



Department for International Trade



Department for
International Trade

Azerbaijan: Oil and Gas Sector Briefing

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Contents

- 1. Facts and Figures**
- 2. Market Overview**
- 3. Trade Statistics (2017)**
- 4. Contract of the New Century**
- 5. Local Content & Nationalisation**
- 6. Industrial and Technology Parks**
- 7. UK-Azerbaijan Partnership Programme**
- 8. Production Sharing Agreements**
- 9. Contacts**



Facts and Figures

Population:	9.8m
GDP:	\$ 38.2 billion
GDP per capita:	\$ 3,914
Inflation:	13.9 %
Average monthly salary:	470 AZN/ 276 USD
Unemployment:	5.07%
Ease of doing business rank (2017):	57 th (out of 190)



Market Overview

- ❑ Azerbaijan holds 1% of the world's oil and gas reserves; however, it has disproportionate importance for the European energy security;
- ❑ Azerbaijan is home to 4000 UK nationals with 513 UK companies in operation. The vast majority of these support BP's activities;
- ❑ The UK is the single largest investor in Azerbaijan responsible for 51% of total foreign investment and 10% of the country's GDP. BP & its partners have invested \$ 66 bln since 1994.
- ❑ Azerbaijan operations make up 20% of BP's global production;



Trade Statistics (2017)

- The value of UK exports to Azerbaijan **£800m** - service sector, technologies, engineering equipment and oil machinery
- The value of Azerbaijan's exports to UK **£40m** - oil and oil related products

UK-Azerbaijan JETCO (Joint Economic Trade Cooperation Committee) – Annual Ministerial Dialogue

Aims:

- to increase bilateral business
- ease market barriers and issues
- provide a formal platform for UK Energy supply chain companies to discuss issues and receive UK government's support



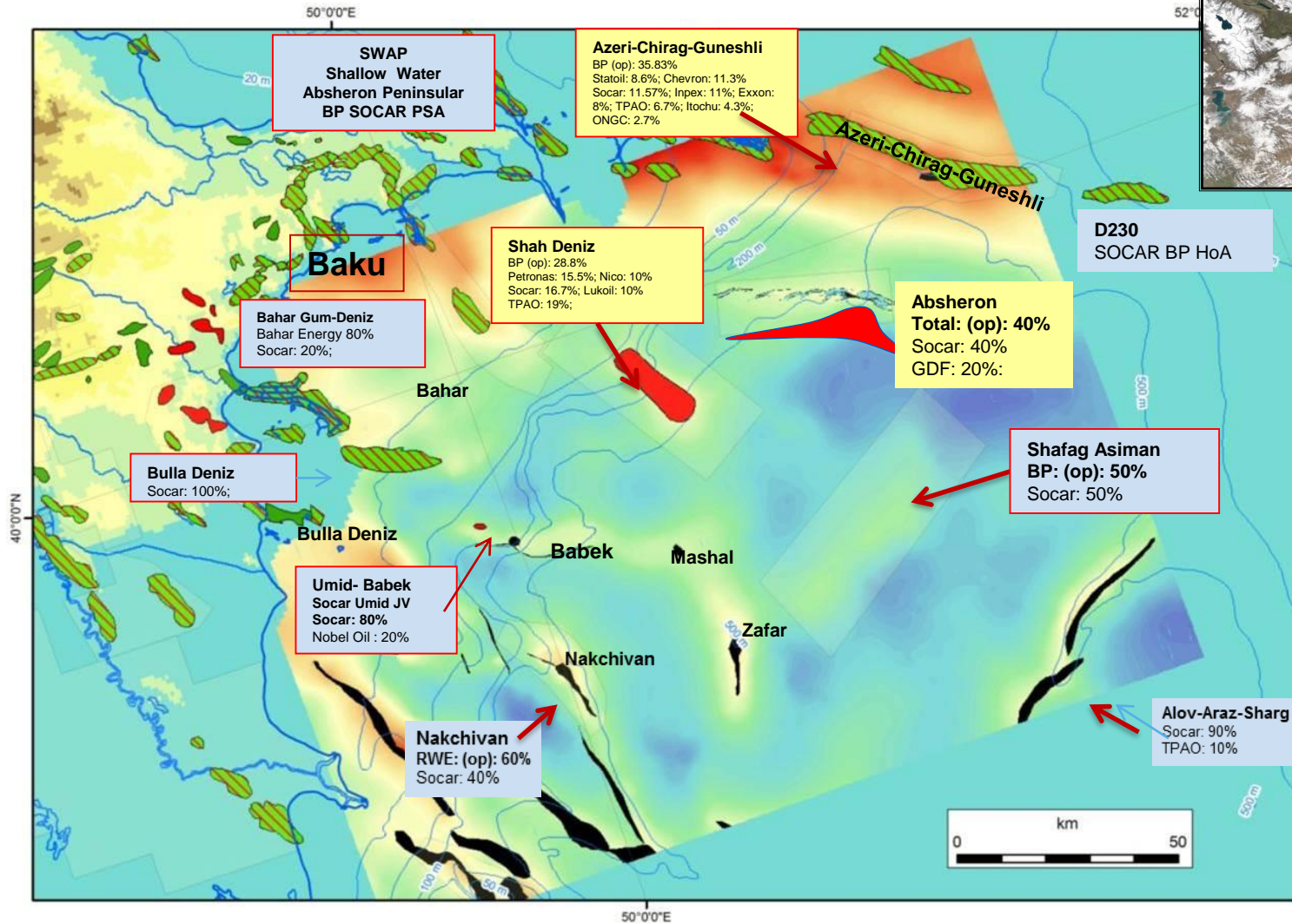
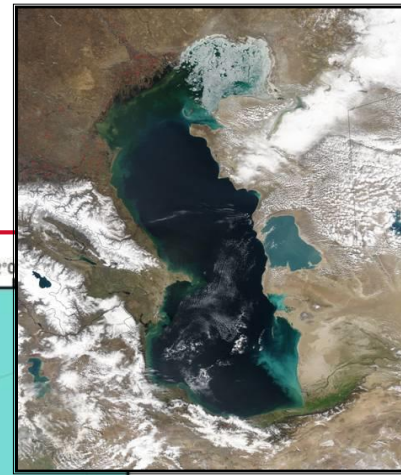
Contract of the New Century

On 14 September 2017, State Oil Company of Azerbaijan and BP-led consortium signed an agreement on extension of PSA for ACG fields until 2050.

- 40 bln \$ investment in the next 10 years
- 3000 jobs in the UK & Azerbaijan
- Opportunities for 200 supply chain companies



Opportunities: Fields and Prospects





Industrial and Technology Parks

High technology parks established near Baku with the purpose of attracting foreign investors and developing local manufacture.

Special tax regime is provided for residents of such industrial and technology parks. It includes certain tax holidays and exemptions for **7 years**:

- No income tax on any income
- No profit tax
- No VAT on import of machinery, technological equipment and plant
- No property tax
- No land tax

Examples: Sumgait Technologies Park (STP), Sumgait Chemical Industrial Park (SCIP)



Production Sharing Agreements

PSAs in Azerbaijan prevail over the existing legislation.

- 30 PSAs & 90 supplementing Protocols though not all are operational
- no one set of rules which is applicable to all PSAs
- PSAs provide more transparent framework for operations
- 0% VAT

PSAs are negotiated with SOCAR, commented on by relevant state departments, ratified by the Parliament and lastly, approved by President.



Local Content & Nationalisation

Local content requirements in Azerbaijan are generally contractual as most originate from PSAs rather than legislation.

Price premium is 10% as per ACG & Shahdeniz Protocol concerning Azerbaijan Republic import & export duties.

Strong support to:

- local manufacture and assembly
- Joint ventures (SOCAR-Cape, SOCAR-KBR, SOCAR-Petrofac, Millers Oils Azerbaijan)

Foreign companies/ contractors are required to undertake a **nationalisation plan for 5 years**. They commit to develop national professionals so that they can take over the maximum number of jobs.

- 90% of nationalisation of professional staff
- a revised recruitment strategy
- various learning and development initiatives



UK-Azerbaijan Partnership Programme



- ❑ Launched in October 2015
- ❑ **Aim:** to help UK and Azerbaijani companies form long term relationships in the oil & gas industry
- ❑ 4 Programme visits so far and over 60 companies have participated in the market engagement **24 partnerships** formed in engineering, fabrication, components/ materials, manufacturing
- ❑ Export wins totalling **~£1.7 billion** gained
- ❑ **Future focus:** technical workshops to introduce 'supplier led' advances. Subsea Technology and Field Integrity Enhancement enabling De-manned Operations and Regional Skills Development, including Drilling and Operations.



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Thank you!

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