

# LAW OF GEORGIA

## ON LEGAL PRINCIPLES FOR THE CONSTRUCTION, OPERATION, MAINTENANCE, REPAIR AND EXPLOITATION OF CERTAIN OIL TRANSPORTATION FACILITIES IN THE TERRITORY OF GEORGIA AND FOR THE IMPORT, TRANSPORT, STORAGE AND EXPORT OF OIL THROUGH SUCH FACILITIES

The executive authorities of Georgia, the Government of the Republic of Azerbaijan, the Georgian International Oil Corporation and the oil companies specified in Article 1(2), have concluded several agreements with regard to the project (defined below) on the construction, operation, maintenance, repair and exploitation of certain oil transportation facilities and on the extraction, supply, import, pumping, storage, management, marketing, sale and export of oil through such facilities within, via or from the territory of Georgia ('the Project').

The Project envisages the implementation of all actions by legislative and executive bodies, which are required for the entry into force of the Intergovernmental Agreement, the Host Government Agreement and the Pipeline Construction and Operation Agreement ('the Project-related Agreements'), set out in Article 1 of this Law.

In accordance with Article 65(2)(e) of the Constitution of Georgia, in order to ensure the fulfilment of international obligations under the Intergovernmental Agreement, it shall be required to ratify the above agreements and to introduce amendments to the current legislation.

Therefore:

### Article 1

1. The Agreement between the Government of Georgia and the Government of the Republic of Azerbaijan of 8 March 1996 ('the Intergovernmental Agreement') relating to the development and refurbishment of certain existing pipeline facilities, and to the creation of new pipeline facilities and the transportation of oil via such facilities passing through the territory of Georgia, shall be ratified.

2. The Agreement of 8 March 1996 ('the Host Government Agreement'), concluded between the executive authorities of Georgia, on the one hand, and Amoco Caspian Sea Petroleum Limited; BP Exploration (Caspian Sea) Limited; Delta Nimir Khazar Limited; Den Norske Stats Oljeselskap A.S.; Exxon Azerbaijan Limited; JSC Lukoil; McDermott Azerbaijan Inc.; Pennzoil Caspian Corporation; Ramco Khazar Energy Ltd; the State Oil Company of the Azerbaijan Republic; Turkiye Petrolleri A.O. and Unocal Khazar Ltd, including their representatives, legal successors and authorised persons ('the Oil Companies'), on the other hand, shall be adopted and shall have the same effect as law.

3. The Agreement of 8 March 1996 ('the Pipeline Construction and Operation Agreement'), concluded between the Georgian International Oil Corporation and the Oil Companies shall be adopted and shall have the same effect as law.

3<sup>1</sup>. In the text of the Agreement (the Pipeline Construction and Operation Agreement), concluded between the Georgian International Oil Corporation and the Oil Companies, 'the Georgian International Oil Corporation' shall be replaced by 'the Georgian Oil and Gas Corporation Ltd'.

*Law of Georgia No 3579 of 24 October 2006 – LHG I, No 42, 10.11.2006, Art. 283*

### Article 2

1. Where the provisions of the Host Government Agreement and the Pipeline Construction and Operation Agreement contravene or do not comply with the Constitution of Georgia, the current international agreements of Georgia or the universally acknowledged principles and norms of international law, the Constitution of Georgia, the current international agreements of Georgia or the universally acknowledged principles and norms of international law shall prevail.

2. Where the provisions of the Host Government Agreement and the Pipeline Construction and Operation Agreement contravene or do not comply with the provisions of laws of Georgia, resolutions, orders and edicts of the executive authorities and other legislative acts that were in force during the adoption of this Law, the provisions of the Host Government Agreement and the Pipeline Construction and Operation Agreement shall prevail.

3. No law, resolution, order or edict of the executive authority or other legislative act or international agreement of Georgia, which was signed or adopted after the entry of this Law into force, may change or supersede this Law or any other provision of the Project-related Agreements, unless the relevant laws, resolutions, orders or edicts of the executive authority or other legislative acts or international agreements of Georgia contain an explicit reference thereto.

4. The Project-related Agreements shall be granted the same effect as law, and the legislative and executive authorities shall take appropriate measures to ensure the same.

### Article 3



1. All Ministries and all other authorities of the executive government, and state enterprises and legal persons, in which the largest portion of shares in equity belongs to the State, and all regional and local government bodies, where the supervision and control over the activity associated with the Host Government Agreement and the Pipeline Construction and Operation Agreement fall within their competence, are obliged to abide by the terms provided for under the Project-related Agreements.

2. All Ministries and other authorities of the executive government, and state enterprises and legal persons, in which the largest portion of shares in equity belongs to the State, and all regional and local government bodies shall, in accordance with the current laws and regulating acts of Georgia, grant licences, permits, certificates of customs privileges, visas and other powers, authorisations and other certificates, to the oil companies and operating companies defined by the Host Government Agreement and the Pipeline Construction and Operating Agreement, in order to enable them to enjoy the rights, powers, privileges, benefits and exemptions from liabilities which are transferred or granted to them under the Host Government Agreement and the Pipeline Construction and Operating Agreement.

#### **Article 4**

The given article of this Law shall clarify some of the following matters:

a. every procedure of the customs and immigration legislation of Georgia shall be complied with in the exercise of the unconditional right related to the movement into and out of Georgia of all personnel, and all transportation means, facilities, equipment and other property, in relation to the implementation of the Project as set forth in Article 4 of the Intergovernmental Agreement.

b. any transfer of rights, exemptions from liabilities and of the rights to gain benefits by the Oil Companies, as provided for by the Host Government Agreement, may be implemented only where the transferee assumes appropriate responsibilities as prescribed by the same Agreement.

c. the amendments which, after the adoption of this Law, are to be introduced to the tax legislation of Georgia and to the Law of Georgia on the State Budget of 1996, to ensure the consistency of the provisions of the Host Government Agreement with the Laws stated above, shall be effective upon the entry into force of the Law of Georgia On Legal Principles for the Construction, Operation, Maintenance, Repair and Exploitation of Certain Oil Transportation Facilities in the Territory of Georgia and for the Import, Transport, Storage and Export of Oil through Such Facilities.

#### **Article 5**

This Law shall enter into force upon its promulgation.

**President of Georgia**

**Eduard Shevardnadze**

**Tbilisi**

**2 April 1996**

**No 182-III**

