

SOCAR Aegean Refinery Turkey

Sectors: Coal Electric Power Generation, Oil and Gas Extraction

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Status

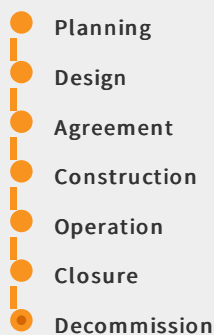


Sectors

Coal Electric Power Generation, Oil and Gas Extraction

Location

Status



Website

<http://new.socar.az/socar/en/new-projects/menu/aegean-refinery>

About SOCAR Aegean Refinery

SOCAR Turkey Enerji plans the construction of a coal thermal power plant co-fired with petro-coke from the refinery, which it intends also to supply with electricity. While the coal plant is essentially an integral part of the refinery project, the environmental and social impact assessments have been separated, and the coal plant has been excluded from the due diligence on the refinery project. The coal plant will have two phases to construct a facility with a total capacity of 1,335 MW. Two separate EIAs have been done so far. These EIAs were contested by local opposition, and consultation meetings about the EIAs were cancelled due to protests. The approval of the EIA for phase one has been challenged in court, and the approval of the EIA for phase two is pending.

The owner and operator of the Aegean Refinery is STAR Rafineri A.S., a joint stock company incorporated under the laws of Turkey. The joint venture is now 81.5% owned by [SOCAR TURKEY Enerji A.S.](#), 100% subsidiary Azerbaijan's oil company, and 18.5% owned by TURCAS Rafineri Yatirimlari A.S., 99.6% subsidiary of Turcas Petrol A.S..

The proposed location of the refinery and the coal plant interferes with a geothermal resource and with plans to develop a 50 MW geothermal-solar hybrid power plant. [Buhar Enerji](#) holds a 30-year operating license for a geothermal project on the site of the planned greenfield refinery, which was issued a year prior to the license for the refinery project, resulting in ongoing legal disputes.

Latest developments

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Oct 31 2016

SOCAR refinery financed at US\$3.29bn, largest project finance deal to date in Turkey

Jan 14 2015

What must happen

- Banks should not finance this project.
- The Turkish government should withhold permit until court cases with Buhar Enerji and the EIA court cases have been resolved.
- The Turkish government should regulate and enforce the cumulative environmental impact assessment for highly industrialized and polluted areas, such as Aliaga.

Impacts

Social and human rights impacts

Buhar Enerji has managed to get a court investigation underway that notes that excavation works of the refinery are continuing in the absence of a legal construction permit and proper health conditions for workers. They move so fast that some workers unfortunately lost their lives in this unregulated excavation works.

Environmental and climate impacts

As designed now, the refinery and coal power plant would restrict access to a valuable geothermal energy resource. The geothermal reservoir is owned by the Turkish state and Buhar Enerji has been granted a 30-year operating license at least one year prior to that for the refinery. The EIA makes no reference to the geothermal reservoir and no stakeholder consultations have been held on this topic.

There are approximately 3,000 businesses in the Aliaga region, 100 of these are big polluters, representative for industrial sectors such as petro-chemistry, steel and iron production, fertilizer, cement and pulp factories, fuel storage etcetera. The local industry generates 25% of Turkey's dangerous waste, according to local environmental group Aliaga Environmental Platform. However, none of the new facilities have conducted a cumulative assessment when preparing the EIA.

Other impacts

In 2010 Socar sued Buhar Enerji to have its 30-year geothermal power operating license canceled so it would not pose any obstructions for their refinery plans at the same location. Their oil refinery license was subsequently given 13 months after. They lost that case, just like a large number of other cases. However, none of these decisions have stopped the excavation works they are doing for their refinery. They are simply moving ahead in an attempt to reach a point of no return for the project.

In February 2014 the Turkish government passed a law to resolve the four-year-long legal dispute between Socar and Buhar Enerji in Socar's favor. The legislation, called the Socar law by Turkish media, gives a panel of three government ministers the right to cancel geothermal licenses that clash with infrastructure or energy projects "in consideration of the public good and the needs of the economy."

Governance

Applicable norms and standards

Equator Principles

Updates

Historic win for frontline communities: plans for coal power project in Turkey shelved

Oct 31 2016

Fossil fuel giant Socar abandoned its coal power project in Aliağa, İzmir. Communities in Aliağa, Turkey, who have been resisting the construction of coal power plants in the region for decades, have achieved a significant victory. Azerbaijan's state-owned energy company Socar, has decided to shelve plans to construct an integrated 672 MW coal power plant in Aliağa, İzmir ([source Bankwatch](#)).

SOCAR refinery financed at US\$3.29bn, largest project finance deal to date in Turkey

Jan 14 2015

The State Oil Company of the Azerbaijan Republic (SOCAR) and the Ministry of Economy and Industry of the Republic of Azerbaijan have raised USD 3.29 billion in debt financing for its STAR refinery project. Seven export credit agencies and 16 commercial banks were involved in what so far has been the largest project financing deal ever done in Turkey. The facilities were split between ECA direct lending and ECA-covered loans from the commercial banks. Tenor was 18 years for the USD 2.69 billion of ECA direct and covered loans, and 15 years for the USD 600 million uncovered commercial loans ([Source tfreview](#)).

Financiers

For more details including total bank participant list with roles, see [TFR](#). The State Oil Company of the Azerbaijan Republic (SOCR) and the Ministry of Economy and Industry of the Republic of Azerbaijan have raised USD 3.29 billion in debt financing for its STAR refinery project. Seven export credit agencies participated in the deal. A total of sixteen commercial banks were also involved in what so far has been the largest project financing deal ever done in Turkey. The facilities were split between ECA direct lending and ECA-covered loans from the commercial banks. Tenor was 18 years for the USD \$2.69 billion of ECA direct and covered loans, and 15 years for the USD \$600 million uncovered commercial loans.

World Bank IFC and EBRD [pulled out from the project](#) in March 2014.

Related companies

SOCAR Azerbaijan

Subsidiary SOCAR TURKEY Enerji A.S, holds 81.5% of the shares of Aegean Refinery STAR Rafineri A.S. ("STAR").

Turkas Petrol Turkey

Holds 18.5% of the shares of Aegean Refinery STAR Rafineri A.S.("STAR").