

THE PERSPECTIVES OF THE ENERGY COMPLEX OF AZERBAIJAN

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Azerbaijan has a very large energy potential in the region. For over a century, energy has been playing a huge role in the economic growth, progress and development in this small country in the South Caucasus. During the Second World War, Baku fields were continuously providing the Soviet troops with the fuel. In the early 2000s due to high oil prices the production at offshore fields rose. That's why Azerbaijan became attractive destination for foreign direct investment. The author analyzes the fuel and energy sector of Azerbaijan and gives projections of the further development of the industry.

Azerbaijan has dynamically developing economy. It is a transition country which is trying to move from planned economy to market. Historically speaking, the energy sector played a major role in the economy of the country. At the beginning of the 20th century more than half of world crude oil production was in Azerbaijan. After gaining the independence from the Soviet Union during periods of high oil prices Azerbaijan had the world highest GDP growth in 2006. The driving force of its economy is exports of oil and gas which help Azerbaijan to earn foreign currency. Nevertheless the country's high dependence on oil prices reveals vulnerability of Azerbaijan's economy. We see, that in 2008 hydrocarbon export earnings made up about 97%, in 2015 87% of total exports.

So the oil and gas reserves in Azerbaijan make up 0,4% and 0,6% of the world's proved reserves and 5,0% and 2,1% of the CIS countries proved reserves accordingly.

Now there are several export oil pipelines through the territory of Azerbaijan which help her to pursue an independent energy policy and which play a key role in ensuring the energy security of Europe. After the beginning of the exploitation of the huge oil field "Azeri-Chirag-Guneshli" Azerbaijan with major international energy companies created a network of pipelines in the region to export light crude oil to global markets. In the early 1990s there was the only oil pipeline Baku-Novorossiysk in Azerbaijan. But later Azerbaijan diversified transport routes by Baku-Supsa and Baku-Tbilisi-Ceyhan. Oil tankers now travel either through the Turkish straits of Bosphorus and Dardanelles or to port Ceyhan in Mediterranean Sea. Since 2008 Kazakhstan oil has been transporting via the BTC pipeline either.

Azerbaijan's small proved oil reserves cannot compete with world leader's. It's obvious that the Contract of the Century was a political rather than economic project. But Azerbaijan used it in order to achieve political and economic stability in domestic policy.

Azerbaijan gained momentum when in 1999 a large volume of gas was discovered in Shah-Deniz field. Now the country is an alternative source of natural gas for a neighboring countries. Later with the support of European countries Baku-Tbilisi-Erzurum gas pipeline was constructed. Erzurum is a gas hub in eastern Turkey. Now there are several gas pipeline projects like the Trans-Anatolian Natural Gas Pipeline (TANAP), which will be connected with the European gas network in Central and Eastern Europe, and the Trans Adriatic Pipeline (TAP) which will be connected to the Italian national transmission network from the Turkish western border and Greece. These projects will also help Azerbaijan to diversify its own routes.

Azerbaijan's reserves are still not enough to satisfy European demand, that's why it is necessary to attract Turkmenistan and Kazakhstan gas reserves to meet the growing demand in Europe.

Main buyers of Azerbaijan oil are Italy (24%), Germany (13%), France (10%), Israel (9%), Czech Republic (6%), buyers of gas are Georgia (78% of gas exports) and Iran (19%). Additionally, SOCAR has a swap contract with Iran to supply Azerbaijan's enclave Nakhchivan Autonomous Republic which has no land border with the main territory of the country but has borders with Iran which supplies it with gas.

Conclusion. Azerbaijan is the only country in South Caucasian which fully provides itself with energy resources. It can be a transit country for resources from Kazakhstan and Turkmenistan to Europe. Azerbaijan has independent energy policy which helps her to strengthen its economy. The flows of foreign direct investment into economy of Azerbaijan have grown, several pipelines have been constructed, and still there are some pipeline projects which will go through Azerbaijan territory. Nevertheless the country depends on energy exports. Economic diversification is vital to country's future economic growth. Oil and gas refinery industry can be a priority for future development. Thereby Azerbaijan will be able to remove its dependence on oil and gas exports.

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