

FINAL

INOGATE Technical Secretariat Country Work Plan: Azerbaijan

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Contents

Section 1 Introduction	4
Section 2 Energy policy of Azerbaijan.....	5
Section 3 Achievements of the Azerbaijan-ITS cooperation.....	6
Section 4 Work Plan for Azerbaijan-ITS cooperation.....	9
Table 1: National Priorities of the Azerbaijan.....	6
Table 2: Completed and ongoing activities of the Azerbaijan-ITS cooperation in 2011-2014	6
Table 3: Top priority planned activities for the Azerbaijan-ITS cooperation in 2015-2016	9
Table 4: Secondary priority planned activities for the Azerbaijan-ITS cooperation in 2015-2016.....	10

Abbreviations and acronyms

AA	Association Agreement
AHEF	Ad Hoc Expert Facility
AP	Action Plan
CEN/CENELEC	The European Committee for Standardization / The European Committee for Electrotechnical Standardization
CWP	Country Work Plan
E & G	Electricity and Gas
ECT	Energy Community Treaty
EE	Energy Efficiency
EnC	Energy Community
ENPI	European Neighbourhood and Partnership Instrument
ENTSO-E	European Network of Transmission System Operators for Electricity
ENTSO-G	European Network of Transmission System Operators for Gas
EPC	Energy Performance Contract
ESAP	Energy Statistics Action Plan
EU	European Union
INO GATE	Energy Cooperation between the EU, the Littoral States of the Black & Caspian Seas and their Neighbouring Countries
ITS	Inogate Technical Secretariat
LDAR	Leak Detection and Repair
PC	Partner Country
PIMS	Pipeline Integrity Management System
RES	Renewable Energy Sources
RM	Road Map
RWP	Regional Work Plan
SE	Sustainable Energy
TA	Technical Assistance
TEG	Technical Experts Group
TSO	Transmission System Operator

Section 1 Introduction

The overall purpose of the Country Work Plan (CWP) for the project period February 2015 – April 2016 is to define the INOGATE activities to be carried out based on the experience of experts and the explicit requests of the Partner Country. This document outlines the ITS analysis of the needs and priorities of the countries and the proposed ITS strategy and rationale for intervention.

The proposed activities presented here take into account the bilateral and trade agreements of the EC and the PC as well as other EU projects and the activities of other donors in a PC.

This country work plan has been drafted by ITS in consultation with the Partner Country and the European Commission.

INOGATE is an EU regional cooperation instrument, that is based on inter and intra-regional cooperation of Partner Countries and capacity building, focusing on the following areas:

- Technical and regulatory advice on energy security, energy markets efficiency and development;
- Implementation of energy efficiency and renewable energy policies;
- Energy and economic planning through the use of improved energy statistics;
- Facilitating energy efficiency and renewable energy investments.

The ITS provides short or medium-term technical assistance in these areas at regional and country level.

Section 2 Energy policy of Azerbaijan

The government's main energy policy directions, based on analysis by ITS experts, are:

- Rehabilitating and developing infrastructure in regions of the country, improving access of the population to public utilities, including power and gas;
- To establish modern infrastructure facilities and align existing facilities to international standards.

The main documents of the policy and regulatory framework of Azerbaijan, identified by ITS experts, are¹:

- The State Program for Development of Fuel and Energy Sector in Azerbaijan (2005-2015), approved by the President in 2005.
- The State Program on Use of Alternative and Renewable Energy Sources in Azerbaijan Republic', approved by the President in 2004.

The cooperation in the field of energy between the Azerbaijan Republic and the European Commission is based on a strategic partnership, agreed in 2006.

Based on the ITS Strategy the priorities for the cooperation between Azerbaijan and INOGATE for the period 2015-2016 reflect the national priorities stipulated in the above strategic documents and are shown in Table 1².

¹ Details are provided in "Country Report: Azerbaijan October 2014".

Table 1: National Priorities of the Azerbaijan

Priorities
Harmonisation of electricity and gas laws with the relevant EU legislation, increasing the reliability and efficiency of energy supplies and transit systems
Development of export potential and regional electricity markets.
Elaboration of transparent and comprehensive tariff methodology
Establishment of modern infrastructure and bringing existing facilities in line with international standards
Promoting sustainable energy investment
Improvement of energy statistics

Section 3 Achievements of the Azerbaijan-ITS cooperation

Azeri representatives have actively participated in regional seminars and study tours, listed in Table 2: Completed regional activities in 2011-2014 of the Regional Work Plan, as well as in national INOGATE activities, listed in Table 2. In addition to completed activities, Table 2 also contains ongoing activities, to which the INOGATE project is already committed.

Table 2: Completed and ongoing activities of the Azerbaijan-ITS cooperation in 2011-2014

Implemented/ongoing Activities	Results	Impacts	Areas
ELECTRICITY AND GAS			
Assistance on adoption of 12 interstate gas standards (identical European and international gas standards) in AZ's standardization system.	Adoption of 12 interstate gas standards (identical to European gas standards) in Azerbaijan's national standardization system.	National gas standards are harmonised with European gas standards. Reduction of existing technical barriers for trade with EU.	Harmonization of Electricity and Gas Standards and codes
Assistance in transfer to Azerbaijan of 100 international and European oil and gas standards.	International and European oil and gas standards have been transferred.	(Expected): Support to the standardization process in Azerbaijan.	Harmonization of Electricity and Gas Standards and codes
AHEF.014.AZ (completed): Formulation of proposals on improvement of the relevant secondary	The capacity of the Tariff Council is strengthened in the areas of Regulation	Tariffs are reflecting the aspects mentioned.	Efficiency of Electricity and Gas Infrastructure

² To the best knowledge of the ITS Project there are no overlaps with other donors.

Implemented/ongoing Activities	Results	Impacts	Areas
legislation with reference to losses in the electricity and gas sectors.	and Tariff Setting.		
Technical assistance for application of Advanced Meter Infrastructure (AMI) at Azerenerji's (AHEF.09.AZ) and Azerigas' distribution networks.	A report containing EU experience in AMI and proposals and roll out strategy for using AMI in Azerenerji's network.	Reduction of commercial losses in electricity distribution network.	Efficiency of Electricity and Gas Infrastructure
Technical assistance on modern gas metering devices, their maintenance and metrological support (state inspection) and performance of energy companies regarding consumption records and data collection (performed jointly with Georgia for AHEF.037.GE)).	Methodologies and procedures showcased and established for measuring and recording gas flows in accordance with European standards.	Reduction of gas losses, increasing metering accuracy, increased revenues from sales of gas.	Efficiency of Electricity and Gas Infrastructure
AHEF.74,75,76.GE (participation in Georgia, completed) <ul style="list-style-type: none"> - Training in Cathodic protection system design. - Training in direct assessment of pipelines that cannot be assessed automatically ('unpiggable') Training and Certification of GOGC staff in construction supervision and pipeline testing and commissioning. (held jointly for Georgia and Azerbaijan)	Training of two participants in maintenance and control of (unpiggable) pipelines. Capacity was increased in construction supervision of infrastructure.	(Expected): Increased efficiency of energy infrastructure. Decreased number of leaks and accidents.	Efficiency of Electricity and Gas Infrastructure
SUSTAINABLE ENERGY			
AHEF.061.AZ, completed: Industrial energy audit analysis for bankable projects	24 energy experts trained in assessing investment projects.	Increased investments in EE/RES projects.	Investment facilitation
AHEF.67.AZ, completed. Technical assistance on the creation of the EE Department under the Ministry of Industry and Energy.	The framework developed for establishing the EE Department.	Policy making for EE enabled. Improved institutional framework for EE	EE promotion
AHEF.083.AZ, completed: Technical assistance on the improvement of RES licensing rules.	Capacity built for staff of State agency on RES and alternative energy on the EU experience in RES licensing.	Improved regulation. Removed barriers for RES development.	Facilitating investments in sustainable energy

Implemented/ongoing Activities	Results	Impacts	Areas
AHEF.116.AZ, ongoing: Support to the development of a road map for development of centralized heat supply in Azerbaijan till 2020.	A Road Map (strategic whitepaper) on district heating prepared.	Increased investments in district heating and improved efficiency.	Development of Sustainable Energy Policies and Strategies
ENERGY STATISTICS			
Technical Assistance Mission (1 st) to initiate and support implementation of the activities defined in ESAP: verification of newly established system of energy indicators, presentation of the concept for EEI calculation and data requirements.	Prepared plan for carrying out survey on energy consumption in household sector and EEI compilation.	Increased capacity of NSI and Department for Energy Efficiency of the Ministry of Energy and Industry to collect and compile energy statistics and balances, harmonised with European and international standards.	Energy efficiency statistics system development
Technical Assistance Mission (2 nd) to support preparation of the methodologies and procedures for survey on energy consumption in household sector, development of the tailor-made model for EEI compilation. Completed.	Developed and adopted methodology and procedures for organizing survey on energy consumption in household sector. Improved accuracy of energy consumption data in household sector. Preliminary EEI compiled.	Increased capacity of national statistical bodies and Department for EE of the Ministry of Energy and Industry to collect and compile energy statistics and balances, harmonised with European and international standards. Support to the implementation of energy efficiency policies and measures.	Energy statistics system development
Conducted national meeting with key energy stakeholders on the importance of energy statistics for policy and decision making and appropriate division of labour and data sharing.	Support to the policy decision makers in development of the legal and institutional framework for energy statistics and energy system planning.	Increased awareness on the importance and use of official statistics for policy and decision making.	Energy statistics system development

Section 4 Work Plan for Azerbaijan-ITS cooperation

As an overall strategic approach ITS intends to support the national priorities set out in section 2, including the priorities included in the Azerbaijan - EU Memorandum of Understanding as well as other priorities. Due attention also is paid to ongoing technical assistance including from other donors. This is ensured by coordination meetings with the beneficiaries and donors currently providing TA in Azerbaijan.

Emphasis will be given to those areas of intervention which are in line with the scope of work of the ITS project and those that bring tangible impact and results and have no duplication with other EU programmes and bilateral donors and are in line with the new INOGATE strategy.

The top priority planned national activities for the extension period February 2015 – April 2016 are listed in Table 3, and the secondary priority activities are listed in Table 4.

Table 3: Top priority planned activities for the Azerbaijan-ITS cooperation in 2015-2016

Reference numbers	Activities	Expected results	Expected impact	Areas
ELECTRICITY AND GAS				
AHEF.121.AZ (ToR submitted to EC for approval)	Development of Azerenerji's Cross-border exchange strategy and building its capacity towards that aim.	A review and validation prepared, including generation costs, and excess electricity, capacity allocation methods, auction mechanisms and interconnection capacities, as well as legal, regulatory and commercial aspects of cross-border trade.	Established framework for cross-border trade, primarily between AZ, GE and TR.	Cross-border Trade of Electricity and Gas
SUSTAINABLE ENERGY				
CWP.11.AZ	Technical assistance on the improvement of legislation framework and energy efficiency in the district heating sector of Azerbaijan (follow-up on AHEF.116.AZ).	Improved legislation on EE in the district heating sector in Azerbaijan	Increased investments in district heating and improved efficiency.	Development of Sustainable Energy Policies and Strategies

Reference numbers	Activities	Expected results	Expected impact	Areas
ENERGY STATISTICS				
CWP.17.AZ	Technical assistance in the adjustment and application of tailor-made model for energy efficiency indicators compilation (household sector and industry)	Energy efficiency indicators, based on IEA and EU standards compiled.	Increased use of energy statistics for implementation of energy efficiency policies and for energy system planning.	Energy statistics system improvement

Table 4: Priority planned activities for the Azerbaijan-ITS cooperation in 2015-2016

Reference numbers	Activities	Expected results	Expected impact	Areas
ELECTRICITY AND GAS				
CWP.01.AZ	Seminar (for high level decision makers) on EU energy market principles with focus on the need for an Independent Energy Regulator.	Awareness created among decision makers on the benefits of energy regulation based on EU principles.	Fostering investment in energy sector (fair and clear market rules for all investors).	Regulatory Issues/Market Rules
NEW	Facilitation of adoption of draft energy laws in AZ.	Report comprising gap analysis of the current Electricity and Gas legislation in terms of their approximation to EU legislation but taking account the Azeri reality and some recommendations for next steps (Action Plan)	A pragmatic road map to speed up the reforms.	Regulatory Issues/Market Rules
CWP.03.AZ	Support in developing the draft law "On Grid Code" and regulations for access to grid for network users	Clear and transparent regulations developed for access to Electricity and	Easy access to grid, facilitation of investments.	Regulatory Issues/Market Rules

Reference numbers	Activities	Expected results	Expected impact	Areas
		Gas grid.		
NEW	<p>Assistance with the implementation of the “ Action Plan on Harmonisation of Standards and Codes in Electricity and Gas Sectors of Azerbaijan” :</p> <p>a) Study visit for 4 Azerbaijani TC members;</p> <p>b) Organisation of a seminar on priority electricity standards.</p> <p>Update the list of existing gas standards.</p>	The “Action Plan on Harmonisation of Standards and Codes in Electricity and Gas Sectors of Azerbaijan” implemented.	Harmonised gas and electricity standards to result in a reduction and subsequent elimination of the existing technical barriers.	Harmonisation of electricity and gas standards
CWP.04.AZ	Development of electricity tariff methodology.	Electricity tariff methodology developed, reflecting market principles.	Increased confidence of investors, including RES. Infrastructure development not subsidized by the government.	Development/review of tariff methodologies
New	Development of a roadmap for structuring the of electricity and gas system (AzerEnergy, Azerigas, Bakielektrikshebeke)	Establishment of internal energy market entities for generation, transportation and distribution of electricity and natural gas. Application of commercial relations between entities.	Creating conditions for a competitive private sector market in the power industry. Optimum use of primary energy resources, reduction of losses in electricity and gas networks.	Creation and development of a competitive energy market based on the EC Directives
CWP.07.AZ	Support to development of a Regional Power Market (Azerbaijan – Georgia-Turkey with the use of the GE-TR asynchronous interconnection).	Electricity trade model developed, including technical, financial and legal aspects.	Utilization of the electricity export potential. Increased regional electricity supply security.	Proposal of ITS

Reference numbers	Activities	Expected results	Expected impact	Areas
SUSTAINABLE ENERGY				
CWP.12.AZ	Developing a concept and communication material for an SE information centre, assistance in setting up the centre and training of stakeholders.	Information centre on Sustainable Energy is established and functioning	Increased awareness of the population on EE and RE solutions, reduced CO2 emissions, improved energy security	Investment facilitation
NEW	Technical assistance for the Improvement of the draft law on the efficient use of energy resources in the country.	Primary legislation framework improved according to the EU best practice	Improved energy efficiency in the country.	Development of policies and strategies for EE and RE
ENERGY STATISTICS				
CWP.15.AZ	Technical assistance in the improvement of the methodologies and procedures for energy data collection in households: support in conducting survey and compiling the results on final energy consumption based on the IEA/Eurostat list of variables.	Improved accuracy of households' energy consumption statistics and formed database for EEI compilation. Established institutional framework for EEI compilation, monitoring and verification.	Increased capacity of SSC and Department for EE of the Ministry of Energy and Industry to collect and compile consistent and reliable energy statistics harmonised with international standards.	Energy statistics system improvement
CWP.16.AZ	Technical assistance in the calculation of shares of renewable energy sources in energy mix harmonized with EUROSTAT recommendations and method (SHARE tool).	Renewable energy sources indicators compiled.	Increased capacity of SSC and Department for EE of the Ministry of Energy and Industry to collect and compile consistent and reliable energy statistics harmonised with international standards. Improved energy system planning.	Energy statistics system improvement
CWP.18.AZ	Technical assistance in the preparation of the plan and concept for implementation of	Methodological and procedural concept for data collection and	Increased harmonisation of Azerbaijan energy statistics with	Energy statistics system improvement

Reference numbers	Activities	Expected results	Expected impact	Areas
	energy survey in service sector in 2016.	compilation in service sector developed.	international standards.	
CWP.19.AZ	Technical assistance in in the application of the tool for the calculation of the CO2 emission from stationary and mobile energy sources (in line with IPCC* methodology developed under UNFCCC).	Model for monitoring and evaluation of the CO2 emission reduction; Harmonized calculation of the CO2 emission reduction.	Increased use of energy statistics for planning and implementation of CO2 mitigation measures.	Energy statistics system improvement. Support to the climate change mitigation policies and strategies.
CWP.20.AZ	Technical assistance in developing short, medium and long term energy demand forecasting to support development of forecasted energy balances	Short, medium and long term energy demand calculated.	Increased use of energy data for energy system planning.	Support to the use of energy planning tools
CWP.21.AZ	Technical assistance in the establishment of the institutional framework for energy system planning.	Improved institutional framework for energy system planning.	Increased use of energy data for energy system planning.	Support to the use of energy planning tools