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Azerbaijani Oil Income in May 2016

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The State Oil Company of Azerbaijan Republic (SOCAR) reports that it exported 1.799 million tons of oil in May against 1.449 million tons in April and 1.9 million tons in March 2016. Oil export in May 2016 increased compared with April 2016, however, it decreased compared with March 2016. Azerbaijani oil export increased by 24.2% in May against April 2016 and decreased by 6.0 % compared with March 2016.

Oil export delivery via Baku-Novorossiysk pipeline totaled 79,963 tons (versus 159,599 tons in April), 264,748 tons (176,598 tons) via Baku-Supsa, and 1.45 million tons (1.112 million tons) via Baku-Tbilisi-Ceyhan (BTC) in May 2016.

In general, the oil exports reached 319,499 tons via oil pipeline Baku-Novorossiysk, 1.04 million tons via Baku-Supsa pipeline, and 7.196 million tons via BTC for Jan-May 2016. For Jan-May 2016 Azerbaijan exported 8.57 million tons of oil.

In 2015 the MEOD export made up 21.996 million tons, when it was delivered 1.27 million tons to Novorossiysk, 2.79 million tons to Supsa, and 17.9 million tons to Ceyhan.

For comparison, the MEOD carried out the best oil export in 2011 – 27.609 million tons, and in June 2011 the month's peak was also registered – 2.57 million.

In 2011 oil transportation via pipeline Baku-Novorossiysk totaled 1.988 million tons, Baku-Novorossiysk 2.65 million tons, and BTC 22.969 million tons.

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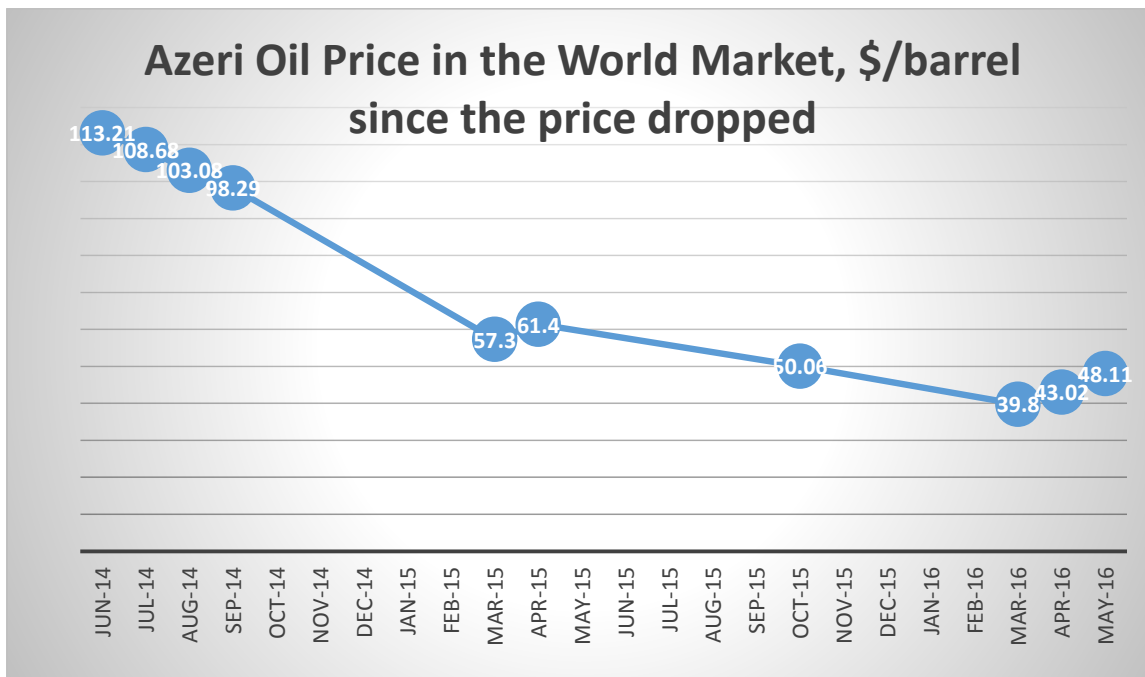
SOCAR notes that the MEOD exports both its own oil and oil falling on the share of the government within PSA contracts.

Meanwhile, the State Oil Company of Azerbaijan Republic (SOCAR) increased drilling in May 2016 against April 2016. Drilling was 10,453 m (this year's best index) against 5,631 m in April 2016.

For Jan-May of the year it was drilled 42,493 m (by 3.3% less versus Jan-May 2015), including 42,224 m of development drilling and 269 m of exploration drilling. 19 new wells, including 5 ones in May, have been put into operation since early 2016.

In 2015 the Company drilled 104,411 m, including 103,411 m of development and 1,000 m of exploration drilling. Last year the peak of drilling (12,393 m) was recorded in April.

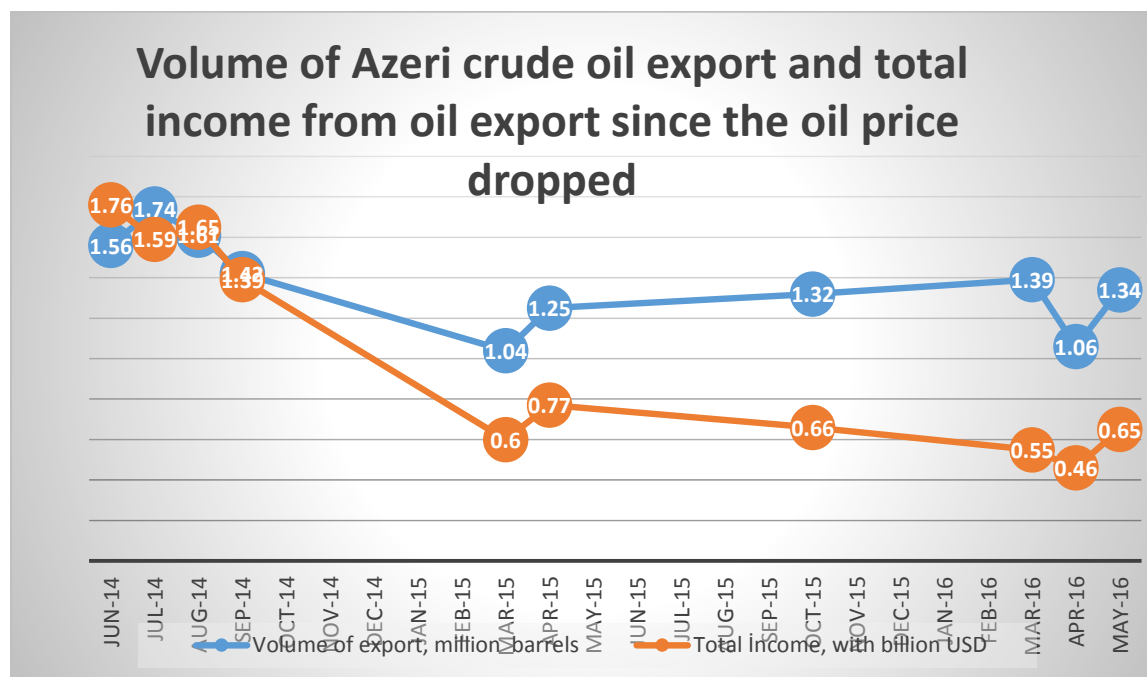
In May 2016, price for Brent crude oil in the world market was \$46.88 per barrel, Urals oil - \$45.16 and BTC FOB Ceyhan crude oil - \$48.11.



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Source: State Oil Company of Azerbaijan Republic and CESD calculations, May 2016

The graph shows that Azeri oil price increased by 11.8 % in May 2016 compared with the previous month. Meanwhile, the oil price has been decreased more than 2.5 times since August 2014.



Source: State Oil Company of Azerbaijan Republic and CESD calculations, May 2016

The graph shows that oil income increase by 41.0 % in May 2016 compared previous month due to both increasing of oil output in and price. In fact, total monthly income is still far behind of 2014's summer's monthly income. If the country received only \$ 650 million US in May 2016, but monthly income was \$ 1.76 billion US in June 2014. It confirms that dropped oil price in the world market has dramatically decreased Azerbaijan's revenues.

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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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