



Azerbaijan & New Energy Resources

By

Elshan Baloghlanov
Vice consul

**Consulate General of the Republic of
Azerbaijan
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www.azconsulatela.org



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History of Azerbaijan's Oil



- First industrial oil production in Azerbaijan started in 1847, 11 years prior to oil discovery in Pennsylvania, USA
- A number of the world's richest dynasties, including Rockefellers, Rothschilds and Nobels expanded their capitals in Azerbaijan.
- The Nobel Brothers Petroleum Company was an oil-producing company founded by Robert and Ludvig Nobel in Baku in 1876.
- 12% of Nobel Peace Prize money was drawn from the Nobel Brothers' Petroleum Company in Baku
- During the first year of the 20th century, in 1901 Azerbaijan produced half of the world production of oil.
- Hundred years later, in 2001 Azerbaijan's share was 0,44% vs. 0,8% in 2006 and about 1% in 2009 vs. Iran-5,4%, US-8%, Russia-12,3%, Saudi Arabia-13,1% (BP SR 2007)
- During the World War II, Azerbaijan contributed to Allies victory by producing most of the Soviet Union's oil



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Azerbaijan's Oil & Gas: Now and Future



- Azerbaijan plans to produce about 50 million tons of oil in 2009 compared to 44.5 million tons in 2008.
- Azerbaijan's oil production can reach 60 million tons and gas production 35-40 billion cubic meters per year by 2015
- Commercial talks are underway on production of deep-lying gas in Azer-Chirag-Gunashli. 400 billion cubic meters of gas are estimated at gas reserves.
- Since November 2007 Azerbaijani gas from Shah Deniz field reached EU through the South Caucasus Pipeline and Turkey-Greece Interconnector
- Since 2007 Azerbaijan became not only oil but gas export country. About 700 mcm of gas were exported via Baku-Tbilisi-Erzurum to Georgia from 2007 to May 1,2009 and 7,5 billion to Turkey
- More than 500 tankers with Azeri Light sailed away from Mediterranean Port of Ceyhan in Turkey



Chirag platform

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Global & European Energy: Key Facts and Challenges



- World oil demand is expected to increase from 85 mln bbl/d to 116 mln by 2030 (IEA)
- EU total oil consumption is around 15 mln bbl/d
- World gas demand will increase from 3,2 TCM in 2010 to 3,6 TCM in 2020
- Sharp reduction of European energy production amid growing import dependence
- EU Gas Demand: 2007 – 546 BCM vs. 694 BCM in 2030
 - - Import dependence: 58% in 2005 vs. 62% in 2010 vs. 80% in 2030
 - - Role of Russian gas: 26% in 2007 vs. 29% in 2020 vs. 32% in 2030
- EU imports almost 45% of oil from the Middle East and 40% of gas comes from Russia
- Maximization of energy efficiency, development of renewable sources of energy, and diversification of energy supplies and supply routes are key responses to manage these risks

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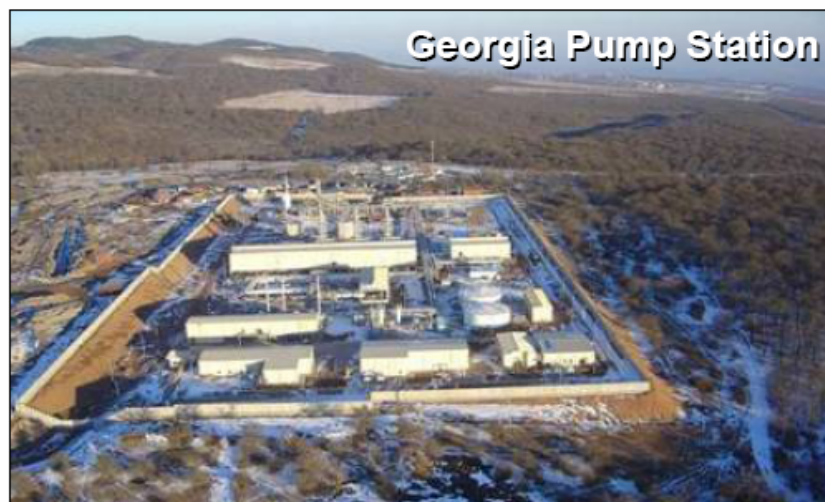
Baku-Tbilisi-Ceyhan (BTC)



RoW Reinstatement



Georgia Pump Station



The British Hawthorn tanker with first BTC cargo departing Ceyhan on 04 June 2006



The official inauguration of BTC



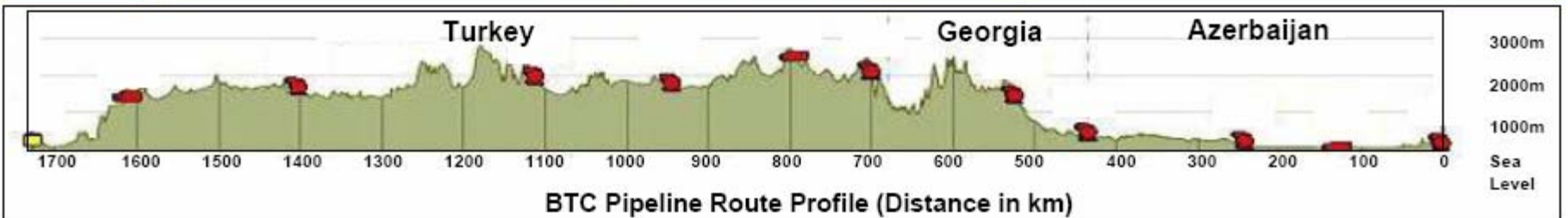
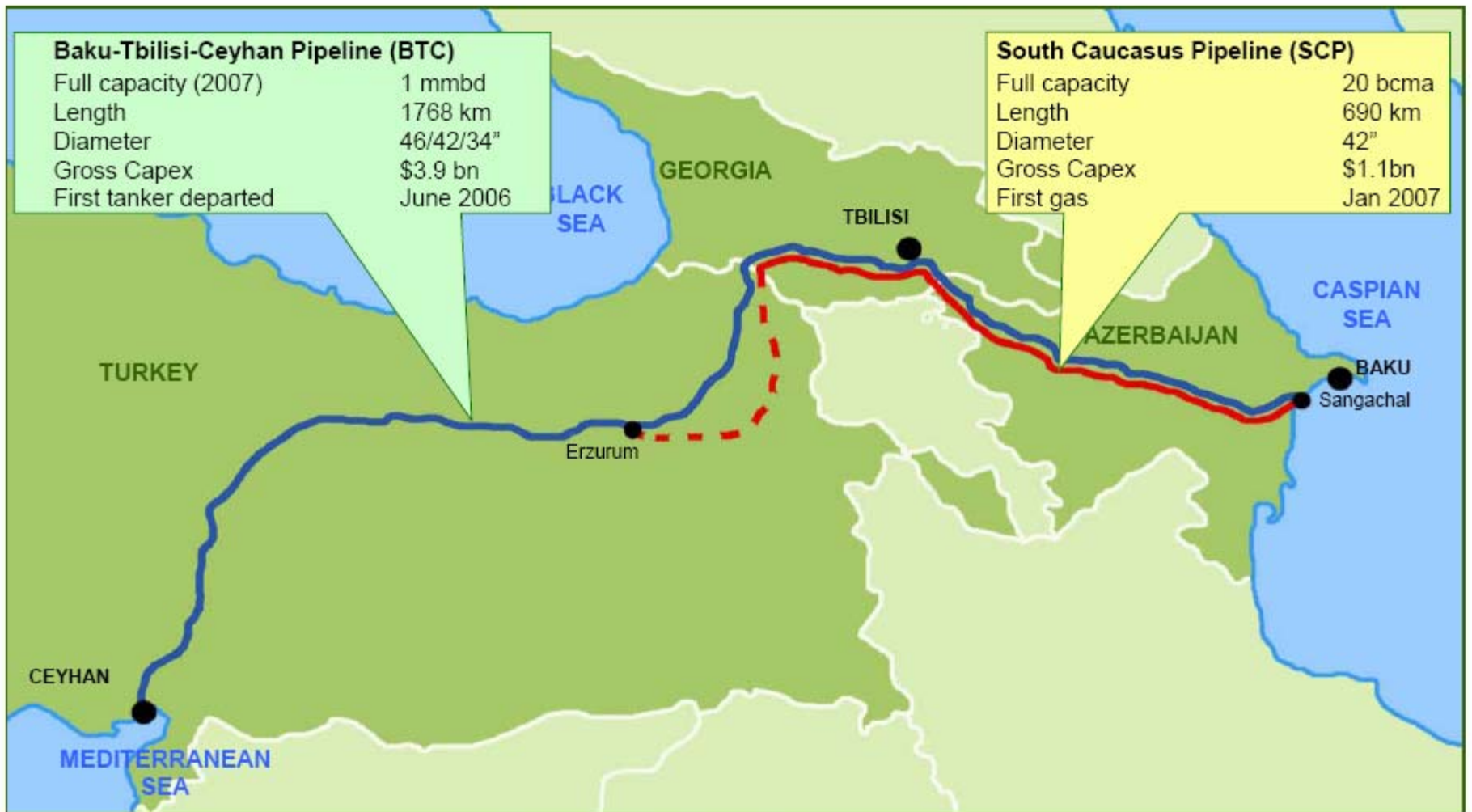
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Role of Caspian Region in Energy Security



- Caspian region currently holds one of the world's largest oil and gas reserves; Proved hydrocarbon reserves of Azerbaijan, Kazakhstan and Turkmenistan transform them into serious alternatives for the traditional energy supply centers:
- Azerbaijan – 2.0 BT of Crude and 2.5 Tcm of Gas (Source - SOCAR)
- Kazakhstan – 5.5 BT of Crude and 3 Tcm of Gas (BP SR 2007)
- Turkmenistan – 0.1 BT of Crude and 2.86 Tcm of Gas (BP SR 2007) but likely much higher
- BTC and SCP represent crucial elements of the East West Energy Corridor

- Completion of BTC and SCP transportation systems marked new stage in the diversification of energy supplies and transportation channels and reduction of US and European dependence on the Middle East and the other supplies
- Azerbaijan acquires status of key exporting and transit country and aspires to ambitious but realistic mission of contributing to European energy security



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Baku-Tbilisi-Ceyhan (BTC) & South Caucasus Pipeline (SCP)



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Transit Strategy and Principles



- Development of as many transportation options along as many directions as possible to meet growing world oil and gas demand
- Diversification of transportation options without blocking transit of a competing flow of hydrocarbons
- Rapidly growing interest of the neighboring markets for additional gas volumes urges the transit countries to provide an immediate adequate response to newly emerging challenges in order to keep up with the increased competition for gas.
- Freedom of transit and non-discrimination
- Direct link between producer country and end consumer markets
- Transparent, reliable, unimpeded, and secure access for Azerbaijan and potentially for the other Caspian oil and gas producers to transportation routes to Europe on long-term transparent market-based and politics-free tariffs

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Exploring Gas Opportunities



- Delivery of gas originated in Azerbaijan and in the Caspian to Europe – important factor contributing to the stability of the European gas market
- The South Caucasus Pipeline (SCP), running from the Sangachal terminal near Baku to the Georgian-Turkish border - a key element in the gas exports system from the Caspian, which should be accompanied by the development of transportation systems through neighboring countries to the EU markets.
 - ITGI Project (2011, 210 km Poseidon subsea section, 8-11 bcma)
 - Nabucco Natural Gas Pipeline Project (2012-13, 3400 km, 25-31 bcma)
 - Transadriatic Pipeline – TAP (2011, 520 km, 10-20 bcma)
 - Trans-Black-Sea pipelines, e.g. GUEU Gas Pipeline Project–White Stream (1150 km, 850 subsea, 8-32 bcm)
- Opening of a new gas supply corridor to Europe will contribute to enhanced competition in the EU internal gas market.
- Azerbaijan and its partners are prepared to commence commercial talks with potential buyers, transportation systems operators and transit countries on prices, terms and tariffs for the gas export to Europe
- Basic factor for the decision - commercial terms of the transportation systems operators and tariff strategy of the transit countries

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Strengthening Global Energy Security



- Concerns for the energy security will dominate the hydrocarbon market dynamics in the next few decades
- New Players from the Caspian region shift energy market dynamics
- Global concern about the reliability of energy supply has driven heightened interest in Azerbaijan's and the other Caspian producers' oil and gas reserves
- Challenge is to rump-up the deliveries of oil and gas and establish new transportation corridors up to end consumers in Europe
- Growing Oil and Gas demand allows peaceful coexistence of a diversified grid of transportation routes
- Unified strategy of the Caspian and Central Asian states will drive regional energy security, contribute to Global energy security, help to advance market reforms and stability in the region

Business Opportunities in Azerbaijan



Framework for Doing Business in Azerbaijan:

- WTO accession process;
- No limitations for FDI;
- Liberalization trend in Azerbaijan is ongoing; Decree on single window concept in:
 - i) the registration of legal entities and sole proprietorships;
 - ii) immigration reforms, in particular one stop-shop for immigration visas, work permits for aliens
- The fastest growing economy in the region/world;
- Establishment of Special Economic Zones and technological parks;

Doing Business in Azerbaijan

Azerbaijan as top 10 reformer in Doing business 2009



The top 10 reformers in 2007/08

Economy	Starting a business	Dealing with construction permits	Employing workers	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Closing a business
Azerbaijan	✓		✓	✓	✓	✓	✓		✓	
Albania	✓				✓	✓	✓			
Kyrgyz Republic	✓	✓				✓				
Belarus	✓	✓		✓	✓		✓	✓		
Senegal	✓			✓				✓		
Burkina Faso		✓	✓	✓			✓			
Botswana	✓					✓		✓		
Colombia	✓	✓					✓	✓		✓
Dominican Republic	✓			✓			✓	✓		
Egypt	✓	✓		✓	✓	✓		✓		

Note: Economies are ranked on the number and impact of reforms. First, *Doing Business* selects the economies that implemented reforms making it easier to do business in 3 or more of the *Doing Business* topics. Second, it ranks these economies on the increase in rank on the ease of doing business from the previous year. The larger the improvement, the higher the ranking as a reformer.

Source: *Doing Business* database.

Doing Business in Azerbaijan

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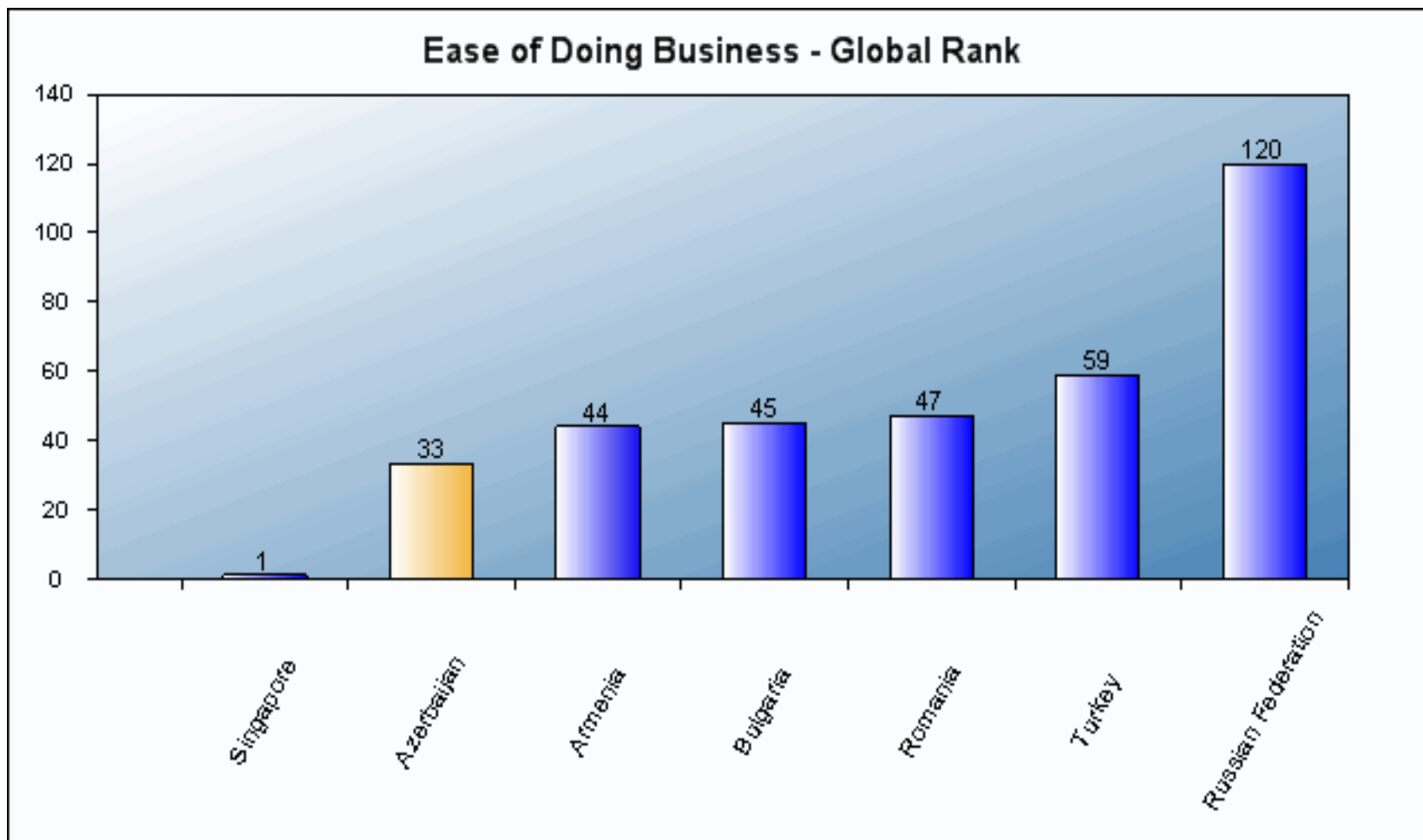
- **Doing Business 2009**
 - **Ease of Doing Business 33**
 - **Starting a Business 13**
 - **Dealing with Construction Permits 155**
 - **Employing Workers 15**
 - **Registering Property 9**
 - **Getting Credit 12**
 - **Protecting Investors 18**
 - **Paying Taxes 102**
 - **Trading Across Borders 174**
 - **Enforcing Contracts 26**
 - **Closing a Business 81**
- **Doing Business 2008**
 - **Ease of Doing Business 96**
 - **Starting a Business 64**
 - **Dealing with Construction Permits 159**
 - **Employing Workers 80**
 - **Registering Property 56**
 - **Getting Credit 26**
 - **Protecting Investors 107**
 - **Paying Taxes 141**
 - **Trading Across Borders 173**
 - **Enforcing Contracts 30**
 - **Closing a Business 75**

Doing Business in Azerbaijan

Azerbaijan as top 10 reformer in Doing business 2009



Azerbaijan is ranked 33 out of 181 economies in the Ease of Doing Business.



Doing Business in Azerbaijan

Reasons to Invest in Azerbaijan



Reasons to Invest in Azerbaijan, according to PricewaterhouseCoopers (PWC):

- Azerbaijan has substantial hydrocarbon resources;
- Azerbaijan is centrally located at the crossroads to the East and West along the transport corridor;
- With the EU Partnership and Cooperation Agreement it has most favored nation status for trade in goods;
- A fertile climate with nine of the existing eleven climatic zones gives it significant agricultural potential;
- Azerbaijan's workforce is highly educated and inexpensive

Doing Business in Azerbaijan

How the Consulate General of Azerbaijan may assist You?



- Company incorporation, types and forms of legal entities;
- Advice on regulations in force on Legal, Labor and Immigration Issues;
- Assistance in the organization of business visits to Azerbaijan;
- Business networking and matchmaking

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THANK YOU!

Elshan Baloghlanov, Vice Consul
Consulate General of the Republic of Azerbaijan
11766 Wilshire Blvd, STE 1410
Los Angeles, California 90025
Tel: 310.444.9101 x. 3
consul@azconsulatela.org
www.azconsulatela.org

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