

# 1. Brief introduction to the Ministry of Energy of the Republic of Azerbaijan



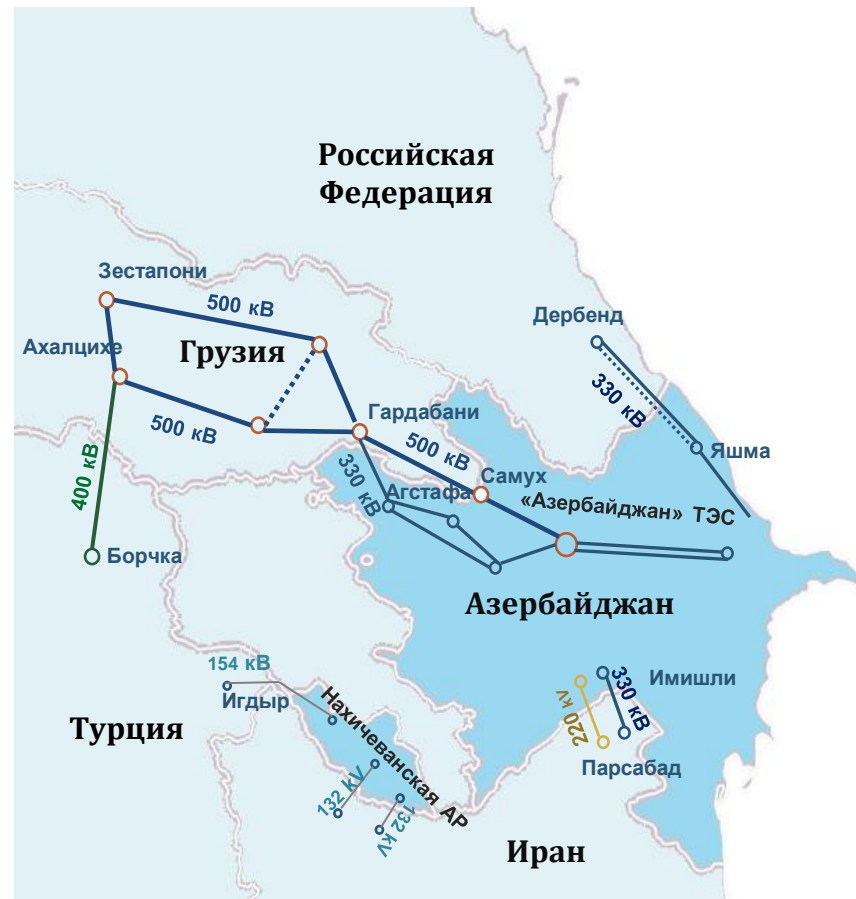
The primary function of the Ministry of Energy of the Republic of Azerbaijan as the central executive body, is the formation and implementation of the country's energy policy. To implement a successful energy policy it is necessary to take into account many factors influencing a productive development of this sector of the economy, such as energy security, energy efficiency and conservation, establishment of a clear legal framework for the development of the energy market, accurate energy statistics, attraction of investments in the energy sector and many other important issues that we face by the nature of our work.

Based on the above and given the fact that the INOGATE Programme has been successfully working in our country for 20 years, it should be noted that since the establishment of our Ministry more than 11 years ago we've had a rather productive cooperation with INOGATE in all its priority areas, such as energy markets, energy security, energy efficiency and renewable energy, energy statistics, and a number of other priority tasks in the field of energy.

# Electric interconnections

One of the priority directions of the power sector development is strengthening of interconnections with energy grids of neighboring countries and construction of interconnectors. For more efficient and effective use of the existing energy potential of the country, and for securing sustainability and security of energy system, several electric connections with neighboring countries, such as Russian Federation, Georgia, Iran and Turkey, have been strengthened.

The export of electricity from Azerbaijan to Turkey via Georgia is being developed; The project allows the transit of electricity to Turkey in the amount of exceeding 700 MW. At the beginning of 2016 60 -105 MW is already being transmitted.



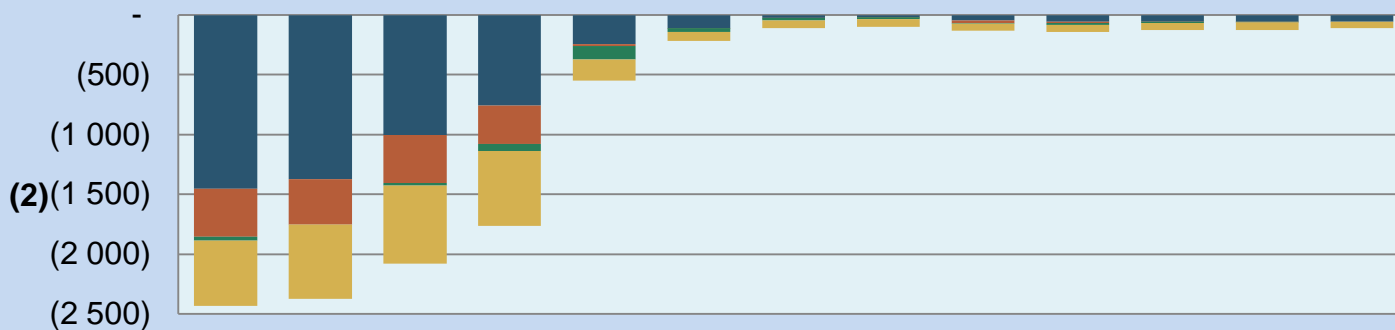
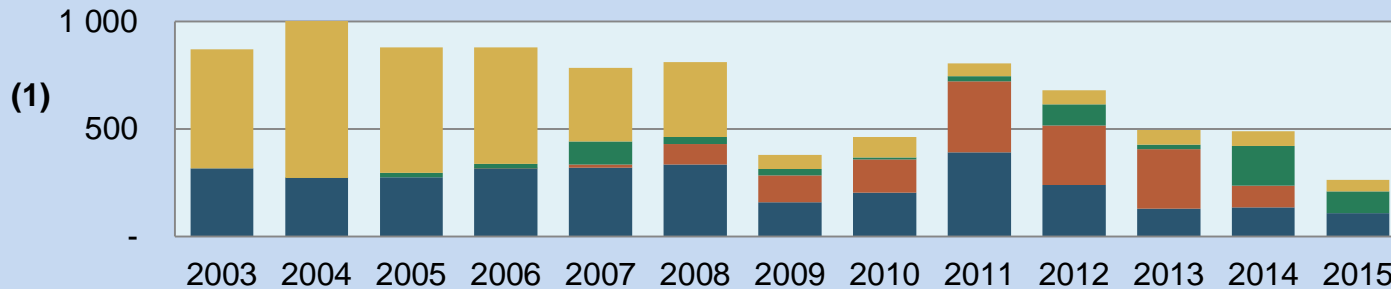
# 1. Existing and planned power interconnections



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## Structure of export (1) and import(2)

Mln of kWh ■ Russia ■ Turkey ■ Georgia ■ Iran



**Since 2007 Azerbaijan has been net exporter of electricity.**



PROGRAMME FUNDED BY THE EU

## 2. Main challenges

A number of challenges exist in the area of sustainable energy development and the organisation of the energy market in Azerbaijan:

- **Lack of the developed primary and secondary legislation** on energy efficiency and renewable energy;
- **Prepared but not approved yet the drafts of the State Programme on energy saving and improving energy efficiency of the end users, and the State Strategy on the use of alternative and renewable energy sources.**
- **The lack of a national system of energy performance indicators** at the level of final consumption
- **The lack of data in national statistics on the end-use of energy consumption (e.g. in the household sector there is not information about energy used for heating, hot water preparation, lighting , cooking, etc.)**
- **The absence of a flexible tariff system** for electricity;
- **The existence of cross-subsidisation of tariffs (prices)** for electricity by consumer groups;
- **The lack of competitive environment** in the electricity industry;
- **The absence of legislative and regulatory acts** reflecting market relations in the energy sector



# 3. Activities of INOGATE

INOGATE activities were focused on two directions: national programmes and a regional programme. The projects within the framework of the National Programme covered the priorities of Azerbaijan and were successfully complemented by the Regional Programme of common interest for all Partner Countries. The projects of the national and regional programmes were implemented in 3 main areas:

## 1. Gas and electricity 2. Sustainable Energy 3. Energy Statistics

*More than 10 projects have been implemented under the National Programme, among them:*

- Technical assistance with regard to the use of Advanced Metering Infrastructure (AMI) in the distribution networks of Azerenergy (AHEF .09.AZ)
- Development of strategy for cross-border exchange for Azerenergy and capacity building to achieve this goal. (AHEF.121.AZ)
- Analysis of the results of industrial energy audit for bankable projects (AHEF.061.AZ)
- Technical assistance for advisory services on the use of Advanced Metering Infrastructure (AMI) in the distribution networks of Azerenergy (AHEF.09.AZ).
- Preparation of proposals on improvement of the relevant secondary legislation regarding the losses in the gas and electricity sectors (AHEF.14.AZ).
- Improving the rules on issuing special permits for activities related to alternative and renewable energy sources (AHEF.083.AZ).
- Support for the establishment of the Department of Energy Efficiency under the Ministry of Energy of Azerbaijan (AHEF .067.AZ)
- Technical Assistance Mission to assist in the preparation of the methodology and procedure for conducting energy consumption surveys in the household sector, as well in the development of a customised model for calculating energy efficiency indicators.
- Assistance in the adoption of 12 interstate gas standards (identical to the European and international gas standards) in the standardisation system of Azerbaijan.



## 4. The situation today (the results / impact)

**AHEF.09.AZ Technical assistance for advisory services on the use of Advanced Metering Infrastructure (AMI) in the distribution networks of Azerenergy.** *The Company gained some practical experience (example) of the organisation and planning of the integrated project with different areas of impact (i.e. metering, distribution, upgrade, billing, etc.)*

**AHEF.14.AZ Preparation of proposals on improvement of the relevant secondary legislation regarding the losses in the gas and electricity sectors.** *The Secretariat of the Tariff Council has baseline data by the sector segments (i.e. generation, transmission, and distribution in the case of electricity), as well as a review of existing regulatory practices by which losses are compensated in tariffs.*

**AHEF.121.AZ Development of strategy for cross-border exchange for Azerenergy and capacity building to achieve this goal.**

*A strategy for cross-border exchange for Azerenergy and the model for power trade have been developed including all the technical, financial and legal aspects. A framework for cross-border trade, primarily, among Azerbaijan, Georgia and Turkey has been established. In February 2016 the export of electricity from Azerbaijan to Turkey via Georgia started in the amount of 80 MW.*

**AHEF.067.AZ Support for the establishment of the Department of Energy Efficiency under the Ministry of Energy of Azerbaijan.**

*The Department for Energy Efficiency, Alternative and Renewable Energy Sources has been established and is successfully functioning. Apart from the formation of state policy in the field of rational use of energy resources, the main task of this department consists also in the search for ways to regulate energy efficiency and energy saving.*

***In the field of energy statistics:*** *State Statistics Committee of Azerbaijan has received assistance in the use of customised model for the calculation of energy efficiency indicators in households and industrial sectors.*



## 5. Conclusions

Cooperation with INOGATE helped to lay the foundations for the creation of legislative and policy framework for the formation of sustainable energy and energy market. **The stepping-up of project activities during 2015-2016 should be noted.**



In June 2015 the Ministry of Energy of Azerbaijan approved the **3 priority areas** for the long-term and effective development of the energy sector of Azerbaijan: **(a) elaboration of the concept of strategic development and a set of measures - includes 3 tasks, (b) development of legislative and regulatory framework – includes 5 tasks, (c) establishment of energy market entities and a tariff policy - includes 2 tasks.**

In line with these objectives, INOGATE launched two projects in support of these priorities since February 2016: **development of Concept and Roadmap for the establishment of an independent regulator of the energy market (priority “C”) and development of Concept and Roadmap for the draft law on energy saving and energy efficiency (priority “B”).**

We ask the European Commission to build up a future strategic cooperation with Azerbaijan in the energy sphere on the basis of these three priorities of the long-term and effective development of the energy sector of Azerbaijan.

**We see the future cooperation in the energy sphere in the following areas:**

- **Capacity building of our experts,**
- **Becoming aware with the best practices of EU countries**
- **Joint work on draft laws**
- **Joint implementation of projects, including investment projects**



**Thank you!**

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**INO GATE Technical Secretariat and Integrated Programme in support of  
the Baku Initiative and the Eastern Partnership energy objectives**

