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# **Azerbaijani Oil Export in 2014: Brief Overview**

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### Azerbaijani Oil Export in 2014: Brief Overview

2014 was marked by a sudden decline in oil prices in the world market. As an oil exporter country, Azerbaijan started feeling effects of a sharp fall in oil revenue after oil price decline in the world market owing to decline of the country's oil income. In spite of the fact that Azerbaijan was able to reduce share of oil industry both in public revenues and in the country's Gross Domestic Product (GDP), Azerbaijan is still heavily dependent on oil and natural gas export revenues. Azerbaijan's trade turnover was \$ 36.7 billion US in the first eleven months of 2014. Volume of export was \$ 28.6 billion US, volume of import was 8.1 billion dollars and surplus was \$ 20.5 billion US in the indicated period. Export of non-oil products formed \$ 1.6 billion US. Export of non-oil products on per capita was equal to \$ 166.8 US.

According to the CESD calculations, foreign trade in the first eleven of 2014 declined by 7.6 % compared to previous year. The foreign trade turnover was \$ 39.7 billion US in the first eleven months of 2013. Share of oil and oil products on total export was 95.7 % in the first eleven months of 2014.

The country produced 41,9 million tons oil in 2014. The oil output declined by 3.7 % in 2014 compared with 2013 since oil production was 43.5 million tons previous year. This shows that decline tendency in oil output continued in 2014 and based on existing forecasts the decline will continue this year, too.

### Azerbaijan monthly crude oil export, million tons, 2014

Month	December	November	October	September	August	July	June	May	April	March	February	January
Oil	2.448	1.265	1.975	2.003	2.26	2.0	2.19	1.90	2.	2.028	1.725	1.998

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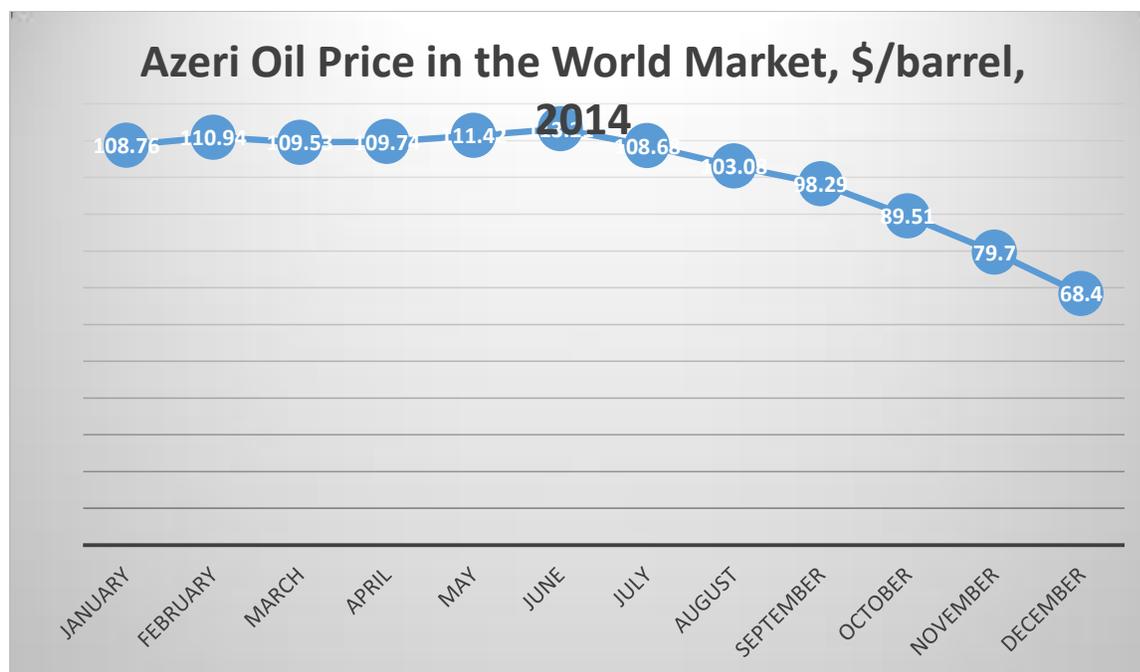
Export					8	71	7	6	412			
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**Source:** State Oil Company of Azerbaijan Republic, January 2015

The table confirms that Azerbaijan revealed a minimum level of oil exports in November, 2014: the country's oil exports amounted to 1,265 million tons, a 36 percent decrease compared to the previous month. In general, the decline in Azerbaijan's oil exports is recorded between August and December 2014. Thus, in November 2014, oil exports dropped down to 80 %t approximately compared to August. Azerbaijan's oil export was in peak level in April and August, 2014.

However, monthly oil export increased again in December 2014 compared to November, 2014. Azerbaijan exported the highest amount of crude oil in December 2014 through the year. The output increased by 93.5 % in December compared with previous month. There two main reasons for increasing oil output in December, 2014. The first reason is connected with adjusting of total oil output in 2014. By increasing oil export in December both State Oil Company of Azerbaijan Republic (SOCAR) and Azerbaijan International Oil Company (AIOC) tried to spread the 2014 forecast on oil output. Meanwhile, December export growth minimize gap between 2014 and 2013 oil productions. Second, there is investor's pressure on increasing oil output. The consortium most likely is not happy with marginal output since investment cost is almost fix.

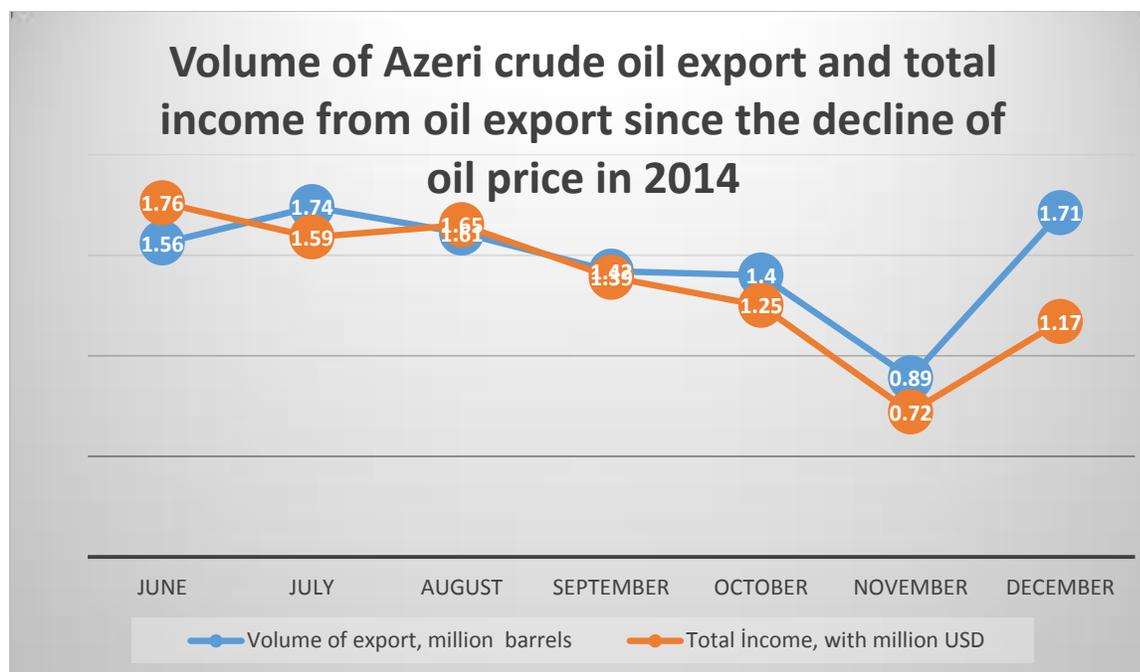
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**Source:** State Oil Company of Azerbaijan Republic, January 2015

Decline in price of Azerbaijan oil in the world market started since June, 2014. More significant price reductions occurred in December, 2014. In December 2014 the Azeri oil price was more than 60 % lower than compared with June 2014 when the price was \$ 113.21 per barrel and. And this is affirm that, in the second half-year of 2014 the country's key strategic product has been offered in a lower price on a monthly basis. In December, 2014 the Azeri oil lost 15 % value compared with previous month.

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**Source:** State Oil Company of Azerbaijan Republic, January 2015

Oil export in December 2014 was 22 % higher than October 2014, however, due to decline to the oil price, total income from exporting oil was 6.4 % less in December 2014 compared to the indicated month. The decline of oil price in the world market and reduction of oil export impact the overall income of Azerbaijan. The graph shows that the rate of decline in oil revenues from the sale exceeded the decrease trend in the total volume of export. The revenues fell more compared to the volume of export. However, the falling oil prices on the world market has a negative impact on overall income. This difference is more visible since September 2014.

Note that, gross income implies the currency entering to the country from sale of oil included with AIOC oil revenues. Profit after deducting costs from revenues defined the amount of oil in value. This is sharing in accordance with the production sharing funds between the Government of Azerbaijan and AIOC.

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### Azeri oil export, total income and oil price

Months	June	July	August	September	October	November	December
Azeri oil export, with thousand barrels	15,598	14,704	16,102	14,221	14,025	8,981	17,416
Total income from crude oil export, million USD	1.766	1.598	1.659	1.398	1.255	0.716	1.17
Monthly price of Azeri oil \$/barrel	113.21	108.68	103.08	98.29	89.51	79.70	68.4

**Source:** State Oil Company of Azerbaijan Republic, January 2015

As shown in the table, the oil sector and as well as the country's state income just depends on the price of oil in the world market and the monthly oil production. In practice, although monthly production is important in determining the monthly revenue from the sale but price of crude oil in the market places more role than total output.

Data show that 2014 was not easy for almost all oil exporter countries including Azerbaijan. Now, amount of oil producers face a big question: whether decrease oil output or keep stable of production?

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