

THE LAW OF AZERBAIJAN REPUBLIC

ON ENERGY RESOURCES UTILIZATION

This Law determines legal, economic and social basis of the State policy in the field of energy resources utilization as well as main directions of its implementation mechanism and regulates the relations between the State, physical and legal entities in this sphere.

Chapter I. General Provisions

Article 1. Main definitions

Main definitions used herein are as follows:

energy resources — oil, oil products, gas, electricity, heat, hydro and nuclear energies, renewable and other energy carriers utilized under present level and future levels of technique development.

energy saving policy — State policy performed by way of legal, organizational and financial-economic regulation of the production (extraction), refining, treatment, transportation, storage, stock-taking and consumption processes with the purpose energy resources rational utilization and efficient consumption;

energy resources rational utilization —energy resources utilization with maximum economic benefit under the current level of techniques and technology development and on the condition of reduction man-caused impact on environment.

energy resources consumption allowance — regulated quantity of energy resources consumption for specific production, product, work and service;

Renewable energy sources — energy sources permanently available or continuously originated in the environment (sun, wind, land's heat currents, biomass, sea, water currents, etc.).

Article 2. The Azerbaijan Republic's Legislation on the energy resources utilization

The Azerbaijan Republic's Legislation on the energy resources utilization consists of this Law, other legal standard acts and international agreements passed and concluded in accordance with this Law.

Article 3. Main principles of State policy in the sphere of energy resources utilization

State policy in the sphere of energy resources' utilization base on the following principles:

- provide by means of economic and administrative measures state regulation for physical and legal entities activities in the sphere of energy saving;
- priority application of requirements on energy saving, of economic and legal incentive mechanisms in performance of the activity in connection to the energy resources production (extraction), refining, transportation, storage and utilization;
- definition and application energy resources' utilization progressive norms;

- perform upper department State control over the utilization of energy resources by the enterprises and organizations;
- rate fixing and standardization in the sphere of energy saving and energy resources efficient utilization, power engineering standards and allowance observance;
- binding together interests of energy resources producers (extractors), transporters and consumers;
- compulsory energy resources stack-taking utilized by enterprises and organizations regardless the property their form;
- necessity of energy appraisal for newly constructed and rehabilitated facilities;
- application of economic sanctions in connection with the energy resources irrational utilization;
- popularization of energy saving economic, environmental and social advantages;
- intergovernmental cooperation in the solution of the country's problems on energy saving;
- creation and application new energy saving technologies.

Article 4. Relations between regulation objects in the sphere of energy resources utilization

Relations in connection with energy resources production and utilization, implementation of scientific-research and designing works, information insurance as well as energy utilization management and controlling shall be legally regulated objects of this Law.

Article 5. Relations between regulation subjects in the sphere of energy resources utilization

Physical and legal entities of the Azerbaijan Republic, foreign physical and legal entities involved in business in the Azerbaijan Republic, foreigners and physical non citizen persons are the subjects for legal regulations with connection to energy resources utilization.

Article 6. State programs on energy resources rational utilization

State, local and other programs shall be worked out and adopted to organize and coordinate the expedient implementation of the State activity in the sphere of energy resources rational utilization. The Azerbaijan Republic relevant executive authorities shall determine the methods and terms of working out the State programs on the energy resources rational utilization

Article 7. Scientific investigations on the energy resources utilization

State shall create condition for the fulfillment of regular complex investigations in the sphere of energy saving with the purpose of creating scientific grounds for the processes and new technologies saving the energy, creating rational appliances and equipment, energy resources rational utilization.

Chapter II. State regulation foundations in the sphere of energy resources utilization

Article 8. Main directions of the State regulations in the sphere of energy resources utilization.

The State regulation in the sphere of energy resources utilization shall be implemented in the following basic directions:

- adoption of the State conception on power policy, the State programs, proper Normative Legal Acts related to the energy resources utilization;
- implementation of the in the sphere of energy saving, investment in connection with the problems on energy saving and pursue united scientific-technical policy, coordination of the Ministries, Companies, Concerns, Enterprises, Administrations and Organizations' activity in this field;
- organization of rate fixing, standardization, certification, metrology and statistic registration in the sphere of energy resources utilization;
- state expert examination due to the energy resources production and utilization;
- energy resources utilization rate fixing;
- relevant responsibility types determination for the energy resources rational utilization;
- creation and application of the relevant economic-financial incentive mechanism for the energy saving;
- organization of the fund on the energy resources rational utilization and determination the ways of its utilization;
- establishment and development of the mechanical engineering and instrument making bases in relation with the fabrication of the equipment and technology rationally using the energy and measuring instruments as well'
- budget financing of the purpose-oriented investment programs, energy saving projects and programs soft and direct loaning;
- implementation of the planned measures granting a certain priority to the energy producing region with the aim of eliminating the critical status emerged in connection with the Country's energy supply.

Article 9. Main directions of relevant executive authority's activity on energy resources utilization

Azerbaijan Republic relevant executive authority (**Ministry of Fuel and Energy**) in connection with energy resources utilization shall:

- takes part in the development and performance of the State policy and programs on the energy resources rational utilization;
- coordinates the activity of the executive authority and the subjects of economy in the energy resources rational utilization policy implementation;
- determines the directions of financing the energy saving programs from the fund of rational energy utilization, control over the purpose-oriented use of the intended budget means;
- implements the State control over the energy resources rational utilization;

- performs expert examination on the energy rational utilization in relation with the draft documents of the constructed and reconstructed objects and as well as the operating objects;
- participates in the preparation of the State and branch standards, norms and normatives on the energy utilization;
- implement the international cooperation in the sphere of energy saving pursuant to the established order;

Article 10. Local self-government institutions powers in the sphere of energy resources utilization

Local self-government institution powers in the sphere of energy resources utilization are determining by the Constitution and the Laws of the Azerbaijan Republic.

Chapter III. Economic and financial mechanisms for energy resources utilization

Article 11. Energy resources rational utilization economic incentive mechanism's aims targets and duties

Aims of the economic incentive mechanism of the energy resources rational utilization is to implement the acceleration and expansion of the energy saving method utilization.

The duties of the economic incentive mechanism of the energy resources rational utilization are to obtain energy resources efficient and rational utilization and wide spreading of energy saving technologies and equipment production.

Article 12. Economic measures for the ensuring of the energy resources rational utilization

Economic measures for the ensuring the energy resources rational utilization shall be as follows:

- application of the economic instruments and incentives directing the organizational, scientific-technical and economic activity for the energy resources rational utilization particularly the restored energy sources (wind, sun, wave, etc.);
- determination of the basic directions and financing sources for the energy resources rational utilization;
- establishment of the State system of standards and norms on energy resources specific consumption for the power-consuming technological processes and types of product in all the spheres of the economy as the base for economically impacting measures to the power supply process;
- application of various interest-added payments in connection with the effective prices and tariffs depending on the superfluous use than the fixed norms on the irrational utilization of energy resources;
- granting of bounties, State subsidies, tax, credit and other discounts for stimulating an interest to establish, to apply and to use the progressive technology and equipment saving the energy;
- application of the State system of tariffs and prices ensuring the energy resources; rational utilization

Independent electric and thermal power producers non-included in the State power supply system shall have the right to use the State power supply system to transport the energy they produced. Power supply systems should in the proper order receive the energy in compliance with the coordinated prices and terms.

Article 13. Energy resources rational utilization financing sources.

Financing sources for energy resources rational utilization and saving activity shall be the fund of rational power utilization, internal and external investments, State and local budgets and other sources.

Article 14. Rational energy utilization fund

State out of budget fund of rational energy utilization shall be established with the aim of financing the energy resources rational utilization activity.. This fund shall be established at the expense of the means stipulated by the energy resources' tariff and prices, the payments for dissipation and breach of the Legislation on the energy resources utilization, the profit from the production-financial activity of the fund, the physical and legal entities' volunteer transfer and so on.

The order of rational utilization fund's financial resources spending shall be determined by the Azerbaijan Republic relevant executive authority.

Article 15. Main directions of rational energy utilization fund's financial resources spending.

Main directions of rational energy utilization fund's financial resources spending shall be as follows:

- scientific-research and experimental-designing works in the sphere of energy resources' saving;
- creation and application of the power saving technology and equipment;
- shareholding in the creation of new objects in the field of energy resources utilization;
- development and implementation of the programs and measures in the sphere of energy resources rational utilization;
- restored energy sources energy utilization;
- State power examination implementation;
- personnel training and their qualification improvement;
- subsidies granting for he standards, norms and normative in the power industry development;
- provision of enterprises with power supply registration and controlling and management means;
- activities on energy resources rational utilization and saving;
- incentives for the inventions and rationalization proposals on the energy resources utilization..

Article 16. Granting the subsidy from the rational energy utilization fund

Subsidies from the rational energy utilization fund may be granted to the enterprises producing techniques and technology saving the energy resources for the below-mentioned works:

- scientific-research, experimental-designing works;
- modern equipment testing sets manufacturing as well as construction-assembly works in this sphere performance;
- energy resources reutilization;
- restored energy sources examination and power prognosis performance;
- objects provision with the energy saving registration and controlling appliances;
- rational supply the population with thermal power and the similar works.

Subsidies may be granted to the physical and legal entities from this fund as well to perform on the energy resources rational utilization.

Article 17. Reimbursement of the foreign investment involved in the energy recourses rational utilization

The energy resources saved as a result of foreign investment projects having the State importance on the territory of Azerbaijan Republic (power plants oil refineries, chemical and metallurgical works, etc.) should be considered as the source of reimbursement for the mentioned investment. The relevant executive authority shall approve the quantity of the saved energy resources.

Article 18. Payoffs related to the energy resources irrational utilization

In case the energy carriers utilization exceeds the indications established pursuant to the norms and standards there shall be applied increased payoff for the energy resources superfluous utilization. This payment shall depending on the quantity of energy resources superfluous utilization in comparison with the effective price or the rising tariff scale for each energy carrier be determined with %.

The Azerbaijan Republic relevant executive authority shall establish the order of determination and payment for the energy resources irrational utilization.

Chapter IV. Standardization, Certification and Rating on The Energy Resources Utilization

Article 19. Standardization in the field of energy resources utilization

Standardization in the field of energy resources utilization shall envisage the set of obligatory norms, regulations and requirements establishment.

State power standards shall determine the basic notions and terms in the field of energy resources utilization, the organizational-methodical grounds, energy resources specific consumption, power demand determination ways, power consumption certification methods, the methods of collection and processing the information on energy resources utilization, the requirement to the energy saving technologies and facilities, requirements to the second energy resources and the restored energy sources.

Article 20. Subject and objects of standardization, State control over the standards observance

Subject of the standardization (under the economic, ecological and other restrictions) shall be the nomenclature and indications of the power requirement for the products, technological processes and services, this requirement provision and assessment methods, as well as the technical, organizational- methodical points of the standardization.

Technological processes and the equipment consuming the energy resources or alternating one energy type to another one shall be the objects of the standardization.

State control over standards the observance on the power demand shall be implemented in concordance with the Law of the Azerbaijan Republic “On the standardization”.

Article 21. Certification of products in connection with the energy resources rational utilization

Certification on the energy resources utilization shall be the conformation of the coincidence of the products, the technological processes, the services with the indications established in the State standards on the power consumption or other normative documents on the standardization.

Any energy consuming products (works, services) as well as the energy resources should compulsorily be certificate pursuant to the coincidence with the proper energy’s efficiency indications. Obligatory certification shall be implemented in conformity with the Legislation of the Azerbaijan Republic.

The enterprises manufacturing the products with more overcoming indices than the normatives established in the State standards on the energy resources rational utilization shall have the right to get privileges from the fond of rational power utilization.

Article 22. Normative base of the rational energy utilization

The norms and normatives of energy utilization as per the technological processes, the equipment, electric home appliances and the products (works and services) shall form the normative base of the rational utilization of energy resources.

Energy utilization normatives shall be determined in accordance with the State standards. The stated normatives are being determined by way of calculations or experiments.

Energy utilization normatives established in the State standards shall be effective as far as the State standard and other normative documents are in force.

Energy utilization normatives shall be determined in the State standards and other normatives documents on the standardization for the whole operation term of the appliances, technological installations and (or) technological processes.

Energy utilization normatives established in the State standards regardless the property and organizational-legal forms shall be obligatory for all the administrations and enterprises.

The normatives established in the other normative documents on the standardization shall be of recommendation character and they should not be contradict to the State standards.

Energy utilization normatives should absolutely be stated in the technological instructions, technical certificates, repair charts on the exploitation and utilization of the objects producing and consuming energy. The normatives on the thermal utilization for heating the buildings and facilities shall be established in the construction norms and regulations.

Energy utilization normatives noted in the standards, the construction norms and regulations should per every 5 years be reconsidered. At this time the normative’s coincidence with its initial level shall be determined and if necessary its new quantities be established.

Control over the energy recourses consumption normatives shall be carried out in the order established by the Azerbaijan Republic the Legislation.

Chapter V. State Energy Expert Examination

Article 23. Main duties of the state energy expert examination.

State energy expert examination implementation in the process of investment, management, economy and other activities related to the energy resources' production (extraction), refining, transportation, storing, utilization, selling and re-utilization is necessary.

The state energy expert examination:

- determines correspondence of management, economy, investment and other activities related to the energy resources utilization to energy resources saving requirements;
- determines correspondence of plans, projects and other resolutions on energy consuming facilities to the legislation on energy resources utilization, the effective energy standards and norms;
- provides evaluation of activities on energy utilization and energy saving, relevant expert decisions and review issue.

Relevant executive authorities, design-constructor, scientific-research and other organizations, higher schools, public and international organizations representatives can be involved in implementation of the examination on energy resources utilization.

Article 24. State energy expert examination objects

The State energy expert examination objects re the followings:

- drafts of productive forces development and their location diagrams, as well as the diagrams on districts and settlements' power supply;
- power technology sphere of technical and economical substantiations and projects on new facilities and enterprises construction the annual energy need which is 1000 tons and more than this volume of conditional fuel, on extentioning (upgrading, supplying with new technology, reconstructing) the facilities and enterprises available.
- drafts of training-methodical and normative-technical Acts, construction standards and regulations, documentation on creation new energy consuming technics, technology and materials, other documents and materials reflecting the activity in the energy saving sphere;
- enterprises and organizations energy economy with the annual energy resources consumption of 1000 tons and more than this volume of conditional fuel.

State energy expert examination implementation procedure shall be determined by relevant executive authority.

Physical persons and legal entities having the certificate issued by relevant executive authority on energy resources utilization shall have the right for the energy examination implementation, as well as access to the relevant facilities without obstacles.

Article 25. The necessity of execution of the state energy expert examination references

The execution of the state energy expert examination review is obligatory.

State energy expert examination negative review shall be the basis for revision activities on energy utilization and energy saving in accordance with this review.

Examination positive review shall be the basis for the granting energy resources consumers' subsidies and benefits stipulated by this Law.

Without having the state energy expert examination review energy consuming program implementation, projects and resolutions shall not be allowed.

Debatable issues proceeding from the state energy expert examination review shall be resolved pursuant to the legislation in effect.

Chapter VI. State Registration, Report And Control On Energy Resources Utilization

Article 26. Registration of energy resources utilization

Registration of energy resources used at the enterprises, establishments and organizations regardless their property and organizational-legal form shall be obligatory.

Enterprises, establishments and organizations officials shall be responsible for energy resources utilization registration precise implementation.

Registration of energy resources utilization measurement methods and instruments precision should be conducted according to State standards and norms.

Installation of relevant equipment for the energy resources utilization registration, arrangement of registering and regulating systems should be stipulated at the objects construction projects and without this the objects operation shall not be allowed.

The industrial facilities and public buildings under operation should be provided with the equipment regulating and registering the energy resources utilization. Rules of provision of energy resources consumers with appropriate equipment for energy resources registration, as well as attestation, installation procedures of these equipment shall be determined by the Azerbaijan Republic relevant executive authority.

Article 27. State statistics report on energy resources

The enterprises and organizations with annual consumption of 1000 tons and more in the recalculation on conditional fuel shall present their state statistics reports about the energy carriers volume and the structure, their utilization efficiency indications to the state statistical bodies in accordance with the legislation in force and in the determined way.

Article 28. State energy control

State control over the energy resources utilization as well as observance of legislative standards in this sphere shall be arranged and implemented by the relevant executive authority on the State control over energy resources' efficient utilization.

The execution of appropriate decisions by the relevant executive authority (**Ministry of Fuel and Energy**) on energy resources utilization within the authority delegated to it by the legislation is necessary for the energy producing and energy-consuming subjects

Article 29. Responsibility for violation of the law on energy resources utilization

Violation of law on energy resources utilization will cause the responsibility identified by this Law and other normative legal acts adopted in accordance to it. Followings shall be considered as violation of the Law on energy resources utilization:

- non-execution of requirements set for the energy consuming equipment and the energy saving systems' technological level maintenance and improvement;
- perversion of the registration and report about the energy utilization and non-delivery of information in time;
- violation of requirements for the state energy examination implementation, as well as false expert review intentional presentation;

- new technology and equipment not meeting energy standards requirements and not having the state energy expert examination reference financing and putting into operation;
- violation of requirements set on energy saving in designing, constructing, reconstructing, putting into operation of enterprises, constructions, means of transport and other facilities;
- energy resources useless regular utilization and other technical requirements violation;
- delay of payments provided for energy resources irrational utilization;
- direct losses incurred by the enterprises, establishments and organizations;
- energy resources utilization without having a meters;
- utilization of owned the renewable energy resources according to the norms levels not foreseen in the State standards;

If energy resources qualitative indications differ from those envisaged by the state and the producer shall pay local branch standards the expenses incurred by the consumer in appropriate way.

The relevant executive authority (**Ministry of Fuel and Energy**) on energy resources utilization shall apply the responsibility for violation of the legislation on energy resources utilization.

Chapter VII. International Cooperation On Energy Resources Utilization

Article 30. International cooperation

The Azerbaijan Republic participates in the international cooperation on energy resources rational utilization in compliance with its legislation and the international legal standards.

The main directions of international cooperation on energy resources rational utilization are the followings:

- efficient energy technologies mutual exchange with foreign and international organizations;
- participation of the Azerbaijan Republic and its organizations in international activity on energy resources rational utilization;
- concordance of the energy efficiency indications stipulated in the State standards of the Azerbaijan Republic to the requirements of international standards; certification results mutual recognition.

If it is revealed that the regulations in the international contract participated by the Azerbaijan Republic differ from those stipulated by this Law the regulations of the international contract shall be applied.

Article 31. Foreign investments.

The foreign investors bringing progressive foreign techniques, technology, materials and financial resources as investment to improve the energy utilization efficiency at the territory of the Azerbaijan Republic shall act according to this Law, the legislation standards on foreign investment protection and the activity in this sphere, other normative legal acts and are liable for violation of them in the way determined by the Legislation of the Azerbaijan Republic.

Chapter VIII. Staff Education And Training On Energy Resources Rational Utilization

Article 32. Necessity of education on energy resources rational utilization

The basis of energy resources rational utilization, as well as renewable and other energy resources utilization should be included into the programs for training specialists on power engineering.

Article 33. Education and professional skills improvement programs financing

Professional training improvement of employees responsible for enterprises, establishments, and organizations power supply employees', as well as training programs development and implementation, arrangement of seminars and conferences and other activities shall be financed at the expense of the rational energy utilization fund.

President of the Azerbaijan Republic

Heydar Aliyev.

Baku, 30 May 1996.