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Sharp Decline in Azerbaijani Oil Income in January 2015

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Azerbaijan exported 1 million 697 thousand 768 tones crude oil through Baku-Tbilisi-Ceyhan (BTC) pipeline in January, 2015: according to the CESD report based on State Oil Company of Azerbaijan Republic's (SOCAR) official figures. Meanwhile, the country exported 169, 507 thousand tones crude oil through Baku Novorosiysk and 254, 107 thousand tones via Baku Supsa pipelines in the indicated period. 2,122 million tones oil was exported in total from Azerbaijan to the world market in January, 2015. Average price for Azerlight, Azerbaijani oil, was \$ 49,53 US per barrel last month.

After a sudden decline in oil prices in the world market in 2014 Azerbaijan oil export declined by 326 thousand tones or 13.4 % in January, 2015 compared to previous month. 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.

Meanwhile, 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 show that decline tendency in oil output continued in 2014 and based on exiting forecasts the decline will continue this year, too.

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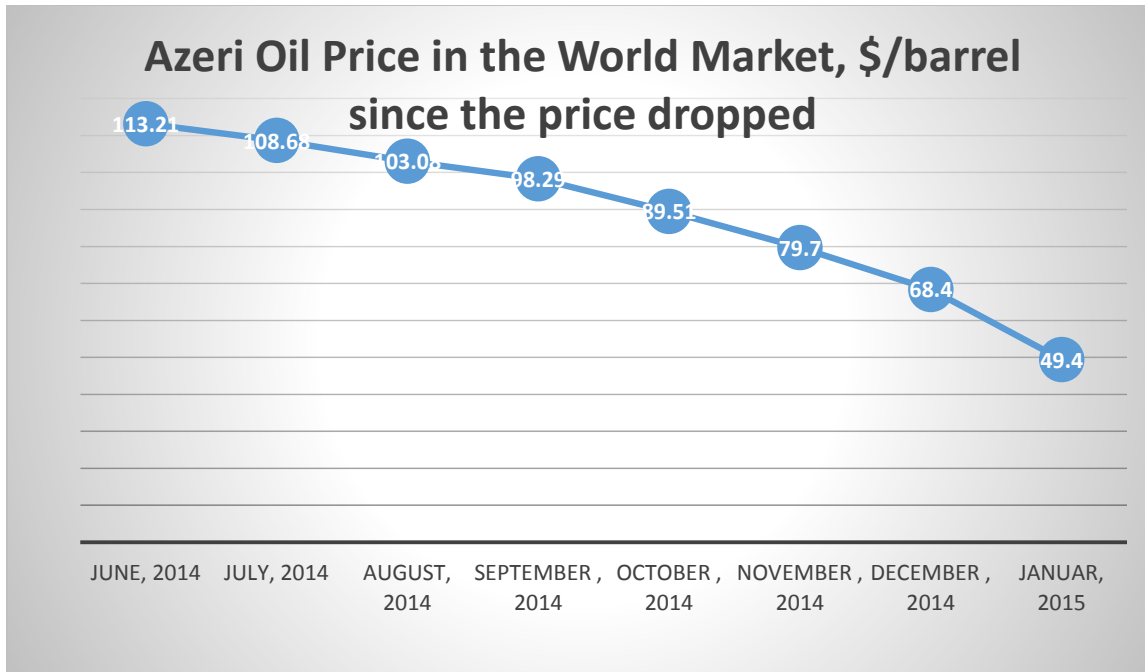
Azerbaijan monthly crude oil export, million tons, 2014 and January 2015

Month	January, 2015	December, 2014	November, 2014	October, 2014	September, 2014	August, 2014	July, 2014	June, 2014	May, 2014	April, 2014	March, 2014	February, 2014	January, 2014
Oil Export	2.122	2.448	1.265	1.975	2.003	2.268	2.071	2.197	1.906	2.412	2.028	1.725	1.998

Source: State Oil Company of Azerbaijan Republic, February 2015

The table confirms that even though Azerbaijan oil export declined in January, 2015 compared to previous month, but the export level last month is more than average monthly export volume in 2014. It shows that Azerbaijan International Oil Company (AIOC) is keen on not sharp reduction of oil export even if the price is still low in the world market since the consortium is keeping fix investments including maintain costs.

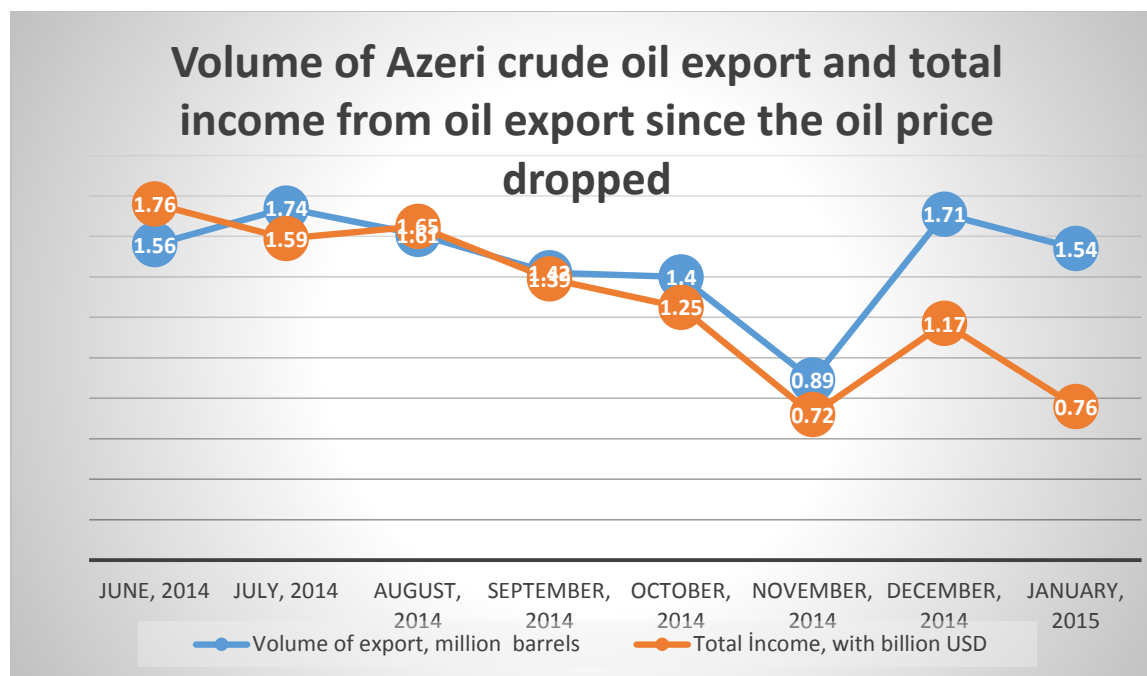
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Source: State Oil Company of Azerbaijan Republic, February 2015

The graph shows that Azeri oil price has declined by 2.29 times in the last 7 months. Azeri oil price has never had such a sharp decline since the first oil was pumped from Baku through BTC in 2005.

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Source: State Oil Company of Azerbaijan Republic, February 2015

The graph shows that oil income in January, 2015 declined by 35.0 % compared previous month although the export volume dropped only by 13.4 % in the indicated period. In January 2015, Azerbaijan exported almost the volume of oil in June 2014. If the country received only \$ 760 million US in January 2015, but income was \$ 1.76 billion US in June 2015. It confirms that dropped oil price in the world market has dramatically decreased Azerbaijan's revenues: in spite of the fact that he same amount export in January 2015 with June 2014 but income was 2.31 time less last month.

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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Official figures show that economic results of January 2015 in context of oil income are not positive. Azerbaijan exports even the same volume of oil, but revenue from exporting oil sharply declines. Dropping of oil income makes economic diversification much more important for Azerbaijani economy.

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