



**“Interconnectivity: Update on the status of the trade of electricity between the countries of Azerbaijan, Georgia and Turkey project”**

**The Republic of Azerbaijan**

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# Agenda

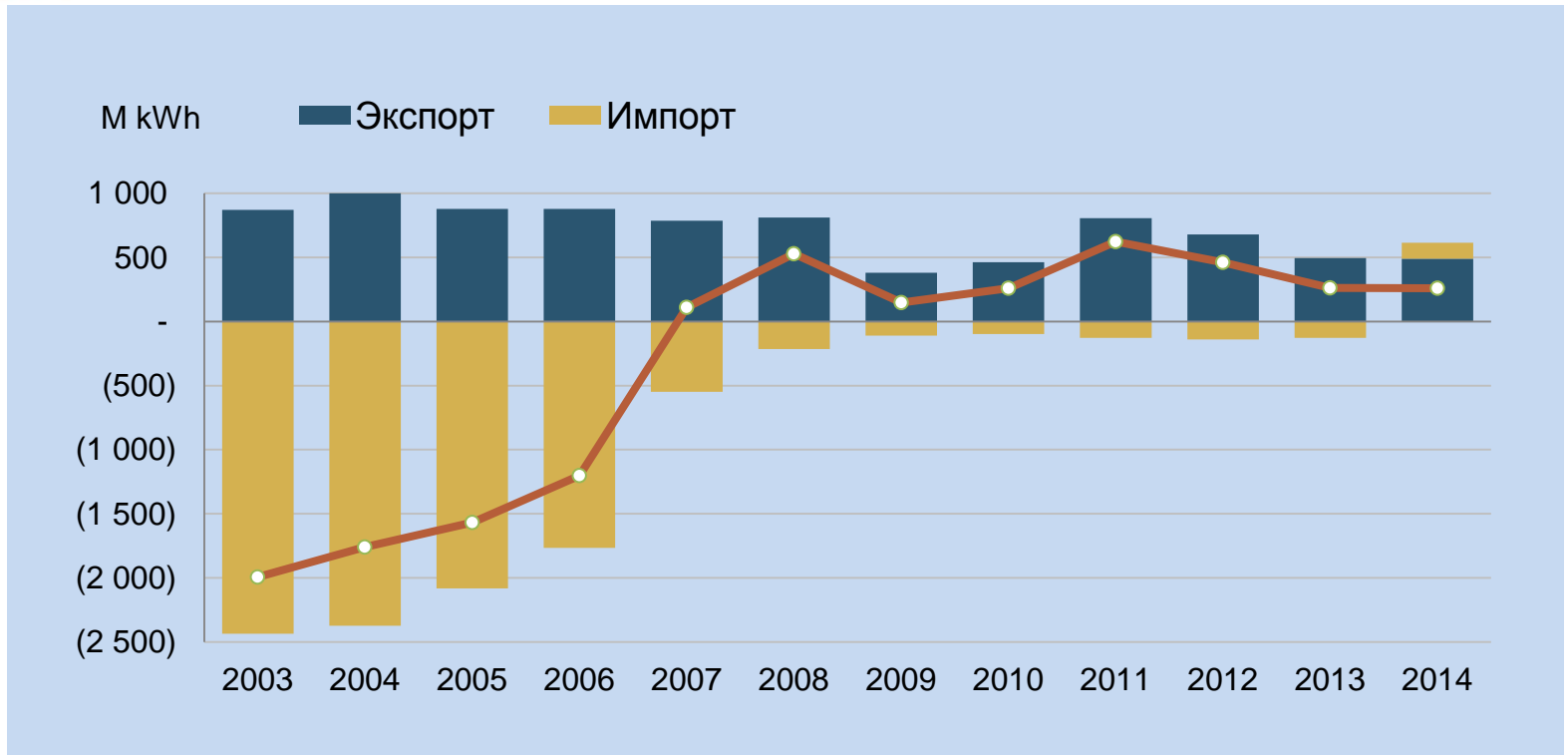


1. Existing and planned electricity interconnections
2. Project identification & appraisal
3. Financing & regulatory treatment of new interconnections
4. Main issues / hurdles faced in relation to the investment
5. Stakeholders involvement and cost sharing

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# 1. Existing and planned electricity interconnections

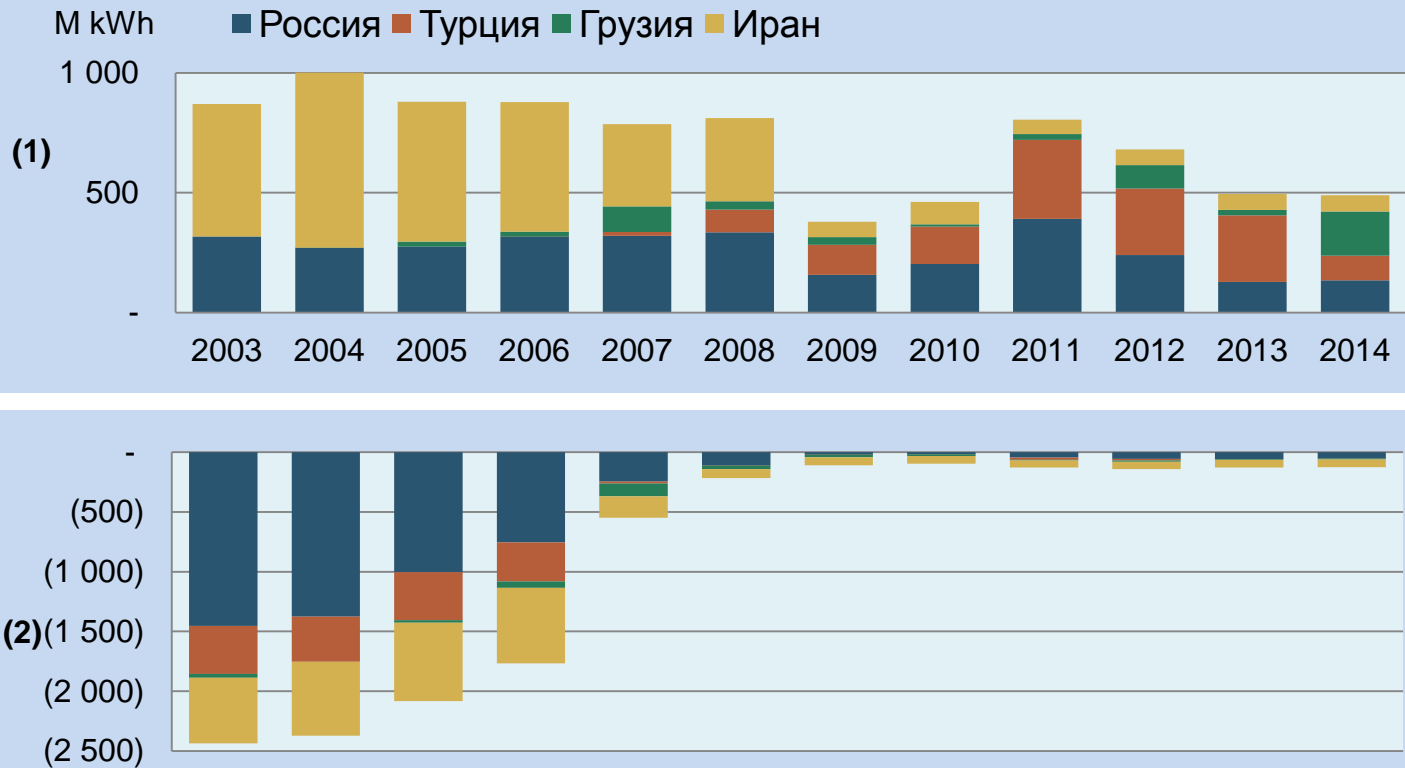


**Since 2007 Azerbaijan has been an electricity net exporter.**

# 1. Existing and planned electricity interconnections



## Export (1) and import (2) structure



## 2. Project identification & appraisal



Electricity export from Azerbaijan to Turkey through Georgia is planned;

Azerbaijan completely reconstructed a **500 kV power line “Samukh-Gardabani”** and a new substation **“Samukh 500/330 kV”** is constructed;

High voltage power line lines connecting Georgia and Turkey was commissioned late 2013;

The project enables transit **700 MW** of power to Turkey.



### 3. Financing & regulatory treatment of new interconnections



- Financing of the project on electricity sale between Azerbaijan, Georgia and Turkey is separately by these countries;
- Azerbaijani part of the project was done at the expense of government funds;
- The project between Azerbaijan and Iran – **330 kV** interstate power line (**ISPL**) “**Ardebil**” was financed through credit funds provided by the Iranian bank to Azerbaijan;
- Interconnection 330 kV **ISPL** «**Yashma-Derbent**” between Azerbaijan and Russia was included in the Action Plan on Implementation of the Programme on Economic Cooperation between Azerbaijan and Russia until 2020

## 4. Main issues / hurdles faced in relation to the investment



- **Low internal tariffs** on electricity lead to a low IRR and long payback period of investment in electricity, what makes it **unattractive** for private investments and such international donors as World Bank, EBRD, ADB and others provide only sovereign credits, with the ceiling being limited by the government;
- Mechanisms of Public-private partnership are **not developed**;
- **Non-transparent system of tariffs** on electricity;
- **Lack of competitive environment** in electricity sector;
- **Lack of the Grid Code**, regulating among other things third party access to the networks for electricity export;

## 5. Stakeholders involvement and cost sharing



- There are **no single rules** for participation of the stakeholders in shared distribution of costs for establishment of interconnections on the case by case basis, it is decided by a bilateral procedure.
- Examples of different types of financing are shown on Slide 3.

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**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**

