



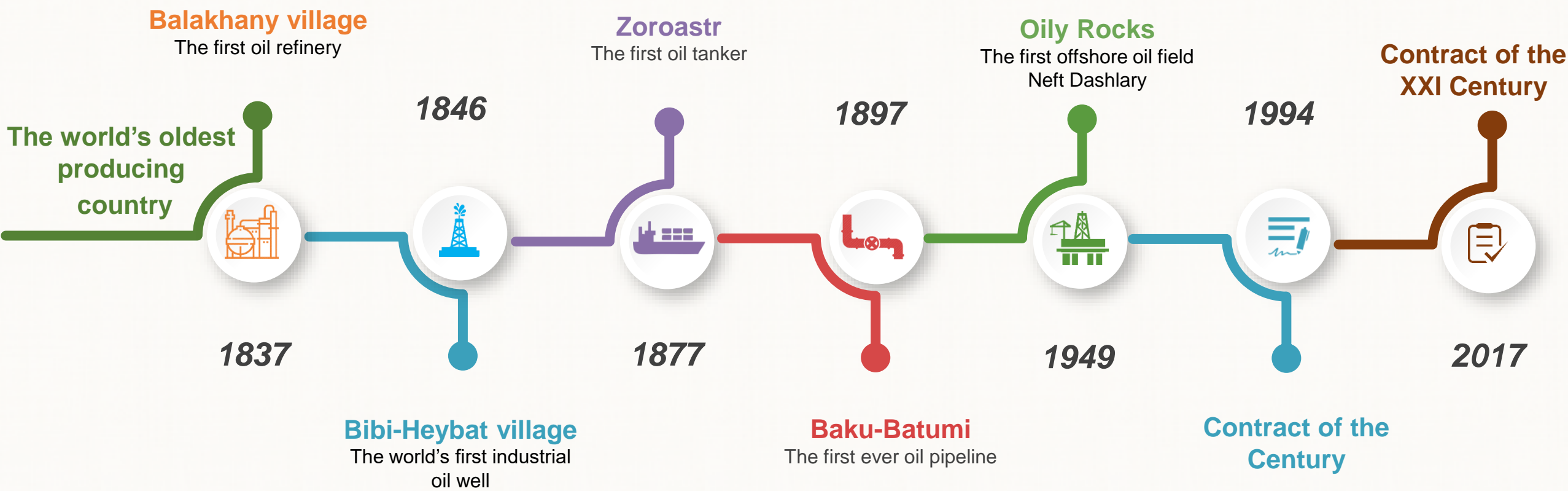
# A Look Into The Future



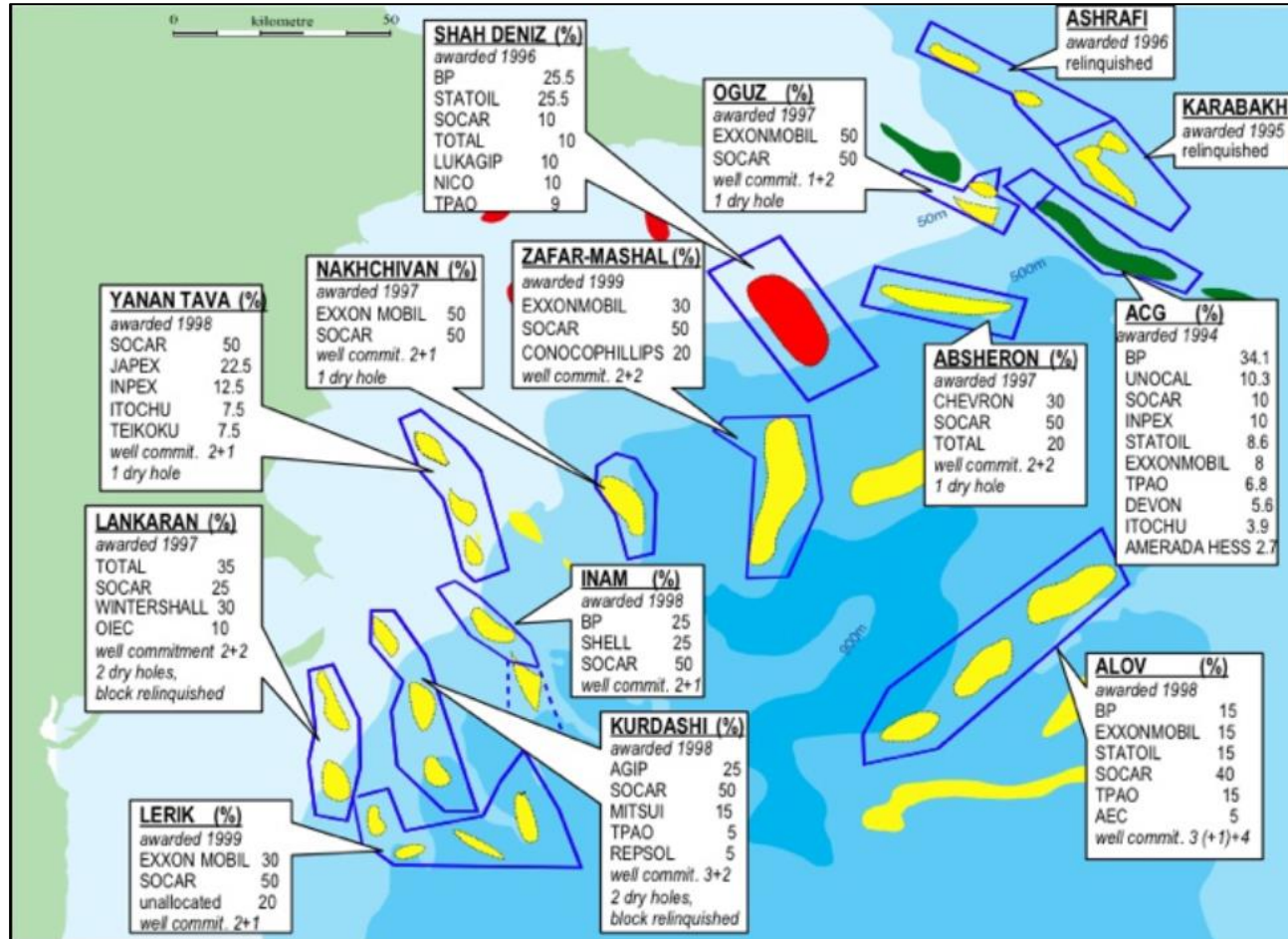


# OIL AND GAS SECTOR IN AZERBAIJAN

## HISTORICAL OVERVIEW (1837-2017)

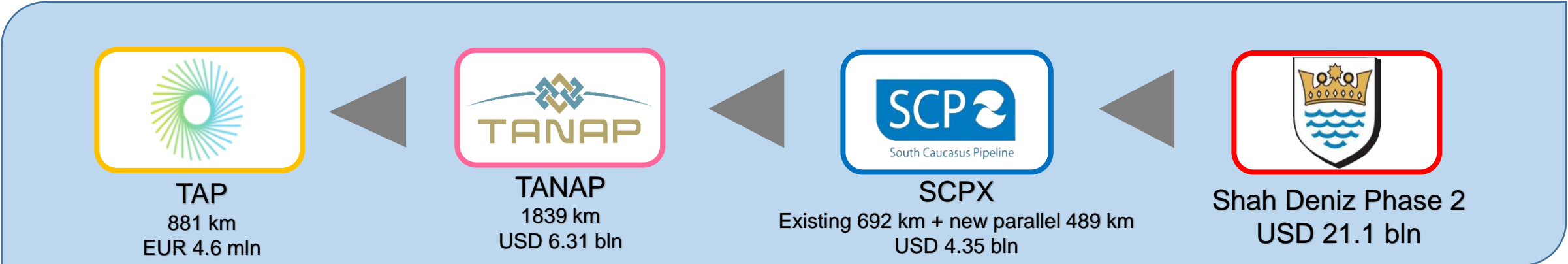


# START OF GAS EXPORTING ERA



- Azerbaijan is pioneer hydrocarbon producer.
- Azerbaijan as an independent state exports oil since on 1997, soon after signing the “Contract of the Century” in 1994 and construction of Sangachal Terminal (October 1997).
- From 2006 Azerbaijan becomes also a gas exporting country.
- Remaining proven recoverable gas reserves ~700 bcm.
- Proven discovered non-produced gas reserves ~ 1450 bcm:
  - Shah Deniz - 340 bcm discovered/undeveloped;
  - ACG - 450 bcm discovered/undeveloped;
  - Absheron - 290 bcm discovered/undeveloped;
  - Karabakh - 30 bcm;
  - SOCAR Producing fields - 250 bcm;
  - Umid field undeveloped - 90 bcm.
- Other perspective fields:
  - Shafaq-Asiman PSA - 500 bcm;
  - SD deep NKP, PK and Kala - 450 bcm;
  - ACG deep NKP, PK and Kala - 50 bcm;
  - Absheron North & South - 400 bcm;
  - Umid field NKP, PK - 130 bcm;
  - Nakhchivan - 300 bcm;
  - Zafar-Mashal - 300 bcm;
  - Araz-Alov-Sharg.

# SOUTHERN GAS CORRIDOR (SGC)



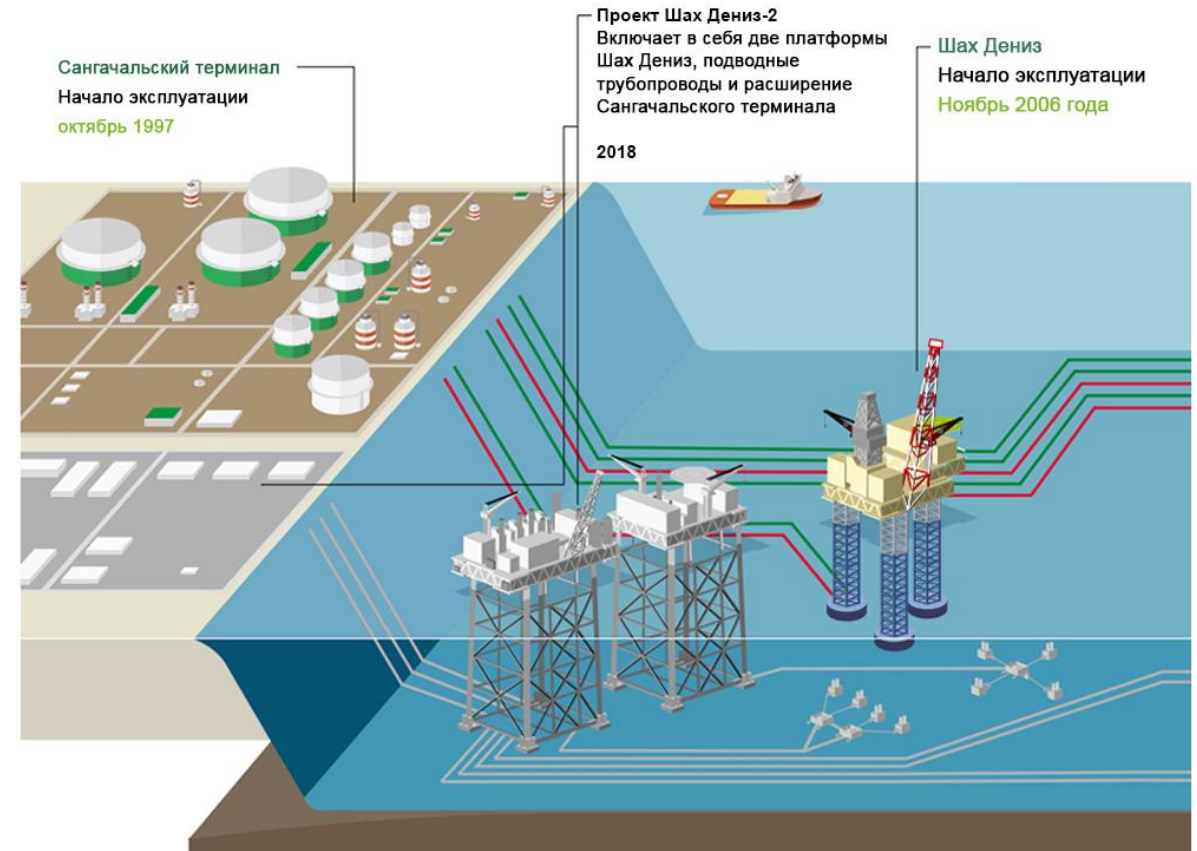
**Southern Gas Corridor (SGC)**

- One of the largest gas development projects in the world.
- Projects across multiple countries.
- Stimulate adjacent projects: Albania (IAP), Greece-Bulgaria (IGB).
- Increases European energy security by supplying natural gas from the Caspian Sea Basin.
- Core part – upstream and midstream projects in Azerbaijan and Turkey.
- Total Length of Corridor: **3400 km.**
- Total investment: **\$37.1 bln.**
- Azerbaijan's share: **\$10 bln.**
- Investment in Azerbaijan: **\$25.5 bln.**

# SHAH DENIZ PROJECT PHASE 2

## Shah-Deniz Project Phases 1&2

- Shah Deniz (SD) is the largest gas and condensate field in Azerbaijan with over 1 trillion scm of gas and over 2 billion barrels of condensate.
- World-class reservoir with 6,000 meters depth below sea level.
- SD1 began gas production in 2006 following 7 years of development.
- The decision for Shah Deniz Full Field Development (SD2) was taken on 17 December 2013.
- Gas production capacity with SD Alpha Platform (SD1) is 10 bcma.
- Gas is supplied to Azerbaijan internal market, to Georgia, to Turkey and used as fuel for BTC and SCP stations.
- Additional 16 bcma from SD Bravo Platform (SD2). Total production will reach 26 bcma.
- 6 bcma of the additional 16 bcma of gas is delivered to Turkey via TANAP (started 30 June 2018) and the rest (10 bcma) to Europe (plan is end of 2020).
- SD2 total project costs: US\$21.1 billion, out of which US\$20.24 billion has been spent by end of 2021.



# EXPANDED SCP (SOUTH CAUCASUS PIPELINE)

## SCPX – Expanded South Caucasus Pipeline

- SCP is the pipeline constructed in 2006
  - Length is 692 km (443 km in Azerbaijan and 249 km in Georgia);
  - Diameter 42”;
  - Capacity 7.4 bcma.
- Expansion was required to afford additional volumes produced as result of Shah Deniz Full Field Development (SD2).
- Expansion included:
  - Construction of head Compressor Station in Sangachal Terminal (Azerbaijan)
  - Construction of an additional 48” line in parallel to SCP in Azerbaijan (Loop 1) and in Georgia (Loop 2);
  - Construction of two Compressor Stations in Georgia (CSG1/MX71 and CSG2/MX77);
  - Expansion of gas off-take lines and Pressure Reduction Station;
  - Construction of Metering Station (MX81) in Georgian-Turkish Border.
- Length of the additional 48” loops of pipeline is 489 km:
  - In Azerbaijan - 424 km;
  - In Georgia - 63 km;
  - Connection with TANAP – 2 km.
- Capacity after expansion: 24 bcma (plus 16+ bcma).

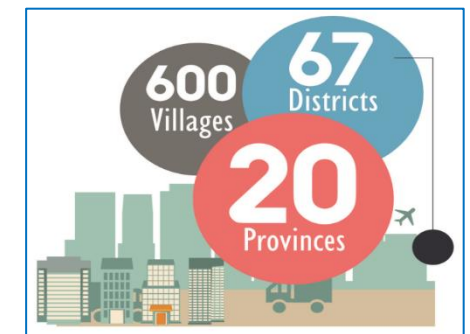
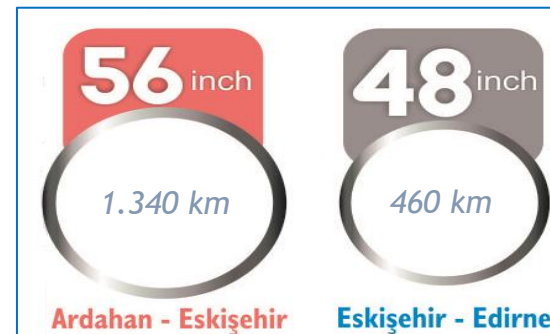
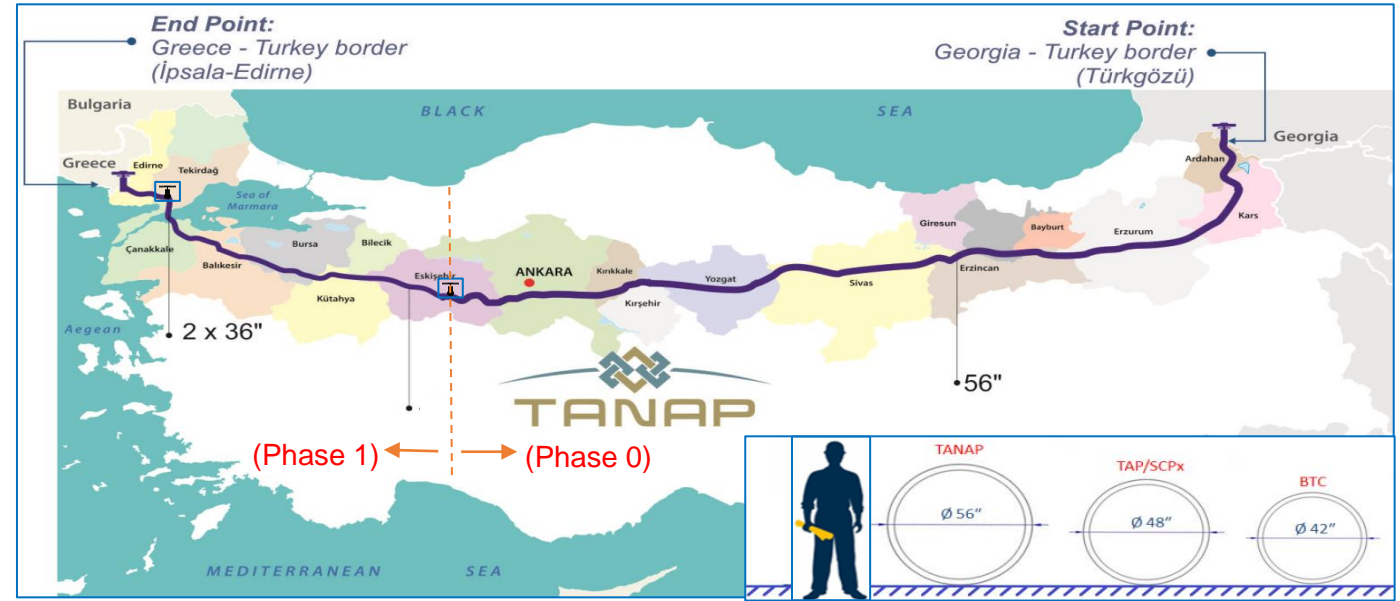


SCP/SCPX Shareholders are: **BP** (28.8%), **SOCAR** (16.7% = 10% SOCAR + 6.7% SGC CJSC), **Petronas** (15.5%), **Lukoil** (10%), **NICO** (10%), **TPAO** (19%).

# TRANS-ANATOLIAN NATURAL GAS PIPELINE

## TANAP Project:

- Secures delivery of natural gas to European markets;
- Meets the growing demand in Turkey for natural gas, and contributes to the socio-economic development of the country.
- Length of the pipeline – 1,839 km.
- Diameter of the pipeline:
  - Georgian-Turkish Border – Eskişehir (1345 km) – 56”;
  - From Eskişehir to Turkish-Greece Border (459 km) – 48”;
  - Offshore pipeline under Çanakkale strait (Dardanelles) (2x17.5 km) – 2 parallel 36” lines.
- Commissioning and Linefill operations started from 2018.
- Commercial operations with installed capacity of 6 bcma (Stage 0) started on 01 July 2018.
- Capacity of 16.2 bcma (Stage 1), providing additional 10 bcma is available from second half of 2019.
- Total volume of SD2 gas delivered by TANAP to Eskişehir from 2018 to end of 2021 is about 14.3 bcm.
- All pipeline construction works and performance tests are completed by end of 2019.



TANAP Shareholders are: **SOCAR** (58% = 7% SOCAR Turkey + 51% SGC CJSC); **BOTAS** (30%); **BP** (12%)

# TRANS-ADRIATIC PIPELINE

## TAP Project:

- Plays a key role in achieving one of the strategic goals of the European Union – energy security and diversification of energy sources.
- It is the shortest and the most commercially viable way to export gas from Azerbaijan to European markets.
- Length of pipeline – 880.8 km:
  - in Greece – 551.5 km,
  - in Albania – 215.9 km,
  - under Adriatic Sea – 105.0 km,
  - in Italy – 8.4 km.
- Diameter of pipeline:
  - Onshore section – (767.4 km) – 48”,
  - Offshore section and Italy (105 and 8.4 km) – 36”.
- Throughput Capacity:
  - Basic 10.5 bcma (Phase 1),
  - Expandable up to 20 bcma (Phase 2).

TAP Shareholders are: **SOCAR** (20% SGC CJSC); **BP** (20%); **Snam S.p.A.** (20%); **Fluxys** (19%); **Enagás** (16%); **Axpo** (5%)

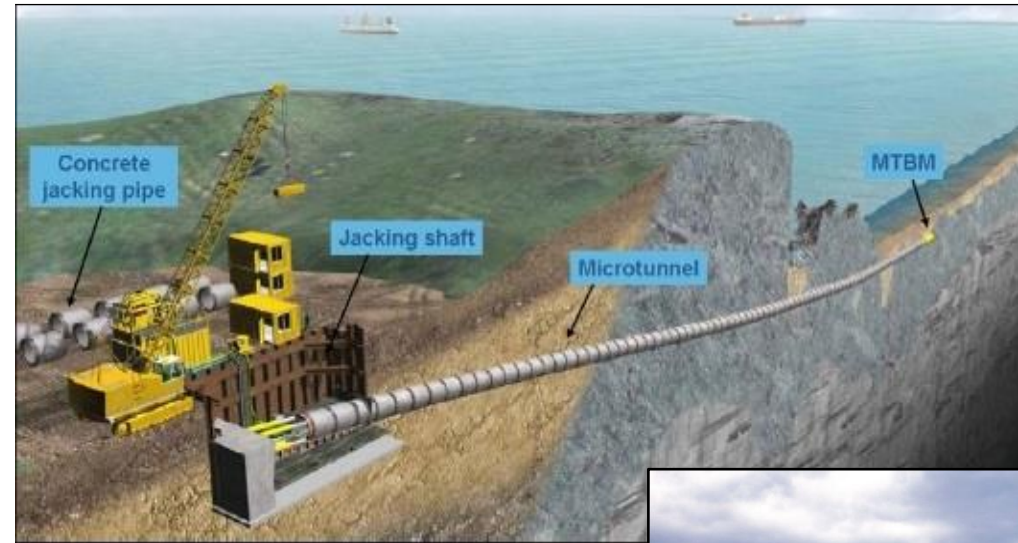


# TRANS-ADRIATIC PIPELINE

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## TAP Project:

- Start of commercial operations: 31 December 2020.
- SNAM TAP Interconnector – to deliver to PSV gas distribution hub:
  - Length: 55 km;
  - construction period: 12 Jan 2019 – 15 November 2020.
- First commercial gas to Europe (SNAM PSV Hub): **31 December 2020**.
- The current cost of the project is **€4.6 bln**.
- The total expenditure by end of 2021 is **€4.44 bln**.



# Interconnector Greece-Bulgaria (IGB)



# Interconnector Greece-Bulgaria (IGB)

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## IGB Project:

- A gas interconnector pipeline that will link the Greek transmission systems – DESFA and TAP at Komotini with the Bulgarian gas transmission system – Bulgartransgaz at Stara Zagora
- Part of Balkan Gas Hub;
- Contribution to Bulgarian market evolution;
- Diversification and flexibility;
- Access to South Gas Corridor;
- Length: 182 km (151 km in Bulgaria and 31 km in Greece);
- Diameter: 32”;
- Capacity: 3 bcma; can upgrade upto 5 bcma, if additional market interest is demonstrated;
- Managed by ICGB AD project company with shareholders:
  - Bulgarian Energy Holding (EAD – 50%);
  - IGI Poseidon SA (50%);
- Exempted Framework: ownership unbundling, regulated tariff, and third-party access;



# Ionic Adriatic Pipeline (IAP)

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## IAP Project:

- IAP pipeline with a length of around 516 kilometres will be connected to the Trans Adriatic Pipeline (TAP) in the city of Fier in Albania.
- The IAP will pass through Albania, Montenegro, Bosnia and Herzegovina, and end in the city of Split in Croatia, where it will be connected to the existing gas distribution system of the country.
- Memorandum of Understanding (MoU) was signed between Croatia, Albania, Bosnia-Herzegovina, Montenegro and SOCAR on 26.08.2016.
- The capacity of the IAP will be 5 bcm per year with reverse flow capability
- A TAP and IAP working group was formed which regularly holds meetings in order to synchronize the time of implementation of both projects and agree on the technical issues of connection.





# SOCAR 2035 Strategy at a glance

## Energy security

**Sustain** gas, as well as petrochemicals production in Azerbaijan

Ensure **maximum utilization** of transit infrastructure across the East-West Energy Corridor

Contribute to **regional and international** Energy security

## Energy transition

Contribute to global sustainability through development of **low carbon, circular economy and environmentally friendly** operations

## Business sustainability

**Grow selectively** in upstream and downstream (pursuing chemicals investments)

Proactively **optimize** SOCAR **portfolio** and capture market opportunities

Ensure **new income sources** through investments to **innovations and venturing**

## Efficiency and optimization

**Improve efficiency of** upstream and downstream assets via operating model changes and targeted efficiency programs

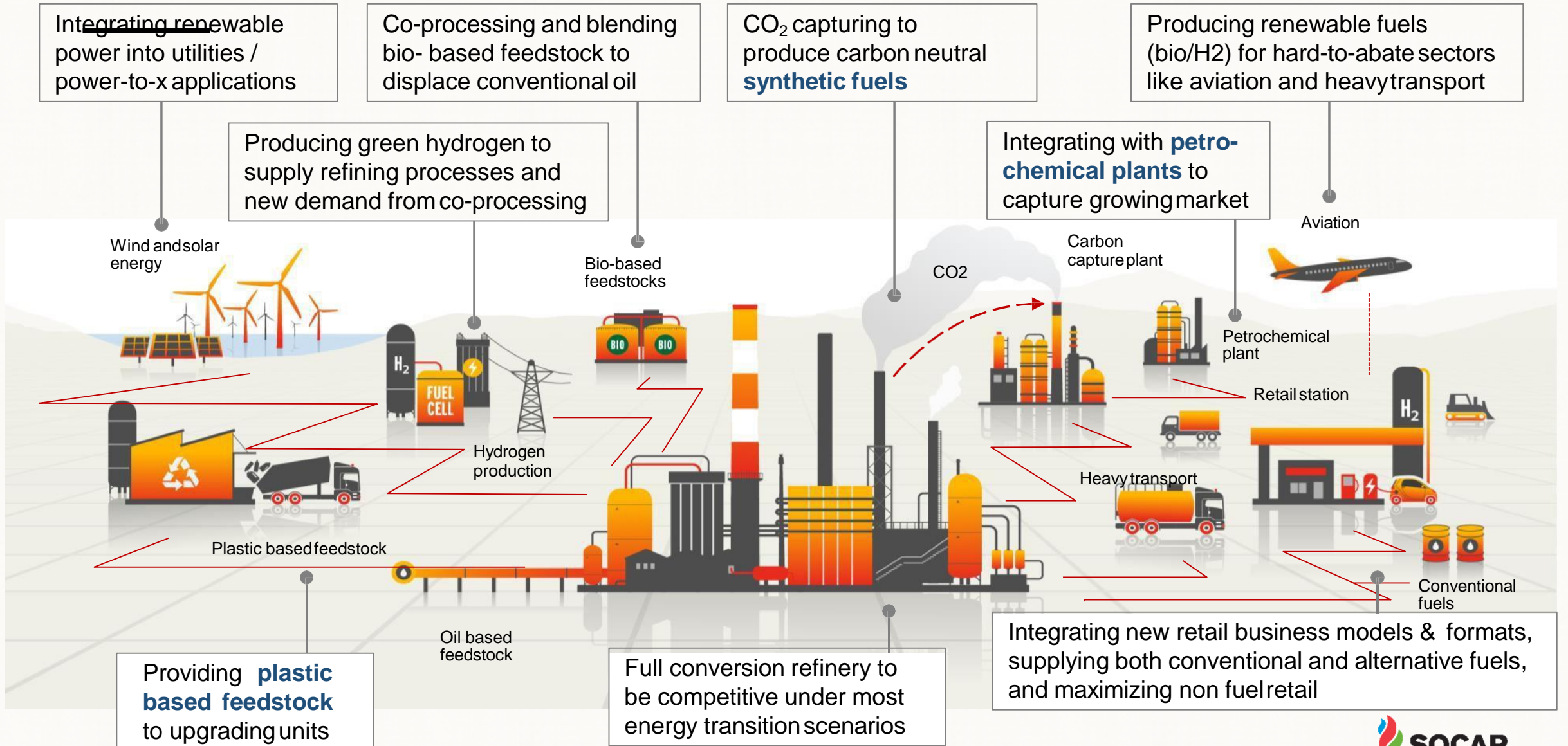
**Focus on profitability and efficiency** in **services, gas distribution and renewables** businesses

**Generate value through adapting** SOCAR's operations and businesses to the latest technology and **innovation** solutions

## Digitalization

**Improve the efficiency of** operations through the application of digitalization of the value chain segments under the umbrella of the single Digital SOCAR transformation program

# The future we strive for...



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**Thanks for your attention!**

