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Related documents: CC 287, CC 294

DECISION OF THE ENERGY CHARTER CONFERENCE

Subject: Conclusions of the Investment Climate and Market Structure Report on Azerbaijan

[The Energy Charter Conference at its 15th Meeting held on 14 December 2004 *approved* the conclusions circulated in document CC 287 with regard to the report on the Investment Climate and Market Structure of Azerbaijan (*Annex*).]

Keywords: ICMS, Azerbaijan

Conclusions of the Investment Climate and Market Structure Report on Azerbaijan

as adopted by the Energy Charter Conference
at its 15th Meeting held on 14 December 2004

The Charter Conference,

Having regard to the Report from the Investment Group with respect to the In-depth Review on Investment Climate and Market Structure of Azerbaijan

WELCOMED

The new format of conducting In-depth Reviews, and the increased role of the Secretariat therein, which significantly contributes to arriving at a more complete and independent assessment of the investment climate and market structure in the examined countries;

NOTED

- a) That the Review of Azerbaijan has shown progress in developing its legislative framework, in particular by adopting a number of energy-related laws and regulations, and in the process of restructuring and privatisation of the energy sector;
- b) In particular:
 - Welcomed that Azerbaijan has taken essential steps to establish a favourable and non-discriminatory investment climate, including the provision of legal guarantees to foreign investors, the facilitation of licensing procedures, and a simplification of the tax regime;
 - Encouraged the Azerbaijani authorities to undertake further efforts to improve conditions for foreign investors, in particular with regard to remaining restrictions concerning the ownership of land and participation in privatisation, administrative procedures and the high level of bureaucracy, the consistency of the legal framework, including its proper implementation, and transparency;
 - Took note with satisfaction that first steps have been taken in the energy sector towards creating the necessary conditions for a fully functioning market economy, and that a comprehensive program is in place for the achievement of this goal, but that further action is needed in this direction, including cost-reflective tariffs and prices, the elimination of subsidies, the improvement of the collection rate, and the setting up of an independent regulator;
 - Encouraged the Azerbaijani authorities to accelerate the process of restructuring and privatisation in the energy sector, in particular through the restructuring of the state companies SOCAR and AZERIGAZ, and the setting up of a coherent strategy concerning the restructuring of the power generation and transmission sector;
 - Welcomed the considerable efforts undertaken to improve and diversify the international transportation routes to export oil and gas, in particular through the construction of two new pipelines to Turkey (“BTC” oil pipeline and “SCP” gas pipeline), the development of regional interconnection and transit capabilities,

and the harmonization of cross-border legal and regulatory frameworks for energy flows in accordance with the principles of the Energy Charter Treaty;

- Expressed its hope that the necessary conditions for economic development in the region be put in place, and encouraged all parties involved to take steps in this direction.