

# **Economic Bulletin**

## **June 2010**

### **Azerbaijan hosted 17th Caspian Oil and Gas Exhibition**

17<sup>th</sup> Caspian Oil & Gas Exhibition was held in Baku on 1-4 June 2010. Ilham Aliyev, President of the Republic of Azerbaijan honoured the exhibition where he delivered his opening speech. President stressed the importance of the Caspian Oil & Gas Exhibition and Conference, saying: "It is very remarkable that the exhibition's opening for the first time in 1994 coincided with the launch of Azerbaijan's oil strategy." He praised the country's cooperation with the world's leading oil companies and highlighted its export potential.

International conference "European geopolitics of energy and the role of Azerbaijan" was hosted by Baku in the framework of the exhibition. The event was opened by ITE Group PLC senior advisor Andrew Wood. Azerbaijan's Minister of Industry and Energy Natig Aliyev stressed the importance of the conference, expressed hope it would be "a success". He highlighted Azerbaijan's economic progress, saying "it had continued growing despite global economic and financial crisis". Minister pointed out that Azerbaijan will export 7.8 billion cubic meter of gas through different routes this year. He said the country's gas production this year will make an estimated 8 billion cubic meters.

Natig Aliyev also talked of Azerbaijan's contribution to Europe's energy security. Special Envoy of the United States Secretary of State for Eurasian Energy Richard Morningstar said the United States supported developing new oil and gas fields. The Special Envoy noted his country backed ensuring Europe's energy security, saying the United States enjoy the "biggest" bilateral trade and investment relationship with Europe. Morningstar expressed the United States' interest in preserving the level of relationship. He pointed out that the US supports diversification of energy exports of the Caucasian and Central Asian countries, adding "we are ready to help them in finding new markets".

### **Azerbaijan approaches EU borders.**

On June 7 2010 Azerbaijan and Turkey signed memorandum of understanding (MoU) on natural gas supplies from Azerbaijan's Shah Deniz field in the Caspian Sea. President of Azerbaijan Ilham Aliyev and Prime Minister of Turkey Recep Tayyip Erdogan oversaw the signing of the deals in Istanbul between the two countries' energy ministers, as well as oil-gas companies SOCAR (Azerbaijan) and BOTAS (Turkey).

Covering the price and quantity of natural gas from the Shah Deniz II project to be sold to Turkey as well as terms of its transportation to European markets via Turkish

territory, the long-awaited deals are expected to make a significant contribution to the energy security of Europe in the foreseeable future.

Speaking to journalists, Turkey's Minister of Energy and Natural Resources Taner Yildiz said that "Azerbaijani gas is a very important source in meeting the needs of Turkey and European countries in the coming period in terms of energy security." "The agreement will pave the way for securing supplies to the European Union's flagship Nabucco gas pipeline project", he added. Minister of Industry and Energy of Azerbaijan Natig Aliyev described the accords as "historic."

### **Bidding to be held on Kazakhstan's oil supplies by sea via Azerbaijan**

State Oil Company of Azerbaijan Republic (SOCAR) of Azerbaijan and Kazmunaygaz of Kazakhstan announced a tender to prepare the feasibility report on Kazakhstan's oil supplies across the Caspian Sea to Azerbaijan. The oil will be supplied by tankers from Kuryk to Baku and then exported through the South Caucasus Transport Corridor. The oil extracted from Kazakhstan's Tengiz and Kashagan fields will be received at the Garadagh terminal currently built by Cross Caspian.

Azerbaijan and Kazakhstan agreed about the project in June 2007. The project is to be implemented during 2013-2014. The volume will be 23 million tons per annum initially, but it will be raised up to 56 million tons later. The oil will be exported by pipeline to the coastal terminals in Georgia or Turkey or by railway to the Georgian terminals.

### **Azerbaijan's state oil company signs new PSA**

Rovnag Abdullayev, President of SOCAR and Lofer Taushki, Manager of Germany's UGE-Lanser Ltd signed a Production Sharing Contract for rehabilitation of onshore oilfields Balakhani-Sabunchu-Ramana and Kurdakhani. Contract was signed for 25-year term with the right of its prolongation in case of success by 5 years more, said SOCAR President in his speech in the signing ceremony.

"UGE-Lanser Ltd (operator) will get a 75% equity stake in the project and SOCAR's subsidiary 25%. The operator will undertake all SOCAR's financial commitments on the contract," Abdullayev said. UGE-Lanser present its program of action 90 days after the contract is put into force. "The program will specify volumes of investments, but according to our experience I can suppose that they will total hundreds of millions of dollars," he mentioned. The operator will pay a \$2 million bonus after the launch of the contract realization and another \$2 million after production exceeds the 2009 level 1.5-fold.

SOCAR President also added that the profit will be distributed on the standard basis of R-factor. "We will begin from SOCAR's stake of 55%, to grow up to 92.5% after recoument of operator's investments," Abdullayev said.

## **"ITGI is most competitive project for Azerbaijani gas supply to Europe"**

The ITGI (pipeline Turkey-Greece-Italy) project is the most competitive project for the Azerbaijani gas supply to Europe, Elio Ruggeri, head of the International Gas Infrastructure in the Italian Company Edison said at the 17th International Caspian Oil and Gas conference. He said the ITGI project ready to join the Azerbaijani gas to the European market.

"We are ready to buy Azerbaijani gas, which can be offered us by the country, and are ready to supply it to the European market", Ruggeri said.

According to him, gas amounts are needed to implement the South Corridor project. He said Azerbaijan is the only potential supplier of gas to Europe. Ruggeri stressed that "there are other countries with great resources. However, they need time to supply gas".

Regarding the ITGI project Ruggeri said that it is the best way to ensure the diversification of gas supplies to European markets. According to him, the ITGI project by 2015 will be ready for launch. In this regard, the project will not delay gas supply from the Shah-Deniz field, he said.

"We do all the works to put the project into operation in 2015," Ruggeri added. According to him, the works within the ITGI will be slowed if the project in the second stage of the development of the Shah Deniz field is commissioned in 2016.

## **Azerbaijan to join India-Turkey-CIS business forum in Istanbul**

The India-Turkey-CIS business forum will be held in Istanbul on August 24-25, according to the National Confederation of Entrepreneurs (Employers) Organizations.

The event will focus on CIS countries including Azerbaijan. Discussions will revolve around establishment of network among over 300 potential investors, financial organizations, investment promotion agencies as well as investment opportunities.

## **Second workshop on Azerbaijan's WTO membership held in country's region**

Workshop on "Azerbaijan's membership to the World Trade Organization and the private sector under a program for supporting trade and investment innovations in Azerbaijan" held in Mingachevir city of Azerbaijan with the support of the Ministry of Economic Development of Azerbaijan and the US Agency for International Development (USAID).

The event was attended by representatives of the Ministry of Economic Development, the regional offices of the relevant state bodies, USAID, as well as entrepreneurs. Head of the Department on Foreign Trade Policy and WTO under the Ministry of Economic Development Bakhtiar Alishev informed about Azerbaijan's membership to the WTO

and the works undertaken to coordinate national legislation with the WTO requirements.

While speaking at the event, the representative of the program for supporting trade and investment innovations in Azerbaijan and experts informed the participants about the possible impact on Azerbaijan's membership in the WTO and support for entrepreneurs in this direction.

### **Azerbaijan's GDP reaches new heights**

Azerbaijan's Gross Domestic Product has reached AZN 16.5 billion or \$20,265 billion in the first five months of the current year, which is 4.3 percent more than the same period of the last year, State Statistical Committee of the Republic of Azerbaijan reports. The GDP per capita made nearly AZN 1,159 (\$2,319), according to the official figures.

GDP in the oil and gas sector increased for 3.5-percent, while growth of 4.9 percent belongs to non-oil sector.

### **World Bank and IMF confirm Azerbaijan escapes impact of global crisis**

Johns Hopkins University's Central-Asia and Caucasus Institute hosted a conference under the topic "Impact of the global financial crisis on the Central Asian and Caucasus countries." The conference was attended by leading specialists of the International Monetary Fund and World Bank, US economic analysts, representatives of the diplomatic corps.

Reporters touched the impact of the global financial crisis on the economic and financial sectors of 8 Central Asia and Caucasus countries. They said Azerbaijan suffered the least from the global economic crisis. According to the specialists, the economic growth rates in Azerbaijan were high in 2007-2008. The World Bank's doing business program recognized Azerbaijan as a top reformer in 2008.

### **"Azerbaijan-Georgia-Turkey line is the most important among EU-backed gas routes"**

The Azerbaijan-Georgia-Turkey line tops the list of the EU-backed important gas route, said Turkish Minister of Energy and Natural Resources Taner Yildiz in his address to the Saint Petersburg international economic forum "Global energy: future of natural gas market". According to Yildiz, this route proved its worth with Baku-Tbilisi-Erzurum pipeline and will become more important with transportation of Turkmenistan gas.

To keep its leading positions on the energy export, Yildiz pointed out that Russia must reconstruct its infrastructure, develop strategic cooperation, attract more foreign investments to its energy market and be more careful with respect to free competition

in the European market. In any case, Russia will remain an important stakeholder in the energy market.

### **Azerbaijan, SECO sign agreement to improve IDPs' capacity**

Azerbaijani government and the State Secretariat for Economic Affairs of Switzerland (SECO) signed an agreement on implementation of the project to enhance the capacity of IDPs, who reside in new settlements in the Agdam region of Azerbaijan. The project cost is \$1.75 million, of which \$1,495 million to be covered by the Swiss government and 255,000 by the Azerbaijani government. The main purpose of the joint project is to keep the revenue base of IDPs.

In this context, one important element is the provision of consulting and marketing services for local farmers. The project will be implemented in 22 new settlements and the villages of the Agdam region and will cover 22,000 people.

### **268-th Session of the IDB Board of Executive Directors and 35-th Annual Meeting of IDB Board of Governors held in Baku**

268-th Session of the Islamic Development Bank Board of Executive Directors was held in Baku on 19-20 June, 2010 under the chairmanship of the IDB President Ahmad Mohamed Ali. The agenda included issues such as strategic partnership between the new IDB member-countries, and in particular, the cooperation agreement recently signed with Turkey. Moreover, the session's agenda included discussion of issues such as progress in implementing the reform program of the IDB Group, the implementation of the Jeddah Declaration, adopted in 2008, on the results of the 33-rd annual meeting of the IDB Board of Governors held in Jeddah. Matters related to the organization of the 35-th Annual Meeting of IDB Board of Governors were discussed during the session as well.

35-th Annual Meeting of IDB Board of Governors held in Baku on June 23-24, 2010. Ministers of finance, economics and planning of the 56 member countries, as well as representatives of the Islamic Corporation on Private Sector Development, participated in the meeting. In the framework of the meeting conference under the topic "Business and investment opportunities in Azerbaijan and other CIS countries" was organized where more than 300 local and foreign companies from the different spheres of the economy like information technologies, tourism, agriculture, finance and banking, healthcare, logistics, industry, construction, energy etc. took part.