

New Debate Rages On Azeri Pipeline

By a Staff Reporter

The debate over the selection of pipeline routes out of the oil-rich Caspian Sea has been thrown open by the discovery that an important Soviet-era pipeline, between Azerbaijan and Georgia, can't be refurbished and must be largely replaced.

"We now want to lay a bigger . . . pipeline," said Rafik Abdulayev, adviser to the president of the Azerbaijani state oil company, **Socar**. He said Socar is seeking throughput of as much as 600,000 barrels a day on the line, six times the previous target. The cost would be \$590 million, instead of the earlier estimate of \$315 million for refurbishing and completing the pipeline, he added.

The Azerbaijani push to lay a bigger line along the 864-kilometer route, which runs from Azerbaijan's capital of Baku to Supsa on the Georgian Black Sea coast, has triggered an argument in Baku about who will pay for the expansion. The route was initially intended as one of two interim, 100,000-barrel-a-day oil pipelines to tide Azerbaijan over until a bigger main export line eventually is built. The other interim line goes through Russia.

"My guess is that they'll build the (bigger) line and that the main export pipeline will go on (westward) through Turkey," said John H. Works, senior vice president for project finance at ABN-Amro Bank.

Key to the outcome will be the 12-company Azerbaijan International Operating Co., or AIOC, the pioneer of Azerbaijan's post-Soviet oil development. AIOC is committed only to paying the cost of upgrading the westward line to Georgia to the planned capacity of 100,000 barrels a day. The northern line through Russia is already in operation.