

**For and on behalf of the
Azerbaijan Republic**

**For and on behalf of
Georgia**

**For and on behalf of the
Republic of Turkey**

**Heydar Aliyev
President**

**Edward Shevardnadze
President**

**Süleyman Demirel
President**

AGREEMENT

**Among
The Azerbaijan Republic, Georgia and The Republic of Turkey**

**Relating to the
Transportation of Petroleum Via the Territories of
The Azerbaijan Republic, Georgia and The Republic of Turkey
Through the
Baku-Tbilisi-Ceyhan Main Export Pipeline**

The Azerbaijan Republic, Georgia and the Republic of Turkey (together the "States" or individually a "State") represented by their respective Governments;

In recognition of the desire, readiness and willingness of each State to attract, promote and protect investment by foreign and domestic investors in Petroleum transportation projects in and/or across its Territory; and

In furtherance of the principles set forth in international trade and investment agreements to which each State is a party, signatory or applicant, as well as the Energy Charter Treaty 1994, and the need to further expand and implement cooperation between and among the States in the energy sector; and

In recognition of the desire of each State to ensure principles of freedom of transit of Petroleum, to provide for exclusive rights to land and Petroleum transportation infrastructure in and/or across the Territory of the others, and to protect its environment; and

Mindful of the fact that projects involving transportation of Petroleum in and/or across their Territories are of a transnational nature requiring uniform, nondiscriminatory application of international law standards protecting investments and nondiscriminatory

treatment of investors as set out in bilateral and multilateral agreements to which each State is a party, signatory or applicant; and

In consideration of the importance of creating and reinforcing an appropriate legal framework, commensurate with the transnational nature of such Petroleum transportation projects and the required private initiative and enterprise, to support Petroleum sector investment opportunities and to establish more firmly favourable conditions to justify the commitment of capital and resources to the Baku-Tbilisi-Ceyhan MEP Project in and/or across their respective Territories.

HEREBY AGREE among themselves as follows:

Article I **DEFINITIONS**

As used throughout this Agreement, the following definitions shall apply:

□Agreement□ means this Agreement, together with its appendices, as it may be hereafter jointly amended or modified in writing by the States.

□Constitution□ means the constitution of a State, as the same may be amended or otherwise modified or replaced from time to time.

□Entity□ means any company, corporation, limited liability company, partnership, limited partnership, joint venture, enterprise, association, trust or other juridical entity or organisation, whether of a governmental or private nature, established or organised under the laws of any state or jurisdiction or by written agreement between two or more Persons.

□Facilities□ means, subject to the terms of the applicable Project Agreements and in respect of each Territory, the pipeline and laterals for the transportation of Petroleum within and/or across the Territory, and all below and above ground or seabed installations and ancillary equipment, together with any associated land as specified in the applicable Project Agreement, all loading, unloading, pumping, measuring, testing and metering facilities, communications, telemetry and similar equipment, all pig launching and receiving facilities, all pipelines, and other related equipment, including power lines, used to deliver any form of liquid or gaseous fuel and/or power necessary to operate pump stations or for other system needs, cathodic protection devices and equipment, all monitoring posts, markers and sacrificial anodes, all port, terminalling, storage and related installations, all marine jetties and similar facilities, and all associated physical assets and appurtenances (including roads and other means of access and operational support) required from time to time for the proper functioning of any and all thereof, constructed, installed, maintained, repaired, replaced, expanded, extended, owned, controlled and/or operated by or on behalf of Project Investors with respect to the MEP Project.

□Foreign Currency□ means any freely convertible currency, including Dollars of the United States of America, that is the lawful currency of a state and is issued other than by the State Authorities of any of the States, and is not subject to general limitations or restrictions of the issuing authority on conversion or exchange.

□Government□ means the central government of a State.

□Host Government Agreement□ means each of those agreements entered into between the Government of a State, on the one hand, and Project Investors and/or other parties authorised by Project Investors, on the other hand, making provision (along with other Project Agreements) for the MEP Project (including, without limitation, a description of the Facilities and Transportation System for the MEP Project), as each such agreement may be hereafter amended, modified or extended in accordance with the terms thereof.

□MEP Project□ means the evaluation, development, design, acquisition, construction, installation, financing, insuring, ownership, operation (including the transportation of Petroleum by or on behalf of Project Investors and the shipment by Shippers of Petroleum through the Facilities or Transportation System), repair, replacement, refurbishment, maintenance, capacity expansion or extension (such as laterals), and protection of the Transportation System from a location near the city of Baku, Azerbaijan Republic and crossing the Azerbaijan Republic-Georgia border at a point to be agreed by the Azerbaijan Republic and Georgia and onward to a location near the city of Tbilisi, Georgia and crossing the Georgia-Republic of Turkey border between 42° 49' East and 43° 18' East and onward to a location near the city of Ceyhan, Republic of Turkey, all as contemplated by this Agreement and as specified in the Host Government Agreements and other Project Agreements.

□Other Project Agreements□ means all written agreements and documented commitments, other than this Agreement and the Host Government Agreements, entered into by a State and/or any State Authority, on the one hand, and any Project Investors, on the other hand, with respect to the MEP Project, as any or all of the foregoing agreements may be hereafter entered into, amended, modified or extended in accordance with their terms.

□Person□ means any physical person or any Entity.

□Petroleum□ means crude mineral oil, condensate, and all other kinds of liquid hydrocarbons regardless of gravity, in their natural condition or obtained from natural gas (being hydrocarbons that are gaseous at standard temperature and pressure) or liquid petroleum by vapourisation, condensation or extraction, including natural gas liquids, as well as any asphalt, bitumen or ozocerite and any incidental amounts of natural gas which may be liberated from the liquid hydrocarbons while in transit, any impurities in solution or suspension with the foregoing or any hydrocarbon product refined or produced from any of the foregoing.

□Project Agreements□ means (i) this Agreement, (ii) the Host Government Agreements and (iii) the Other Project Agreements.

□Project Investor□ means each Person that is a party to a Host Government Agreement (other than the Government of any of the respective States in the capacity of a host government counterparty to any such agreement), and any operating company, branch, office, permanent establishment, affiliate, nominee, agent or representative of such Person, and any successor or assignee of any of the foregoing in respect of the MEP Project.

“Shippers” means, with respect to the MEP Project, those Persons (including, without limitation, Project Investors) that have contracted for, or with respect to, Petroleum transportation services through the Facilities or Transportation System and have the right to tender Petroleum for transit through the Facilities or Transportation System, and their respective successors and assignees in respect of such rights.

“State Authorities” means, with respect to the MEP Project, the Government and each and every aspect thereof at every level in respect of the Territory, including all central, regional 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 State Entity. Without limiting the foregoing, the term shall include any and all executive and regulatory bodies, agencies, departments, ministries, authorities, Entities, officials, agents and representatives in respect of the Territory that have the authority to govern, regulate, implement or enforce the law, levy or collect taxes, duties or other similar charges, grant licenses or permits or approve or otherwise similarly affect, directly or indirectly, the MEP Project or the rights or obligations of Project Investors in respect of the MEP Project, notwithstanding any change at any time or from time to time in structure, form or otherwise.

“State Entity” means any Entity which is directly or indirectly controlled by a State or one or more State Authorities.

“Taxes” means all existing or future taxes, levies, duties, customs, imposts, contributions (such as social fund and compulsory medical insurance contributions), fees, assessments or other similar charges payable to or imposed by a State or State Authority, together with interest, penalties and fines (including financial sanctions and administrative penalties) with respect thereto, and “Tax” means any of the foregoing.

“Territory” means the land territory of a State, its territorial sea and the airspace above them, as well as the maritime areas over which it has jurisdiction or sovereign rights in accordance with international law.

“Transportation System” means, at any time, the pipeline system and related appurtenances owned, controlled and/or operated by or on behalf of Project Investors (including all Facilities located within the Territory of each State), comprising an integrated system necessary for the transportation of Petroleum from a location near the city of Baku, Azerbaijan and crossing the Azerbaijan Republic-Georgia border at a point to be agreed by the Azerbaijan Republic and Georgia and onward to a location near the city of Tbilisi, Georgia and crossing the Georgia-Republic of Turkey border between 42° 49' East and 43° 18' East and onward to a location near the city of Ceyhan, Republic of Turkey for distribution to international Petroleum markets, including the markets of the States.

Article II

MUTUAL REPRESENTATIONS, WARRANTIES AND COVENANTS

(1) The Government of each State hereby covenants to the others that, as of the execution hereof, it shall (i) promptly and properly present this Agreement to its national parliament for ratification and/or adoption in order to make it effective under its Constitution

as the prevailing legal regime of such State in respect of the MEP Project under its domestic law and a binding obligation under international law, (ii) take all steps necessary to promptly and properly present drafts of enabling legislation and other laws as may be necessary to make this Agreement (and in particular, the rights, guaranties, exemptions, grants, privileges and standards, waivers and indemnifications of legal liability applicable to the MEP Project in respect of the State and its Territory and the Project Investors under the applicable Host Government Agreement) effective under its Constitution as the prevailing legal regime of such State in respect of the MEP Project under its domestic law, including, without limitation, all such legislation as required to enact the applicable provisions of this Agreement into law in accordance with such State's authority to enact tax legislation, and (iii) use its best endeavours to secure as soon as practicable any such ratification and/or adoption of this Agreement as well as the enactment of any such legislation prior to or along with such ratification and/or adoption.

(2) In order to carry out the provisions of Section (1) of this Article II, each State has attached as appendices hereto, and thereby made an integral part hereof, accurate, complete and unexecuted forms of the Host Government Agreement between and among the Government of Georgia and the Project Investors (attached hereto as Appendix 1), the Host Government Agreement between and among the Government of the Republic of Turkey and the Project Investors (attached hereto as Appendix 2), the Turnkey Agreement between and among the turnkey contractor and the Project Investors (attached hereto as Appendix 3), the Government Guaranty by which the Government of the Republic of Turkey guarantees the payment and performance obligations of the turnkey contractor under the Turnkey Agreement (attached hereto as Appendix 4), and the Host Government Agreement between and among the Government of the Azerbaijan Republic and the Project Investors (attached hereto as Appendix 5).

(3) The Government of each State further covenants to the others to undertake the procedures set forth in Section (1) of this Article II in respect of any Other Project Agreement to which it is a party whenever the terms thereof call for such ratification, adoption and/or enactment.

(4) In mutual recognition that the MEP Project will involve substantial, capital intensive and environmentally sound infrastructure development within, between and across their respective Territories, each State hereby covenants that, from and after the ratification and/or adoption of this Agreement by such State as provided in Section (1) of this Article II and until its termination pursuant to Article VIII, such State shall fulfill and perform on a timely basis each of its duties and obligations arising under any applicable Project Agreement. Accordingly, without limiting the foregoing, each State hereby covenants to the other that, fully exerting all of its lawful authority, its State Authorities shall at all times:

(i) secure the taking of all steps in addition to the ratification and/or adoption described in Section (1) of this Article II necessary to authorise, enable, and implement the MEP Project, including, without limitation, by all appropriate executive and regulatory action as required to make this Agreement and any other applicable Project Agreement (to the extent required therein) effective under its Constitution as the prevailing legal regime of such State respecting the MEP Project under its domestic law;

(ii) secure full support for the implementation and conduct of the MEP

Project as provided by any applicable Host Government Agreement and any applicable Other Project Agreement and, in furtherance thereof, the taking of all necessary steps to assure compliance by its State Authorities with all obligations imposed on them by this Agreement, any applicable Host Government Agreement and any applicable Other Project Agreements and cooperation with the other States to establish and maintain necessary and favourable conditions as herein contemplated for the construction, ownership and operation of the Facilities within, and the transit of Petroleum in and/or across, its Territory (including, without limitation, in the event of armed conflict involving one or more of the States and/or terrorist attacks or activities on the Territory);

(iii) except as specifically provided in the applicable Host Government Agreement, not interrupt or impede the freedom of transit of Petroleum in, across and/or exiting from its Territory through the Facilities and the taking of all measures and actions which may be necessary or required to avoid and prevent the interruption or curtailment of such freedom of transit;

(iv) except as specifically provided in the applicable Host Government Agreement, secure the granting of exclusive rights to land in its Territory for the MEP Project under clear commercial terms and conditions of usage (including, without limitation, the right of indemnification and release from any and all costs and obligations associated with obtaining such exclusive rights to land);

(v) secure the provision to the other States of information sufficient to keep the recipient States fully informed on a timely basis with respect to the status of its efforts to accomplish all ratifications and adoptions and the prompt furnishing of written evidence of all such actions to the other States;

(vi) except as specifically provided under any applicable Host Government Agreement, secure the taking of all necessary measures to avoid delays and operational difficulties respecting the MEP Project including, in particular, the avoidance of administrative, regulatory or other similar procedural delays which might adversely affect the design, construction, ownership, operation, capacity expansion or extension (such as laterals), and maintenance of the Facilities and the Transportation System;

(vii) secure the authorisation and facilitation of the importing into and exporting or re-exporting from the Territory of Foreign Currency by those Persons involved in the MEP Project and confirmation of those Persons' right to utilise, without restriction by State Authorities, Foreign Currency accounts in the Territory and to exchange any such currency at current market rates;

(viii) except as specifically provided under any applicable Host Government Agreement, secure the right to freely move goods, materials, supplies, technology and personnel to and among the Facilities and in and between each of the Territories, including, without limitation, the right to import into or export or re-export from the Territory (free of all Taxes (including, without limitation, customs duties) and restrictions), all equipment, materials, machinery, tools, vehicles, spare parts, supplies, hydrocarbons (including fuel) and all other goods, works, services or technology necessary or appropriate for the MEP Project;

(ix) secure full cooperation in the conduct of negotiating and entering into

such other intergovernmental or multilateral agreements and treaties as may be appropriate between and among the States and other states, international institutions and authorities to authorise, enable and support the implementation of the MEP Project; and

(x) secure full cooperation and support for all financing efforts and activities by any Project Investor including, upon the request of any Project Investor, the confirmation in writing to any financial institution (including, without limitation, any multi-lateral lending agency or export credit agency) of any representation, warranty, guaranty, agreement or undertaking contained in any Project Agreement.

(5) Each State hereby represents and warrants that the terms and conditions of this Agreement and the undertakings hereunder are in conformity with its Constitution and that, upon the taking of the actions with respect to the ratification and/or adoption provided in this Agreement and any other applicable Project Agreement (to the extent therein required) will be effective as the prevailing legal regime of the State respecting the MEP Project under its domestic law.

(6) With respect to this Agreement, each State hereby represents and warrants that, as of its ratification and/or adoption as herein contemplated, the State is not a party to any domestic or international agreement or commitment or lawfully bound to observe or enforce any domestic law or regulation, or international agreement or treaty, that conflicts with, impairs or interferes with this Agreement or limits, abridges or adversely affects the State's ability to implement this Agreement or enter into and implement any other applicable Project Agreement.

(7) Except as otherwise expressly provided in the forms of applicable Host Government Agreement attached hereto pursuant to Section (2) of Article II and as of the date this Agreement enters into force, each State further represents and warrants that (I) the State's representation and warranty set forth in Section (6) of this Article II remains true and correct respecting the MEP Project and (II) the State is not party to any domestic or international agreement or commitment or, upon fulfillment of the obligations undertaken in Sections (1), (3) and 4(i) of this Article II, lawfully bound to observe or enforce any domestic law or regulation, or international agreement or treaty, that conflicts with, impairs or interferes with the implementation of the MEP Project or limits, abridges or adversely affects the value of the MEP Project, as set forth in the forms of applicable Host Government Agreement attached hereto pursuant to Section (2) of Article II, or any rights, privileges, exemptions, waivers, indemnifications or protections granted or arising under this Agreement or the other applicable Project Agreements.

(8) Each State hereby represents and warrants that (I) the MEP Project shall not involve the provision of services to the public at large in its Territory for purposes of satisfying the general or common needs of the populace, (II) the MEP Project is not intended or required to operate in the service of the public benefit or interest in its Territory, and (III) as such, no applicable Project Agreement shall be characterised or treated, in whole or in part, as a concession contract or a special administrative contract granting a concession.

(9) The provisions of this Agreement shall not limit, abridge, or in any manner affect the right of each State, without the consent or agreement of the others, to enter into any Other Project Agreements and/or to modify, amend, replace, extend or terminate any Project

Agreements, other than this Agreement, all as agreed with the applicable Project Investors.

Article III
SECURITY AND ACCESS

(1) Before and during the construction, installation and operation of any Facilities including, without limitation, later capacity expansions or extensions thereof (such as laterals), each State shall, if and when deemed necessary by Project Investors in connection with the MEP Project, search the area within its Territory where evaluative or construction work or operations is to be performed with respect to the Facilities for mines, unexploded ordnance or other explosive charges, traps or devices, and safely detonate and/or remove them.

(2) Each State shall ensure the safety and security of all personnel within its Territory associated with the MEP Project, the Facilities, all other assets of Project Investors within its Territory associated with the MEP Project, and all Petroleum in transit within its Territory with respect to the MEP Project; and, without limiting the foregoing, each State shall use the security forces of that State, and/or make provision for such security personnel and services, as may be necessary to satisfy this obligation, to ensure the safety and security of all personnel within its Territory associated with the MEP Project, the Facilities, all other assets of Project Investors within its Territory associated with the MEP Project, and all Petroleum in transit within its Territory with respect to the MEP Project. The extent of any liability arising under this Section (2) of Article III with respect to Georgia shall be reflected in the applicable Host Government Agreement.

(3) Subject only to the enforcement of applicable immigration, customs, criminal laws, and other relevant laws in effect in the Territory and as provided in the applicable Host Government Agreement and/or applicable Other Project Agreements, each State shall (i) ensure the right of access to and from its Territory and the Facilities related to the MEP Project by the applicable Project Investors and those employees, operating companies, contractors, Shippers, agents, representatives or other Persons seeking such access on behalf or with the consent of such Project Investors, and (ii) permit a right of free movement in its Territory for such Persons, their personal property and all assets of any such Persons relating to the MEP Project.

Article IV
TECHNICAL, SAFETY, AND ENVIRONMENTAL STANDARDS

Each State shall cooperate and coordinate with the others and the applicable Project Investors in the formulation and establishment of uniform technical, safety and environmental standards for the construction, operation, repair, replacement, capacity expansion or extension (such as laterals) and maintenance of the Facilities in accordance with international standards and practices within the Petroleum pipeline industry (which shall in no event be less stringent than those generally applied within member states of the European Union) and the requirements as set forth in the relevant Host Government Agreement, which shall apply notwithstanding any standards and practices set forth in the domestic law of the respective State.

Article V
TAXES

(1) Except as otherwise specifically provided under the applicable Host Government Agreement and without limiting the express terms thereof, no Project Investor, Shipper or Person who provides goods, works, technology or services with respect to all or any part of the MEP Project shall be subject to any Taxes arising from or related, directly or indirectly, to the MEP Project, the Facilities or Transportation System, all Petroleum which is transported through the Facilities or Transportation System or any related assets or MEP Project activities. Each Host Government Agreement shall set forth a legal framework for the imposition of Taxes and/or the granting of Tax exemptions or privileges, as well as for the imposition of and/or the granting of exemptions from Tax compliance and filing obligations, including specific terms and conditions of any such Taxes, exemptions, privileges and/or obligations.

(2) If any Tax is imposed in accordance with the applicable Host Government Agreement on the profit of a Project Investor for a calendar year with respect to the MEP Project, such Tax shall be limited to such Project Investor's profit which is attributable to the Project in the Territory for such calendar year. Any such Tax shall be as set forth in the applicable Host Government Agreement, consistent with the provisions of this Agreement. For purposes of computing such Taxes, (i) any revenues which are attributable to the overall activities of the Transportation System are to be allocated among the States in accordance with any reasonable allocation method which is selected by the Project Investor and applied consistently by the Project Investor from year to year, in a manner such that the aggregate amount of any such revenues reportable to the States for a calendar year is equal to the aggregate actual amount of such revenues of the Project Investor from the MEP Project for such calendar year, and (ii) any costs and expenses which are related to the entirety of the applicable Transportation System are to be allocated among the States in accordance with any reasonable allocation method which is selected by the Project Investor and applied consistently by the Project Investor from year to year, in a manner such that the aggregate amount of such costs and expenses reportable to the States for a calendar year is equal to the aggregate actual amount of such costs and expenses associated with the MEP Project for such calendar year. Any such allocation method selected by a Project Investor shall be based upon the relative length of the Transportation System located in the Territory of each of the States, the relative amount of capital expenditures or expected capital expenditures incurred or to be incurred with respect to the portion of the Transportation System located in the Territory of each of the States or any other method consistent with practices which are generally accepted in the international Petroleum transportation industry. Under each such Tax, each Project Investor with respect to the MEP Project shall be entitled to deductions which provide for the recovery (whether by expensing, amortising or depreciating) of all costs and expenses associated, directly or indirectly, with the MEP Project, wherever incurred, which are attributable to the revenues of the Project Investor upon which such Tax is imposed. For purposes of this Section (2) of Article V, costs and expenses shall include, without limitation, capital expenditures.

(3) Notwithstanding the foregoing, except as otherwise specifically provided under the applicable Host Government Agreement and without limiting the express terms thereof, no Taxes shall be imposed or withheld with respect to payments or deemed payments

to any entity organised outside the Territory by all or any of the Project Investors, Shippers or Persons who provide goods, works, technology or services (including, without limitation, credit, financing, insurance or other financial accommodations) with respect to all or any part of the MEP Project, or any branch or permanent establishment thereof, to the extent such payments or deemed payments are associated, directly or indirectly, with the MEP Project or any related assets or activities.

(4) The first sentence of Section (1) of this Article V and all of Section (3) of this Article V shall apply to the MEP Project only if the applicable Host Government Agreement contains provisions relating to Taxes.

Article VI

IMPLEMENTATION COMMISSION

(1) The States hereby establish a commission consisting of two (2) representatives from each State to oversee compliance with and facilitate the implementation of this Agreement. Within thirty (30) days after the date hereof each State shall designate in writing to the others its representatives to such commission, which representatives shall be fully authorised and empowered by the respective State to act on its behalf with regard to any matter properly brought before the commission in respect of the MEP Project. Each State shall similarly provide notice in writing to the Project Investors of its current representatives to the commission for the MEP Project within thirty (30) days after its entry into a Host Government Agreement. Each State may change its representative(s) effective upon delivery of written notice to the other States and to the Project Investors.

(2) The commission described herein shall meet at the written request of any State or the Project Investors and, in response to such a request, the States shall promptly consult each other and the pertinent Project Investors in order to provide prompt and effective assistance on the implementation of the MEP Project as well as to resolve in good faith any complications, issues, problems or disputes that may arise in connection with this Agreement, or to discuss any matter relating to the interpretation, application or enforcement of this Agreement.

(3) In addition to other matters which may be considered from time to time, the commission shall take all appropriate action to facilitate the following with respect to the MEP Project:

(i) in accordance with Section (3) of Article III, the unimpeded movement of goods, materials, supplies, technology and personnel to and among the Facilities and in and between each of the Territories including, in particular, instances where the periodic and recurring crossing of the international boundaries is involved in the MEP Project; and

(ii) in accordance with the relevant legislation of the particular State, the use by the Project Investors of exclusive and common radio and telecommunication frequencies in each Territory, the operation by the Project Investors of aircraft to fly over the Facilities and Transportation System during route evaluation, construction, installation, operation, capacity expansion or extension (such as laterals) and maintenance and other measures to facilitate and allow the uniform and efficient operation of the Transportation

System in, across, between and among the Territories of the States.

Article VII
FURTHER ACKNOWLEDGMENTS AND AGREEMENTS

(1) Each State acknowledges that it has received and reviewed copies of this Agreement and, upon execution of the Project Agreements referred to in Section (2) of Article II, represents and warrants that it finds those agreements acceptable for purposes of implementing the MEP Project and agrees to fulfill and perform all obligations and commitments imposed on it thereby.

(2) Each State acknowledges and agrees that title to all Petroleum transported through the Transportation System shall remain vested in the Project Investors and/or Shippers in accordance with their commercial agreements, from time to time, and except to the extent the State or any State Authority is acting in the role of a commercial participant in the MEP Project, the State shall not claim, nor allow others to claim on its behalf, title to or ownership of any Petroleum in the Transportation System.

(3) Each State (i) acknowledges, as of the date this Agreement enters into force, that the rights, grants, exemptions, waivers, indemnities and privileges as well as obligations, commitments and undertakings and other terms and provisions set forth in this Agreement and the other applicable Project Agreements are or may be inconsistent with, not contemplated by or provided for under, or require amendments to or exemptions from, existing law in such State and (ii) confirms its intention and the mutual interest of each State to have its law support, authorise and conform to all such terms and provisions and to have such terms and provisions prevail over any conflicting laws in order to facilitate the implementation and operation of the MEP Project in accordance with the applicable Project Agreements.

(4) Each State acknowledges that if a State takes any action, fails to take any action or suffers or permits the taking of any action or occurrence of an event which interrupts or otherwise impedes, or threatens to interrupt or impede, the MEP Project, including, without limitation, the flow of Petroleum through the Facilities or Transportation System, such State shall use all lawful and reasonable endeavours, taking into account democratic, economic and commercial principles, to eliminate the threat and rectify any interruption or impediment and promote restoration of all MEP Project activities at the earliest opportunity.

(5) Each State acknowledges, consents and agrees that, without limiting the duty of each State to use all lawful and reasonable endeavours to fully perform hereunder, any failure by or refusal by a State to fulfill or perform promptly all of its obligations, take all actions and grant all rights as provided in any applicable Project Agreement (other than this Agreement) shall constitute a breach for which any injured Project Investor or other Person permitted under any applicable Project Agreement (other than this Agreement) shall be entitled to such remedies, including, without limitation, prompt, adequate and effective compensation for any economically assessable damages sustained, inclusive of interest, as are set forth in any applicable Project Agreement (other than this Agreement).

Article VIII
EFFECT, INTERPRETATION AND DISPUTE RESOLUTION

(1) This Agreement shall enter into force upon the submission to the depositary referred to in Article IX of the last of the instruments of ratification by each State of this Agreement and shall be effective as of the date hereof with respect only to Section (1) of Article II. Upon the entry into force of this Agreement, all matters relating to Taxes shall become effective as of the date hereof. This Agreement shall terminate upon the termination or expiration of all Project Agreements and the conclusion of all activities thereunder in accordance with their terms.

(2) The States shall endeavour to settle disputes concerning the application or interpretation of this Agreement through the commission formed under Article VI or through diplomatic channels. If, in the sole discretion of a State, and regardless of the status of consultations undertaken by any commission or similar body established pursuant to this Agreement or through diplomatic efforts, a dispute has not been settled, that State may, upon written notice to the other State(s), submit the matter for final and binding resolution to an *ad hoc* tribunal under this Article VIII. Such an *ad hoc* tribunal shall be constituted and shall conduct proceedings in accordance with the dispute resolution provisions contained in Article 27(3) of the Energy Charter Treaty 1994, applying those dispute resolution provisions *mutatis mutandis* to this Agreement.

(3) Each State acknowledges, consents and agrees that any dispute between a State and a Project Investor related to the MEP Project under an applicable Project Agreement (other than this Agreement) shall be subject to private international arbitration in accordance with the provisions of such Project Agreement.

Article IX
DEPOSITARY

The Government of the Republic of Turkey shall serve as depositary under this Agreement and shall receive an original of this Agreement upon its execution by the States. Upon ratification and/or adoption of this Agreement by a State, such State shall promptly deposit with the depositary an instrument of ratification of this Agreement and the depositary shall promptly notify each of the other States of such deposit. The depositary also shall, promptly upon the deposit of the last of such instruments of ratification, notify each of the States of the date of entry into force of this Agreement. Following such entry into force, each State shall cause to be prepared a certified translation of the executed Agreement into its official language and shall deposit such translation with the depositary. Each State shall deposit with the depositary a copy of any Host Government Agreement or Other Project Agreement which it has executed as well as a copy of the ratified text of any such agreement and a certified translation of any such agreement into its official language. In respect of any amendments or modifications to any existing Project Agreement and/or any new Project Agreement to which a State or any of its State Authorities is a party, the State shall deposit with the depositary a copy of the ratified text of any such amended or new Project Agreement as well as a fully executed copy of such agreement and a certified translation of any such agreement into its official language.

Article X
ACCESSION

From the date this Agreement enters into force, this Agreement shall be open for accession by another state, if all States then party to this Agreement consent to the accession, by signature and ratification and/or adoption of appropriate documentation as may then be agreed among the parties to this Agreement and the acceding state, so that all obligations contained in this Agreement shall thereafter exist among all States party to this Agreement. No acceding state may make any reservations to this Agreement without the consent of all States then party to this Agreement.

Article XI
ENTIRE AGREEMENT

This Agreement supersedes and nullifies any prior protocol or other agreement or treaty between or among any of the States with respect to the transportation of Petroleum through the Transportation System to the extent such prior protocol, agreement or other treaty is inconsistent with this Agreement.

AGREED AND EXECUTED this 18th day of November, 1999 at Istanbul, Republic of Turkey in four (4) originals in the English language.

**FOR
THE AZERBAIJAN
REPUBLIC**

**FOR
GEORGIA**

**FOR
THE REPUBLIC
OF TURKEY**