

Better research, better policy, better reform

CESD | CENTER FOR ECONOMIC
& SOCIAL DEVELOPMENT

Global Think-Tank

**AZERBAIJANI GAS EXPORT TO EUROPE: WHAT
ADVANTAGES ARE THERE?**

Center for Economic and Social Development (CESD)

Caspian Plaza, 3rd Block, 14th floor

J.Jabbarli str. 44,

Baku, Azerbaijan

Phone: (99412) 5943665

Fax: (99412) 5943665

Email: info@cesd.az

URL: www.cesd.az

Baku, May, 2022

Introduction

Following Russia's decision to restrict natural gas exports to Poland and Bulgaria, energy security has become a priority in the European Union. Although the ancient continent is trying to increase gas imports from alternative sources, Gazprom is still trying to maintain its dominance in Europe for some time.

Meanwhile, Azerbaijan continues to increase natural gas production. In the first quarter of this year, Azerbaijan produced 11.8 billion cubic meters of natural gas. 3.5 billion cubic meters of gas were produced from ACG, 6.4 billion cubic meters from Shah Deniz, and 1.9 billion cubic meters from SOCAR. During that period, gas exports amounted to 5.9 billion cubic meters. 2.2 billion cubic meters of gas were exported to Turkey, 2.6 billion cubic meters to Europe, and 1.1 billion cubic meters to Georgia. More than 4 billion cubic meters of gas were transported to Turkey via TANAP during this period.

This means that Azerbaijan's natural gas production increased by 12.0 percent and exports by 15.3 percent in the first quarter of this year. Gas exports to Europe increased 2.4 times. Thus, 3 billion cubic meters of gas were exported to Turkey, 1.1 billion cubic meters to Europe and 784 million cubic meters to Georgia compared to the same period last year.

It should be noted that 10.4 billion cubic meters of gas were produced in the country in the first quarter of last year. 3.4 billion cubic meters of gas were produced by ACG, 5.1 billion cubic meters by the Shah Deniz field, and 1.9 billion cubic meters by SOCAR.

Official figures show that Azerbaijan's role in shaping Europe's and the region's energy security is growing. After December 2020, Azerbaijan has transported more than 11 billion cubic meters of natural gas to Europe. Our country, which produced 43.9 billion cubic meters of gas last year, is expected to increase production this year. The growing role of Azerbaijan in the energy security of the European Union further strengthens the country's regional geopolitical position.

It should be noted that in the first quarter of 2022, Azerbaijan produced more than 8.3 million tons of oil (including condensate). 5.3 million tons of oil production in the country fell to Azeri-Chirag-Guneshli and 1.1 million tons (condensate) to Shah Deniz. SOCAR's oil production (including condensate) amounted to 1.9 million tons.

During the reporting period, about 6.7 million tons of oil (including condensate) were exported.

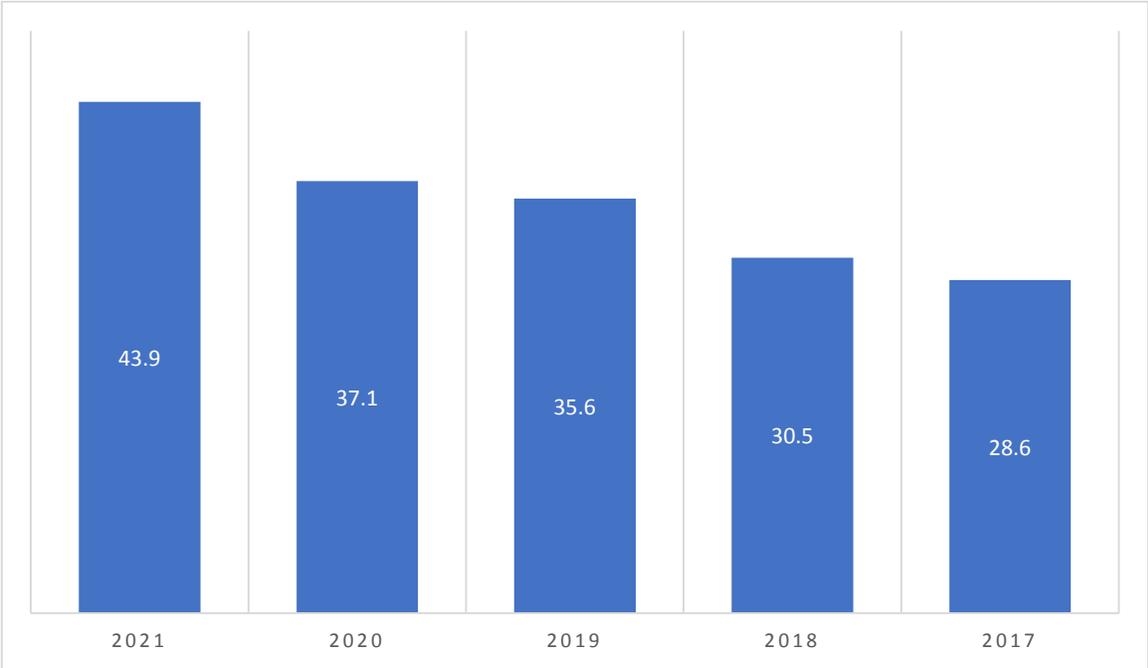
The Azeri-Chirag-Guneshli and Shah Deniz fields have produced more than 587 million tons of oil (including condensate) since their commissioning date to April 1, 2022. About 552 million tons of oil were extracted from Azeri-Chirag-Guneshli and more than 35 million tons of condensate from Shah Deniz. Oil refining in the country in the first quarter of 2022 amounted to 1.6 million tons.

According to the first quarter of 2021, Azerbaijan produced about 8.8 million tons of oil (including condensate). Oil production (including condensate) was about 552,000 tons less than in the same period last year. During this period, 5.9 million tons of oil production in the country fell to Azeri-Chirag-Guneshli and 959,000 tons (condensate) to Shah Deniz. SOCAR's oil production (including condensate) amounted to 1.9 million tons.

During the reporting period, about 7.3 million tons of oil (including condensate) were exported. Of this, 6.9 million tons fall to the consortium and 370,000 tons to SOCAR. The export of oil (including condensate) is about 320,000 tons, or 4 percent less than in the corresponding period of 2020.

From the date of commissioning of the Azeri-Chirag-Guneshli and Shah Deniz fields to April 1, 2021, about 561 million tons of oil (including condensate) were produced. 530 million tons of crude oil were extracted from ACG and 31 million tons of condensate from Shah Deniz. Oil refining in the country in January-March 2021 amounted to 1.4 million tons. Oil refining was 93,000 tons less than in the same period last year.

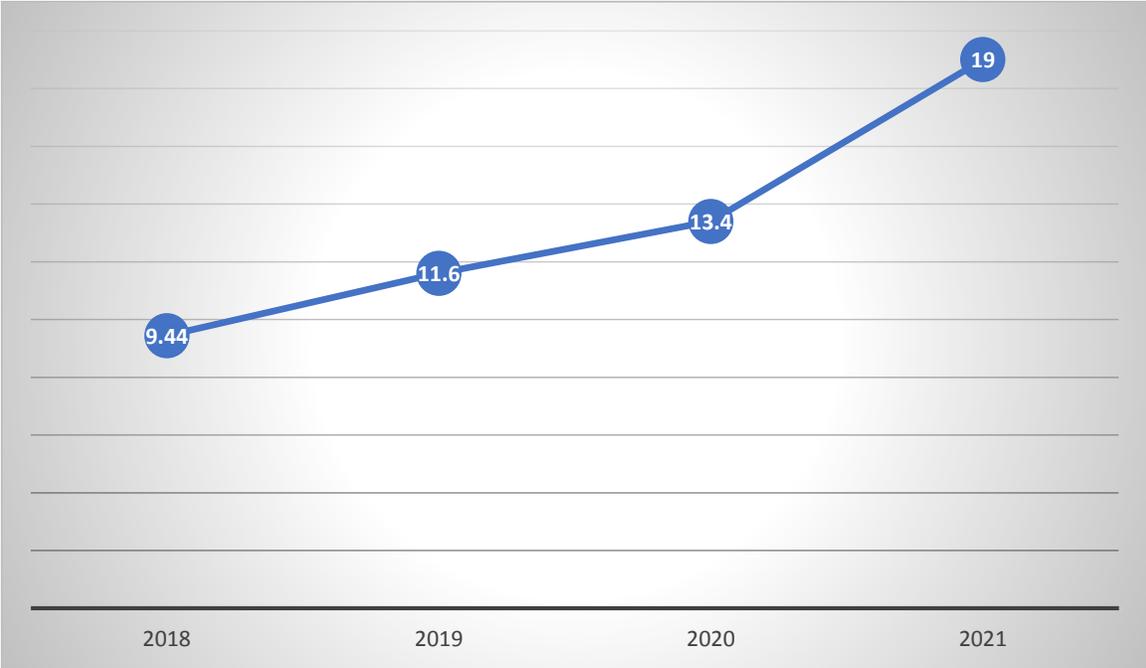
Graph 1. Gas Output in Azerbaijan (Billion cubic meters)



Source: Ministry of Energy, SOCAR, and CESD, 2022

As can be seen from the graph, Azerbaijan's gas production has increased significantly in recent years. Compared to 2017, gas production in 2021 increased 1.5 times. Year-on-year increases in gas production mean greater export opportunities for Azerbaijan. In this regard, the increase in production is also appreciated in terms of export potential. On the other hand, the development of new gas fields in the Azerbaijani part of the Caspian Sea will further increase production in Azerbaijan.

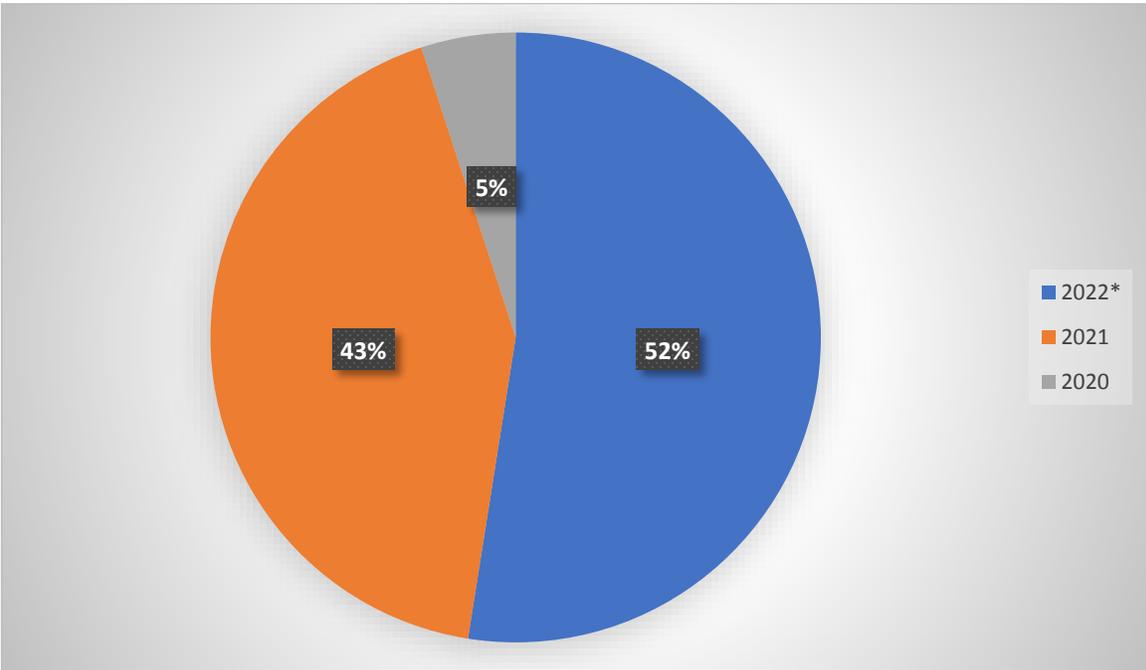
Graph 2. Azerbaijani Gas Export (Billion cubic meters)



Source: Ministry of Energy, SOCAR, and CESD, 2022

As can be seen from the graph, Azerbaijan's gas exports are also growing sharply. Thus, compared to 2018, gas production in 2021 will double. This increases the role of Azerbaijan in shaping the energy security of the region.

Graph 3. Azerbaijan Gas Export to Europe by Year



Source: Ministry of Energy, SOCAR, and CESD, 2022

As can be seen from the graph, the volume of gas purchased by Europe from Azerbaijan has increased in recent years. Since 2020, Azerbaijan has been exporting its natural gas to the European market. In 2022, gas exports to Europe will exceed 10 billion cubic meters. In total, the Southern Gas Corridor aims to send 20 billion cubic meters of gas a year to Europe.

Conclusion

One of the largest projects of the 21st century, the Southern Gas Corridor consists of four segments - the Shah Deniz Phase II, the South Caucasus Pipeline, the TANAP, and TAP gas pipelines. The Southern Gas Corridor, as well as other energy projects implemented with the support of Azerbaijan, are very important in terms of supporting Azerbaijan's security, as well as increasing Azerbaijan's income. Azerbaijan is one of the countries contributing to the formation of energy security in the region, as well as in Europe. Not only neighboring Georgia and Turkey, but also a number of European countries can benefit from energy projects initiated by Azerbaijan, which has chosen and preferred the format of multilateral cooperation.

Since the end of 2020, Azerbaijan has started exporting natural gas to Europe via the corridor. Last year, 8.5 billion cubic meters of natural gas were transported to Europe. This figure is expected to rise to 10 billion cubic meters this year. In total, Azerbaijan will transport 10 billion cubic meters of natural gas to Europe in the first stage and 20 billion cubic meters in the second stage. The capacity of the Southern Gas Corridor will be 31.5 billion cubic meters, which will be a new alternative source for Europe.