, the TANAP Project Entity or any Operating Company shall be subject to the Taxes applicable under National Laws in effect as of the signature date of this Agreement.

- (b) No withholding tax applicable under National Law shall be levied upon:
 - (i) interest paid or accrued in connection with any loan provided by any TANAP Consortium Member and/or its Affiliate in connection with Project Activities to the TANAP Project Entity or any Operating Company (including the interest paid or accrued by the branch in the Territory on the loan obtained from the head office of the TANAP Project Entity); and
 - (ii) profit remitted to the TANAP Project Entity's head office by any branch of the TANAP Project Entity in the Territory or on any dividend distributed by the TANAP Project Entity to the TANAP Consortium Members.
- (c) The TANAP Project Entity and/or any Operating Company shall be exempt from VAT and special consumption tax applicable to fuel Gas, line-fill Gas and balancing Gas provided that such Gas is imported by the TANAP Project Entity and/or any Operating Company through the TANAP System, and solely used as fuel Gas, line-fill Gas and balancing Gas for the TANAP System. For this purpose, the TANAP Project Entity and/or any Operating Company shall provide necessary information demanded by relevant State Authority and/or State Entity.
- (d) Subject only to the provisions of Article 7, 24.5 and 29, to the extent any provisions of this Article 23 are or could be construed as being inconsistent with the other provisions of this Agreement, the provisions of this Article 23 shall govern.

23.2 Corporation Tax

Subject to the following, the TANAP Project Entity shall be liable to pay Corporation Tax in accordance with National Laws:

- (a) The TANAP Project Entity shall not be liable to make pre-paid Corporation Tax returns or payments.
- (b) TANAP Project Entity shall keep and maintain its books and records, compute its Corporation Tax liability and prepare its Corporation Tax returns exclusively in US Dollars. The TANAP Project Entity's books and records with respect to Project Activities shall be maintained in accordance with International Financial Reporting Standards.
- (c) All payments by the TANAP Project Entity regarding Corporation Tax, and any interest, penalties and fines thereon shall be made in US Dollars.
- (d) The Taxation Office to which the TANAP Project Entity makes any Corporation Tax payment will issue to the TANAP Project Entity an official tax receipt evidencing the payment by the TANAP Project Entity of Corporation Tax within ten (10) days after any such payment. Such tax receipts shall state the date and amount of such payment, the currency

(US Dollars) in which such payment was made and any other particulars customary in the State for such receipts.

23.3 Advance Corporation Tax

- (a) Following the Commercial Operation Start Date, the TANAP Project Entity shall be liable to make payments of tax ("**Advance Corporation Tax**") which will be credited against its Corporation Tax liability, based on the volume of Transit Passage Gas measured at the Entry Point in each calendar quarter except any fuel Gas, Gas balancing and line-fill Gas.
- (b) The Advance Corporation Tax rate shall be 5.95 USD (five US Dollars and ninety five cents) per thousand cubic metres of Gas measured at the Entry Point.
- (c) Starting from the Commercial Operation Start Date, the rate of Advance Corporation Tax shall be amended annually by using the escalation rate of two per cent (2%) per Year.
- (d) The Advance Corporation Tax shall be payable quarterly in arrears on the twenty-fifth (25th) day of the month following the end of each calendar quarter. Any late payments of Advance Corporation Tax shall be subject to interest at the Agreed Interest Rate from the due date until the payment date.
- (e) In the event that the Corporation Tax liability of the TANAP Project Entity in a Year exceeds the amount of Advance Corporation Tax paid in respect of that Year, the TANAP Project Entity shall not be liable to make any additional Corporation Tax payment.
- (f) The payment of Advance Corporation Tax shall discharge in full the TANAP Project Entity's liability for Corporation Tax.
- (g) The Taxation Office to which the TANAP Project Entity makes any Advance Corporation Tax payment will issue to the TANAP Project Entity an official tax receipt evidencing the payment by the TANAP Project Entity of such tax within ten (10) days after any such payment. Such tax receipts shall state the date and amount of such payment, the currency (US Dollars) in which such payment was made and any other particulars customary in the State for such receipts.

23.4 Other

- (a) The TANAP Project Entity shall be entitled to benefit from all investment incentives, on the best terms available thereunder, under National Laws, regulation or similar legislative acts of the State, a State Authority or a State Entity.
- (b) For purposes of this Article 23, the term TANAP Project Entity includes any branch thereof in the Territory.

- (c) The TANAP Project Entity and any Operating Company shall be subject to the Taxes in relation to environmental protection arising from international obligations of the State.
- (d) All obligations of the TANAP Project Entity to make payments of Advance Corporation Tax and/or Corporation Tax shall not be set off or recouped out of any amounts otherwise payable hereunder to TANAP Project Entity or any TANAP Consortium Member by the Host Government.

ARTICLE 24 CUSTOMS, IMPORT AND EXPORT

- 24.1 Without prejudice to the provisions of Article 24.2, at any time and from time to time, each Project Participant shall have the right to import into or export or re-export from the Territory, free of customs duty and restrictions, whether in its own name or on its behalf, all equipment, materials, machinery, tools, spare parts, vehicles and supplies and all other goods (other than liquid fuels and lubricants) which will be used in connection with the Project Activities.
- 24.2 To the extent permitted by National Laws, each Foreign Employee of each Project Participant, shall have the right to import into or export or re-export from the Territory, free of customs duties and restrictions all goods, works, services or technology for its own use and personal consumption; provided, however, that subject to Article 23, all sales by any such Person within the Territory of any such imported goods to any other Person will be taxable in accordance with National Laws.
- 24.3 All equipment, machinery, tools or technology necessary or appropriate for temporarily use in connection with the TANAP Project which are temporarily imported into the Territory shall be subject to the temporary import regime as defined in National Laws.
- 24.4 The authorisations and exemptions granted under this Article 24 may be restricted by National Laws generally applicable for the protection of environment, public health, safety and public order.
- 24.5 Natural Gas transported (including transportation losses of TANAP System and any fuel Gas, line-fill Gas and balancing Gas supplied from the Shippers), or to be transported, by the TANAP Project Entity for any Shipper or for its own account through the TANAP System shall be considered as goods-in-transit for all purposes of the customs laws of the State and shall be exempt from customs duties.
- 24.6 All imports to and exports from the Territory in connection with the TANAP Project shall be subject to the procedures and documents required by National Laws. Each Project Participant shall pay any customs service/documentation fees (and these fees cannot be construed as Taxes) to the extent they are nominal and consistent with the actual costs of providing such customs

service/documentation and are of a non-discriminatory nature, but in no event shall the customs service/documentation fees exceed the following:

Declared Value of Shipment	Fees
0 USD to 100,000 USD	0.15% of value
100,001 USD to 1,000,000 USD	150 USD plus 0.10% of value over 100,000 USD
1,000,001 USD to 5,000,000 USD	1,050 USD plus 0.07% of value over 1,000,000 USD
5,000,001 USD to 10,000,000 USD	3,850 USD plus 0.05% of value over 5,000,000 USD
More than 10,000,000 USD	6,350 USD plus 0.01% of value over 10,000,000 USD

ARTICLE 25 FOREIGN CURRENCY

25.1 The Host Government confirms that, for the duration of and in order and only in relation to the conduct of the Project Activities, each of the Project Participants shall have the right:

- (a) to bring into or take out of the Territory Foreign Currency and to utilise, without restriction, Foreign Currency accounts in the Territory and to exchange any currency at market rates;
- (b) to open and maintain bank accounts in Local Currency inside the Territory and to open and maintain bank accounts in Foreign Currency both inside and outside the Territory;
- (c) to purchase and/or convert Local Currency with and/or into Foreign Currency;
- (d) to transfer, hold and retain Foreign Currency outside the Territory;
- (e) to be exempt from all mandatory conversions, if any, of Foreign Currency into Local Currency or other currency;
- (f) to pay abroad, directly or indirectly, in whole or in part, in Foreign Currency, the salaries, allowances and other benefits received by any Foreign Employees;
- (g) to pay Contractors abroad, directly or indirectly, in whole or in part, in Foreign Currency, for their goods, works, technology or services supplied to the TANAP Project;
- (h) to make any payments provided for under this Agreement or any Project Agreement in Foreign Currency; and

- (i) to set TANAP System tariffs in Foreign Currency and to invoice and receive payment for TANAP System tariffs in Foreign Currency, whether inside and/or outside the Territory, at the option of the TANAP Project Entity.
- 25.2 All payments to be made by the State Authorities under any Project Agreement shall be made in US Dollars and on the basis of the rate of exchange of the Central Bank of the Republic of Turkey at the time of payment, except that any such payments with respect to Taxes that have been paid shall be made in the currency in which such Taxes were paid.
- 25.3 All payments made by Project Participants under this Agreement or any Project Agreement shall be made in US Dollars or in the currency agreed in this Agreement or such Project Agreement and on the basis of the rate of exchange of the Central Bank of the Republic of Turkey at the time of payment, except that any such payments with respect to Taxes that have been paid shall be made in the currency in which such Taxes were paid.

ARTICLE 26
LIABILITY OF TANAP PROJECT ENTITY

- 26.1 Without prejudice to the right of the Host Government, any State Authority and any State Entity to seek full performance by a TANAP Project Entity of its obligations under this Agreement and any Project Agreement to which it is a party, the TANAP Project Entity shall be liable to the Host Government, any State Authority and any State Entity for any Loss or Damage caused by or arising from any breach of any obligation of the TANAP Project Entity under this Agreement and any Project Agreement.
- 26.2 If a Loss or Damage is caused by, or arises as a result of, any breach of any obligation under this Agreement or any Project Agreement by both the Host Government, a State Authority or a State Entity, on the one hand, and TANAP Project Entity, on the other hand, the TANAP Project Entity shall only be liable to the extent of its fault.
- 26.3 For the avoidance of doubt, the liability of the TANAP Project Entity to any third party (other than the Host Government, any State Authority or any State Entity under this Agreement or any Project Agreement) for Loss or Damage suffered by such third party as a result of the TANAP Project Entity's or any Project Participant's conduct of any Project Activities shall not be governed by this Agreement but by National Laws or other applicable laws, as the case may be.
- 26.4 All monetary relief payable under this Article 26 shall be paid in US Dollars and shall bear interest at the Agreed Interest Rate from the date the Loss or Damage was incurred until the date of payment.

ARTICLE 27
LIABILITY OF THE HOST GOVERNMENT

- 27.1 Without prejudice to the rights of the TANAP Project Entity to seek performance by the Host Government or by any State Authority or any State Entity of their obligations under this Agreement or any Project Agreement, the Host Government shall be liable for any Loss or Damage caused by or arising from any breach of any obligations of the Host Government, any State Authority and any State Entity under this Agreement and any Project Agreement.
- 27.2 With respect to all monetary compensation under this Article 27, all amounts shall be expressed and paid in US Dollars and shall bear interest at the Agreed Interest Rate from the date the Loss or Damage was incurred until the date of payment.
- 27.3 If a Loss or Damage is caused by or arises as a result of a breach of any obligation under this Agreement or any Project Agreement by both the Host Government, a State Authority or a State Entity, on the one hand, and the TANAP Project Entity, on the other hand, the Host Government, State Authority or State Entity, as applicable, shall only be liable to the extent of its fault.
- 27.4 The Host Government's liability under this Article 27 shall not extend to any obligation of a State Entity under this Agreement or a Project Agreement which has been undertaken by the State Entity in its capacity as a TANAP Consortium Member.

ARTICLE 28
FORCE MAJEURE

- 28.1 Any Party shall be excused for non-performance or delay in performance (of an obligation or any part thereof other than the payment of money) to the extent that such non-performance or delay in performance is caused by Force Majeure.
- 28.2 **"Force Majeure"** shall mean, in respect of an obligation (or any part thereof) of a Party, a situation that prevents the performance of that specific obligation due to unforeseeable events that are beyond the control of such Party, and not imputable to its fault or negligence or to any breach of its obligations under this Agreement, including, to the extent applicable to a Party and subject to the foregoing, due to any of the following:
- (a) natural disasters (extreme weather, accidents or explosions, earthquakes, landslides, cyclones, floods, fires, lightning, tidal waves, volcanic eruptions, supersonic pressure waves, epidemic or plague and other similar natural events or occurrences);
 - (b) disasters (including nuclear and chemical contamination or ionising radiation);

- (c) structural shift, landslip or subsidence affecting generally a part or parts of the TANAP System;
- (d) strike, work to rule or go slow or any other labour disputes;
- (e) compliance by a Party with a change in law that affects its ability to fulfil its obligations under this Agreement (provided, however, that in respect of the Host Government, the Host Government's obligations under Article 29 and Article 30 shall not be released);
- (f) inability to obtain necessary goods, materials, services or technology, the inability to obtain or maintain any necessary means of transportation;
- (g) acts of wars between the sovereign states (in respect of the Host Government, other than where the State has initiated the war by violating the principles of international law), act of sovereign enemy or blockade;
- (h) acts of rebellion, riot, civil commotion, act of terrorism, insurrection or sabotage;
- (i) international boycotts, sanctions, international embargoes (other than, in respect of the State, those decided by the United Nations); and
- (j) in relation to TANAP Project Entity only, expropriatory acts.

28.3 If a Party is prevented from carrying out its obligations or any part thereof under this Agreement as a result of Force Majeure, it shall promptly notify in writing the other affected Party to whom performance is owed. The notice shall:

- (a) specify the obligations or part thereof that the Party cannot perform;
- (b) fully describe the event of Force Majeure;
- (c) estimate the time during which the Force Majeure will continue; and
- (d) specify the measures proposed to be adopted by it to remedy or abate the Force Majeure.

28.4 Following the notice foreseen in Article 28.3 and for so long as the Force Majeure continues, any obligations or parts thereof which cannot be performed because of the Force Majeure, other than the obligation to pay money, shall be suspended to the extent affected by Force Majeure.

28.5 Any Party that is prevented from carrying out its obligations or parts thereof (other than an obligation to pay money) as a result of Force Majeure shall take such actions as are reasonably available to it and expend such funds as necessary and reasonable to remove or remedy the Force Majeure and resume performance of its obligations and all parts thereof as soon as reasonably practicable.

- 28.6 Where the Host Government is prevented from carrying out its obligations or any part thereof (other than an obligation to pay money) as a result of Force Majeure, it shall take, and shall also procure that relevant State Authority or State Entity take, such action as is reasonably available to it or them to mitigate any Loss or Damage suffered by the TANAP Project Entity during the continuance of the Force Majeure and as a result thereof.
- 28.7 Where the TANAP Project Entity is prevented from carrying out its obligations or any part thereof (other than an obligation to pay money) as a result of Force Majeure it shall take such action as is reasonably available to it to mitigate any Loss or Damage suffered by the Host Government, any State Authority, State Entity during the continuance of the Force Majeure and as a result thereof.

ARTICLE 29 DISCRIMINATORY CHANGE OF LAW

- 29.1 **“Discriminatory Change of Law”** means any Change of Law that:
- (a) discriminates against any of the Interest Holders or their businesses or operations in relation to the TANAP Project (whether or not (b) or (c) below is satisfied); and/or
 - (b) applies to the TANAP Project and not at all or not to the same extent to other transit Natural Gas pipeline projects; and/or
 - (c) applies to Interest Holders and not to other Entities with a participating interest in other transit Natural Gas pipelines; and/or
 - (d) whether or not of general application, alters any of the following procedures and principles specifically covered in the following Articles of this Agreement:
 - (i) Article 2
 - (ii) Articles 3.1 to 3.4
 - (iii) Articles 4.1(a) to (c)
 - (iv) Article 10
 - (v) Article 16
 - (vi) Article 23
 - (vii) Article 24
 - (viii) Article 25.

For the avoidance of doubt any changes occurring in the fees, charges and duties set out in Article 7.3 and Article 24.5 (provided always that the fees mentioned in Article 24.5 shall not exceed the maximum amounts payable as set out therein) as a result of the usual regular adjustments made to such fees, charges and duties on an annual basis, shall not be construed as a Discriminatory Change of Law.

The parties hereby acknowledge and agree that the TANAP Project is not subject to the Natural Gas Market Law and its related regulations. A Change of Law regarding:

- (a) connection to the national Natural Gas transmission network;
- (b) usage of the national Natural Gas transmission network; and/or
- (c) import of Natural Gas to and export of Natural Gas from the Territory,

shall not be a Discriminatory Change of Law, if it does not have any effect on the TANAP Project.

29.2 If any Discriminatory Change of Law within the scope of Article 29.1 is enacted or otherwise comes into effect and:

- (a) renders any material obligation of the Host Government, any State Authority or State Entity, or any specific rights conferred on any Interest Holder under this Agreement or any Project Agreement void or unenforceable; or
- (b) has the material effect of impairing, conflicting or interfering with the implementation of the TANAP Project, or limiting, abridging or adversely affecting the value of the TANAP Project or the Economic Equilibrium or any of the rights, indemnifications or protections granted or arising under this Agreement or any Project Agreement; or
- (c) has the material effect of imposing (directly or indirectly) any Costs on any Interest Holder,

the Interest Holders so affected shall, within one (1) Year of the date when it could with reasonable diligence have become aware of the effect of the Discriminatory Change of Law as aforesaid, give notice in writing to the Host Government.

29.3 The Interest Holders that have given such notice and the Host Government shall endeavour to resolve the matter through amicable negotiations.

29.4 If the Host Government and the Interest Holders do not reach an amicable solution within ninety (90) days after the delivery of such notice, the Interest Holders may submit the matter to arbitration pursuant to Article 34.

29.5 In the arbitration, subject always to the relevant conditions of this Article 29 being fulfilled, the Interest Holders shall have the right to demand that the Host Government compensates the affected Interest Holders for the Costs incurred as a result of the Discriminatory Change of Law. Such compensation shall at the request of the affected Interest Holders be paid in US Dollars and shall, at the option of the Host Government, be in the form of:

- (i) reimbursement by the Host Government of the Costs incurred by the affected Interest Holders as a result of the Discriminatory Change of Law within thirty (30) days unless agreed otherwise; or
- (ii) reimbursement by the Host Government of the Costs incurred by the affected Interest Holders as a result of the Discriminatory Change of Law, in the form of equal annual payments during the remaining expected life of the TANAP Project. In this case, such payments shall bear interest at a reasonable market rate which is not less than the rate at which the recipient is able itself to borrow funds. Such interest shall accrue from the date(s) when the relevant Costs are incurred to the date(s) when payments are received from the Host Government; or
- (iii) where it affects the TANAP Project Entity, a reduction in the amount of any Tax otherwise payable under Article 23 hereof.

The amount of any reimbursement of Costs paid under this Article 29 shall be taken into account in assessing the amount of Loss or Damage under Article 27.

29.6 The obligations in this Article 29 shall not apply in relation to a Discriminatory Change of Law which is a proportionate measure in relation to environmental protection, public health, safety, social requirements, labour rights or human rights.

29.7 Where a Change of Law amounts to an Expropriation, it shall be governed by Article 30, instead of by this Article 29.

ARTICLE 30 EXPROPRIATION

30.1 No Investment of any Investor (as such terms used in this Agreement are defined in the Energy Charter Treaty regardless of whether the Investor is organised under the laws of a Contracting Party as such term is defined in the Energy Charter Treaty or a third state) in relation to the TANAP Project shall be nationalised, expropriated or subject to a measure or measures having effect equivalent to nationalisation or expropriation (hereinafter referred to as "**Expropriation**") except where such Expropriation is:

- (a) for a purpose which is in the public interest;
- (b) not discriminatory;

- (c) carried out under due process of law; and
 - (d) accompanied by the payment of prompt, adequate and effective compensation.
- 30.2 The compensation for Expropriation shall amount to the Fair Market Value of the Investment expropriated at the time immediately before the Expropriation or impending Expropriation became known in such a way as to affect the value of the Investment.
- 30.3 Appropriate provision shall be made at or prior to the time of Expropriation for the determination and payment of compensation and it shall be paid without delay. Fair Market Value shall be expressed in US Dollars and shall include interest at the Agreed Interest Rate from the date of Expropriation until the date of payment.
- 30.4 Any dispute relating to an Expropriation may be submitted to arbitration in accordance with the provisions of Article 34 and for this purpose:
- (a) Article 34 shall be read as if every reference to "Parties", "Party", "TANAP Consortium Member" and/or "Project Participant" were a reference to "Investor"; and
 - (b) "due process" within the meaning of Article 30.1(c) above shall be conducted so as to allow for final determination by arbitration under Article 34.

ARTICLE 31 SUCCESSORS AND PERMITTED ASSIGNEES

- 31.1 In accordance with the provisions of this Article 31, each TANAP Consortium Member may transfer, assign, share or otherwise deal with all or any part of its participating interest in the TANAP Project Entity, and the TANAP Project Entity may transfer, assign, share or otherwise deal with all or any part of its rights and obligations under this Agreement, in any case with binding effect on the State Authorities.
- 31.2 The TANAP Consortium Members and the TANAP Project Entity shall inform the Host Government about the intention of any other Entity to participate in the TANAP Project Entity as a TANAP Consortium Member. The participation of any such Entity shall be effective, and each TANAP Consortium Member may be entitled to transfer the whole or any part of their participating interests in the TANAP Project Entity to such Entity to effect such participation, forty-five (45) days after the delivery of a written notification by the TANAP Project Entity to the Host Government and a parent company guarantee issued by such participating Entity in the form defined in the Appendix 3. The Host Government shall have the right to refuse the participation of such Entity by serving a notice to the TANAP Project Entity and TANAP Consortium Members within such forty-five (45) day period; the Host Government may only exercise

such right if the proposed participant poses a threat to the State's national interest or contradicts the provisions of Article 7.11 of the TANAP IGA.

- 31.3 Subject to the compliance of the provisions of Article 7.11 of the TANAP IGA, each TANAP Consortium Member shall have the right to freely transfer at any time the whole of its participating interest in the TANAP Project Entity to any of its Affiliates, or the whole or any part of its participating interest in the TANAP Project Entity to any other TANAP Consortium Member, and the TANAP Project Entity shall have the right to freely transfer at any time the whole of its rights and obligations under this Agreement to any of its Affiliates, in each case provided that such Affiliate or transferee TANAP Consortium Member (as applicable) has the necessary financial and technical capability to perform its obligations under this Agreement. Any such transfer shall be effective upon the delivery of a written notification of the transfer by the transferor to the Host Government, including a confirmation of the transferee that it accepts the transfer.
- 31.4 The TANAP Project Entity shall have the right to transfer at any time this Agreement to any other Entity with the prior written consent of the Host Government, provided that such other Entity has the necessary financial and technical capability to perform its obligations under this Agreement. Such transfer shall be effective forty-five (45) days after the delivery of a written notification by the TANAP Project Entity to the Host Government. The Host Government shall have the right to refuse such transfer by serving a notice to the TANAP Project Entity within such forty-five (45) day period; the Host Government may reject such transfer if the transferee poses a threat to the State's national interest or contradicts the provisions of Article 7.11 of the TANAP IGA.
- 31.5 As security for any financing of the TANAP Project pursuant to the Article 8.2, the TANAP Project Entity shall have the right at any time to transfer its rights and to assign its claims under this Agreement, whether current, future or conditional, in whole or in part, to or for the benefit of any Lender, or to create in their favour any pledge or other similar interest in such rights or claims, and the TANAP Consortium Members shall have the right at any time to transfer to create in favour of any Lender any pledge or other similar interest in such TANAP Consortium Member's participating interest in the TANAP Project Entity. The assignment or transfer shall become effective forty-five (45) days after the delivery of a written notice to the Host Government by the TANAP Project Entity. The Host Government shall have the right to reject such transfer if the Lender is a threat to the State's national interest.
- 31.6 Without prejudice to this Article 31, the Host Government undertakes to cooperate with the TANAP Project Entity and the TANAP Consortium Members for the compliance with any formalities to effect any permitted assignment or transfer.

**ARTICLE 32
DE-COMMISSIONING**

- 32.1 Following the expiry under Article 2 of this Agreement or early termination by the Host Government pursuant to Article 35 of this Agreement, the TANAP Project Entity shall decommission the TANAP System according to the terms of a Decommissioning Plan referred to in Article 32.2, unless the Parties agree a basis on which the TANAP System shall be transferred to the Host Government.
- 32.2 No later than ten (10) Years prior to the expiry of this Agreement, the TANAP Project Entity shall provide to and agree with the Host Government within six (6) months a written plan describing the proposed actions for decommissioning (the “**Decommissioning Plan**”). The Decommissioning Plan shall include a fund for decommissioning of the TANAP System, all of which shall be in accordance with international gas pipeline industry standards and practices and National Laws. The Decommissioning Plan and revision of it (if any) shall be subject to the approval of the Host Government, which shall not be unreasonably withheld.
- 32.3 The TANAP Project Entity shall have no obligations or liabilities in relation to the decommissioning of the TANAP System other than those provided for in this Article 32.

**ARTICLE 33
APPLICABLE LAW**

This Agreement shall be governed and construed in accordance with the laws of Switzerland.

**ARTICLE 34
DISPUTE RESOLUTION**

- 34.1 Consent to Arbitration
- (a) The Parties hereby irrevocably consent to the submission of any dispute arising out of or in any way connected with this Agreement to international arbitration in accordance with the provisions of this Article 34. For the avoidance of doubt, a “dispute” for the purposes of this Article 34 shall mean any dispute, difference or claim, including any dispute relating to the formation, termination or validity of this Agreement.
- (b) Disputes shall if possible be settled amicably.
- (c) If a dispute cannot be settled amicably within sixty (60) days from the date on which either Party to the dispute has requested amicable settlement, the dispute shall be finally resolved under the ICC Rules. In the event of any conflict between the ICC Rules and the arbitration provisions of this Agreement, this Agreement shall govern.

- (d) The Parties may agree in writing upon an alternative arbitration procedure.
- (e) Without prejudice to any rights the Project Participants may have to bring claims to arbitration under any relevant Project Agreement (provided that such Project Agreement grants arbitration rights) or under any bilateral or multilateral investment treaty to which the State is a party, the Parties agree that this Article 34 shall not entitle:
 - (i) a Project Participant other than the TANAP Project Entity to initiate an arbitration under this Agreement except in the case of a Project Participant bringing a claim under Article 30; or
 - (ii) a Project Participant to assert a right or initiate an arbitration under the TANAP IGA.
- (f) For the avoidance of doubt, the TANAP Project Entity shall be entitled to initiate an arbitration to claim compensation for any Costs and Loss and Damage that may be incurred by the Interest Holders pursuant to this Agreement.

34.2 Constitution of the Arbitration Tribunal and Language of Proceedings

- (a) The seat of arbitration shall be Geneva, Switzerland.
- (b) The arbitration tribunal may decide to conduct hearings in Geneva or İstanbul.
- (c) An arbitration tribunal constituted pursuant to this Agreement shall consist of three arbitrators, except for disputes of an aggregate value of no more than ten million US Dollars (USD 10,000,000) in which case there shall be a sole arbitrator.
- (d) The language of the arbitral proceedings shall be English.

34.3 Subrogation

The right of the Parties to refer a dispute to arbitration pursuant to this Agreement shall not be affected by the fact that it has received partial compensation from any third party with respect to any loss or injury that is the subject of the dispute with regard to the uncompensated loss or injury.

34.4 Award and Enforcement

- (a) An arbitral award issued pursuant to this Agreement shall be final and binding on the Parties upon being rendered. The Parties undertake to comply with any such award without delay. Awards shall be entered and executed in accordance with the law of any court having jurisdiction.

- (b) Where monetary damages are rendered in an award, they shall be payable and payment shall be made in US Dollars and any interest due shall be calculated at the Agreed Interest Rate from the date of the event, breach, or other violation giving rise to the dispute to the date when the award is paid in full.

ARTICLE 35 TERMINATION

- 35.1 Except as may be expressly provided in this Agreement, no Party shall amend, rescind, terminate, declare invalid or unenforceable, elect to treat as repudiated, suspended or otherwise seek to avoid or limit this Agreement or any Project Agreement without the prior written consent of the other Party.
- 35.2 If the TANAP Project Entity has not taken its final investment decision in respect of the TANAP Project by 31 December 2014 (or the expiry date of any agreed extension) for any reason other than Force Majeure, or failure by the State or any State Authority or State Entity to perform any of their obligations in a timely manner, the Host Government shall have the right to give written notice to the TANAP Project Entity of the termination of this Agreement. Such termination shall become effective three hundred and sixty (360) days after receipt by the TANAP Project Entity of such termination notice, unless within said three hundred and sixty (360) day period the TANAP Project Entity take final investment decision in respect of the TANAP Project. In addition, for the purposes of this Article 35.2 the date of 31 December 2014 (or the expiry date of any agreed extension) shall be extended as described in Article 35.4 if and to the extent of any delays caused by Force Majeure or by failure by State or any State Authority or State Entity to perform any of their obligations in a timely manner.
- 35.3 If the TANAP Project Entity has not started construction of the TANAP Project by 31 December 2016 (or the expiry date of any agreed extension) for any reason other than Force Majeure, or failure by the State or any State Authority or State Entity to perform any of their obligations in a timely manner, the Host Government shall have the right to give written notice to the TANAP Project Entity of the termination of this Agreement. Such termination shall become effective one hundred and eighty (180) days after receipt by the TANAP Project Entity of such termination notice, unless within said one hundred and eighty (180) day period the TANAP Project Entity starts construction of the TANAP Project. In addition, for the purposes of this Article 35.3 the date of 31 December 2016 (or the expiry date of any agreed extension) shall be extended as described in Article 35.4 if and to the extent of any delays caused by Force Majeure or by failure by State or any State Authority or State Entity to perform any of their obligations in a timely manner.
- 35.4 Upon finalization of any event of Force Majeure or any activity constituting failure by the State or any State Authority or State Entity to perform any of their obligations in a timely manner, if, in the opinion of the TANAP Project Entity, such Force Majeure or such failure shall cause a delay in taking its final investment decision in respect of the TANAP Project and/or starting

construction of the TANAP Project, as the case may be, the TANAP Project Entity shall give a notice to the Host Government by providing detailed information on the specifics of the impact of such event of Force Majeure or such failure on its activities which are on the critical path leading towards its final investment decision and/or starting construction together with the extent and duration of time extension requested.

- 35.5 Subject to Articles 35.5 and 35.6 but without prejudice to a Party's other remedies under this Agreement including the Host Government's termination rights under Articles 35.2 and 35.3, any Party may, by written notice to the other Party, terminate this Agreement if after the end of the Initial Operation Period, the other Party commits a material breach of its obligations to that Party under this Agreement and the Party in breach fails, within one hundred and eighty (180) days of receiving such notice, either:
- (a) to remedy the material breach (and where payment of damages is an adequate remedy for such material breach, full payment of such damages by the Party in breach shall be deemed to be remedying such material breach) and its effects to the reasonable satisfaction of the Party giving notice (or to commence and diligently comply with appropriate measures to do so); or
 - (b) in the case of a material breach that cannot itself be remedied, to put in place and diligently comply with measures reasonably satisfactory to the other Party to prevent a recurrence of such breach.
- 35.6 Notwithstanding any of the foregoing, no right to termination shall arise hereunder to the extent that the breach in question is caused by or arises from any breach of this Agreement or any Project Agreement by the Party seeking to terminate this Agreement (or, if that Party is the Host Government, by any State Authority or State Entity).
- 35.7 If the Host Government becomes entitled to terminate this Agreement (other than under Article 35.2 or 35.3), it shall not terminate this Agreement without first giving the Lenders the right to cure any breach or failure by the TANAP Project Entity within the time period provided in the direct agreement (if any) between the Host Government and the Lenders. The Lenders shall have the right to substitute the TANAP Project Entity with a suitable replacement Entity subject to terms of such direct agreement.
- 35.8 Any early termination of this Agreement shall be without prejudice to the rights of the Parties respecting the full performance of all obligations accruing prior to termination.

ARTICLE 36 NOTICES

- 36.1 A notice, approval, consent or other communication given under or in connection with this Agreement (in this Article 36 referred to as a "**Notice**"):

- (a) shall be in writing in the English and Turkish language;
- (b) shall be deemed to have been duly given or made when it is delivered by hand, or by internationally recognised courier delivery service, or sent by facsimile transmission to the Party to which it is required or permitted to be given or made at such Party's address or facsimile number specified below and marked for the attention of the person so specified, or at such other address or facsimile number and/or marked for the attention of such other person as the relevant Party may at any time specify by Notice given in accordance with this Article 36; and
- (c) for the avoidance of doubt, a Notice sent by electronic mail will not be deemed valid.

The relevant details of each Party at the date of this Agreement are:

The Government of the Republic of Turkey

Name: Ministry of Energy and Natural Resources
Address: Nasuh Akar Mahallesi Türkocağı Caddesi 2/1, Bahçelievler,
Ankara, Turkey
Facsimile: +90 (312) 215 66 54
Attention: Department of Transit Petroleum Pipelines

The TANAP Project Entity

Name: Trans Anatolian Gas Pipeline Company B.V.
Address: Kızılırmak Mahallesi Ufuk Üniversitesi Caddesi Farilya
Business Center No:8 Kat 1/13-24 Kat 2/17-18-19-20
Çukurambar, Ankara, Turkey
Facsimile:
Attention:

36.2 In the absence of evidence of earlier receipt, any Notice shall take effect from the time that it is deemed to be received in accordance with Article 36.3 below.

36.3 Subject to Article 36.4 below, a Notice is deemed to be received:

- (a) in the case of a Notice delivery by hand at the address of the addressee, upon delivery at that address;
- (b) in the case of internationally recognised courier delivery service, when an internationally recognised courier has delivered such communication or document to the relevant address and collected a signature confirming receipt; or
- (c) in the case of a facsimile, on production of a transmission report from the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the facsimile number of the recipient. Any Notice transmitted by facsimile should be followed by written notice

given not later than three (3) Business Days in the form of a letter addressed as set forth above for such Party.

- 36.4 A Notice received or deemed to be received in accordance with Article 36.3 above on a day which is not a Business Day or after 5:00 p.m. on any Business Day, according to local time in the place of receipt, shall be deemed to be received on the next following Business Day.
- 36.5 Each Party undertakes to notify the other Party by Notice served in accordance with this Article 36 of such Party's new contact details when the details specified herein are no longer appropriate for the service of Notice.

ARTICLE 37 MISCELLANEOUS

- 37.1 The Parties agree that the TANAP Project including this Agreement is within the scope of the Transit Law.
- 37.2 This Agreement, together with all appendices attached hereto, shall constitute the entire agreement of the Parties with respect to the matters addressed herein. This Agreement may not be amended or otherwise modified, except by the written agreement of the Parties and such amendment or modification will become effective upon ratification.
- 37.3 No waiver of any right, benefit, interest or privilege under this Agreement shall be effective unless made expressly and in a writing referencing the Article (including any applicable Section thereof) providing that right, benefit, interest or privilege. Any such waiver shall be limited to the particular circumstance in respect of which it is made and shall not imply any future or further waiver.
- 37.4 Interest shall accrue at the Agreed Interest Rate on any amount, if any, payable under or pursuant to this Agreement from the time that amount is payable through the date on which that amount, together with the accrued interest thereon, is paid in full.
- 37.5 The Host Government on the one hand, and the TANAP Project Entity on the other hand, shall maintain or cause to be maintained the confidentiality of all data and information of a non-public or proprietary nature that they may receive, directly or indirectly, from the other or pertaining to the TANAP Project.
- 37.6 This Agreement is executed in English and Turkish language originals. In the event of any conflict, the English language version shall prevail.
- 37.7 The Host Government, on the one hand, and the TANAP Project Entity, on the other hand, reserve to themselves all rights, counterclaims and other remedies and defences which such Party has under or arising out of this Agreement. All obligations of the Host Government to make payments to the TANAP Project Entity or, where relevant, to any TANAP Consortium Member, under this Agreement, shall not be set off or recouped out of any amounts otherwise payable hereunder to the Host Government by such TANAP Project Entity.

37.8 Without prejudice to the rights of the TANAP Project Entity under this Agreement, the Host Government and the TANAP Project Entity hereby grant to SOCAR or an Entity which will be established by SOCAR (or its Affiliates) (within the context of this Article 37.8 referred to as "Communication Entity") the right to construct, install, possess, own, control and operate electronic communication infrastructure (fibre-optic cable) along the Pipeline Corridor of the TANAP System for the purpose of transit communication between the Republic of Azerbaijan and countries other than the State. Such Communication Entity may provide services through such electronic communication infrastructure within the Territory provided that such service complies with National Laws and regulations including all licence requirements in accordance with National Laws. All costs, fees, payments or other relevant expenses arising as a result of any obligations and requirements generated from the evaluation, construction or operation of such electronic communication infrastructure shall be borne by such Communication Entity.

Done in the city of İstanbul on 26 June 2012.

H.E .Taner YILDIZ

Minister of Energy and Natural Resources
of the Republic of Turkey

Rovnaq ABDULLAYEV

President of the State Oil Company
of the Republic of Azerbaijan

in the name and on behalf of
**The Government of
the Republic of Turkey**

in the name and on behalf of
**Trans Anatolian
Gas Pipeline Company B.V.**

APPENDIX 1 - TECHNICAL STANDARDS

ACI	American Concrete Institute
AISC	American Institute of Steel Construction
API	American Petroleum Institute
AGA	American Gas Association
ASCE	American Society of Civil Engineers
ANSI	American National Standards Institute
ASME	American Society of Mechanical Engineers
ASNT	American Society of Non-destructive Testing
ASTM	American Society for Testing and Materials
AWPA	American Wood Preservers Association
AWS	American Welding Society
CAN	Canadian Standards
CECE	CENELEC Electronic Components
GBE	British Gas Code of Practice
BSI	British Standards Institution
DIN	Deutsche Institut fur Normung
DNV	Det Norske Veritas
EUMA	Engineering Equipment and Materials Association
IEC	International Electrotechnical Commission
IEEE	Institute of Electrical and Electronics Engineers (USA)
EIA	Electronic Industries Association

EI	Energy Institute (UK)
ISA	Instrument Society of America
ISO	International Standards Organisation
NACE	National Association of Corrosion Engineers (USA)
NEMA	National Electrical Manufacturers Association (USA)
NFPA	National Fire Prevention Association (USA)
PRCI	Pipeline Research Council International
SSPC	Steel Structures Painting Council
UBC	Universal Building Code
MSS	Manufacturers Standardisation Society of the Valves and Fittings Industry
FM	Factory Mutual Approvals Guidelines
HIS	Hydraulics Institute Standards
FCI	Fluid Control Institute
JPL	Jet Propulsion Laboratory
UL	Underwriters Laboratory
WB	World Bank
WHO	World Health Organisation
PFI	Pipe Fabrication Institute
TSE	Turkish Standards Institution

APPENDIX 2 LAND RIGHTS

DEFINITIONS

In this Appendix 2, all capitalised terms not otherwise defined will have the same meaning as specified in the Agreement to which this Appendix 2 is appended. Additionally, the following terms will have the following meanings:

“Construction Corridor” means an area of land (including exclusive control of the area above such and to a specified height and rights to the land’s subsurface to a specified depth) within the Preferred Route Corridor extending from the Entry Point to the Exit Points, within which the centreline of the Pipeline Corridor will be located, and such other areas determined by the TANAP Project Entity in its sole discretion as reasonably necessary for the conduct of Project Activities within which Land Rights required for the construction and installation phase as set forth under Phase 2 in Section 3 of this Appendix 2 will be exercised, all as notified by the TANAP Project Entity to the State Authorities, including the Land Rights Entity.

“Corridor of Interest” means an area of land ten (10) kilometres wide and extending from the Entry Point to the Exit Points, all as notified by the TANAP Project Entity to the State Authorities.

“Preferred Route Corridor” means an area of land within the Corridor of Interest five hundred (500) metres wide and extending from the Entry Point to the Exit Points, all as notified by the TANAP Project Entity to the State Authorities.

“Specified Corridor” means an area of land within the Preferred Route Corridor one hundred (100) metres wide and extending from the Entry Point to the Exit Points, all as notified by the TANAP Project Entity to the State Authorities.

1. LAND RIGHTS

- 1.1 This Appendix 2 sets forth and provides for the Land Rights in the Territory and associated rights (including rights of exclusive use, occupation, possession and control, rights of ingress and egress, rights of construction upon and/or under (other than ownership), licences to enter and perform Project Activities on the land of third parties, and all other similar rights in the Territory) which are to be notified by the TANAP Project Entity to the Land Rights Entity as the phased implementation of the Project Activities (including later repairs, replacements, capacity expansions and extensions of the Facilities) requires, obtained by the Land Rights Entity in accordance with Article 16 of this Agreement, and granted to the TANAP Project Entity in respect of the Project Activities.
- 1.2 The Land Rights granted to the TANAP Project Entity will be enforceable by the TANAP Project Entity against all State Authorities and against all third parties.
- 1.3 The Land Rights Entity will cause all landowners and occupiers of affected properties and/or land rights to observe and respect all of the Land Rights obtained by the Land Rights Entity and granted to the TANAP Project Entity

permanently, temporarily and/or from time to time, as the case may be, to enable the construction and operation of the Facilities and the conduct of all other Project Activities. Without limiting the foregoing and that which is provided in the Agreement to which this Appendix 2 is appended, the State Authorities will assist the TANAP Project Entity in avoiding and in rectifying any interference by third parties with the TANAP Project Entity exercise and enjoyment of the Land Rights, including any encroachments on the areas constituting Project Land or affecting the Facilities.

- 1.4 Subject to the foregoing and without limiting that provided in the Agreement to which this Appendix 2 is appended, the Land Rights will include all of the rights as hereinafter provided for the phased development of the Project Activities.

2. PHASE 1 - PRECONSTRUCTION PHASE (ROUTE SELECTION)

2.1 Corridor of Interest

Without limiting the rights which may be necessary and will be granted in order to accomplish route selection, during the preconstruction phase the following rights will be required and will be obtained and secured subject to mandatory provisions of National Laws with respect to matters such as national security, defence, public safety and civil aviation and other similar matters by the State Authorities and granted to the TANAP Project Entity respecting the Corridor of Interest:

- (a) Rights to fly and land fixed wing or helicopter surveillance craft within and across the borders of the Territory.
- (b) Rights to record and map any property within the Corridor of Interest by video tape and by photographs.
- (c) Rights of access to and use of detailed maps and photographic records of the Corridor of Interest for, among other evaluations, desktop route study exercises.
- (d) Rights of free and safe access and passage from time to time on and off the public highways and other roadways and offshore areas within and across the borders of the Territory for vehicles and vessels to perform reconnaissance, including rights to make video/photographic records of said area.

If the TANAP Project Entity determines in its sole discretion that construction and installation of the Facilities is not viable within any previously designated Corridor of Interest or portion thereof, the TANAP Project Entity will have the right to so notify the Land Rights Entity and the TANAP Project Entity will have the further right to modify the existing or designate a new Corridor of Interest for further study as aforesaid.

2.2 Preferred Route Corridor

Once the Corridor of Interest has been assessed and confirmed by notice to the Land Rights Entity, and without limiting the rights which may be necessary and will be granted in order to conduct Project Activities, the following rights with respect to the entire Corridor of Interest will be required and will be obtained and secured by the Land Rights Entity and granted to the TANAP Project Entity for the selection by the TANAP Project Entity of the Preferred Route Corridor:

- (a) All rights defined in Section 2.1 and, in addition, vehicular access (including the right to create temporary and/or permanent access roads) at the TANAP Project Entity discretion on and off the public highways within and across the borders of the Territory for detailed route reconnaissance.
- (b) Full access to all relevant and non-classified information held at the central and local levels of the State Authorities respecting:
 - (1) geology
 - (2) hydrology and land drainage
 - (3) archaeology
 - (4) ecology
 - (5) mining, mineral deposits and waste disposal
 - (6) urban and rural planning and development, including relevant topographical standards and criteria of the State
 - (7) the environment
 - (8) seismology
 - (9) highways and navigations
 - (10) utility and commercial service apparatus records, including pipeline crossings
 - (11) areas under current or former restriction by the State
 - (12) State Authorities' structure and administration requirements
 - (13) agricultural and forestry
 - (14) current and prior land development, ownership, use and occupation
 - (15) meteorology

(16) oceanography

- (c) If the TANAP Project Entity determines in its sole discretion that construction and installation of the Facilities is not viable within any previously designated Preferred Route Corridor or portion thereof, the TANAP Project Entity will have the right to so notify the Land Rights Entity and the TANAP Project Entity will have the further right to modify the existing or designate a new Preferred Route Corridor for further study, as aforesaid.

2.3 Specified Corridor

From the information gained in Sections 2.1 and 2.2 above, the Specified Corridor will be defined by the TANAP Project Entity and notified to the Land Rights Entity. Within this Specified Corridor the TANAP Project Entity and its Contractors will conduct further detailed studies as provided herein. In respect of the Specified Corridor, the Land Rights Entity will obtain and secure in addition to the rights defined in Sections 2.1 and 2.2 above, the necessary additional Land Rights and grant to the TANAP Project Entity such rights so that the TANAP Project Entity will possess the full right of access to and passage within the Specified Corridor for the following activities:

- (a) Topographical survey in accordance with relevant topographical standards and criteria of the State requiring pedestrian and on/off highway vehicular access within and across the borders of the Territory at the TANAP Project Entity discretion. These rights will extend over the area necessary to undertake the survey and could extend outside the Specified Corridor, as notified by the TANAP Project Entity.
- (b) Geotechnical survey rights for vehicles, vessels, equipment and service personnel to enter on to land and offshore areas to excavate trenches or boreholes and record information, including the right of removal of such material from the site as is necessary.
- (c) Cathodic protection resistivity and soil sample surveys requiring vehicular and pedestrian access on to land to take and remove soil samples for further analysis.
- (d) One or more land and offshore use surveys.

The right to undertake surveys will include the right to leave monitoring equipment on site to collect necessary data.

- 2.4 Subject to the provisions of Article 16 of this Agreement, the TANAP Project Entity will have the right to use, publicise and export any data and information obtained by the TANAP Project Entity and its Contractors in connection with the activities described in this Appendix 2.

- 2.5 If the TANAP Project Entity determines in its sole discretion that construction and installation of the Facilities is not viable within any previously designated Specified Corridor or portion thereof, the TANAP Project Entity will have the right to so notify the Land Rights Entity and the TANAP Project Entity will have the further right to modify the existing or designate a new Specified Corridor for further study, as aforesaid.

3. PHASE 2 - FACILITIES CONSTRUCTION AND INSTALLATION PHASE

If the TANAP Project Entity determines in its sole discretion that the construction and installation of the Facilities is viable within any previously designated Specified Corridor, the TANAP Project Entity will have the right to so notify the Land Rights Entity and such Specified Corridor will thereafter be designated the Construction Corridor. At the earliest practicable date after such designation, the Land Rights Entity will cause all the unregistered lands within the Construction Corridor to be registered with relevant land registries and cause the acquisition of all the lands owned by Persons within the Construction Corridor in the name of the Land Rights Entity. The Land Rights Entity will use Best Endeavours to complete the acquisitions of land owned by Persons as promptly as possible within the framework of principles set forth under Article 16 of this Agreement.

- 3.1 The Land Rights Entity will thereafter obtain, secure and grant to the TANAP Project Entity the following Land Rights:
- 3.2 Right to possess, use, construct and operate over the Pipeline Corridor and Facilities (as appropriate) for the conduct of all Project Activities, through an independent and continuous rights *in rem* (other than ownership) valid for a term of forty nine (49) years, which is either established directly in favour of the TANAP Project Entity over lands owned by the Land Rights Entity (as a result of its land acquisitions pursuant to Article 16 and this Appendix 2) and/or by way of the transfer of the independent and continuous rights *in rem* (other than ownership) that shall be established in favour of the Land Rights Entity over lands owned by the State Authorities.
- 3.3 Right to transport all construction material, plant and equipment within the Territory and cross border by land or air without hindrance, including the right to construct and maintain temporary and permanent roads and to use such airfields as are designated, from time to time, by the TANAP Project Entity.
- 3.4 Right to designate and use other areas of land, both in the vicinity of the proposed Facilities and remote from the Facilities, for the conduct of all Project Activities, including for pipe storage dumps, site compounds, construction camps, fuel storage dumps, parking areas, roads and other activity sites. TANAP Project Entity shall solely be responsible for the land acquisition and payments regarding this acquisition subject to this Section 3.4.
- 3.5 Right to install generation and transmission equipment and to connect to any existing electricity supply and, where necessary, the right to lay cables from such supply to the Construction Corridor.

- 3.6 Right of entry on to such land and offshore areas with all necessary materials and equipment to lay and construct and thereafter use, maintain, protect, repair, alter, renew, augment, expand, inspect, remove, replace or render unusable the Facilities as is required for construction and installation of the Facilities and right to commence and undertake construction and installation.
- 3.7 Right to receive confirmation that each affected landowner and/or occupier and/or any other land right holder (including other pipeline operators) has been made aware of and has consented to and/or has been compensated in accordance with the Environmental and Social Standards (as defined in Article 17), any Lender requirements and principles set forth in the International Finance Corporation Performance Standard 5, Land Acquisition and Involuntary Resettlement, for the rights acquired by the TANAP Project Entity through the State Authorities.
- 3.8 Right to receive from the State Authorities details of land ownership and use, including names and addresses of landowners and occupiers and details of land holding defined on plans showing all such details for all property falling within two hundred and fifty (250) metres either side of the Construction Corridor.
- 3.9 All rights of access (including the right to construct and use temporary or permanent roads) over other land between the public highway and the Construction Corridor, not affected by the construction or operation of the Facilities, such routes to be defined by notice from the TANAP Project Entity prior to road construction and/or use. For the avoidance of doubt, TANAP Project Entity shall not be granted with any rights *in rem* with respect to lands set forth hereunder this Section 3.9. TANAP Project Entity shall solely be responsible for the acquisition of these rights and payments regarding this acquisition subject to this Section 3.9.
- 3.10 The right to the exclusive use, possession and control, and the right to construct upon and/or under, and peaceful enjoyment of, these Land Rights without hindrance or interruption.
- 3.11 The right of the TANAP Project Entity to require that it will be unlawful for any Person without prior written consent of the TANAP Project Entity:
- (a) to use explosives within an area of 500 (five hundred) metres either side of the Facilities.
 - (b) to undertake any pile-driving within fifty (50) metres either side of the Facilities.
 - (c) to encroach on the Construction Corridor or other areas where land has been granted to the TANAP Project Entity to conduct Project Activities.
 - (d) to cross or otherwise interfere with the TANAP Project Entity's Land Rights with any road, railway, power line, utility, pipeline or other public project ("Crossing Project") and the TANAP Project Entity will in no

event be required to consider a request for consent to such Crossing Project unless and until the State Authorities have approved the proposed Crossing Project and the party proposing the Crossing Project has provided to the TANAP Project Entity(1) details of the proposed Crossing Project sufficient, in the sole opinion of the TANAP Project Entity, to enable the TANAP Project Entity to assess in its sole discretion the practicability of conducting the Crossing Project safely, efficiently, and without unreasonably interfering with Project Activities and (2) a guarantee of compensation to the TANAP Project Entity for any costs incurred by the TANAP Project Entity to accommodate the Crossing Project. The TANAP Project Entity agree that for the purposes of this paragraph (d), where a Crossing Project has been approved by the State Authorities and subject to the conditions set out in (1) and (2) above, the TANAP Project Entity will not unreasonably withhold its consent and the assessment of such Crossing Project shall be given priority without causing unreasonable delay.

- 3.12 The right, in accordance with National Laws, to extract and source appropriate local materials for construction purposes and to dispose of waste arising from Project Activities, including during the construction and any later repair, replacement, capacity expansion or extension process.
- 3.13 Any additional regulatory and other administrative compliance requirements.

4. PHASE 3 - POST CONSTRUCTION PHASE

Following the completion of the Facilities, the TANAP Project Entity will require the following Land Rights, all of which will be obtained and secured by the State Authorities and granted to the TANAP Project Entity:

- (a) The exclusive use, possession and control of (other than ownership), as well as the right to construct upon and/or under, the Project Land if required, the right to establish encumbrances in favour of Lenders.
- (b) All rights previously described to the extent applicable to the use and enjoyment of the Facilities once constructed (including temporary and permanent roads), the construction and use of additional Facilities within Project Land and the future maintenance, protection, repair, alteration, renewal, augmentation, capacity expansion, extension, inspection, removal, replacement or the rendering unusable of any such Facilities.
- (c) The right to add any equipment as the TANAP Project Entity deem necessary.
- (d) The right to fly along the route of the Facilities within and across the borders of the Territory, in accordance with relevant provisions of National Laws, to inspect it and to land wherever it is deemed necessary to ensure the safe and efficient operation of the Facilities.

- (e) The right to erect and thereafter maintain the Facilities, including SCADA, marker posts, cathodic protection test posts and aerial marker posts or signalling equipment and any other equipment or installations necessary for the Project Activities in such locations and positions as deemed necessary by the TANAP Project Entity.
- (f) The right of access over any land between the public highway and Pipeline Corridor and other Project Land without prior notice in cases of emergency.
- (g) Subject to the Project Agreements, the right to allow use of the Facilities by third parties under such terms and conditions as the TANAP Project Entity and the Interest Holders may elect.

5. GOVERNMENTAL NOTIFICATIONS

- 5.1 Within fifteen (15) days after the Effective Date of this Agreement, the TANAP Project Entity and the Host Government will designate to each other in writing those persons, agencies and regulatory bodies which each will be entitled to communicate with and rely on in giving the various notices and securing and confirming the various rights described herein. Such notified contact persons or bodies will be subject to change, from time to time, on not less than fifteen days prior written notice (except for emergencies).
- 5.2 The Land Rights Entity shall, jointly with the TANAP Project Entity develop a land acquisition program and budget, and for this purpose form acquisition working groups.
- 5.3 TANAP Project Entity shall have the right to monitor through the joint land acquisitions working groups the activities of the Land Rights Entity envisaged hereto and all costs and expenses incurred in relation with the acquisition of Land Rights as set forth under Article 16 and this Appendix 2.
- 5.4 Engineering studies/works in relation to Land Rights shall be performed and executed by the TANAP Project Entity or its Contractors, unless agreed otherwise between the Land Rights Entity and the TANAP Project Entity or their Contractors. All information required for the acquisition of land within the Pipeline Corridor (including landowners, address of landowners, land register information, maps and drawings) shall be provided by the TANAP Project Entity or its Contractors, unless agreed otherwise. Such relevant information shall be submitted to the Land Rights Entity in a complete and proper form. During these engineering studies and works, the TANAP Project Entity shall define the Construction Corridor by taking into account the State Authorities and State Entities written comments.

APPENDIX 3 – FORM OF PARENT COMPANY GUARANTEE

To: The Government of the Republic of Turkey, Ministry of Energy and Natural Resources

Date

We refer to the host government agreement dated 26 June 2012 (the "Host Government Agreement") concerning the Trans Anatolian Natural Gas Pipeline System between the Government of the Republic of Turkey ("the Government") and the Trans Anatolian Gas Pipeline Company B.V. ("the TANAP Project Entity"):

1. Capitalized terms not defined in this letter shall have the meaning given to them in the Host Government Agreement.
2. [***] ("New Participant") is intending to participate in the TANAP Project as a TANAP Consortium Member. The New Participant's percentage participating interest in the TANAP Project Entity from time to time shall be defined as the "Percentage Interest Share".
3. [***] ("Guarantor") hereby unconditionally and irrevocably guarantees to the Government in accordance with this guarantee the payment of the Percentage Interest Share of any sums due by the TANAP Project Entity under or pursuant to the Host Government Agreement and any relevant Project Agreement to which the TANAP Project Entity is a Party and not paid by the TANAP Project Entity pursuant to the terms and conditions of the Host Government Agreement or relevant Project Agreement ("Guaranteed Monies"), except to the extent that such failure of the TANAP Project Entity is due to breach of the Host Government Agreement or any relevant Project Agreement by the Host Government, any State Authority or any State Entity.
4. Subject to clause 2 above, the Guarantor shall pay the Percentage Interest Share of the Guaranteed Monies to the Government within twenty-eight (28) days following receipt of a written demand by the Government.
5. This guarantee shall become effective as of the date of signature of the Guarantor below and shall terminate on the earlier of:
 - (a) the date on which the New Participant ceases to be a TANAP Consortium Member (provided that in such situation the Guaranteed Monies covered by this guarantee shall include the Percentage Interest Share of all Guaranteed Monies accrued up to and including the date on which the New Participant ceases to be a TANAP Consortium Member); or
 - (b) the date on which all the obligations of the TANAP Project Entity under the Host Government Agreement and any relevant Project Agreement to which the TANAP Project Entity is a Party have been discharged in full.

6. This guarantee shall be governed by the same law as provided under Article 33 (Applicable Law) of the Host Government Agreement. Any dispute under this guarantee shall be resolved by arbitration in the same place and in the same manner as provided under Article 34 of the Host Government Agreement.

Yours faithfully,

APPENDIX 4 – LETTER AGREEMENT

Arrangements in respect of the TANAP Project Entity

Pursuant to discussions between the negotiating teams over recent days, the State Oil Company of the Republic of Azerbaijan ("SOCAR") and Boru Hatları ile Petrol Taşıma A.Ş. ("BOTAŞ"), in consideration of the mutual covenants and undertakings herein and subject to the provisions of the IGA and HGA, hereby agree to the following terms regarding a variety of matters arising out of the proposed TANAP Project; its Intergovernmental Agreement ("IGA"); its Host Government Agreement ("HGA"); and the proposed participation of BOTAŞ in the TANAP Project Entity (established by SOCAR in the Netherlands under the name of Trans Anatolian Gas Pipeline Company B.V. ("TANAP Co. B.V.")) and/or its successors or assignees:

1. Subject to the achievement of all other provisions hereunder and irrespective of the distribution of the twenty per cent (20%) participating interest in the TANAP Project Entity among the Turkish Participants, SOCAR agrees to fund or cause to be funded all capital requirements attributable to the five per cent (5%) participating interest of BOTAŞ ("BOTAŞ Share"), starting with its subscription for shares in the TANAP Project Entity through completion of construction of the TANAP System and its commissioning ("SOCAR Funding Obligation");
2. BOTAŞ in turn shall be responsible for repayment of the SOCAR Funding Obligation ("BOTAŞ Payment Obligation") in accordance with a fully termed funding agreement to be agreed by the parties in advance of BOTAŞ' subscription for shares in the TANAP Project Entity ("BOTAŞ Funding Agreement");
3. BOTAŞ Payment Obligation shall not include, whether directly or indirectly, any escalation factor;
4. Among other terms, the BOTAŞ Funding Agreement will set out the SOCAR entity's charge over 100% of all proceeds attributable to the BOTAŞ Share until such time as the SOCAR Funding Obligation is fully repaid; obligations in respect of any external third party Project financing; security and governance rights in respect of the BOTAŞ Share until the SOCAR Funding Obligation is repaid, etc.;
5. If the dividends payable by the TANAP Co. B.V. to Turkish Participants in the Netherlands are subject to payment of withholding tax in the Netherlands then SOCAR and Turkish Participants will cause the TANAP Co. B.V. to change the jurisdiction or to be replaced by another TANAP Project Entity organized in the different jurisdiction where no withholding tax on the dividends will be applicable, including, but not limited to, in the jurisdiction of the Republic of Turkey. In case that no such jurisdiction is available, SOCAR will be responsible for payment of the Turkish Participants' withholding tax on dividends obligation arising in the Netherlands.

Agreed to this on 26 June 2012 in İstanbul, The Republic of Turkey.

For and on behalf of
Boru Hatları ile Petrol Taşıma A.Ş.

Mehmet KONUK
Acting General Director

Ibrahim Tan
Deputy General Director

For and on behalf of
The State Oil Company of the Republic of Azerbaijan

Rovnag ABDULLAYEV
President

WITNESSED this on 26 June 2012, in İstanbul, The Republic of Turkey.

H.E. Taner YILDIZ
Minister of Energy and Natural Resources
of the Republic of Turkey

H.E. Natig ALIYEV
Minister of Industry and Energy
of the Republic of Azerbaijan