
AZERBAIJAN MARKS 25TH ANNIVERSARY OF CONTRACT OF CENTURY

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Every year on September 20, Azerbaijan marks the anniversary of Production Sharing Agreement (PSA) (Contract of the Century) on development of the Azeri-Chirag-Guneshli (ACG) block of fields and Day of Oilmen - professional holiday of workers of oil and gas sector.

Report informs that on August 16, 2001 nationwide leader of the Azerbaijani people Heydar Aliyev had signed a decree under which September 20 is marked as the Day of Oilmen in Azerbaijan.

On this day, successes achieved in this field of the industry and challenges ahead are discussed, workers and professionals distinguishing by special services and heroism are awarded honorary titles, orders and medals under decrees and orders of head of state.

Since Azerbaijan gained independence in 1991, it has opened its oil industry to foreign participation as a way to fund development and, through agreements with nearby countries, promote regional stability and growth. A national strategy developed by the government was crowned with the signing of a ground-breaking PSA in September 1994 – a historic day for Azerbaijan. The PSA was signed between the SOCAR and a consortium of 11 foreign oil companies from six nations for the development of an area that covered three major oil fields in the Azerbaijan sector of the Caspian Sea – Azeri, Chirag and Deepwater portion of the Gunashli field (ACG).

The ACG PSA, initially signed for 30 years and in 2017 extended until mid-century, was enacted into law by the Milli Majlis (Azerbaijan Parliament) on 2 December 1994, and became effective on 12th December 1994. This PSA represents the first major investment by Western multinational companies in any country of the former Soviet Union and has become known as The Contract of the Century.

Following ratification of the PSA the Azerbaijan International Operating Company (AIOC) was formed to implement the agreement on behalf of the foreign shareholders working in partnership with SOCAR and the government of Azerbaijan. Originally AIOC comprised 11 major foreign oil companies (BP, Amoco, Unocal, LUKoil, Statoil, Exxon, TPAO, Pennzoil, McDermott; Ramco; Delta Nimir) representing six countries: UK, USA, Russia, Norway, Turkey and Saudi Arabia. Effective June 1999, BP assumed operatorship for AIOC.

ACG current participating interests are: BP (30.37 per cent), SOCAR (25.0 per cent), Chevron (9.57 per cent), INPEX (9.31 per cent), Equinor (7.27 per cent), ExxonMobil (6.79 per cent), TPAO (5.73

per cent), ITOCHU (3.65 per cent), ONGC Videsh Limited (OVL) (2.31 per cent).

The ACG oil field lies offshore Azerbaijan in the Caspian Sea, approximately 100km east of Baku. The ACG megastructure comprises a series of reservoir horizons, including Balakhany VIII and X, and upper and lower Fasila, located between 2,000 and 3,500m beneath the Caspian Sea.

The field has been developed in several phases: Chirag has been producing since 1997 as part of the Early Oil Project (EOP). This was followed by Azeri Project Phase 1 - Central Azeri where production started in early 2005. Successive Phase 2 included West Azeri, which started production in December 2005, and East Azeri, which started production in late 2006. The next ACG development phase - Phase 3 Deepwater Gunashli started up in April 2008. These phases were followed by the Chirag Oil Project, which included the West Chirag platform and first oil from the platform was achieved on 28 January 2014. The latest ACG development project is Azeri-Central-East (ACE) which was sanctioned in April 2019 and includes construction of one production platform. The ACG project is currently at the execute stage with first oil expected in 2023.

Driven by the extraordinary success of ACGs development, the Azerbaijan Government of Azerbaijan and the ACG partnership extended the ACG contract until mid-century by signing the amended and restated agreement on 14 September 2017.

The new contract enables the government and the investors to maximize the economic benefits from ACG for Azerbaijan and the companies over the next 30 years with the potential for more than \$40bn capital to be invested in this world-class field.

Azerbaijan is marking the 25th anniversary of the Contract of the Century. As at the end of the first half of 2019, total investments in ACG exceeded \$36 billion. Thanks to ACG, Azerbaijan started to play more important role as a strategic energy supplier. ACG is one of the unique projects, which brought more than \$143 billion to Azerbaijan. ACG has produced 492 million tonnes of oil and 161 bcm of gas since it was launched.

Currently, the field produces about 550,000 barrels of oil per day. The oil is exported to the world markets via BTC and Baku-Supsa pipelines.

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