

BIWEEKLY

# ENERGY REVIEW

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In pursuit of its primary goal of guiding the development of effective and pragmatic policies on regional and global energy issues, CCEE's Biweekly Energy Review brings readers the latest developments in the field of energy and environment. The Biweekly Energy Review compiles and assesses news on Caspian energy and environment issues. It aims to provide a comprehensive review of regional energy and environmental developments. The Review offers a valuable resource for researchers and practitioners by bringing together related news and features from the leading global news sources. This compact biweekly digest offers brief evaluations and commentaries of breaking and ongoing news stories from CCEE experts, helping to shed light on key developments.



## KEY FACTS & STATEMENTS

*The State Oil Fund of Azerbaijan (SOFAZ) announced that during 2001-2017, the Azeri-Chirag-Gunashli (ACG) bloc of oil and gas fields in Azerbaijan generated 126 billion USD in revenues. During January-September 2017, ACG generated 4.57 billion USD.*

*According to the draft state budget of Azerbaijan, next year, transfers from SOFAZ to the state budget will amount to 9.216 billion manat (45.8% of all budget revenues). According to Caspian Barrel's calculations, in 2019, transfers from SOFAZ are forecasted at 7.521 billion manat (40% of budget revenues). In 2020, transfers from the State Oil Fund are projected at 7.521 billion manat (39.3% of budget revenues). In 2021, transfers from SOFAZ are planned to be 6.562 million manat (35.5% of budget revenues).*

*Azerbaijan's oil output totaled 785,700 barrels per day (bpd) in September, up from 734,800 bpd in August, but still within the limit agreed under the OPEC deal.*

## Brief outline of global energy developments

The key topics for European states were the ongoing discussion over the Nord Stream 2 project, and the developments in Italy, which is looking to shed its status as one of Europe's most expensive gas markets – however, the way it plans to do so has riled traders. According to Bloomberg, the plan put forth by Economic Development Minister Carlo Calenda would see the nation buy pipeline capacity in neighboring Switzerland, and could cut gas prices by 5 percent. However, Calenda's proposal to use the Swiss capacity to try to boost liquidity and lower prices in Italy has led to a backlash from a lobbying group that represents most of Europe's major energy companies and trading houses.

In addition, Russia's burgeoning energy relations with China and Saudi Arabia emerged as a key focus during the past two weeks. The Russian Energy Minister Alexander Novak announced that Moscow is working together with Saudi Arabia to set up a 1 billion USD fund to invest in energy projects. According to the Minister, "Our focus is not just on strengthening our cooperation within the framework of the OPEC and non-OPEC (agreement) but also on strengthening cooperation in oil, gas, electricity renewable energy and other projects for oil and gas equipment". In the case of China, the CEFC China Energy agreed last month to pay

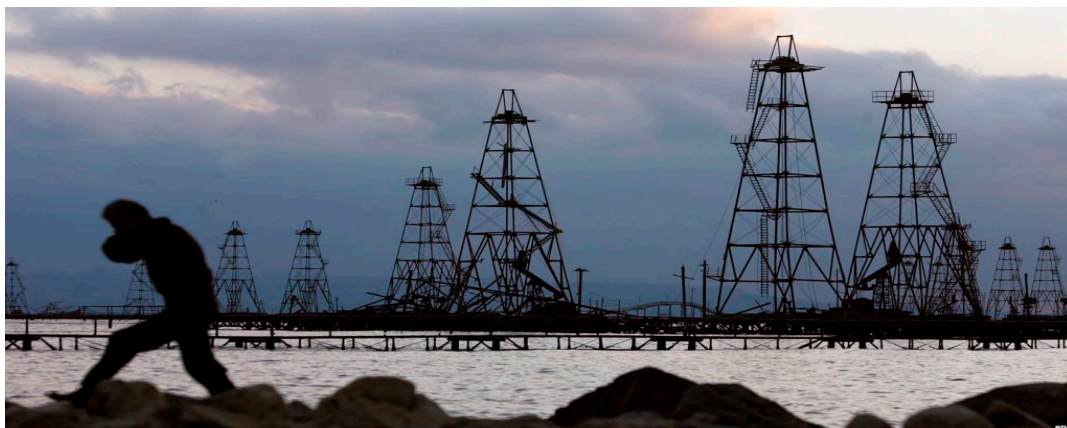
The CCEE's biweekly energy review is prepared by the Center's experts.

\$9.1bn for a 14.16 per cent stake in Rosneft — and it is not the only Russian company to find new friends in China. According to Financial Times, the Chinese companies are snapping up stakes and signing joint venture agreements across Russia’s energy sector.

## Energy developments in the Caspian region

### Azerbaijan

Various energy related developments related to Azerbaijan have occurred in the past two weeks. It became public that SOCAR plans to reduce its oil shipments via Russia from 1.5 million tons (2017) to 1.35 million tons next year, a company official announced. This is not, however, a radical change in terms of national exports, as Azerbaijan sends only a small portion of its oil exports via Russia, using routes through Georgia and Turkey for the bulk of its crude shipments. Adnan Ahmedzade, SOCAR’s head of marketing, stressed that “The reduction in oil shipments (via Russia) is linked to plans to transfer a major part of Azeri oil to the country’s refineries.” However, Azerbaijan is in talks with Russia and Kazakhstan about securing additional volumes of oil for the Baku-Tbilisi-Ceyhan (BTC) pipeline. Thirty percent of the Baku-Tbilisi-Ceyhan pipeline is still available, and SOCAR is in talks about filling this additional capacity.



The president of Bulgaria, Rumen Radev, visited Baku during 13-14 October. The primary focus of the talks was energy matters. During a joint press conference, both sides talked about the possibility of Azerbaijan exporting gas to Bulgaria. President Aliyev emphasized that “When Azeri gas goes on the Bulgarian market, new horizons will open up for bilateral cooperation.” Aliyev went further, stating that the rail link between Baku, Tbilisi and Kars will soon open and expressed hope that Bulgaria will take an active part in the project, which will lead to new opportunities for the countries along the railway.

On renewable energy, the “Renewable Energy Hard Talk” events were organized in Baku on 19-20 October 2017. The event “New Opportunities for Developing Renewable Energy in Azerbaijan”, held on Azerbaijan’s national Energy Day, was structured as a solution-oriented discussion. The dialogue was aimed at helping achieve consensus on the actions needed to meet the country’s renewable energy targets. The discussions provided an opportunity to highlight progress in Azerbaijan’s renewable energy sector, and to exchange perspectives on further development

prospects, with a focus on stimulating foreign investment. The discussions were informed by the findings of the REN21 UNECE Renewable Energy Status Report 2017, which highlights Azerbaijan's renewable energy development within the broader regional context, assessing progress made, latest trends, and emerging issues to be tackled.

## Developments on the Southern Gas Corridor (SGC)

In regard to SGC, Turkish Energy Minister Berat Albayrak stated that European consumers can expect the start of gas supplies from Azerbaijan in 2020. Albayrak confirmed that the TANAP project will be completed in 2018, adding that, "Laying the pipes under the Dardanelles is the critical part of the TANAP project, the activities continue intensively. And if today's pace persists, work will end earlier than the agreed deadlines. The Turkish section is particularly important from the point of view of Turkey's and Europe's energy security. Work runs on schedule with professional builders and strict adherence to the safety rules. More than 80% of project activities have already been completed thanks to coordination between the Malaysian team and other stakeholders".



## Developments in the Caspian littoral states

### *Russia*

Aside from the Saudi deal mentioned above, the main development was that Russian Prime Minister Dmitry Medvedev discussed supplying liquefied Russian natural gas to Morocco, during a visit to Rabat on 11 October. During the visit, he signed a string of energy, military, and other deals. Medvedev touted what he called a "very promising project to supply liquefied natural gas (LNG) to meet the needs of the Moroccan economy," noting that "the potential for cooperation is huge." On a visit to Morocco last month, Russia's energy minister, Aleksandr Novak said that an LNG regasification terminal was being built, and the two countries discussed gas deliveries by the Russian groups Gazprom and Novatek, according to Radio Free Europe. Morocco has limited oil and gas reserves of its own and is planning to open an LNG terminal at Jorf Lasfar on the North African country's Atlantic coast in 2019, according to the Energy Ministry.

### *Iran*

Iran has signed two agreements with Russia's Lukoil on joint prospecting for hydrocarbon reserves in the southern parts of the Caspian Sea – a groundbreaking move that could have significant economic as well as political outcomes for both Tehran and Moscow. The agreements were signed during a visit to Moscow by Iran's Petroleum Minister Bijan Zangeneh following “several months of negotiations”, according to Iran's domestic media. No details regarding the documents have been publicized. If the agreement is implemented, it will mark the first time that Iran and Russia cooperate on an energy-related project in the Caspian Sea. The agreements are also significant given that Iran and the other littoral states – Russia, Azerbaijan, Kazakhstan, and Turkmenistan – are yet to determine its maritime and seabed boundaries.

Iran has already discovered an oil field – Sardar-e Jangal - in the southern parts of the Caspian Sea. Sardar-e-Jangal contains an estimated 1.4 trillion cubic meters of natural gas in-place, and some 500 million barrels of recoverable crude. Experts believe it could become Iran's first major oil/gas field development project in the Caspian Sea.



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