

Roundtable update

**Domestic gas sector in winter 2022/23
with possible 2023/24 outlooks**

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1. Pipeline/LNG exports outlook 2022/23 and plans for 2023/24?

- In January – September of 2022, natural gas export was **16.3 billion cubic meters**: 8.3 billion cubic meters of natural gas were exported to **Europe**, 6.1 billion cubic meters to **Türkiye** (4.2 billion cubic meters transported via TANAP), and 1.9 billion cubic meters to **Georgia**;
- Currently, the **European market** accounts for **the largest share of daily gas exports** from Azerbaijan;
- Gas supplies to Europe **will increase by 40%** from 8.2 billion cm in 2021 to **12 billion cubic meters by the end of 2022**;
- On July 18, 2022 MoU “on strategic partnership in the sphere of energy” is signed between Azerbaijan and the European Union;
- According to MoU, Azerbaijan will double the capacity of the Southern Gas Corridor to deliver at least 20 billion cubic metres to the EU annually by 2027.

➤ 2. Meeting domestic demand – any difficulties (e.g., maintenance)?

- In January-September 2022, **34.4 billion cubic meters** of natural gas was produced in Azerbaijan.
- Azerbaijan has **no major difficulties** in meeting domestic demand; state-owned gas distribution infrastructure supplies 100% of domestic consumers and total gasification rate reached 96,3% .

- If domestic storage - current level (% + TWh) of storage.
- There are two underground storage facilities with a total design **storage capacity** of about **3,96 billion cubic meters (around 41,4 TWh)**.
- **Filling level** of underground storage facilities was more than **75% in 2021**.
- Work is underway to increase storage capacity of underground storage facilities to **5 billion cubic meters (around 52,2 TWh)**.

Tariff/market considerations

- Protection of households – any support schemes in place?
 - Yes, **there is a support scheme** for protection of households in Azerbaijan.
 - Block tariffs for annual consumption **up to 1200 m³** are subsidized by the government (**70,6 USD/1000 m³ incl. VAT**).
 - End-user level?
 - End-user tariffs are block tariffs as follows:
 - For annual consumption up to 1200 m³ (**70,6 USD/1000 m³ incl. VAT**).
 - For annual consumption between 1200 – 2500 m³ (**117,6 USD/1000 m³ incl. VAT**).
 - For annual consumption more than 2500 m³ (**147,1 USD/1000 m³ incl., VAT**).
 - DSO level?
 - There is **no separate distribution tariff** since “Azerigaz” PU is responsible for both distribution and supply of natural gas to the end-users.
 - TSO level?
 - **Transportation tariffs** of natural gas remained unchanged since October 2021 at **3,2 USD/1000 m³**.

Tariffs

Figure 1.

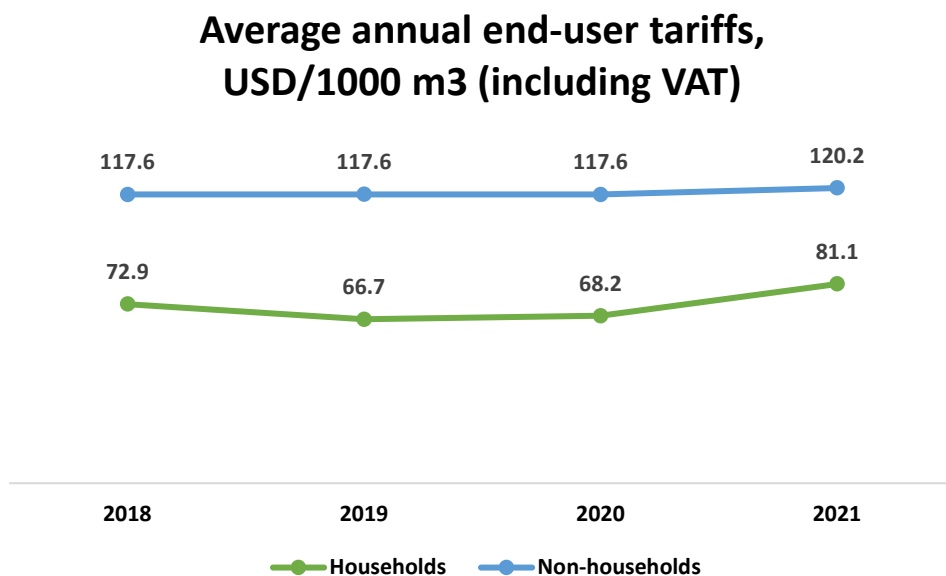
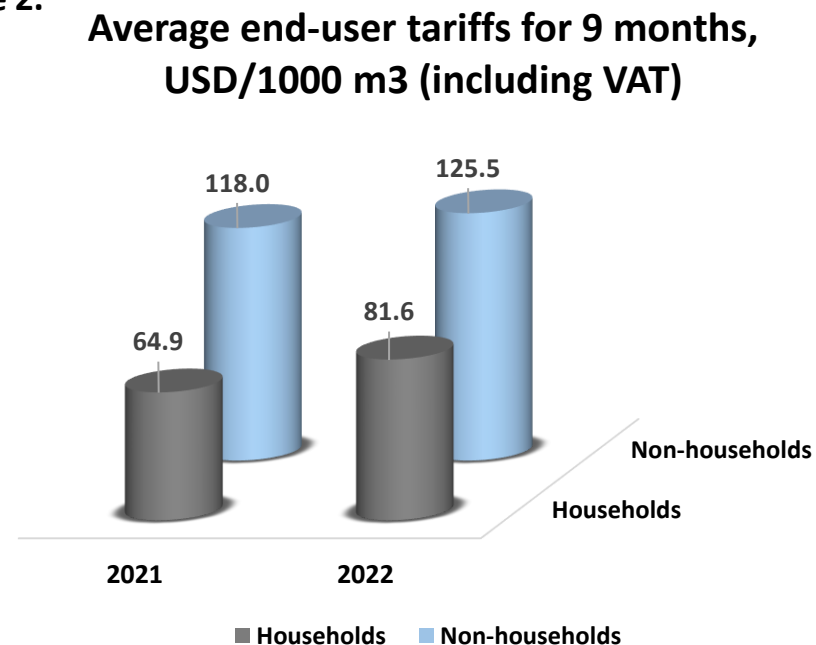


Figure 2.



- In Figure 1, Average annual end-user **tariffs for non-households** remained nearly stable from 2018 to 2020 and experienced a slight increase of around 2% from 2020 to 2021.
- Unlike non-household tariffs, average annual end-user **tariffs for households** have fluctuated from time to time and **went up nearly 20% in 2021 compared to 2020**.
- Comparison of **9 months indicators** in Figure 2 presents that **average end-user tariff for households** increased significantly, **about 26% in 2022 compared to 2021**, while **average end-user tariff for non-household increased by nearly 7%**.



**THANK YOU
FOR YOUR ATTENTION!**

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