



NEWSLETTER

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"Contract of Century" Returns Former Oil Glory to Azerbaijan

Azerbaijan has always been among the world leading oil and gas producing countries for over one and a half century-long history of world hydrocarbon production. Drilling the world's first well in the Bibiheybat field in 1846 and creating the Oil Rocks in the Caspian Sea are the Azerbaijani oil workers' significant achievements. However, signing of production sharing agreement (PSA) on the Azeri-Chirag-Guneshli fields on September 20, 1994, which is rightfully called the "Contract of the Century", can be considered the peak of achievements in the Azerbaijani oil industry. This year, Azerbaijan celebrated the 15th anniversary of the "Contract of the Century" on September 20. The sides to the production sharing agreement on the Azeri-Chirag-Gunashli fields are BP, ChevronTexaco, SOCAR (State Oil Company of Azerbaijan), INPEX, Statoil Hydro, ExxonMobil, TPAO, Itochu and). Required investments totals \$20 billion and the agreement covers 30 years. Currently, the Azeri-Chirag-Guneshli field occupies the third place among the world's 20 largest oil fields, according to rating of the American Consulting Association IHS CERA (Cambridge Energy Research Associates). Currently, the daily oil production from the ACG field exceeds 900,000 barrels. The "Contract of the Century" has laid a particular foundation for the development of various sectors of Azerbaijani economy, guaranteed stability of economy and the implementation of major projects in various areas, including transportation, agriculture, industry, education, social and etc. The revenues obtained from oil and gas projects in Azerbaijan are accumulated in the State Oil Fund. These funds are intended for future generations, as well as for use in important infrastructure and social projects. The president Ilham Aliyev addressing the opening ceremony, said that Azerbaijan is developing at an accelerated pace and currency reserves of the country are more than 18 billion dollars: "Over the last five

years, the state budget of Azerbaijan has increased by ten times, GDP increased by 2.6 times in 2003 – 2008, nearly 800 thousand job places have been opened and poverty rate dropped from 49% to 13%" he said.

Baku is Hosting the Gas Infrastructure World Caspian-2009 International Conference

The conference held on September 15-16 brought together more than 150 delegates from various countries, including government representatives and business executives. The event was attended by Rovnag Abdullayev the President of SOCAR, Georgian energy minister, Kazakh deputy minister of energy and mineral resources, EU Energy Commissioner Andris Piebalgs, officials from Bulgargaz, OMV, RWE, BG Group, TAP, Iranian and Turkmen national oil companies etc. Mr. Abdullayev said at the opening ceremony that \$37 billion was invested in the country's oil sector through 26 international PSA contracts signed in 1994-2000. He also added that Azerbaijan's gas output is projected to reach 35-40 billion cubic meters in 2020 compared to 27 billion cubic meters this year. Abdullayev said the talks are also held underway as part of the project to develop deep-lying gas in the Azeri-Chirag-Gunashli fields. According to him, Azerbaijan is considering and studying all lucrative projects, including the Nabucco gas pipeline project, TGI (Turkey-Greece-Italy pipeline), TAP (Trans Adriatic pipeline) and others. A necessary work is underway to transport gas to other areas, in particular, to Russia in accordance with the memorandum signed between SOCAR and Gazprom, he said. According to him, Kazakhstan's state energy company KazMunaiGaz proposed Azerbaijan to join their project to export natural gas to China. "Azerbaijan has enough stocks of gas and sales market. We can consider this proposal," SOCAR president said. According to Reinhard Mitschek, managing director of Nabucco Gas Pipeline International, Azerbaijan is vital for the project in terms of as a transit country and a supplier for Nabucco pipeline.

Embassy's Newsletter is compiled from various sources