

2015



AZERBAIJAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

ANNUAL REPORT



2015

Table of Contents

INTRODUCTION.....	8
Background	8
Scope of work	8
Confidentiality of data.....	9
Approach and Methodology	9
Accounting policy	10
1. EITI REQUIREMENT 1	11
2. EITI REQUIREMENT 2	12
2. Background	12
2.1. Legal and Fiscal Regime.....	13
2.1.1. Legal regime	13
2.1.2. Fiscal regime	16
2.1.3. The structure of the government budget system	17
2.1.4. Roles and responsibilities of the relevant Government agencies	19
2.1.5. Ongoing reforms in the extractive industry	22
2.2. Allocation of licenses.....	22
2.3. Register of licenses	23
2.4. Contracts	24
2.5. Beneficial ownership	24
2.6. State participation in extractive industry	25
2.6.1. Background	25
2.6.2. Relationship between state-owned enterprises and Government agencies.....	25
2.6.3. Payments to the State Budget by state-owned enterprises.....	27
2.6.4. Financial performance and production data of state-owned enterprises.....	28
2.6.5. Joint Ventures, associates and subsidiaries of state-owned enterprises	29
2.6.6. Loans and guarantees received by state-owned enterprises	32
2.6.7. State-Owned Enterprise activities in foreign markets	32
3. EITI REQUIREMENT 3	33
3.1. Overview of the Mining Industry.....	33
3.2. Production volume	37
3.3. The share of the export in the extractive industry	38
4. EITI REQUIREMENT 4	39
4.1. Taxes and revenues to be covered in the EITI Report	39
4.1.1. Significant payments	39
4.1.2. The allocation and payments made to government and their description	39
4.1.3. Reconciliation results	40
4.1.4. Extractive Companies	43
4.2. Sale of the state's share of production.....	45
4.3. Infrastructure provisions and barter arrangements	45
4.4. Transportation revenues	46
4.5. Transactions related to State-owned enterprises	50
4.6. Sub-national payments	50

4.7.	Level of disaggregation	50
4.8.	Data timeliness.....	51
4.9.	Data quality and assurance	51
5.	EITI REQUIREMENT 5	52
5.1.	Distribution of extractive industry revenues	52
5.2.	Sub-national transfers	53
5.3.	Revenue management and expenditures	54
6.	EITI REQUIREMENT 6	54
6.1.	Social expenditures	54
6.2.	Quasi-fiscal expenditures	55
6.3.	Contribution of the extractive industry to the economy of Azerbaijan.....	56
6.3.1.	Industry and Field structure of GDP.....	56
6.3.2.	The state revenue from the mining industry	57
6.3.3.	Employment in the extractive industry	60
6.3.4.	Key regions (areas) where production is concentrated	61
6.3.5.	Other information	62
7.	RECONCILIATION RESULTS.....	64
7.1.	Reconciliation by revenue stream (foreign companies)	64
7.2.	Reconciliation by extractive Company (foreign companies)	65
7.3.	Reconciliation by extractive companies (local companies).....	67
7.4.	Reconciliation by revenue stream (local companies)	68
7.5.	Payments made to Government according to PSA	69
7.6.	Adjustments	70
8.	SPECIAL AUDIT PROCEDURES.....	72
9.	RECOMMENDATIONS AND RESULTS.....	73
9.1.	Lessons learned from the 2015 reconciliation	73
9.2.	Follow up of the recommendations of the 2014 EITI Report	74
	ANNEXES	77
	Annex 1. Statement of the EITI Committee of the Republic of Azerbaijan	78
	Annex 2. Reporting templates.....	79
	Annex 3. Reconciliation sheets by extractive companies	80
	Annex 4. List of Non-Governmental Organisations and individuals party to the Memorandum of Understanding.....	120
	Annex 5. Bibliography used in compiling of the report.....	123

LIST OF ABBREVIATIONS

ACG	Azeri–Chirag–Gunashli
AIOC	Azerbaijan International Operating Company
A.S	Aksjeselskap - Norwegian term for a stock-based company
Assembly	National Assembly of the Republic of Azerbaijan
AZN	Azerbaijani new manats
Bln	Billion
BOTAS	Petroleum Pipeline Cooperation
BP	British Petroleum
BTC	Baku–Tbilisi–Ceyhan
CBAR	Central Bank of Azerbaijan
CNPC	China National Petroleum Corporation
Committee	EITI Committee of the Republic of Azerbaijan
Companies	Extractive companies
DESFA	National Natural Gas System Operator S.A.
EITI	Extractive Industries Transparency Initiative
EITI Secretariat	Azerbaijan EITI National Secretariat
GDF	Gas de France
GDP	Gross Domestic Product
Government	Azerbaijan Government
Group	State Oil Company of Azerbaijan Republic and its subsidiaries
HGA	Host Government Agreements
IBAR	International Bank of Azerbaijan
Kg	Kilograms
LLC	Limited Liability Company
LTD	Limited Company
m	Metre
m ³	Cubic metres
MEP	Main Export Pipeline
Mln	Million
MMBTU	1 million of British Thermal Unit
MOI	Memorandum of Intention
MOU	Memorandum of Understanding
MSG	Multi Stake Group

LIST OF ABBREVIATIONS

NGO	Non-Governmental Organizations
NICO	Naftiran Intertrade Company
Nm ³	Normal cubic metres
ONGC	Oil and Natural Gas Organisation
PSA	Profit Share Agreements
RFP	Request for Proposals
SC	State Company
SCP	South Caucasus Pipeline
SCPC Hold Co.	South Caucasus Pipeline Hold Co.
SGC	Southern Gas Corridor
Sm ³	Standard cubic metres
SSPF	Social Security Protection Fund
SOCAR	State Oil Company of Azerbaijan Republic
SOFAZ	State Oil Fund of Azerbaijan Republic
STYAS	SOCAR Turkey Yatırım A.S
TAP	Trans Adriatic Pipeline
TANAP	Trans Anatolian Natural Gas Pipeline
TPAO	Turkish Petroleum Anonim Ortaklığı
Thsd.	Thousand
TIN	Taxpayer Identification Number
VAT	Value Added Tax
VLCC	Very Large Crude Carriers
WREP	Western Route Export Pipeline

INDEPENDENT ADMINISTRATORS' REPORT

To the Extractive Industries Transparency Initiative ("EITI") Committee of the Republic of Azerbaijan:

We have examined the accompanying Statement (Annex 1) of the EITI Committee of the Republic of Azerbaijan (henceforth the "Committee"). The schedule of payments/allocations of the Government of the Republic of Azerbaijan (the "Government") and the extractive industry companies (the "Companies") for the year ended 31 December 2015 is prepared in accordance with the Memorandum of Understanding (the "MOU"). This Memorandum is signed by the EITI Committee of the Republic of Azerbaijan, the local and foreign companies operating in the extractive industries of the Republic of Azerbaijan and non-Government agencies (Annex 4) included in the "Improving Transparency in Extractive Industries" Coalition. The EITI Committee of the Republic of Azerbaijan is responsible for the submitted report. Our responsibility is to express an opinion on the Statement based on our examination.

Our examination was conducted in accordance with the International Standards on Auditing and, accordingly, included examining, on a test basis, evidence supporting the Statement of the Committee and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The information available to test the Statement of the Committee consisted of written submissions by the Companies party to the MoU and the supporting details of payments/allocations received by the Government that were provided by the Committee. Our work covered the review of all payments/allocations received by the Government and made by the Companies. If payments/allocations were made by the Companies but omitted from both the Companies' and Government's submissions, our work would be insufficient to detect them.

Summary of Work Performed

To examine the Statement of the Committee (Annex 1), we have compared the schedule of payments/allocations received for the year ended 31 December 2015 by the Government ("Government's schedule") and the schedules prepared by the Companies which are parties to the MoU ("Companies' schedule") as specified in section 4.1.4 "Extractive Companies" of the Report. We carried out procedures as considered necessary under the circumstances to determine the reasons for the differences between the above schedules. In order to obtain reasonable assurance of the procedures carried out during reconciliation process, we have applied certain testing and assurance procedures to several extractive companies.

OPINION OF THE INDEPENDENT ADMINISTRATORS

We have performed the reconciliation of payments/allocations made by the Companies and received by the Government for the year ended 31 December 2015. In our opinion, the information included in the Report is in accordance with the aforementioned requirements and is fairly stated in all material respects, based on work described in this report.

____ December 2016

INTRODUCTION

Background

The EITI supports improved governance in resource-rich countries through the full publication and verification of company payments and government revenues from oil, gas and mining industries. EITI is a voluntary initiative, supported by a coalition of companies, governments, investors and civil society organizations. Alongside with other efforts to improve transparency in government budget practice, the EITI begins a process whereby citizens can hold their governments to account for the use of those revenues.

Azerbaijan joined the EITI in 2003 and volunteered to become a pilot country in the implementation of the initiative. Azerbaijan has instituted a regular process of disclosing, reconciling and publishing payments of extractive sector companies to the Government and Government receipts from those companies. The first EITI report in Azerbaijan was published in 2005. This is the 20th EITI Report in Azerbaijan, and covers the year ended 31 December 2015.

Azerbaijan was admitted to EITI as a candidate country on 27 September 2007 and nominated as the first “EITI compliant member” status on 16 February 2009. Azerbaijan was downgraded to “candidate country” at the 29th EITI International Board meeting in Brazzaville in 2015 on the basis of the Validation report. The “candidate country” status remained unchanged at the 35th EITI International Board meeting held in Astana in 2016.

In 2015, the EITI implementation in Azerbaijan was mainly focused on implementing the initiative and EITI reporting in the country in accordance with the new EITI Standard, improving readability and comprehensibility of the EITI reports for population, conducting awareness raising activities about EITI and upholding effective dialogue among government, civil society and companies.

Scope of work

Moore Stephens Azerbaijan has been announced as the winner of the tender as per the “Request for Proposals on Selection Procedure and Scope of Works of Independent Administrator for the year 2015, 2016 and 2017” (henceforth the “RFP”s).

The objective of the Independent Administrator was to collect, review and reconcile payments/allocations made to the Government by extractive companies and payments/allocations received by the Government from extractive companies for the year ended 31 December 2015 as well as to collect and structure other information and data required by the EITI Standard approved at the 7th EITI Global Conference.

The scope of work is comprised of the following phases, and has been performed in accordance with the RFP approved by the MSG as follows:

- *Analysing the scope of work, preparation of the inception report and its presentation to the members of MSG;*
- *Collection of the completed forms directly from the participating reporting entities and the Commission;*
- *Identification of discrepancies while reconciling reports collected from the Companies with the report submitted by the Committee;*
- *Discussions with the Companies and the Committee with the purpose of clarification of identified discrepancies;*
- *Collection and structuration of other information and data required by the EITI Standard approved at the 7th Global Conference;*
- *Preparation of the draft EITI Report and its dissemination to the members of MSG;*
- *Making relevant adjustments/amendments in the Report on the basis of comments received from MSG on the draft EITI Report;*
- *Presentation of the final EITI Report to the members of MSG and its publication.*

Moore Stephens Azerbaijan set out our findings in this Report and associated annexes. As the reconciliation process did not intend and was not designed to constitute an audit of the reports submitted by companies and the Government we do not express any assurance on the figures and procedures presented in the Report.

Confidentiality of data

The Independent Administrator According performs the task in accordance with the clause on confidentiality which was included in the contract of with the State Oil Fund of the Republic of Azerbaijan ("SOFAZ") dated 12 July 2016.

The Independent Administrator has to ensure the confidentiality of the work to be done in accordance with the signed contract and cannot discuss or share the supporting documents to be obtained during the reconciliation process with a third party without the permission of the Parties.

Approach and Methodology

The process of preparation of the EITI Report by Moore Stephens Azerbaijan consisted of the following stages:

- *Analysing the scope of the work and preparation of the inception report;*
- *The reconciliation process; and*
- *Collection and structuration of other information and data required by the EITI Standard.*

Checking the scope of work and preparation of the inception report

The purpose of analysis and the inception report is the obtaining a clear understanding on the EITI Reporting process for the year 2015, collection of other information and data, setting of the methodology on the work to be performed by the Independent Administrator, provision of new recommendations on the reporting process.

Upon completion of the preparation of the Inception Report, Moore Stephens Azerbaijan presents it to MSG.

The reconciliation process

At this stage, the main duties of the Independent Administrator include the following key issues:

- *Distribution of reporting templates:* The Reporting templates are distributed to the Companies and Government agencies by the EITI Secretariat.
- *Collection of data:* This task involves collecting Reporting Templates completed by the Companies and the Government and supporting documentation. The deadline for submission of Reporting templates to the Independent Administrator was set by the EITI Secretariat and stated as 1 August 2016.

Moore Stephens Azerbaijan performs the reconciliation of all actual data provided in the reports received from the Companies and the Government and makes necessary adjustments after identifying any discrepancies arising during the reconciliation process.

The initial stages of the reconciliation process are outlined below:

- *Obtaining a clear understanding of the operations;*
- *Conducting an analysis of the reports submitted by the Companies and the Government;*
- *Identifying discrepancies arising during the reconciliation process and making necessary adjustments; and*
- *Including the final reconciliation information and data in the EITI Report.*

Receipt of Government Reports

We received the reports from the following Government agencies:

- *State Oil Fund of the Republic of Azerbaijan;*
- *State Oil Company of the Republic of Azerbaijan;*
- *Ministry of Taxes of the Republic of Azerbaijan; and*
- *Ministry of Ecology and Natural Resources of the Republic of Azerbaijan.*

We contacted the relevant companies and Government agencies and asked for the necessary supporting documents in order to determine the nature of such differences with the purpose of finding explanations to discrepancies arising during the reconciliation process. After the data on payments made by the Extractive industry companies and the benefits received by the Government was collected, the reconciliation process, which is one the most important part of the assignment was implemented.

Findings and Discrepancies

This task entailed identifying discrepancies arising between the information provided by the companies and the Government participating in the reconciliation process. Determination of these discrepancies involves the following procedures:

- *In order to facilitate our analysis of the completed Reporting Templates we developed a database for each of the companies that set out all payment streams on the Reporting Template and the expected Government agency recipient of the revenue;*
- *After obtaining all the information, we compared the payments and receipts from the companies and the Government to identify any discrepancies on relevant payment/revenue streams;*
- *The adjustments which had to be carried were made on the basis of supporting documents.*

Collection and structuration of other data required by the EITI Standard

The information of the EITI Report covered 2014 was analysed and revised by being structured in accordance with the new EITI standards for the year 2015. The structure of the other data required by the EITI Standard and included in the Report accordingly.

The information in this Report was obtained from the official websites of both government agencies and companies, open sources available to public and other official letters.

Accounting policy

The cash basis of accounting was used for the reconciliation of the actual amounts paid by the extractive companies and received by the Government for the year 2015.

The payments reflected in reports submitted by foreign companies were reported in foreign currency. The payments reflected in reports submitted by local companies were reported in local currency. Payments made in United States dollars ("USD") have been converted to AZN at the average exchange rate according to the Central Bank of the Republic of Azerbaijan ("CBAR"). The average exchange rate of USD to AZN for the year ended 31 December 2015 was 1,0261.¹

Since June 2014, the price of oil started to decline rapidly. Such a new condition made it necessary to adapt the currency market and the AZN exchange rate to new oil prices. During 2015, Azerbaijani manat suffered devaluation twice. The first devaluation took place on 21st of February 2015 and 1 US dollar was set to be equal to 1.05 AZN.² The second devaluation occurred on 21st December 2015 and the official exchange rate of 1 US dollar increased to 1.55 AZN.³ Thus, the total devaluation of the national currency during the reporting period amounted to 98%.

¹ Central Bank of Azerbaijan Republic, "Statistical Bulletin № 01 (199) 09/2016", "Table 2.16. Official average exchange rates of manat", http://en.cbar.az/assets/4241/Statistical_BULLETEIN_ENG_2016_September.pdf

² Central Bank of Azerbaijan Republic, "Press release", <http://www.cbar.az/releases/2015/02/21/statement-of-the-central-bank-of-the-republic-of-azerbaijan/>

³ Central Bank of Azerbaijan Republic, "Press release", <http://www.cbar.az/releases/2015/12/21/statement-of-the-central-bank-of-the-r-azerbaijan/>

1. EITI REQUIREMENT 1

The Extractive Industries Transparency Initiative (EITI) was launched at the World Summit for Sustainable Development in Johannesburg in September 2002 as a global standard for transparency in oil, gas and mining industry. In many countries, money from oil, gas and mining is associated with poverty, conflict and corruption. Commonly referred to as the "resource curse", this is often driven by a lack of transparency and accountability around the payments that companies are making to governments, and the revenues that governments are receiving from those companies. The EITI seeks to create that missing transparency and accountability. It is a voluntary initiative, supported by a coalition of companies, governments, investors and civil society organizations.

Our country voluntarily joined the EITI at the initiative of Government in 2003 in London on the first international EITI Conference held in Lancaster House. The Committee on EITI has been established by the decree of the Cabinet of Ministers in 2003. The Committee on EITI, foreign and local extractive industry companies and non-governmental organizations operating in extractive industry and Coalition for Improving Transparency in Extractive Industries signed a Memorandum of Understanding (MoU)⁴ on 24 November 2004, following this on 10 June 2014 the main document governing the implementation of the Initiative has been prepared in accordance with the EITI Standard and adopted as a new Memorandum. All foreign and local companies operating in mining industry that joined MoU, participated in the EITI reporting process.⁵ Since 2004, the NGO Coalition on EITI initiative actively participates in contribution to the EITI.

MSG comprised of 3 primary and up to 3 alternate members from each Memorandum Parties (Group of Companies, NGO Coalition and Committee) having equal rights was established in 2009 with an intention to further improve the EITI process, permanently implemented in Azerbaijan within the framework of the Memorandum and to ensure stronger and more effective oversight and management on the EITI process.⁶

MSG functions on the basis of "EITI Annual Work Plan".⁷ In 2015, the Work Plan for implementation of EITI has been prepared in accordance to the requirement of the EITI Standard and national priorities identified for the extractive industry.

The State Oil Fund of the Republic of Azerbaijan became a winner of the 2007 United Nations Public Service Award in the category of "Improving transparency, accountability and responsiveness in the Public Service" for the successful implementation of EITI. In the same year Azerbaijan obtained an EITI Candidate status and in 2009 the EITI International Board designated Azerbaijan as an EITI Compliant country.

In December 2013, a number of changes made to the legislation regulating the activities of NGOs faced difficulties to the activities of civil society organisations. Azerbaijan was downgraded to "candidate country" on the basis of the Validation report in 2015. In accordance with the decision of EITI International Board, a number of corrective actions must be carried out to improve the condition of civil society by the government of Azerbaijan.

EITI Report for the year 2015 was prepared in accordance with the updated EITI Standard resulted in improvement in understanding and comprehensiveness of information, to raise the EITI awareness and to ensure the effective dialogue between government, civil society and companies.

⁴ <http://www.eiti.az/index.php/en/senedler-2/memorandum>

⁵ See "Table 18: The companies that joined EITI", page. 43

⁶ <http://www.eiti.az/index.php/en/mhsht-ve-azerbaycan-2/multi-stakeholder-group>

⁷ <http://www.eiti.az/index.php/en/senedler-2/work-plan-for-implementation-of-eiti/577-2014-work-plan-for-implementation-of-eiti-2>

2. EITI REQUIREMENT 2

2. Background

The mining industry is comprised of the discovery, extraction and processing of major mineral deposits. Azerbaijan is rich in mineral resources, especially oil and gas resources.

Oil and gas industry – includes oil and gas fields exploration, drilling, extraction, oil products and gas transportation.

- **Exploration** – implies geological exploration, adjusting the drilling mechanism, evaluation of the field and industrial method of preparation;
- **Drilling** – caving the earth crust by use of the well drilling equipment for purpose of oil and gas extraction;
- **Development and exploration of oil and gas fields** – consists of running oil and gas wells, reproduction of idle oil wells and return to operation;
- **Oil and gas extraction** – is an activity used for a number of offshore and onshore oil productions; and
- **Transportation** – is the delivery of crude oil from extraction points to processing plants and other locations with pipelines, tankers and other means of conveyance.

Figure 1: Oil and gas production process ⁸



Azerbaijan is one of the world's oldest oil-producing countries. Azerbaijan's main oil and gas reserves are located in the Apsheron Peninsula and the Caspian Sea.

The history of oil and gas production in Azerbaijan: ⁹

- As a traveller, Marco Polo wrote in the fourteenth century, “people in this region had been using oil for several purposes, as well as transporting it to adjacent countries”;
- In 1847 the first oil wells were drilled in Bibiheybat and then Balakhany by means of modern technology;
- In 1901 Azerbaijan produced 11.5 million tonnes of oil and was the world's leading oil producer;
- In 1941 Azerbaijan produced 23.5 million tonnes of oil, which amounted to 71.4% of the Soviet Union's production;
- Azerbaijan was the world's first offshore oil producer. In 1949 the discovery of the Neft Dashlari (“Oil Rocks”) made Azerbaijan and the Caspian Sea well known all over the world;

⁸ Figure 1 was prepared by Moore Stephens Azerbaijan.

⁹ SOCAR, <http://new.socar.az/socar/az/company/about-socar/oil-history-in-azerbaijan>.

- In the late 1970s and early 1980s the Azeri, Chirag, Kapaz, and Gunashli fields were discovered in Caspian waters 80 to 350 metres deep. Gunashli is currently producing more than 60% of SOCAR's oil;
- The "Contact of the Century" was signed on 20 September 1994; and
- Up to now, the Government of the Republic of Azerbaijan has signed a number of PSAs with foreign companies. The detailed information related to oil and gas industry, gold and silver production was outlined in section 3.1. Overview of the Mining Industry of the EITI report.

Fine metals¹⁰

Azerbaijan regions have significant potential for the creation of a sustainable and long-term mining industry. Gold and silver deposits are mainly located in the Small Caucasus and on the six fields of south-west Azerbaijan: Gadabay, Ordubad, Gosha Bulag, Gizil Bulag, Vejnali and Soyudlu.

Copper reserves of Azerbaijan are focused mostly in Balakan–Zagatala, Gadabay, Qarabagh and Ordubad ore regions. Basic copper reserves in the Balakan–Zagatala ore region are centred in copper-pyrite, pyrite-polymetal type deposits and displays, while in the ore regions of the Minor Caucasus and the Nakhchivan rugged zone are focused in mostly copper-porphyry, molybdenum-copper-porphyry and gold-copper-pyrite type fields and displays

2.1. Legal and Fiscal Regime

2.1.1. Legal regime

According to the Constitution of the Republic of Azerbaijan, the laws of the Republic of Azerbaijan, Decrees of the President of the Republic of Azerbaijan, decisions of the Cabinet of Ministers and normative acts of central executive power bodies of the legal system, including international contracts according to the Constitution are considered as an integral part of the system international treaties of the Republic of Azerbaijan constitute the legal basis for the mining industry.

According to the legislation of the Azerbaijan, all subterranean mining is state-owned. The economic and social foundations of the state policy in the field of mineral resources and the main directions of its implementation mechanisms are determined by the legislation. The legislation also governs the relation between the state and the legal entities and individuals on efficient use, exploration and protection of the territory of Azerbaijan, including the Caspian Sea, moreover on safety of the work performed, development, production, manufacture, processing, storage, transportation, distribution and usage of energy, materials and products (energy resources), precious metals and precious stones.

The existing legal framework governing the activities of the mining industry, which is not limited to the following acts and regulations created by the government are publicly available and published in the official websites.¹¹

- **The Constitution of Azerbaijan Republic dated 12 November 1995;**
- **INTERNATIONAL AGREEMENTS**

International Convention of 1969 on “Civil Liability for Oil Pollution Damage”:

The participation of Azerbaijan Republic in the Convention was approved by the law number 691-IIQ dated 18 June 2004. The convention agreement is aimed at elimination or reduction of pollution at the territory (including territorial waters) of the contracted country.

International Convention of 1990 on “Oil Pollution Preparedness, Response and Co-Operation”:

The participation of Azerbaijan Republic in the Convention was approved by the law number 690-IIQ dated 18 June 2004. According to the Convention, the parties undertake responsibility to take actions individually or jointly to get prepared against the events that could potentially cause oil pollution.

¹⁰ Ministry of Ecology and Natural Resources of Azerbaijan Republic, <http://eco.gov.az/en/148-minerals>

¹¹ Ministry of Justice of Azerbaijan Republic, “Integrated internet based electronic database of normative legal acts”, <http://www.e-qanun.az/>, <http://www.president.az/>, <http://www.meclis.gov.az/>, <http://www.cabmin.gov.az/>

Agreement on “Oil and oil products transit through oil pipelines highways and coordinated policy”:

The agreement signed in Moscow on December 27 1996 was approved by Law No. 228-IQ.

Agreement on “The creation of interstate oil and gas transportation systems for the organisational principles”:

Framework Agreement on the creation of interstate oil and gas transportation systems for the organisational principles was signed by the Republic of Azerbaijan dated on 22 July 1999 in Kiev and approved by the law number 938-IQ. According to the Agreement, in order to establish the basis of mutually acceptable terms and conditions the parties carry out joint activities on restoration of existing oil and gas transportation system(s) , construction of new interstate oil and gas transportation system(s), maintenance and establishment of one or more interstate oil and gas transportation system.

Framework Convention of 2003 on “The protection of the marine environment of the Caspian sea”:

This Convention was approved by the law number 89-IIIQ dated 04 April 2006. The purpose of the Convention is to protect Marine Environment of the Caspian Sea from pollution, as well as preservation of biological resources of the Caspian Sea , its restoration and rational use.

Protocol of 2011 to Framework Convention on “On the protection of the marine environment of the Caspian Sea” and regional preparedness, responsiveness and cooperation in combating oil pollution:

This Protocol was approved by the law number 508-IVQ dated 21 December 2012. The purpose of this Protocol is the protection from the oil pollution caused by ships and land-based sources of the oil contamination of the sea in the seabed of the Caspian Sea.

Protocol of 2012 to Framework Convention on “On the protection of the marine environment of the Caspian Sea” and regional preparedness, responsiveness and cooperation in combating oil pollution:

This Protocol was approved by the law number 911-IVQ dated 25 February 2014. Under the provisions of the Convention and accordance to the Protocol, the contracting parties individually or together will undertake all necessary actions to protect, control and reduce pollution of the Caspian Sea and its coastal areas, as a result of activities carried out on the land. The parties will exchange information and undertake joint actions on assessment and monitoring of the environmental impact.

- **CODES**

The Civil Code of the Republic of Azerbaijan approved according to the law numbered 779 IQ dated 28 December 1999:

The purpose of the Civil Code, is to ensure the freedom of the civil relationships on the basis of equality of the parties without prejudice to the rights of third parties.

At the same time, the Code is regulated by the use of natural resources, environmental protection, civil law relations and other legislative acts.

Intergovernmental agreements maintained by the Republic of Azerbaijan are applied directly to the civil legal relations (except for the cases when application of international agreement requires adoption of internal legal acts) regulated by the Civil Code.

The Tax Code of the Republic of Azerbaijan approved according to the law numbered 905-IQ dated 11 July 2000:

The Tax Code includes the tax system and the basis of taxation of Azerbaijani Republic, determines payment of taxes and its collection procedures, sets the rights and obligations of the taxpayers, tax authorities and other participants, determines forms and methods of tax control and liability for tax violation of tax, refer to complaints about activities (inactivities) of the state tax authorities and their officials.

The production sharing agreements and the main pipelines, including oil, gas and export oriented oil and gas activities and special economic zones approved by the legislation, use the regulations of these agreements when they differ from regulations set in the Code and other legislative acts on taxes.

The Administrative Offences Code of the Republic of Azerbaijan approved according to the law numbered 96-VQ dated 29 December 2015:

The objectives of the Administrative Offences Code are to prevent administrative violations, to maintain management rules, to strengthen the rule of law and support freedom of human and civil rights, to maintain sanitary and epidemiological welfare of the population, to assist public morality, their property, safety and economic interests.

The Customs Code of the Republic of Azerbaijan approved according to the law numbered 164-IVQ dated 24 June 2011:

Customs Code of the Azerbaijan Republic determines the legal, economic and organizational basis of the customs, sets the rules and procedures on the goods and vehicles imported in and exported from the customs territory of the Azerbaijan Republic and defines the rights and obligations of the customs officials.

The production sharing agreements and the main pipelines, including oil and gas and export oriented oil and gas activities, special economic zones approved by the legislation applies regulations of these agreements when they differ from regulations set in the Code and other legislative acts on taxes.

The Water Code of the Republic of Azerbaijan approved according to the law numbered 418-IQ dated 26 December 1997:

The Water Code of the Azerbaijan Republic regulates legal issues regarding the use and protection of water bodies.

If established rules on the use and protection of water bodies in the international agreements of the Republic of Azerbaijan does not comply with the rules provided in this Code, then regulations under the agreement are used.

The Labour Code of the Republic of Azerbaijan approved according to the law numbered 618-IQ dated 1 February 1999:

The Labor Code determines labor, social and economic rights of employees and employers and minimum level of guarantees associated with these rights and includes principles and rules on labor relations, leisure time, work environment (safe and healthy) envisaged in the second section of the Constitution.

The Land Code of the Republic of Azerbaijan approved according to the law numbered 695 – IQ dated 25 June 1999:

Land code is focused on the regulating land relationships emerging based on application of different kinds of ownership on land, implementing duties related with land and protection of rights on land of land owners, users and tenants, creating conditions to use lands effectively and protect them, restoring and improving of fertility of lands, reclaiming lands spoiled due to of technogenic pollution and destruction, protecting and improving of natural environment in Azerbaijan Republic.

- **LAWS**

Law of Azerbaijan Republic numbered 94-IQ on “Usage of Energy Resources” dated on 30 May 1996:

This Law regulates legal, economic and social basics of state policies as well as defines mechanisms of their main directions of implementation in the sphere of utilization of energy resources, regulates relationship between government and juridical individuals.

Law of Azerbaijan Republic numbered 766-IIIQ on “Special economic regime for export oil and gas activity” dated on 2 February 2009:

This law defines basics of creation and implementation of special economical regime on Export purposely oil-gas activities in Azerbaijan Republic related to oil-gas activities realized out of Azerbaijan Republic borders, including out of Section of Caspian Sea belonging to Azerbaijan Republic.

Law of Azerbaijan Republic numbered 513-IQ on “Gas Supply” dated on 30 June 1998:

This law regulates activities on production, processing, transporting, containing, distribution, selling and using of natural gas and other kinds of gasses used as energy carriers in the form of gas and liquid form.

Law of Azerbaijan Republic numbered 493-IQ on “Subsoil” dated on 13 February 1998:

This law regulates studying (search, exploration) of subsoil, effective use of it, relationships related to safety of undertaken activities and protection, provides protection of government interests, users of subsoil and citizens in use of subsoil.

Law of Azerbaijan Republic numbered 924-IIQ on “Precious metals and precious stones” dated on 10 June 2005:

This law regulates relationships related to production, processing, usage and circulation of precious metals and precious stones.

Law of Azerbaijan Republic on Energy dated on 24 November 1998:

This law unites in itself most common legal basics of government regulation of oil, gas and electric energy areas of energetics. Special rules might be taken into account in other laws accepted for different areas.

- **DECREES**

Decree of the President of Azerbaijan Republic numbered 685 on “Safety of oil and gas export pipes” dated on 15 April 2002:

The special commission was created in order to ensure safety of Baku-Tbilisi-Ceyhan main export pipe planned to be constructed and gas export pipes together with objects related to export of crude oil.

“Long term Strategy on Management of oil and gas incomes” approved with Decree numbered 128 of the President of Azerbaijan Republic on 27 September 2004:

Long term Strategy on Management of oil and gas incomes covers years 2005-2025 and defines main principles of usage of this incomes and policies of midterm expenses during this period. This strategy takes into account management of incomes accumulated from sale of oil and gas in Azerbaijan Republic State Oil Fund and state budget according to the sources shown below.

- **ORDERS**

“Rules of definition of “Safety zone” of operated oil export pipes” approved with decision numbered 167 of Cabinet of Ministries of Azerbaijan Republic on 2 November 2004:

These rules were prepared with goal to protect, create normal conditions for safety and reliable operation and prevent any situations that might happen in operating of oil exporting pipes excluding Baku-Tbilisi-Ceyhan and South Caucasus pipelines.

E-qanun portal¹²

The Ministry of Justice of the Republic of Azerbaijan has developed the single Internet portal for the judicial system, which provides an access to all legal and normative acts of the Republic of Azerbaijan. The portal includes all the legislative information related to the extractive industry. All new legal and normative acts issued or amended are included in the portal and are regularly updated. The e-qanun portal is available to the public, which makes it easy to get the necessary legislative information from a single source.

2.1.2. Fiscal regime

The general principles of taxation in the Republic of Azerbaijan are regulated by the Tax Code which consists of rules for determining, payment and collection of taxes, the rights and responsibilities of taxpayers and State tax authorities, as well as other parties to taxation procedures, tax control forms and methods, liability for tax law violations and the procedures for lodging complaints against unlawful actions (failure to take actions) committed by tax agencies and officials thereof.

Together with the main pipeline agreements, the PSA enter into force after being approved by the National Assembly of the Republic of Azerbaijan. These agreements regulate the accounting and tax regimes of the operating companies, contractors and sub-contractors' activities.

¹² Ministry of Justice of Azerbaijan Republic, “Integrated internet based electronic database of normative legal acts”, <http://www.e-qanun.az/>

In case there are any inconsistencies in regard to taxes between the Tax Code and provisions, provision stipulated by agreements or laws on production sharing, main pipeline, other similar agreements and laws, the provision stipulated by the legislation on oil and gas operations of export direction and special economic areas are given the higher priority.

Activities on the transportation of exported oil and natural gas are governed by tax regime agreements Main Export Pipeline ("MEP") (Baku–Tbilisi–Ceyhan) and South Caucasus Pipeline (Baku–Tbilisi–Arzurum). The accounting and tax regime of companies operating on behalf of these agreements, also MEP participants and their contractors' activities are regulated by the tax code.

The Tax Code sets out the general taxation framework in Azerbaijan and establishes the following taxes:

- Profit tax
- Property tax
- Mining tax
- Excise tax
- Simplified tax
- Value added tax ("VAT");
- Income tax;
- Land tax;
- Road tax; and

The tax rates, their calculation, payment terms and other information on these types of taxes can be found in the Tax Code of the Republic of Azerbaijan.¹³

A special tax regime is applied for legally approved PSA, companies functioning in Azerbaijan Republic and covers PSA concluded between State Oil Company of Azerbaijan Republic and a number of multinational companies and regulating discovering, exploitation, sale of oil-gas fields in the Republic of Azerbaijan and distribution of profits from the sale, as well as Protocols made on the basis of them and clarifying certain aspects of taxation:

- Protocol on Profit tax;
- Protocol on Value Added Taxes;
- Protocol on taxation of foreign subcontractors;
- Protocol on taxation of employees and individuals; and
- Protocol on import and export taxes.

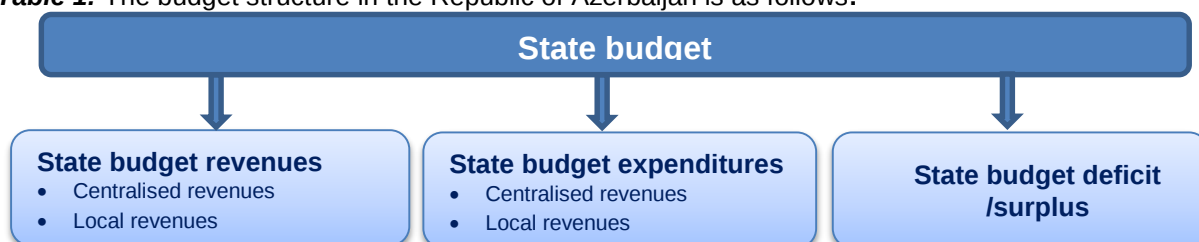
There are special tax regimes imposed on the entities working under the main Export Pipeline (Baku–Tbilisi–Ceyhan) HGA ("BTC"), the Host Government Agreement ("HGA") and South Caucasus Pipeline (Shah Deniz Gas).

2.1.3. The structure of the government budget system

State budget - a form of collecting and spending means necessary to ensure the implementation of functions belonging to the state through relevant executive bodies in an order established by law. The objective of the state budget of Azerbaijan Republic is to solve the economic, social, and other strategic programs and problems of the country, to ensure the collection and effective use of financial funds for the exercise of state functions as defined by legislation.¹⁴

The process of preparation of the state budget draft commences 11 months ahead of the next fiscal year and covers a period till the day of presentation of the draft state budget to the National Assembly of the Azerbaijan Republic.

Table 1: The budget structure in the Republic of Azerbaijan is as follows:¹⁵



¹³ Ministry of Taxes of the Republic of Azerbaijan, "Tax Code", <http://www.taxes.gov.az/modul.php?name=qanun&cat=3>

¹⁴ "The Law on the state budget of the Republic of Azerbaijan", № 358-IQ, <http://e-qanun.az/framework/1126>

¹⁵ Ministry of Finance of the Republic of Azerbaijan, "Citizen's Budget guide" book, <http://maliyye.gov.az/sites/default/files/kitab.compressed.protected.pdf>

Consolidated budget - financial document reflecting revenues and expenditures of the State Budget, the budget of the Nakhchivan Autonomous Republic (including off-budget operations), and extra-budgetary state funds on the paragraph level according to the functional and economic classification.

16

Table 2: The structure of Consolidate Budget of the Republic of Azerbaijan is as follows:¹⁷

The Structure of Consolidated Budget		
The structure of consolidate budget	The structure of consolidated budget expenditures	The deficit of consolidated budget and its funding sources
State budget revenues	State budget expenditures	Internal and external borrowing
Budget revenues of the State	Budget expenditures of the	Proceed from privatisation
Social Protection Fundi	State Social Protection Fund	
Budget revenues of State Oil Fund	Budget expenditures of State Oil Fund	Foreign grants
Revenues of the budget of the Nakhchivan Autonomous Republic	Expenditures of the budget of the Nakhchivan Autonomous Republic	Single treasury account balance
Receipts for projects financed by foreign loans	Expenditures for projects financed by foreign loans	

The budget of Nakhchivan Autonomous Republic is established by the Constitutions of Azerbaijan Republic and Nakhchivan Autonomous Republic, by this Law and other legislative acts.

Local self-governance principles, formulated in accordance with the status of the implementation of the municipal budget outline the municipal powers, which are defined by the Constitution and laws of Azerbaijan Republic in order to ensure the appropriate implementation of available financial resources. The formation of local budget funds for municipalities is regulated by law № 772-IQ "On the basics of municipal finance", signed on 7 December 1999.

The revenues of local budgets are formed from the following taxes:

- land tax from individuals;
- property tax from individuals;
- the mining tax on construction materials of local importance;
- income tax , municipal owned enterprises and organisations;
- and other taxes.

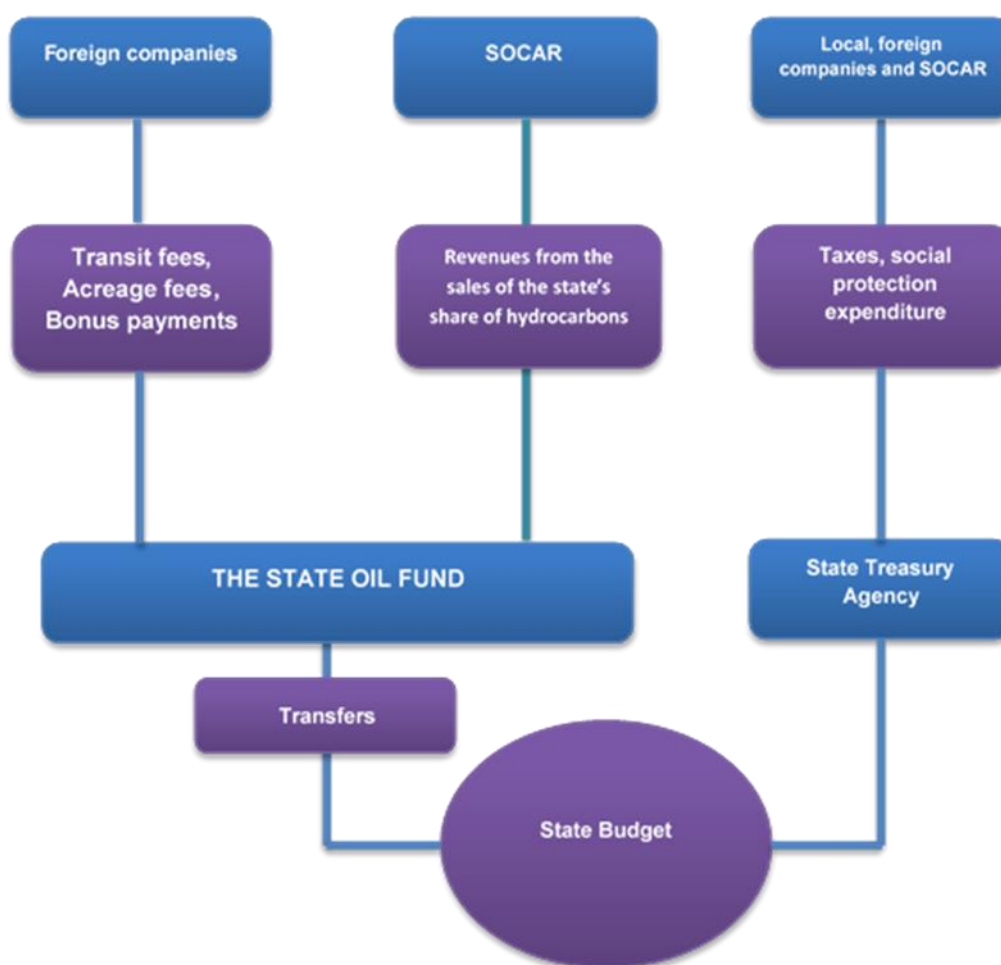
Information about other revenue-generating sources for municipalities is included in the law № 772-IQ "On the basis of municipal finance".¹⁸

The revenues generated from extraction of oil, gas and other mineral resources are not directly included in the budgets of local municipalities located on the territory of these deposits.

¹⁶ The Law on the budget system of the Republic of Azerbaijan", № 452-IIQD, <http://www.e-qanun.az/framework/2052>

¹⁷ Ministry of Finance of the Republic of Azerbaijan, http://www.maliyye.gov.az/sites/default/files/CB_2016%2004112015%20aral.pdf

¹⁸ The Law on the basis of municipal finance of the Republic of Azerbaijan <http://e-qanun.az/framework/5231>

Figure 2: The relationships of extractive industry and State budget: ¹⁹

2.1.4. Roles and responsibilities of the relevant Government agencies

The roles and responsibilities of the Government agencies of Azerbaijan Republic are given below:

President of the Republic of Azerbaijan

In the Republic of Azerbaijan the executive authority belongs to the President of the Republic of Azerbaijan. The executive authority consists of centralised and local executive agencies and its main function is to implement the execution of laws. This system has a wide range of rights and covers a significant majority of the civil servants.

The powers of the President of Azerbaijan Republic are regulated by Article 109 of the Constitution of the Republic of Azerbaijan. ²⁰

Ministry of Finance of the Republic of Azerbaijan

The Ministry of Finance of the Republic of Azerbaijan is the central executive authority agency implementing financial policy of the country. The Ministry implements its activities on the basis of Regulations that approved by the President Decree numbered 48 dated on 9 February 2009. ²¹

The Cabinet of Ministers of the Republic of Azerbaijan

It is the executive authority agency subordinated directly to the president, which is established for the implementation of the President's responsibilities. They are also responsible for the preparation and presentation of the state budget to the president, its execution, financial and monetary policies, to ensure the implementation of state and social programs are included into the responsibilities of the Cabinet of Minister of the Republic of Azerbaijan.

¹⁹ Figure 2 was prepared by Moore Stephens Azerbaijan.

²⁰ The Constitution of the Republic of Azerbaijan Article 109, <http://www.e-qanun.az/framework/897>

²¹ Regulations on the Ministry of Finance of the Republic of Azerbaijan, <http://www.maliyye.gov.az/node/8>

The powers of the Cabinet of Ministers of Azerbaijan Republic are regulated by Article 119 of the Constitution of the Republic of Azerbaijan.²²

The National Assembly (“Milli Majlis”) of the Republic of Azerbaijan

The National Assembly of the Republic of Azerbaijan is an authority carrying out the legislative power. The governmental agreements of the Republic of Azerbaijan which provide for rules different from the laws of Azerbaijan.

The National Assembly of Azerbaijan Republic is regulated by the articles on Legislative power outlined in section V of the Third part of the Constitution of the Republic of Azerbaijan.²³

Ministry of Taxes of the Republic of Azerbaijan

The Ministry of Taxes is a central executive authority ensuring the implementation of state tax policy, timely and full collection of taxes and other revenues to state budget and fulfilling state control in this regard within the framework of integrated financial and budget policy carried out in Azerbaijan.

Tax liabilities of local subcontractor organizations functioning according to the Production Sharing Agreements are regulated by the Tax Code of Azerbaijan Republic.

The Ministry of Taxes of Azerbaijan Republic functions in accordance with the Regulation approved by the President Decree No. 454 on 29 March 2001.²⁴

The Ministry of Ecology and Natural Resources of the Republic of Azerbaijan

The Ministry of Ecology and Natural Resources of the Republic of Azerbaijan is a central executive authority implementing state policy in the field of environmental protection, use of natural resources, effective use of subsoil waters, mineral raw resources and surface resources, their restoration, observation and forecast of hydro-meteorological processes in the territory of the Republic of Azerbaijan, including the part of the Caspian Sea belonging to the Republic of Azerbaijan.

The Ministry of Ecology and Natural Resources of Azerbaijan Republic functions in accordance with the Regulation approved by the President Decree No. 583 on 18 September 2001.²⁵

One of the main goals of this authority is implementing state policy on studying natural resources, their use, restoration and protection and ensuring ecological safety in this regard and preservation of biodiversity. Further details can be found in the section 3.1 “Overview of the Mining Industry” of the Report.

Ministry of Energy of the Republic of Azerbaijan

The Ministry of Energy of the Republic of Azerbaijan is a central executive authority implementing state policy and its governing in fuel-energy sector. The fuel-energy sector consists of activity in the field (hereafter—in the relevant filed) of energy defined by the law of Azerbaijan Republic on Energy.

The Ministry of Energy of Azerbaijan Republic functions in accordance with the Regulation approved by the President Decree No. 149 on 11 April 2014.²⁶

According to the regulations of the Republic of Azerbaijan, it develops drafts of agreements on use of hydrocarbon reserves on production sharing or other terms and conditions, carries on negotiations on these agreements, signs them in the defined manner, monitors the implementation of the concluded agreements.

State Social Protection Fund of the Republic of Azerbaijan

State Social Protection Fund of the Republic of Azerbaijan is the extra-budgetary fund and the form of creation and use of a centralised monetary fund in order to organise social protection of the population. The Fund’s revenues are formed of the social insurance fees and allocations from the state budget.

²² The Constitution of the Republic of Azerbaijan Article 119, <http://www.e-qanun.az/framework/897>

²³ The Constitution of the Republic of Azerbaijan Article 81-98, <http://www.e-qanun.az/framework/897>

²⁴ Regulations on the Ministry of Taxes of the Republic of Azerbaijan, <http://www.taxes.gov.az/modul.php?name=qanun&news=369>

²⁵ Regulations on the Ministry of Ecology and Natural Resources of the Republic of Azerbaijan, <http://eco.gov.az/az/6-haqqimizda>

²⁶ Regulations on the Ministry of Energy of the Republic of Azerbaijan, http://www.minenergy.gov.az/db/EN_Esasname.pdf

State Social Protection of Azerbaijan Republic functions in accordance with the Regulation approved by the President Decree No. 781 on 31 August 2002.²⁷

State Oil Company of Azerbaijan Republic (SOCAR)

SOCAR is a state oil and natural gas company of Azerbaijan. It produces oil and natural gas, carries out oil refining and implements operation of oil and gas pipelines in the territory of the country. Additional information can be found in the section 2.6 “State Participation in Extractive Industry” of this Report.

State Oil Company of Azerbaijan Republic functions in accordance with the Charter approved by the President Decree No. 127 on 18 September 2004.²⁸

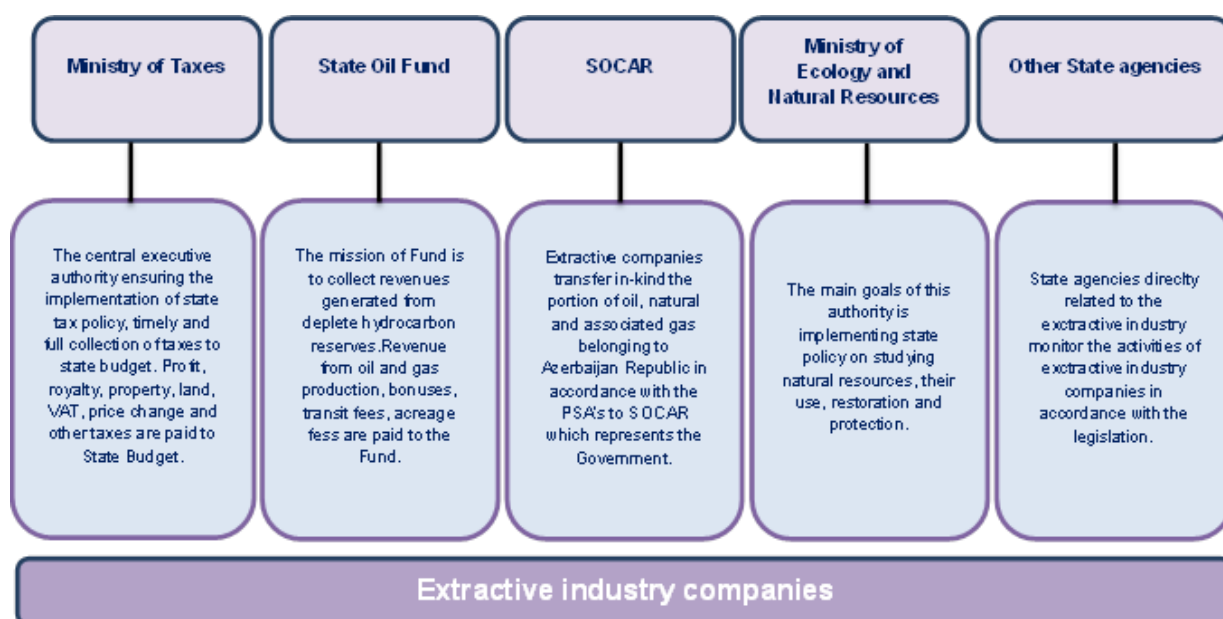
State Oil Fund of Azerbaijan Republic

State Oil Fund of Azerbaijan Republic (“SOFAZ”) is a mechanism for implementing management of profit collection for the benefit of future generations. SOFAZ has been established as an extra-budgetary fund and functions as a legal entity having an independent management structure from the Government or the Central Bank of the Republic of Azerbaijan. The mission of SOFAZ is transforming deplete hydrocarbon reserves into financial assets generating perpetual income for current and future generations. Additional information can be found in the section 4.5 “Operations related to Government agencies” of this Report.

State Oil Fund of Azerbaijan Republic functions in accordance with the Regulation approved by the President Decree No. 434 on 29 December 2000.²⁹

The following table depicts the structure of relationships between Government agencies and extractive industry companies.

Figure 3: Roles of the Government agencies³⁰



* Additional details are provided in the section 2.1.4 “Roles and responsibilities of the relevant Government agencies” of the report.

²⁷ Regulations on the State Social Protection Fund of the Republic of Azerbaijan, <http://sspf.gov.az/view.php?lang=az&menu=17&id=327>

²⁸ Regulations of SOCAR, <http://socar.az/socar/az/company/regulations/socar-charter>

²⁹ Regulations on the State Oil Fund of the Republic of Azerbaijan <http://www.oilfund.az/uploads/esas.pdf>

³⁰ Figure 3 was prepared by Moore Stephens Azerbaijan.

2.1.5. Ongoing reforms in the extractive industry

During the fiscal year covered the EITI Report there were some reforms applied to the extractive industry:

As per “On regulation of tariffs of petroleum products across the country”, the Tariff (Price) Council Decision No.14, dated 23 November 2015 and the amendments to the Tariff (Price) Council Decision No.2, dated 14 January 2015 new tariffs related to sales of oil products across the country were introduced.³¹

On the basis of the Decree on the establishment of “AzerGold” Closed Joint-Stock Company (CJSC)” signed by the President of the Republic of Azerbaijan on 11 February 2015,³² the President of Azerbaijan Republic signed another Decree on “The study, research, exploration and development of Garadagh, Chovdar, Geydag, Dagkesemen ore mines, Kohnemadan field and deposits of Kurekchay Basin located in the Republic of Azerbaijan” on 25 May 2016. “AzerGold” CJSC was instructed to ensure efficient management and study, research, exploration and development of the deposits mentioned above after relevant purchase and sale arrangements specified in the Decree.³³

2.2. Allocation of licenses

There is no any relevant law regulating oil or production sharing agreements (“PSA”) in the Republic of Azerbaijan; therefore there are no any criteria in the law on selection of potential investor.

In accordance with the existing practice, the selection of potential investors for development of hydrocarbon reserves is conducted directly as the result of negotiations between such investors and the authorised state body. Nevertheless, there are different form of international best practice on bidding process and the common used are the tenders. The PSA contracts have been chosen for development of the hydrocarbon exploration projects with foreign partners in Azerbaijan. The best practice of PSA was set up by signing the Azeri-Chirag-Gunashli on 20 September 1994 and since that time more than 30 PSA have been signed. The current implementation of PSA consists of the following procedures:³⁴

- The negotiations on the preparation of contracts on development of the hydrocarbon reserves are held between SOCAR which represents the Government of Azerbaijan Republic and has the legal power to issue Decrees related to hydrocarbon reserves on one side and various interested investors on the other;
- A Memorandum of Intentions (“MOI”) is signed as an initial agreement after negotiation;
- SOCAR executes MOI with the party (foreign oil company), whose offer is considered reasonable and acceptable by SOCAR;
- After MOI is signed, SOCAR starts negotiations with that party on relevant terms and conditions of prospective PSA;
- The inquiry for the delegation of authorities to SOCAR for negotiations on and signing of the PSA is submitted to the President of Azerbaijan Republic and such authorities are put in effect by appropriate statute of President;
- Principles and conditions of further partnership agreed on the basis of Memorandum of Intentions;
- Agreement signed on key principles and commercial terms of PSA;
- PSA project agreed by the basis of an agreement of key principles and commercial term;
- PSA signed and submitted to the Parliament of Azerbaijan Republic for ratification; and
- PSA becomes effective after Presidential decree.

³¹ Tariff (Price) Council of Azerbaijan Republic, Resolution № 14, <http://www.tariffcouncil.gov.az/?/az/resolution/view/141/>

³² The Order of the President of the Republic of Azerbaijan on establishment of “AzerGold” Closed Joint Stock Company <http://www.president.az/articles/14305>

³³ The Order of the President of the Republic of Azerbaijan taking several measures on studying, research, exploration and development of Garadagh, Chovdar, Goydag, Old mining area of Dashkesen ore deposits and Kurekchay, <http://www.president.az/articles/19947?locale=ruhttp://www.e-qanun.az/framework/30995>

³⁴ Official letter from SOCAR addressed to SOFAZ, 16 February 2016, Baku, Azerbaijan

Information on new PSA's in the reporting year:

- On 22 December 2014, BP and SOCAR signed a new PSA to jointly explore and develop potential prospects in the shallow water area around the Apsheron Peninsula in the Azerbaijan sector of the Caspian Sea, according to the Order of the President of Azerbaijan Republic numbered. 944, dated on 22 December 2014, SOCAR, BP Exploration (Azerbaijan) Limited and SOCAR Oil Affiliate signed an agreement. The bill on the President's decree dated 14 April 2015 entered into force.³⁵
- SOCAR was entrusted to prepare and sign the agreement “on rehabilitation, exploration, development and production sharing from oilfield block Muradkhanli, Jafarly and Zardab” based on the Order of the President of Azerbaijan Republic numbered 1439, dated 7 October 2015.³⁶ SOCAR Oil Affiliate and Zenith Aran Oil Company signed a deal on exploration, development and production sharing which comprises Muradkhanli, Jafarli and Zardab fields on 16 March 2016.³⁷

2.3. Register of licenses

According to the President Decree numbered 782 on “the Regulations on special permit (license) of some types of activities within the Republic of Azerbaijan” and “the list of the activities requiring special permits (license) and the state fee to be paid for the special permit (license)” were approved on 2 September 2002. The Decree determines the single license registry to be carried out by the Ministry of Economy. The Order on “Rules for a single license registry in the Republic of Azerbaijan” was prepared in accordance with the Order numbered 68 dated 30 September 2002 of the Ministry of Economy. All the registry of licenses issued in the Republic of Azerbaijan is publicly available. In accordance with the legislation, information on issued license, except for licenses which include of state and commercial secrets is open to the government agencies, entities and individuals with the purpose of obtaining general information

Licenses regarding exploration or exploitation of oil, gas and minerals resources do not fall within the scope of the list above and under Azerbaijan legislation there exists no procedure for obtaining such licenses.

At the same time, according to Presidential Decree No. 310, dated 28 March 2000 exploration and exploitation of oil and gas belongs to exclusive competence of the state and may be conducted only by state entities or state controlled joint stock companies.

Licenses to engage in activities regarding the exploration and exploitation of oil and gas may be granted to third parties by way of signing Production Share Agreements between the state (represented by state company) and third parties and these PSAs enter into effect after the official confirmation (in the form of special law acts) by the National Assembly of Azerbaijan Republic. The law acts confirming the PSAs explicitly stipulate that the participating parties to PSA are granted all permits and licenses to operate within the scope of PSAs (including explore or exploit oil, gas and minerals resources) and this law is publicly available.

In accordance with the clause of 2.3. EITI Standard, the register of active companies that joined PSAs in the Azerbaijan Republic is established and is a matter of public record.³⁸

According to the requirement of the standard, the relevant information was indicated within the established register:

- Contract holders;
- Coordinates of the contract areas;
- Date of application, date of award and duration of the contract; and
- The commodity being produced.

³⁵ The official internet website of the President of Azerbaijan Republic, <http://president.az/articles/14904>

³⁶ <http://www.e-qanun.az/framework/30995>

³⁷ The official internet website of the President of Azerbaijan Republic, <http://www.president.az/articles/20438>

³⁸ The official internet website of EITI Azerbaijan, “Documents”, “Register of PSA”, <http://www.eiti.az/index.php/en/senedler-2/registration-of-licenses>

2.4. Contracts

Production Sharing Agreements concluded between the host governments (Azerbaijan) and a contractor regulate the exploitation of oil, gas and minerals in Azerbaijan and these PSAs are effective only after the ratification by the Parliament of Azerbaijan Republic. However, the Azerbaijan government and the contractors act as commercial counterparties in the scope of such PSAs. The Government of Azerbaijan Republic accepts itself and the contractors to be regarded as equal commercial parties.

Together with the main pipeline agreements, PSA enacted after being approved by the National Assembly of Azerbaijan Republic. These agreements regulate the accounting and tax regimes of the operating companies, contractors and sub-contractors' activities.

There exists no requirement or restriction pursuant to the Azerbaijan legislation for the PSAs to be officially disclosed, but may be disclosed based on mutual consent of the parties thereto. Under the law of Azerbaijan Republic, the party disclosing a commercial secret to third parties in violation of the confidentiality clause shall be responsible before its counterparty (Article 7 of the Law No. 224-IIQ of Azerbaijan Republic on Commercial Secret dated 4 December 2001).

The EITI Secretariat of Azerbaijan Republic conducted surveys among extractive industry companies in 2013 and 2016 in order to disseminate the PSAs for public use. There are six PSAs that were uploaded after surveys and they are available to public on the official website of EITI in Azerbaijan. In addition, the PSA register was uploaded on the official website of EITI in Azerbaijan.

2.5. Beneficial ownership

The "Beneficial ownership" concept is not recognised in the law of Azerbaijan and there is no publicly available registry of beneficiary owners of cooperative enterprises in Azerbaijan. State registry of legal entities reflects the registered owners of shares of cooperative enterprises, not the beneficial owners of such enterprises. Thus no publicly available registry in Azerbaijan reflects information on beneficial ownership and therefore submission of such information by governmental or state enterprises does not seem to be possible. In addition, according to the law dated 12 June 2012 about changes to the law "On state registration and state registry of legal entities", information relating to the founder of legal entities has been considered to be a commercial secret. Such information may be obtained by third persons only with the consent of shareholders of these enterprises.

Taking into consideration that there is no legal obligation on the disclosure of the beneficial ownership in Azerbaijan, disclosure of information on beneficial ownership shall not be binding obligation for companies participating in Extractive Industries Transparency Initiative.³⁹

One of the new requirements for implementing countries stipulated in the EITI Standard of 2016 is to maintain a publicly available register of the beneficial owners of the corporate entities which bid for, operate or invest in extractive assets, including the identities of beneficial owners (according to the EITI Standard, individuals who own a corporate entity either directly or indirectly or those who manage it) and the ownership level. Therefore, it is the requirement for implementing countries to maintain documentation of the government's policy on disclosure of beneficial ownership in the EITI Reports. Such documentation should contain information on the relevant legal provisions, actual disclosure practices and any current and upcoming reforms associated with beneficial ownership disclosure. In this regard, the MSG which ensures a stronger and more effective multilateral surveillance and governance to be imposed over implementation of EITI within the country is required to publish the "Roadmap for disclosing Beneficial Ownership Information" by 1 January 2017. In addition, starting from 1 January 2020 the implementing countries are required the companies to disclose, beneficial ownership information that should be reflected in the EITI Report.

A review of work commenced in Azerbaijan in this regard and detailed information on obtained results will be included in the EITI Report for 2016.

³⁹ "MGB Law Offices", "Legal opinion on the analysis of New Mineral Reserves in the Extractive Industries Transparency Initiative in the terms of legislation requirement of Azerbaijan Republic", "4.2 Beneficial ownership", 12 September 2013.

2.6. State participation in extractive industry

2.6.1. Background

The State Oil Company of Azerbaijan Republic ("SOCAR") is an entity acting on behalf of the government to carry out its activities in the oil and gas industry.

SOCAR was established on the base of "Azerneft" State Concern and "Azerneftkimya" Production Association under Decree dated 13 September 1992 of the President of the Republic of Azerbaijan for the purpose of using oil reserves of Azerbaijan Republic in accordance with single public policy, improving structure of management in oil industry and ensuring development of oil and energy complex. Under the decree No.430, dated 22 December 2014 of President of the Republic of Azerbaijan amendments were made to the decree dated 24 January 2003 and full official name of the Company was specified as State Oil Company of Azerbaijan Republic and short name as SOCAR.

SOCAR functions in various sectors of oil, gas and petrochemical industry on the territory of Azerbaijan Republic and actively participates in the international market as well. SOCAR is an oil company engaging in exploration and development of oil and gas fields in the territory of Azerbaijan, production, refining of oil and gas and the sale of oil and gas and petrochemical products in domestic and foreign markets. In 2015, SOCAR had 52,104 employees (compared to 54,714 in 2014). SOCAR being the largest company in the country occupies an important place in the economy of the Republic of Azerbaijan.

Procurement procedures of SOCAR, outlined in "a collection of documents on the procurement and management of the organisation", are carried out in accordance with the Regulations. The regulation came into force according to the Decree of the President of Azerbaijan Republic No.844, dated on 24 January 2003.⁴⁰

SOCAR is an oil company engaging in exploration and development of oil and gas fields in the territory of Azerbaijan, production, refining of oil and gas and the sale of oil and gas and petrochemical products in domestic and foreign markets.

In 2015, "AzerGold" CJSC was established with the purposes of study, research, exploration, development, management of non-ferrous metal ore deposits of Garadagh, Chovdar, Goydagah, Dasghkesemen ore fields, Kohnamadan area and Kurekchay basin fields, including modernisation of material-technical base, its efficient use and carrying out other activities related to the development of this industry. However, "AzerGold" did not function in that year.

2.6.2. Relationship between state-owned enterprises and Government agencies

The relationships between SOCAR and government agencies are outlined below:

SOCAR implements its activity in accordance with The Constitution of the Republic of Azerbaijan, legislation, the decrees and orders of the President of the Republic of Azerbaijan, the decisions and orders of the Cabinet of Ministers of the Republic of Azerbaijan, other normative-legal acts, international treaties of the Republic of Azerbaijan and international agreements on oil and gas exploration and production areas approved by the laws of the Republic of Azerbaijan and the Regulations.⁴¹

SOCAR continually reports to the appropriate state authorities on its activity. This list includes the Ministry of Ecology and Natural Resources, the Ministry of Emergency Situations, the Ministry of Finance, the Ministry of Taxes, the Ministry of Economy, the Ministry of Labour and Social Protection of Population and the State Statistics Committee of the Republic of Azerbaijan.

SOCAR must submit the reports on forms prepared by the Ministry of Finance and the Ministry of Economy related to the amount of funds received in bank accounts and usage of these funds during the previous month by the 15th of the following month.

⁴⁰ SOCAR, "SOCAR standards", "Normative documents on procurement" <http://www.socar.az/socar/az/company/socar-standards/socar-standards>

⁴¹ SOCAR, Legislation, The regulations of "SOCAR", <http://socar.az/socar/az/company/regulations/socar-charter>

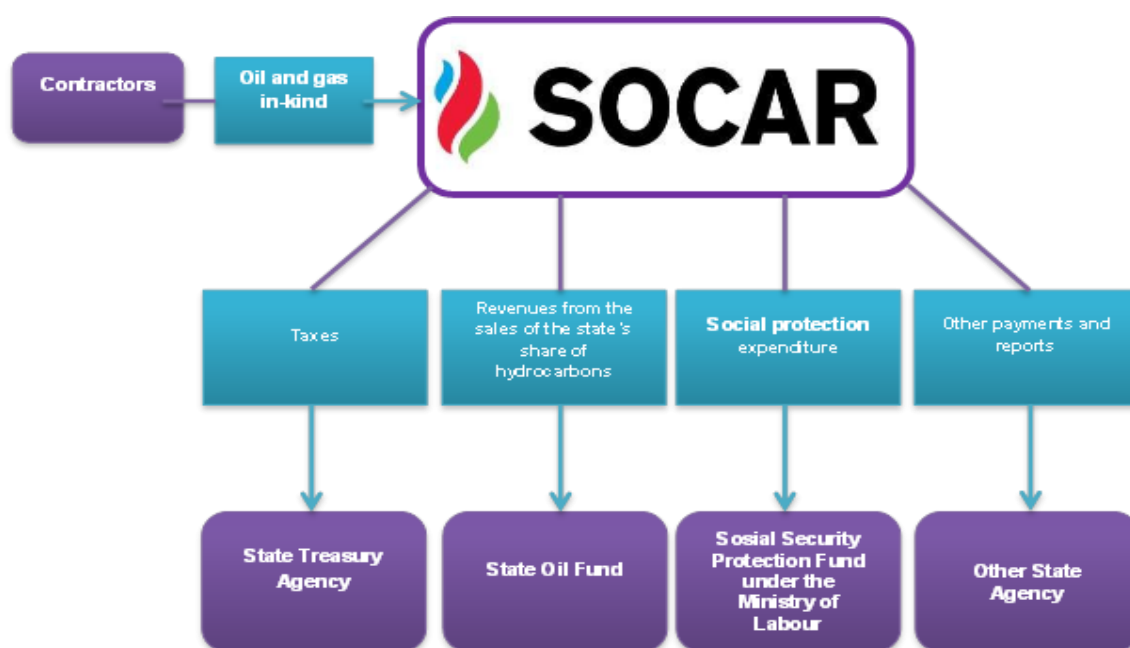
According to Clause 6 of the main Charter ("accounting, reporting and control in a company"), approved by Decree No 844 of the President of the Republic of Azerbaijan and dated 24 January 2003, SOCAR prepares its annual financial statements and submits it to the Ministry of Taxes of the Republic of Azerbaijan in accordance with the Tax Code of Azerbaijan Republic and conducts accounting procedures in accordance with the law of the Republic of Azerbaijan on "Accounting". The Company also prepares "Official statistics" in accordance with the relevant legislation and submits it to the State Statistical Committee of the Republic of Azerbaijan.

The Company's consolidated financial statements together with the auditor's report is published in the official website no later than 30 June of the subsequent year. SOCAR and its subsidiary companies must report to the Ministry of Finance of the Republic of Azerbaijan when engaged in receiving a state loan or while participating in the projects in order to settle the government debt as well as the projects involving allocation of subsidies, subventions and grants.⁴²

The process of fund allocation to SOCAR by the government is carried out by the means of share capital and loans allocation. Under the state guarantee the Central Bank acts as a lender, the Azerbaijani banks act as a borrower and SOCAR acts as re-borrower of the loan. The Central Bank of the Republic of Azerbaijan, the Ministry of Finance of the Republic of Azerbaijan, SOCAR and Azerbaijan Banks sign an agreement which is guaranteed by the Ministry of Finance who acted on behalf of the Government.

According to Clause 6 of the main Charter ("accounting, reporting and control in a company"), approved by Decree No 844 of the President of the Republic of Azerbaijan and dated 24 January 2003 any request from the government agencies on relevant reports and information must be prepared and submitted by SOCAR to them.⁴³

Figure 4: Relationships between SOCAR and State agencies⁴⁴



The relationships between "AzerGold" CJSC and government agencies are outlined below:

The approval of the charter and structure, determination of the amount of the share capital of the "AzerGold" CJSC is carried out by the Cabinet of the Ministers of the Republic of Azerbaijan. Ministry of Economy of the Republic of Azerbaijan is responsible for the appointment and dismissal of the Board of Directors, Supervisory Board, Audit Committee and other members of "AzerGold" CJSC.

⁴²<http://www.e-ganun.az/framework/28955>

⁴³E-ganun: Regulations of State Oil Company of Azerbaijan Republic, <http://www.e-ganun.az/framework/1899>

⁴⁴ Figure 4 was prepared by Moore Stephens Azerbaijan.

The Supervisory Board conducts the management and monitoring procedures of its activities and does not have powers of the executive body. The Supervisory Board is consist of representatives from the Ministry of Economy of the Republic of Azerbaijan (2 people), the Ministry of Ecology and Natural Resources of the Republic of Azerbaijan (1 person), the Ministry of Finance of the Republic of Azerbaijan (1 person) and the State Committee on Property Issues of the Republic of Azerbaijan (1 person).

At the same time, the authority for the preparation of the annual reports, accounting balances, the approval and allocation of profit and loss, the number of employees, determination of payroll and approval of the state budget expenditures is given to the Ministry of Economy of the Republic of Azerbaijan. The Board of Directors of the "AzerGold" CJSC is its collegial executive body and carries out all the issues related with the Company, except for the powers granted to the General Comission, the Supervision Board and the Audit Committee in accordance with the Code, Order and Charter.

The Chairman and vice-chairman of the Board of Directors of the company are appointed and dismissed by the President of the Republic of Azerbaijan.

The activity of "AzerGold" CJSC is governed in accordance with the Constitution of the Republic of Azerbaijan, the legislation of the Republic of Azerbaijan, decrees and orders of the President of the Republic of Azerbaijan, the resolutions and orders of the Cabinet of Ministers of the Republic of Azerbaijan, other normative-legal acts and the Charter of the Company.⁴⁵

2.6.3. Payments to the State Budget by state-owned enterpirses

Financial data of SOCAR and the payments made to the state budget are shown below:

Share capital⁴⁶

Share capital of SOCAR was equal to AZN 1,617 million in 2015 and this constituted an increase of AZN 121 million.

Additional Paid-in Capital⁴⁷

During 2015 the Government made a contribution to the charter capital of SOCAR in the amount of AZN 581 million and this transaction was recorded as an additional paid-in capital. The amount of cumulative additional paid-in capital was equal to AZN 1,423 million as of 31 December 2015.

Distributions to the Government⁴⁸

In accordance with the decision of the Government the state budget, various government agencies and government implementation projects invested in cash or financing form by SOCAR. These kinds of investments were accounted for as a reduction of capital. Distributions in the form of cash are recorded in the carrying amount of the assets transferred. The amount of such direct cash transfers to the Government in 2015 amounted to AZN 339 million.

Retained Earnings⁴⁹

The total amount of SOCAR's retained earnings was AZN 6,191 million for the year ended 31 December 2015. Detailed information can be obtained from the "Consolidated statement of changes in equity" financial report of SOCAR.

Information on financial data of "AzerGold" CJSC was not included in this report due to fact that the company did not have any activity in 2015. However the company's share capital was approved by the Cabinet of Ministers of Azerbaijan Republic.

The share capital of "AzerGold" CJSC" is comprised of the carrying value of assets that are valued and authorised by the decision of the founder in accordance with the Company Charter. According to the resolution approved by the Cabinet of Ministers and dated 11 May 2016, the authorised capital of "AzerGold" CJSC is AZN 2 000 000 (two million manat). This capital is based on the nominal (par) value of shares and consists of 2 000 000 ordinary shares with the par value of one share equal to AZN 1 (one manat).

⁴⁵ "Order of the Cabinet of Ministers of the Republic of Azerbaijan on approval of the charter and structure of AzerGold" CJSC, <http://www.e-ganun.az/framework/32799>

⁴⁶ SOCAR, "Financial statement, 2015", "Note 27, Share capital, additional paid-in capital and retained earnings", page 69, <http://www.socar.az/socar/assets/documents/az/socar-financial-reports/Maliyy%C9%99%20hesabat%C4%B1%202015.pdf>

⁴⁷ SOCAR, "Financial statement, 2015", "Note 27, Share capital, additional paid-in capital and retained earnings", page 69, <http://www.socar.az/socar/assets/documents/az/socar-financial-reports/Maliyy%C9%99%20hesabat%C4%B1%202015.pdf>

⁴⁸ SOCAR, "Financial statement, 2015", "Note 27, Share capital, additional paid-in capital and retained earnings", page 69, <http://www.socar.az/socar/assets/documents/az/socar-financial-reports/Maliyy%C9%99%20hesabat%C4%B1%202015.pdf>

⁴⁹ SOCAR, "Financial statement, 2015", "Consolidated statement of changes in equity", page. 4, <http://www.socar.az/socar/assets/documents/az/socar-financial-reports/Maliyy%C9%99%20hesabat%C4%B1%202015.pdf>

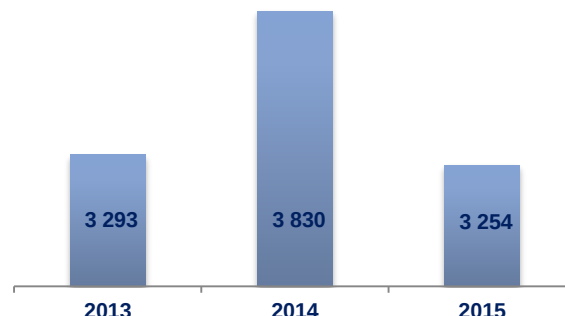
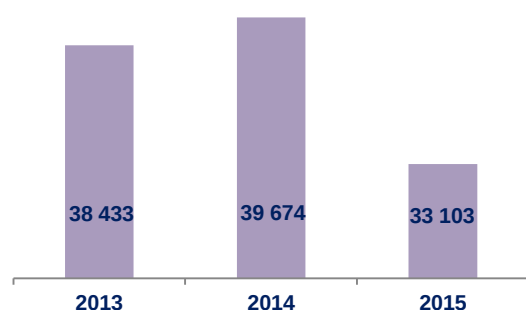
2.6.4. Financial performance and production data of state-owned enterprises

Financial and production data of SOCAR are shown below:

Graph 1: Economic indicators of SOCAR in 2013-2015^{50, 51}

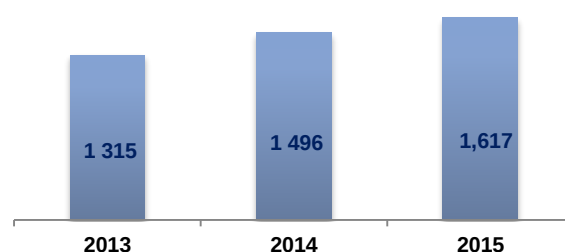
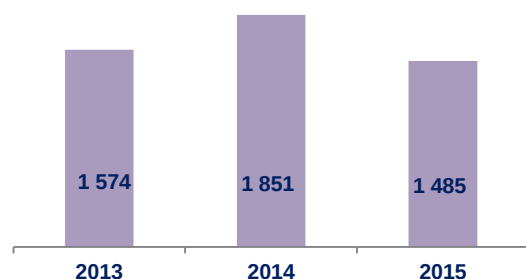
Revenues (million manats):

Total profit (million manats):



Budget payments (million manats):

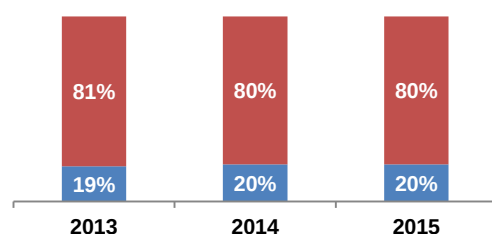
Share capital (million manats):



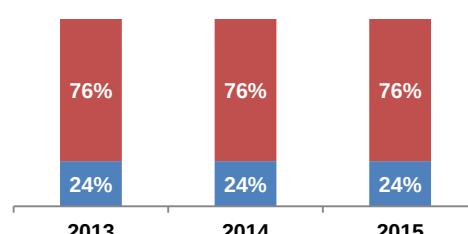
Graph 2: Oil and gas production of SOCAR in 2013-2015^{52, 53}

Oil production of the Republic of Azerbaijan (percentage):

Gas production of the Republic of Azerbaijan (percentage):



■ Xarici şirkətlərlə birgə ■ SOCAR



■ Xarici şirkətlərlə birgə ■ SOCAR

Before the establishment of SOCAR Trading, SOCAR initially exported its crude through Georgia and Russia, until the much larger BTC pipeline was completed in 2005. The BTC allowed SOCAR access to the Mediterranean through Ceyhan, Turkey and allowed it to load Very Large Crude Carriers which gave SOCAR the opportunity to deliver Azeri crude to a wider range of customers, in the Mediterranean area, as well as further out to Asia and America.

SOCAR Trading was incorporated in December 2007 as the marketing division of SOCAR with a mandate to market Azeri barrels produced from the Azeri-Chirag-Guneshli field and other surrounding fields in Azerbaijan. Azeri crude is delivered through mainly two pipelines: the Western Route Export Pipeline in Georgia and the Baku-Tbilisi-Ceyhan pipeline in Turkey.

⁵⁰ SOCAR, "Financial statement, 2015", "Consolidated statement of Profit or Loss and other Comprehensive Income", page. 3, <http://www.socar.az/socar/assets/documents/az/socar-financial-reports/Maliyy%C9%99%20hesabat%C4%B1%202015.pdf>

⁵¹ SOCAR, "Sustainability Report, 2015", "About the Company", page 6, <http://www.socar.az/socar/assets/documents/az/socar-annual-reports/davamli-inkisaf2015.pdf>

⁵² SOCAR, "Sustainability Report, 2015", "About the Company", page. 9, <http://www.socar.az/socar/assets/documents/az/socar-annual-reports/davamli-inkisaf2015.pdf>

⁵³ SOCAR, "Sustainability Report, 2015", "About the Company", page. 10, <http://www.socar.az/socar/assets/documents/az/socar-annual-reports/davamli-inkisaf2015.pdf>

SOCAR Trading has successfully loaded near 1 billion barrels of Azeri Light crude on a global scale since its establishment in 2008. As a trading company, SOCAR Trading was able to successfully manage the sale of Azeri crude through increased pricing flexibility and the ability to adapt to volatile global needs.⁵⁴

SOCAR Trading facilitates the sale of crude oil volumes produced by SOCAR through Jeyhan port and transacts a wide range of third party crudes. The Company made efforts to develop business in Africa and Asia through long term relationships, the company is able to leverage its position as a major supplier of Azeri crude as well as its status as a state owned company to gain access to several opportunities worldwide.

Information on financial performance and production data of “AzerGold” CJSC was not included in this report due to fact that the company did not have any activity in 2015.

2.6.5. Joint Ventures, associates and subsidiaries of state-owned enterprises

Information on subsidiaries’ principal activities, country of incorporation and equity interest during 2015 are given in the tables below:

Table 3: Subsidiaries⁵⁵

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest
SOCAR Turkey Enerji A.Ş.	Refinery	Turkey	86.99%
Azerbaijan (ACG) Ltd	Oil production	Cayman Islands	100%
Azerbaijan (Shah Deniz) Ltd	Gas production	Cayman Islands	100%
Caspian Drilling Company (CDC)	Drilling operations	Azerbaijan	92.44%
SOCAR Energy Georgia LLC	Sales and Distribution	Georgia	51%
SOCAR Overseas LLC	Sales and Distribution	UAE	100%
SOCAR Trading Holding	Sales and Distribution	Malta	100%
Azerbaijan (BTC) Ltd	Sales and Distribution	Cayman Islands	100%
Cooperative Menkent U.A.	Sales and Distribution	Netherlands	99.9%
SOCAR Energy Holdings AG	Sales and Distribution	Switzerland	100%
SOCAR Energy Ukraine	Sales and Distribution	Ukraine	100%
Azerbaijan (SCP) Ltd	Sales and Distribution	Cayman Islands	100%
SOCAR Petroleum QSC	Sales and Distribution	Azerbaijan	100%
Baku Shipyard Company	Construction	Azerbaijan	65%
SOCAR Polymer LLC	Chemical production	Azerbaijan	71%
BOS Shelf LLC	Construction	Azerbaijan	90%

- On 12 August 2015 the Group made a sale of newly issued shares representing its 13% equity stake in SOCAR Turkey Energy to Goldman Sachs International.

⁵⁴ <http://www.socartrading.com/marketing/marketing-export>

⁵⁵ SOCAR, “Financial statement, 2015”, “Note 18, Investment in associates”, page 57-60, <http://www.socar.az/socar/assets/documents/az/socar-financial-reports/Maliyy%C9%99%20hesabat%C4%B1%202015.pdf>

Information on participating interest in joint ventures and associates, the changes in participating interest during the reporting period, the revenue, assets and debts of SOCAR for 2015 is presented in the table below:

Table 4: Joint ventures ⁵⁶

Name of the Joint Ventures	Principal activities	SC participating interest (%)	Changes of participating interest during the reporting period(%)	Revenue (mln manats)	Assets (mln manats)	Liabilities (mln manats)
SOCAR KBR	Services	51%	Changed	-	1.0	(1.0)
Azeri M.I. Drilling Fluids	Production of chemical product	51%	Unchanged	155.0	75.0	(32.0)
Azerbaijan Riqs	Drilling services	10%	Unchanged	-	706.0	(4.0)
SOCAR Fugro	Geological services	51%	Unchanged	14.0	16.0	(14.0)
AZFEN	Construction	60%	Unchanged	565.0	301.0	(196.0)
AzGerneft LLC*	Production	40%	Unchanged	32.0	98.0	(39.0)
Ekol Engineering Services	Clearing services	50%	Unchanged	9.0	4.0	(1.0)
Caspian Shipyard Company	Ships maintenance services	20%	Unchanged	142.0	97.0	(56.0)
Oil and Gas ProServis	Procurement services	30%	Unchanged	3.0	19.0	(9.0)
Sarmatia	Project services	27%	Unchanged	-	2.0	(1.0)
SOCAR AQS	Drilling services	51%	Unchanged	76.0	359.0	(186.0)
SOCAR Aurora Terminalı	Warehouse of oil	50%	Unchanged	19.0	173.0	(82.0)
SOCAR Baghlan LLC	Procurement services	51%	Unchanged	-	15.0	(19.0)
SOCAR Foster Viler Engineering Services	Engineering services	65%	Unchanged	6.0	3.0	(2.0)
SOCAR CAPE	Construction	51%	Unchanged	97.0	14.0	(16.0)
SOCAR KPS	Construction	50%	Unchanged	3.0	28.0	(29.0)
SOCAR Construction	Construction	97%	Unchanged	-	12.0	(1.0)
SOCAR STQ	Fuel production and sales	51%	Unchanged	-	11.0	(22.0)
SOCAR Umid	R&D service	80%	Unchanged	-	489.0	(43.0)
STYAS	Construction	60%	Unchanged	-	4,802.0	(797.0)

* "Azgerneft" LLC is engaged in exploration, development and production of hydrocarbons, it was included in EITI Report for 2015.

Changes in the level of beneficial ownerships in joint ventures for 2015:

- During 2015, the Group made additional contributions to share capital to its joint ventures, SOCAR Umid LLC in the amount of AZN 30 million (2014: AZN 40 million), Azerbaijan Rigs LLC in the amount of AZN 36 million (2014: AZN 14 million) and STYAS in the amount of AZN 607 million (2014: AZN 192 million), respectively; and, in addition to this, contributions in the amount of AZN 2 million were made to other joint ventures.
- The Group signed credit agreements related to the construction of Star refinery (a subsidiary of STYAS) in 2015. The total amount of AZN 38 million including comission fees and interest was paid by the Group and accounted for as an additional investment in STYAS.
- On 27 march 2015 SOCAR and KBR (KELLOGG BROWN & ROOT SERVICES B.V) signed a joint venture to establish a new engineering and support services company in Azerbaijan. The purpose of the Company is to provide design, engineering, technical, procurement, construction supervision and project management service for projects across the upstream, midstream and downstream oil and gas sectors, primarily in the Republic of Azerbaijan. The share ownership of SOCAR and KBR in this company is 51% and 49 % respectively.

⁵⁶ SOCAR, "Financial statement, 2015", "Note 18, Investments in joint ventures", page 52-57, <http://www.socar.az/socar/assets/documents/az/socar-financial-reports/Maliyy%C9%99%20hesabat%C4%B1%202015.pdf>

Table 5: Associates ⁵⁷

Name of the Associates	Principal activities	SC participating interest (%)	Changes of participating interest during the reporting period(%)	Revenue (mln manats)	Assets (mln manats)	Liabilities (mln manats)
Ateshgah Insurance Company CJSC	Insurance services	10%	Unchanged	44.0	33.0	(26.0)
Azerbaijan Gas Supplier Company	Sales and Distribution	28%	Unchanged	2,154.0	578.0	(578.0)
AzLab	Laboratory services	50%	Unchanged	2.0	5.0	(4.0)
Caspian Geophysical Company BM	Laboratory and other service	45%	Unchanged	26.0	49.0	(40.0)
Caspian Pipe Coatings LLC	Clearing of Pipe services	50%	Unchanged	65.0	23.0	(8.0)
Cross Caspian Oil and Gas Logistics	Procurement and logistics	34%	Unchanged	33.0	3.0	(3.0)
South Caucasus Pipeline Hold Co ("SCPC Hold Co.")	Pipeline construction	10%	Unchanged	-	87.0	(1.0)
Interfax Azerbaijan	Consulting agency	49%	Unchanged	-	4.0	-
Tankanlagen Mellingeri AG (TAMAG)	Sales and storage	33%	Unchanged	3.0	12.0	(3.0)
Tanklager Taegerschen AG (TLT)	Sales and storage	21%	Unchanged	1.0	2.0	-
SOGEF AG	Sales and storage	34%	Unchanged	4.0	2.0	(2.0)
UBAG AG	Sales and storage	24%	Unchanged	15.0	32.0	(28.0)
SAPPRO SA	Sales and storage	13%	Unchanged	11.0	5.0	(2.0)
SARACO SA	Sales and storage	20%	Unchanged	14.0	17.0	(15.0)
Elektrogas Malta	Sales and storage	33%	Unchanged	-	293.0	(293.0)
South Caucasus Pipeline ("SCPC")	Pipeline construction	10%	Unchanged	330.0	5,525.0	752.0
BTC Co	Pipeline construction	25%	Unchanged	1,286.0	8,212.0	3,293.0
The Southern Gas Corridor ("SGC")	Gas supply	49%	Unchanged	156.0	8,133.0	5,407.0

- During 2015, the Group made additional contributions to shareholders' equity to its associates, SCPC in the amount of AZN 107 million (2014: AZN 55 million) and Southern Gas Corridor Company in the amount of AZN 665 million (2014: AZN 38 million) respectively; and, in addition to this, contributions in the amount of AZN 3 million were made to other associates.
- In April 2015 the Southern Gas Corridor Company sold 30% of its shares in TANAP to Petroleum Pipeline Corporation for AZN 207 million and sold 12% of its own shares to BP for AZN 102 million. The Group recognized its share of loss from this transaction in profit or loss of the Southern Gas Corridor Company.
- There was no change in the level of beneficial ownership between the Government and SOCAR during the reporting period;
- Equity method is used to assess the accountability level of joint ventures and associates. Kapital Metodu.

Information on joint ventures, associates and subsidiaries of "AzerGold" CJSC was not included in this report due to fact that the company did not have any activity in 2015.

⁵⁷ SOCAR, "Financial statement, 2015", "Note 18, Investment in associates", page 57-60, <http://www.socar.az/socar/assets/documents/az/socar-financial-reports/Maliyyat%C9%99%20hesabat%C4%B1%202015.pdf>

2.6.6. Loans and guarantees received by state-owned enterprises

The loans received and bonds issued by SOCAR during 2015 are provided below:

New loans

On 12 February 2015 and 29 March 2015 the Group received new loans from IBAR in the amount of AZN 13 million and AZN 50 million respectively. On 29 January 2015 the Group received a new loan in the amount of 52 million US dollars (AZN 41 million) from the Caucasus Development Bank.

Issuance of bonds

On 18 March 2015 the Group issued unsecured bonds (debentures) with preference rights attached to them on the London Stock Exchange in the amount of 750 million US dollars (AZN 787 million). The maturity date of the bonds was specified as March 18, 2030 and the annual interest rate was set as 6.95%. Associated interest expenses will be paid semi-annually.

Information on loans and guarantees of "AzerGold" CJSC was not included in this report due to fact that the company did not have any activity in 2015.

2.6.7. State-Owned Enterprise activities in foreign markets

Expansion of SOCAR activities in foreign markets is indicated in the tables below:

Projects ⁵⁸	Progress in 2015
Southern Gas Corridor	
The Southern Gas Corridor (SGC) involves four projects:	
• "Shah Deniz-2" Phase; • "South Caucasus Pipeline" (SCP); • "Trans-Anatolian Natural Gas Pipeline" (TANAP); and • "Trans-Adriatic Pipeline" (TAP).	
Georgia, Turkey, Greece, Bulgaria, Albania and Italy are key players involved in SGC project.	
"Trans-Anatolian" natural gas pipeline ("TANAP") is intended for transportation of gas from "Shah Deniz" field via Georgia-Turkey-Greece-Albania and Italy route. It is considered as one of the most successful projects implemented within Turkey and Azerbaijan cooperation, playing important role in global energy sector.	During five years, the project that is considered to be implemented will be realized in some phases and the first phase will be completed in 2018. The pipeline capacity will be reached to 16 billion m³ in 2020, 23 billion m³ in 2023 and 31 billion m³ in 2026. First of all, from 16 billion m³ Azerbaijani gas 10 billion m³ will be delivered to Europe and the rest 6 billion m³ will be delivered to Turkey through TANAP pipeline. In accordance with Memorandum of Understanding signed in Ankara on 13 March 2015, the participating interests will be obtained by "Southern Gas Corridor" (58%), BOTAS (30%) and BP (12%).
The TAP project is intended to set the pipeline of estimated length of 870 kilometres which will be connected to TANAP pipeline at Kipo, i.e. on the border between Greece and Turkey. This pipeline is to transport natural gas from "Shah Deniz-2" field of Azerbaijan to Europe. Participating parties in the project are BP (20%), SOCAR (20%), Statoil (20%), Fluxys (19%), Enagas (16%) and Axpo (5%).	The construction of TAP pipeline, the last European part of the "Southern Gas Corridor" is planned to start in 2016.
Participating parties in the pipeline are BP (28.8%), Azerbaijan SCP (10%), "SGC Midstream" (6.7%), "Petronas" (15.5%), "LUKOIL" (10%), NICO (10%) and TPAO (19%).	In connection with activities of SCP 22 million US dollars was spent on operating expenses and 559 million US dollars on capital expenses in the first half of 2015.

⁵⁸ SOCAR, "Sustainability Report, 2015", <http://www.socar.az/socar/assets/documents/az/socar-annual-reports/davamli-inkisaf2015.pdf>

Projects	Progress in 2015
DESFA	
DESFA-(National Natural Gas System Operator S.A.) is a natural gas transmission system operator in Greece. On July 31, 2013 State Oil Company of Azerbaijan Republic was approved to obtain 35% of "Hellenic Petroleum SA" and 31% of State of Greece share portfolio in DESFA distribution company.	The main reason for the delay in privatization process of DESFA is the studies carried out by General Directorate for Competition of the European Commission for the transfer of a controlling stake in gas distribution to SOCAR. Greek state based on the principles of anti-monopoly offers 17% of SOCAR shares to be sold out to third party.

The information about foreign missions of SOCAR can be found in the "Sustainable development report" published by the company.⁵⁹

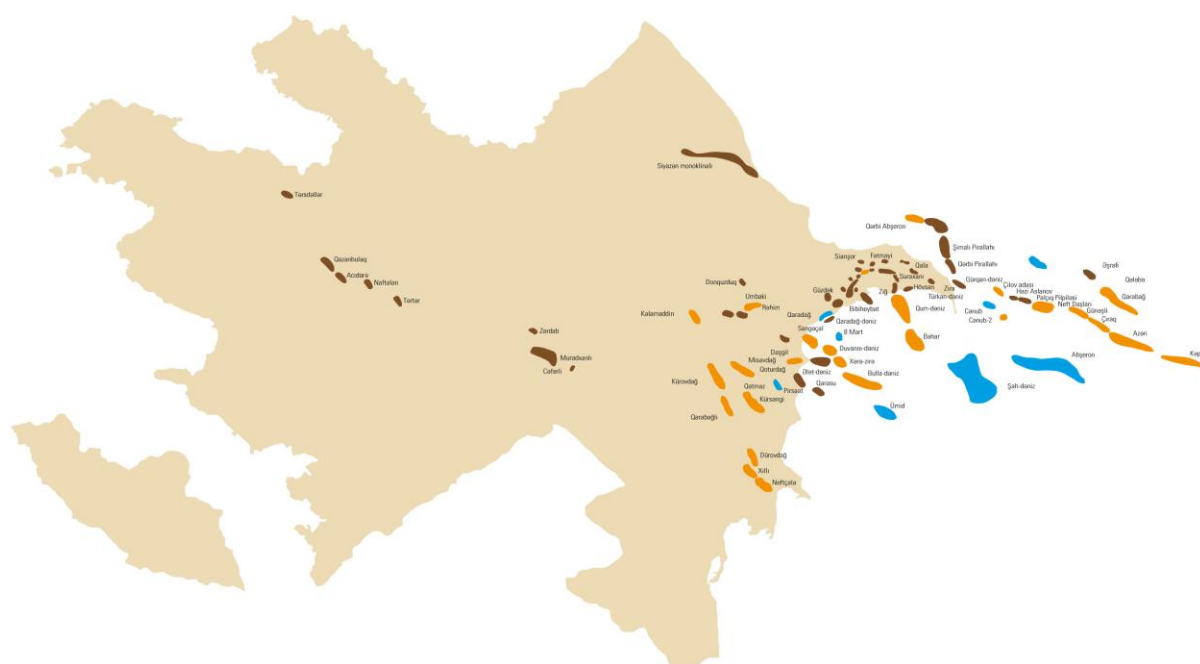
3. EITI REQUIREMENT 3

3.1. Overview of the Mining Industry

Oil and gas industry

In Azerbaijan Republic, the major oil fields are located in the Caspian Sea shelf and the Apsheron peninsula. The main oil reserves have been discovered in the south of Apsheron waters. In the north part of Apsheron peninsula—Siyazan and south and south-west part of Apsheron—Gobustan, Shirvan and Salyan oil reserves are the main prospective resources. Naphtalan fields located near Ganja have unique renewable oil fields. There is a presence of significant amounts of gas extracted along with the oil.

Figure 5: The map of oil and gas fields⁶⁰



The amounts of oil and gas reserves of Azerbaijan as approved for the year end of 2015 are reflected in the following table:

Table 6: Oil and natural gas reserves

Oil reserves, million barrels ⁶¹	7,000
Natural gas reserves, billion m ³ ⁶²	1,291

⁵⁹ "SOCAR", "Sustainability Report 2015", <http://www.socar.az/socar/assets/documents/az/socar-annual-reports/davamli-inkisaf2015.pdf>

⁶⁰ Figure 5 taken from Azerbaijan EITI Annual Statement 2014

⁶¹ "OPEC", "Annual Statistical Bulletin", "Section 3 – Oil data: upstream", page. 100, http://www.opec.org/opec_web/static_files_project/media/downloads/publications/ASB2016.pdf

⁶² "OPEC", "Annual Statistical Bulletin", "Section 8 – Natural gas data", page. 101, http://www.opec.org/opec_web/static_files_project/media/downloads/publications/ASB2016.pdf

The companies working on extraction of oil and gas reserves in Azerbaijan signed 31 PSAs (17 offshore and 14 onshore). Out of 31 PSA agreements on oil and gas resources, only 17 were active during 2015:

Table 7: Offshore

Date of signature	Contractors and their participating interests			Reserves	
	Name of the company	Year end 2014 %	Year end 2015 %	Oil	Gas
Azeri–Chirag–Deepwater Gunashli ⁶³ (production stage)					
20.09.1994	BP Exploration (Caspian Sea) Limited	35.8	35.8	✓	
	Azerbaijan (ACG) Limited	11.6	11.6		
	Chevron Khazar, Ltd.	11.3	11.3		
	Inpex Southwest Caspian Sea, Ltd.	11.0	11.0		
	Statoil Apsheron A.S	8.6	8.6		
	Exxon Azerbaijan Limited	8.0	8.0		
	Turkish Petroleum A. O.	6.8	6.8		
	Itochu Oil Exploration (Azerbaijan) Inc.	4.3	4.3		
	ONGC Videsh Limited	2.7	2.7		
Shahdeniz ⁶⁴ (production stage)					
04.06.1996	BP Exploration (Azerbaijan) Limited	28.8	28.8		✓
	Statoil Shah Deniz AS	15.5	-		
	Azerbaijan (Shah Deniz) Limited	10.0	10.0		
	Lukoil Overseas Shah Deniz	10.0	10.0		
	Naftiran Intertrade Co (NICO) Limited	10.0	10.0		
	Petronas	-	15.5		
	Turkey Petroleum Overseas Company Ltd	19.0	19.0		
	SGC Upstream LLC	6.7	6.7		
Apsheron Gas field ⁶⁵ (exploration stage)					
27.02.2009	SOCAR Commercial Affiliate	40.0	40.0		✓
	Total E & P Apsheron B.V	40.0	40.0		
	ENGIE E AND P ABSHERON B.V	20.0	20.0		
Shafag–Asiman ⁶⁶ (exploration stage)					
07.10.2010	BP Shafag-Asiman Limited	50.0	50.0		✓
	SOCAR Commercial Affiliate	50.0	50.0		
Apsheron Peninsula shallow part ⁶⁷ (exploration stage)					
14.04.2015	BP Exploration (Caspian Sea) Limited	-	50.0		✓
	SOCAR Commercial Affiliate	-	50.0		

- Starting from 1 May 2015, State Oil Company of Azerbaijan Republic (SOCAR) has taken over as operator of Azerbaijan Gas Supply company (AGSC) and South Caucasus Pipeline Company (SCPC). The replacement was arranged between Norway's "Statoil" and Malaysia's "Petronas". The transaction involving the sale of Statoil's 15.5% participating interest in the "Shah Deniz" PSA, 15.5% participating interest in the South Caucasus Pipeline Company and 12.4% participating interest in Azerbaijan Gas Supply Company was completed. ⁶⁸

⁶³ BP company, "Operations and projects", "Azeri–Chirag–Deepwater Gunashli", http://www.bp.com/az_az/caspian/operationsprojects/ACG.html.

⁶⁴ BP company, "Operations and projects", "Shahdeniz", http://www.bp.com/az_az/caspian/operationsprojects/Shahdeniz.html.

⁶⁵ SOCAR, "Activity", <http://new.socar.az/socar/az/activities/production>.

⁶⁶ BP company, "Operations and projects", "Shafag–Asiman", http://www.bp.com/az_az/caspian/operationsprojects/Shafagasiman.html.

⁶⁷ BP company, "Operations and projects", "Shallow part of the Apsheron Peninsula", http://www.bp.com/az_az/caspian/operationsprojects/SWAP.html.

⁶⁸ <http://www.naturalgaseurope.com/socar-shah-deniz-gas-sales-23502>

Table 8: Onshore ^{69,70,71,72}

Date of signature	Contractors and their participating interests			Reserves	
	Name of the company	Year end 2014 %	Year end 2015 %	Oil	Gas
Padar (exploration stage)					
27.04.1999	Kura Valley Development Company LTD SOCAR	80.0 20.0	80.0 20.0	✓	
Bahar Gum Deniz (production stage)					
22.12.2009	Bahar Energy Limited SOCAR	80.0 20.0	80.0 20.0	✓	✓
Balakhany, Sabunchu, Ramana and Kurdakhany (production stage)					
06.05.2011	UGE-LANCER PTE.LTD SOCAR	75.0 25.0	75.0 25.0	✓	
Kurovdagh (production stage)					
03.02.2009	Shirvan Investment Limited SOCAR	80.0 20.0	80.0 20.0	✓	
Kursangi and Garabaghly (production stage)					
15.12.1998	Salyan Neft LLC CNPC Fortunamate Assets Limited	50.0 25.0 25.0	50.0 25.0 25.0	✓	
Mishovdagh and Kelameddin (production stage)					
12.09.2000	Karasu Development Kompani Ali-Bayramli Neft LLC	85.0 15.0	85.0 15.0	✓	
Neftchala (production stage)					
03.02.2009	Neftchala Investments Limited SOCAR	80.0 20.0	80.0 20.0	✓	
Pirsaat (exploration stage)					
04.06.2003	Petro Hong Kong Limited Middle East SOCAR	50.0 30.0 20.0	80.0 - 20.0	✓	
Surakhany (production stage)					
16.08.2005	Novatis Oil F.Z.E. SOCAR	75.0 25.0	75.0 25.0	✓	
Zigh Hovsan (production stage)					
03.11.2006	Apsheron Investment Limited SOCAR	75.0 25.0	75.0 25.0	✓	
Binagadi, Girmaki, Chakhnaglar, Sulutepe, Masazir, Fatmai, Shabandagh and Sianshor (production stage)					
29.09.2004	Azen Oyl Company B.V. SOCAR	75.0 25.0	75.0 25.0	✓	
Block of south west "Gobustan" (production stage)					
02.06.1998	Commonwealth Gobustan Neft LLC	80.0 20.0	40.0 -	✓	

⁶⁹ "SOCAR", "Activities", <http://new.socar.az/socar/az/activities/production>⁷⁰ "SOCAR", "Activities", <http://new.socar.az/socar/az/activities/production>⁷¹ "SOCAR", "Activities", <http://new.socar.az/socar/az/activities/production>⁷² "SOCAR", "Activities", <http://new.socar.az/socar/az/activities/production>

Gold and silver extraction⁷³

In recent years, the discovery of gold deposits has become an important geological discovery. Gizilbulag gold-copper-gold deposits of pyrites located in Karabakh (currently under Armenian occupation). The quartz gold deposits were found by geological expeditions in Vejnali in Zangilan, Aghyurd, Piyashbashi, Shakardara, Ordubad and Aghduzdag - Dalidagh.

Figure 6: Map of gold and silver deposits

On 20 August 1997, contract on exploration, use, and share production of Gadabay, Gosha, Ordubad group (Piyashbashi, Agturd, Shakardara, Kalaki), Soyudlu, Gizilbulag, and Vejnali perspective gold deposits was signed between the "Azergizil" State Company and "R.V. Investment Group Services" in accordance with the decree of the President of Azerbaijan Republic "on exploration and use of several gold deposits of Azerbaijan Republic" dated 5 February 1996. In 2000, according to the decree of the President of Azerbaijan Republic "Azergizil" was abolished and the company, was transferred to the Ministry of Ecology and Natural Resources of the Republic of Azerbaijan. The share of the Government of Azerbaijan Republic of total profit on Gadabay gold-copper deposits in accordance with relevant PSA is 51%, the remaining 49% belongs to R.V. Investment Group Services Company, but is managed by Azerbaijan International Mineral Resources Operating Company.⁷⁴

The amounts of gold and silver reserves of Azerbaijan as approved for the year end of 2015 are reflected in the following table:

Table 9: Gold and silver resources

Gold reserves, tonnes ⁷⁵	30.2
Silver reserves, tonnes ⁷⁶	1,300

Table 10: Mining PSA

Date of signature	Contractors and their participating interests		Reserves
	Name of the company	%	Gold and Silver
Gadabay gold-copper project (production stage)			
22.12.2009	Ministry of Ecology and Natural Resources of Azerbaijan Republic	51.0	✓
	R.V.Investment Group Services	49.0	

⁷³ Ministry of Ecology and Natural Resources of Azerbaijan Republic, "Minerals of Azerbaijan", <http://www.eco.gov.az/faydaliqazintilar.php>.

⁷⁴ President of Azerbaijan, <http://www.president.az/articles/9268>

⁷⁵ "World Gold Council", "Statistics", "Foreign reserves statistics", <http://www.gold.org/statistics>

⁷⁶ "OPEC", "Annual Statistical Bulletin", "Section 8-Natural gas data", page. 93, http://www.opec.org/opec_web/static_files_project/media/downloads/publications/ASB2015.pdf

Significant Exploration Activities:

With the completion of the Shafag-Asiman 3D seismic dataset interpretation earlier in 2015, work has commenced on planning for the first exploration well.

Planning has also commenced for a 3D seismic acquisition programme for the Shallow Water Absheron Peninsula (SWAP) contract area following ratification of the production sharing agreement in May 2015. The 2D seismic survey in the SWAP contract area was safely completed in December 2015.

3.2. Production volume

The production volume and amount of extraction by the foreign and local extractive companies in 2015 are shown in the table below:

Table 11: Production volume

Baku				
In kind	Volume (thsd. tonnes)	Volume (thsd. barrels)	Price (US dollars)	Amount (thsd. US dollars)
Oil (including condensate) production	41,039	293,135	54.3	15,917,231
In kind	Volume (mln m3)	Volume (MMBTU)	Price (US dollars)	Amount (US dollars)
Natural gas production	15,472	546,382,371	7.3	3,988,591,308
Siyazan				
In kind	Volume (thsd. tonnes)	Volume (thsd. barrels)	Price (US dollars)	Amount (thsd. US dollars)
Oil (including condensate) production	49.2	351	54.3	19,059
In kind	Volume (mln. m3)	Volume (MMBTU)	Price (US dollars)	Amount (US dollars)
Natural gas production	5	193,652	7.3	1,413,660
Neftchala				
In kind	Volume (thsd. tonnes)	Volume (thsd. barrels)	Price (US dollars)	Amount (thsd. US dollars)
Oil (including condensate) production	39.2	280	54.3	15,204
Salyan				
In kind	Volume (thsd. tonnes)	Volume (thsd. barrels)	Price (US dollars)	Amount (thsd. US dollars)
Oil (including condensate) production	175.3	1,252	54.3	67,984
In kind	Volume (mln m3)	Volume (MMBTU)	Price (US dollars)	Amount (US dollars)
Natural gas production	28	993,888	7.3	7,255,382
İmişli				
In kind	Volume (thsd. tonnes)	Volume (thsd. barrels)	Price (US dollars)	Amount (thsd. US dollars)
Oil (including condensate) production	17.0	121	54.3	6,570
Shirvan				
In kind	Volume (thsd. tonnes)	Volume (thsd. barrels)	Price (US dollars)	Amount (thsd. US dollars)
Oil (including condensate) production	250.0	1,785	54.3	94,962
In kind	Volume (mln m3)	Volume (MMBTU)	Price (US dollars)	Amount (US dollars)
Natural gas production	7	244,912	7.3	13,298,722

The cost of the mineral resources extracted in Azerbaijan are calculated by foreign market prices.

- 1) *Oil production*: As the volume indicator of oil extraction in Azerbaijan is in tonnes, this volume was converted to barrels by using a special formula (1 tonnes oil=7.1428571428571 barrels of oil). In 2015, the average price of “Azeri Light” crude oil per barrel in the world market was USD 54.3;⁷⁷
- 2) *Natural gas production*: As the volume indicator of natural gas in Azerbaijan is million m³, this volume was calculated by using the special formula and converted to MMBTU (35 315 British Terminal Unit). In 2015, the average price per natural gas in the world market was USD 7.3;⁷⁸

Table 12: Production volume (continued)

Gadabay				
In kind	Volume (kg)	Volume (ounces)	Price (US dollars)	Amount (US dollars)
Gold production	2,229	78,625	1,161	91,283,625
In kind	Volume (kg)	Volume (ounces)	Price (US dollars)	Amount (US dollars)
Silver production	133	4,691	15.7	73,649
In kind	Volume (tonnes)	Volume (tonnes)	Price (US dollars)	Amount (US dollars)
Copper and concentrates	969	34,180	5,510	188,331,800

- 1) *Gold and silver production*: As the volume indicator of gold and silver produced in Azerbaijan Republic is kg, this volume was calculated by using the special formula and replaced with the ounces expression (1 kg=35.2739619 ounces). In 2015, the average prices of domestically produced gold, silver and copper and concentrates in the world market were USD 1,161, 15.7 and 5,510, respectively.⁷⁹

In accordance with the requirements of the EITI Standards the volume and value of products that are produced should be indicated in the report. We have obtained the information on value of the products from the available sources, then calculated the total amounts of the products produced and reflected on these in the table above.

3.3. The share of the export in the extractive industry

Oil and gas are the main export products of Azerbaijan. Total exports in 2015 amounted to 11.4⁸⁰ billion US dollars.

Table 13: Products exported during 2015⁸¹

Name of the product	2013	Volume 2014	2015
Cruide oil (thsd tonnes)	24,855.9	23,611.9	21,960.3
Natural gas (thsd m ³)	3,035.1	1,825.7	1,275.9
Finished and semi-finished silver (kg)	657.5	242.3	-

Name of the product	Amount (mln USD dollari)		
	2013	2014	2015
Cruide oil (thsd tonnes)	20,244.1	18,404.9	8,866.2
Natural gas (thsd m ³)	702.0	304.7	200.7
Finished and semi-finished silver (kg)	0.5	0.2	-
Other products	3,028.8	3,118.8	2,357.6

The data on gold, silver and copper was not included in this report due to the fact that these goods were not exported in 2015.

⁷⁷ State Oil Fund of Azerbaijan Republic, “Annual report – 2015”, Page 26, http://www.oilfund.az/uploads/Annual_Report_2015_AZ.pdf

⁷⁸ “World bank quarterly report”, “Commodity Markets Outlook”, “Appendix – Table A.1”, p.27, <http://pubdocs.worldbank.org/en/328921469543025388/CMO-July-2016-Full-Report.pdf>

⁷⁹ “World bank quarterly report”, “Commodity Markets Outlook”, “Appendix – Table A.1”, p.27, <http://pubdocs.worldbank.org/en/328921469543025388/CMO-July-2016-Full-Report.pdf>

⁸⁰ State Customs Committee of the Republic of Azerbaijan, “The most exported goods”, <http://customs.gov.az/files/ix122015.pdf>

⁸¹ State Statistical Committee of the Republic of Azerbaijan, Publications, “E-version of Publications”, “Azerbaijan’s foreign trade”, 2016, Page. 79 http://www.stat.gov.az/source/trade/az/f_trade/f_trade_IV.pdf

4. EITI REQUIREMENT 4

4.1. Taxes and revenues to be covered in the EITI Report

4.1.1. Significant payments

According to the requirement 4.1 of the EITI Standard in order to ensure that companies and government entities disclose all material payments and revenues, the MSG defines which payments and revenues are material. The assessment of materiality thresholds for revenues (in kind and in cash) received by the Government from foreign and local extractive companies operating in the Republic of Azerbaijan is determined in two stages:

- Determination of material revenue sources included in the report;
- Determination of the materiality threshold in terms of sum/volume for each identified revenue source.

Material revenue sources defined by the EITI Multi-stakeholder groups are as follows:

- Oil production revenues in kind and in cash;
- Natural and associated gas production revenues in kind and in cash;
- Main and fine metals production revenues in kind and in cash;
- Profit tax;
- Signing and other bonuses;
- Acreage and transit fees;
- Mining tax, Value Added Tax, land tax, property tax, price changes and other taxes.

Transfers to the Government of Azerbaijan from the mentioned revenue sources are considered material if their sum/volume exceeds zero (0).

In accordance with the requirements of paragraph 4.1 of the EITI in Azerbaijan revenue sources by companies and government agencies is submitted to Independent Administrator by including in the Reporting forms. It should be noted that due to absence of dividend payments, starting from the year 2013, the dividend column was excluded from the reporting templates as per MSG decision dated on 12 April 2012.

4.1.2. The allocation and payments made to government and their description

Table 14: Allocations and payments made to the government on extraction

Allocations and payments to Government ⁸²	Description of payments
Revenue from oil production	According to the PSA, extractive companies may transfer the interests in kind to SOCAR, which is the representative of the Government.
Revenue from gas production	According to the PSA, extractive companies may transfer the interests in kind to SOCAR, which is the representative of the Government.
Profit tax	Profit tax is calculated on the basis of a company's taxable profit. According to the legislation, profit tax is levied on the difference between a taxpayer's taxable income and expenses. The profit tax is paid to the state budget.
Bonus	Bonuses represent fees paid by the oil Companies for the delegation and transfer of extractive rights. These fees are paid at certain stages of oil and gas field development according to appropriate agreements with the Government. Bonuses are transferred in regards with SOFAZ.
Transit fees	Transit fees are the payments which are made in accordance with transferring crude oil and gas through the pipeline. Transit fees are transferred in regards with SOFAZ.

⁸² State Oil Fund of Azerbaijan Republic, "Terminology", http://www.oilfund.az/az_AZ/about_found/terminler.asp.

Allocations and payments to Government	Description of payments
Acreage fees	AEExploration of acreage fees period, as well as during the additional exploration period, other contracting parties deemed to fees payments for each square kilometre of Contract areas. Acreage fees are transferred in regards with SOFAZ.
Royalty	The extraction of mineral resources in the territory of Azerbaijan Republic, and also on Azerbaijani sector of the Caspian Sea is levied with tax on mining. Royalty is transferred to the state budget.
Other payments	Other payments are related to the payments which were not mentioned above. They include other taxes (Property tax, Land tax, VAT, Exchange Difference, gas, and oil products export of the product in the contract (sale) price (export costs less) the difference between the wholesale price of domestic saving (export tax character), the difference in price rise causes handed over to the government in the form of in-kind products (gold and silver). Other taxes are also paid to the state budget.

4.1.3. Reconciliation results

After the reconciliation process the final difference between the payments declared by extractive companies and the government in initial reports and the remaining difference were as follows:

Table 15: Reconciliation results:

Revenue streams/in kind	Extractive companies	Government	Difference Companies	Government	Final difference
Oil-gas resources					
oil (USD mln)	45.8	46.3	-	(0.5)	-
gas (USD mln)	325.0	324.8	0.3	0.5	-
oil (mln barrels)	140.0	140.3	-	(0.3)	-
natural gas (thsd m ³)	18,721.2	18,721.2	-	-	-
associated gas (thsd m ³)	3,199,061.9	3,380,408.3	(181,346.4)	-	-
Gold-silver resources					
gold (thsd ounces)	9.0	9.0	-	-	-
silver (thsd ounces)	0.6	0.6	-	-	-
gold concentrate (thsd ounces)	0.03	0.03	-	-	-
silver concentrate (thsd ounces)	2.1	2.1	-	-	-
copper concentrate (thsd ounces)	0.1	0.1	-	-	-
Taxes and other payments					
profit tax (USD mln)	614.5	739.1	(124.6)		-
profit tax (mln manats)	89.4	77.1	12.3		-
royalty (mln manats)	111.2	112.8	(1.6)		-
VAT (mln manats)	146.0	140.1	5.9		-
property tax (mln manats)	33.4	33.6	(0.2)		-
land tax (mln manats)	21.5	21.7	(0.2)		-
price change (mln manats)	138.7	158.4	(19.7)		-
other taxes (mln manats)	58.3	56.0	2.3		-
acreage fees (USD mln)	2.1	2.1	-		-
transit fee (USD mln)	4.6	11.6	(7.0)		-
bonuses (USD mln)	2.0	2.0	-		-

Changes to initial amount of the reporting companies has been presented in the part of 7.6 of the report.

Table 16: The final information on revenue streams made in cash from the extractive companies involved in the process of EITI to the government

Extractive companies	Revenue stream (in cash)												
	(USD mln.)					(mln. USD)	(mln. AZN)	(mln. AZN)					
	Monetary inflow from oil	Monetary inflow from gas	Bonus	Transit fee	Acreage fee	Profit tax		Royalty	VAT	Property tax	Land tax	Price changes	Other taxes
Apsheron Investment Limited	3.0	-	-	-	-	-	-	-	-	-	-	-	-
Azen Oil Company B.V.	14.8	-	-	-	-	2.5	-	-	-	-	-	-	-
Azerbaijan (ACG) Limited	-	-	-	0.5	-	46.7	-	-	-	-	-	-	-
Azerbaijan (Shah Deniz) Limited	-	32.3	-	-	-	36.8	-	-	-	-	-	-	-
Bahar Energy Limited	2.1	2.5	2.0	-	-	-	-	-	-	-	-	-	-
BP Exploration (Azerbaijan) Limited	-	93.1	0.004	-	-	78.8	-	-	-	-	-	-	-
BP Exploration (Caspian Sea) Limited	-	-	-	1.7	-	153.2	-	-	-	-	-	-	-
BP Shafag-Asiman Limited	-	-	-	-	2.1	-	-	-	-	-	-	-	-
CNPC	-	-	-	-	-	1.6	-	-	-	-	-	-	-
Commonwealth	-	-	-	-	-	-	-	-	-	-	-	-	-
Exxon Azerbaijan Limited	-	-	-	0.4	-	41.0	-	-	-	-	-	-	-
ENGIE E AND P ABSHERON B.V.	-	-	-	-	-	-	-	-	-	-	-	-	-
Ali-Bayramli Neft LLC	-	-	-	-	-	0.2	-	-	-	-	-	-	-
Fortnamate Assets Limited	-	-	-	-	-	0.9	-	-	-	-	-	-	-
Inpex Southwest Caspian Sea, Ltd.	-	-	-	0.5	-	61.7	-	-	-	-	-	-	-
Itochu Oil Exploration (Azerbaijan) Inc.	-	-	-	0.2	-	12.1	-	-	-	-	-	-	-
Karasu Development Company	-	-	-	-	-	8.9	-	-	-	-	-	-	-
Kura Valley Development Company LTD	-	-	-	-	-	-	-	-	-	-	-	-	-
Gobustan Neft LLC	-	-	-	-	-	-	-	-	-	-	-	-	-
Lukoil Overseas Shah Deniz	-	32.3	0.001	-	-	22.2	-	-	-	-	-	-	-
Naftiran Intertrade Co (NICO) Limited	-	32.3	0.001	-	-	25.4	-	-	-	-	-	-	-
Neftchala Investments Limited	0.8	-	-	-	-	-	-	-	-	-	-	-	-
Novatis Oil F.Z.E.	3.1	-	-	-	-	3.2	-	-	-	-	-	-	-
ONGC Videsh Limited	-	-	-	0.1	-	14.9	-	-	-	-	-	-	-
Petronas Azerbaijan Shah Deniz S.A.R.L	-	31.9	-	-	-	-	-	-	-	-	-	-	-
Petro-Hong-Kong Pirsaat Oil	-	-	-	-	-	-	-	-	-	-	-	-	-
R.V. Investment Group Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Salyan Neft LLC	-	-	-	-	-	0.3	-	-	-	-	-	-	-
SGC Upstream LLC	-	21.5	-	-	-	-	-	-	-	-	-	-	-
Statoil Apsheron A.S	-	-	-	0.4	-	53.4	-	-	-	-	-	-	-
Statoil Shah Deniz AS	-	18.1	0.002	-	-	62.7	-	-	-	-	-	-	-
Chevron Khazar, Ltd.	-	-	-	0.5	-	56.3	-	-	-	-	-	-	-
Shirvan Investment Limited	12.9	-	-	-	-	0.8	-	-	-	-	-	-	-
Total E & P Apsheron B.V	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL E & P Azerbaijan B.V.	-	-	-	-	-	1.6	-	-	-	-	-	-	-
Turkish Petroleum Anonim Ortaklığı	-	-	-	0.3	-	44.4	-	-	-	-	-	-	-
Turkish Petroleum Overseas Company Ltd	-	61.3	0.003	-	-	5.3	-	-	-	-	-	-	-
UGE-LANCER PTE.LTD	9.1	-	-	-	-	4.2	-	-	-	-	-	-	-
SOCAR	-	-	-	-	-	-	76.4	112.8	140.1	33.6	21.7	158.4	56.0
SOFAZ	-	-	-	7.0	-	-	-	-	-	-	-	-	-
AzGerneft	-	-	-	-	-	-	0.7	-	-	-	-	-	0.04
	45.8	325.3	2.011	11.6	2.1	739.1	77.1	112.8	140.1	33.6	21.7	158.4	56.04

Table 17: The final information on revenue streams made in kind from the extractive companies involved in the process of EITI to the government

Extractive companies	Revenue streams (in kind)							
	(mln. barrels)	(thsd. m³)	(thsd. m³)	(thsd. Ounces)				
	Crude oil	Natural gas	Associated gas	Gold	Silver	Gold concentrate	Silver concentrate	Copper concentrate
Apsheron Investment Limited	-	-	50,721.0	-	-	-	-	-
Azen Oil Company B.V.	-	-	1,671.0	-	-	-	-	-
Azerbaijan (ACG) Limited	16.3	-	-	-	-	-	-	-
Azerbaijan (Shah Deniz) Limited	-	-	-	-	-	-	-	-
Bahar Energy Limited	-	18,721.2	14,770.0	-	-	-	-	-
BP Exploration (Azerbaijan) Limited	-	-	-	-	-	-	-	-
BP Exploration (Caspian Sea) Limited	50.1	-	3,258,980.8	-	-	-	-	-
BP Shafag-Asiman Limited	-	-	-	-	-	-	-	-
CNPC	-	-	8,723.7	-	-	-	-	-
Commonwealth	-	-	-	-	-	-	-	-
Exxon Azerbaijan Limited	11.2	-	-	-	-	-	-	-
ENGIE E AND P ABSHERON B.V.	-	-	-	-	-	-	-	-
Ali-Bayramli Neft LLC	-	-	-	-	-	-	-	-
Fortunamate Assets Limited	-	-	8,723.7	-	-	-	-	-
Inpex Southwest Caspian Sea, Ltd.	15.4	-	-	-	-	-	-	-
Itochu Oil Exploration (Azerbaijan) Inc.	6.0	-	-	-	-	-	-	-
Karasu Development Company	-	-	-	-	-	-	-	-
Kura Valley Development Company LTD	-	-	-	-	-	-	-	-
Gobustan Neft LLC	-	-	-	-	-	-	-	-
Lukoil Overseas Shah Deniz	-	-	-	-	-	-	-	-
Naftiran Intertrade Co (NICO) Limited	-	-	-	-	-	-	-	-
Neftchala Investments Limited	-	-	-	-	-	-	-	-
Novatis Oil F.Z.E.	-	-	4,875.5	-	-	-	-	-
ONGC Videsh Limited	3.8	-	-	-	-	-	-	-
Petronas Azerbaijan Shah Deniz S.A.R.L	-	-	-	-	-	-	-	-
Petro-Hong-Kong Pirsaat Oil	-	-	-	-	-	-	-	-
R.V. Investment Group Services	-	-	-	9.0	0.6	0.03	2.1	0.1
Salyan Neft LLC	-	-	17,447.5	-	-	-	-	-
SGC Upstream LLC	-	-	-	-	-	-	-	-
Statoil Apsheron A.S	12.0	-	-	-	-	-	-	-
Statoil Shah Deniz AS	-	-	-	-	-	-	-	-
Chevron Khazar, Ltd.	15.8	-	-	-	-	-	-	-
Shirvan Investment Limited	-	-	8,555.4	-	-	-	-	-
Total E & P Apsheron B.V	-	-	-	-	-	-	-	-
TOTAL E & P Azerbaijan B.V.	-	-	-	-	-	-	-	-
Turkish Petroleum Anonim Ortakligi	9.4	-	-	-	-	-	-	-
Turkish Petroleum Overseas Company Ltd	-	-	-	-	-	-	-	-
UGE-LANCER PTE.LTD	-	-	5,939.7	-	-	-	-	-
SOCAR	-	-	-	-	-	-	-	-
SOFAZ	-	-	-	-	-	-	-	-
	140.0	18,721.2	3,380,408.3	9.0	0.6	0.03	2.1	0.1

4.1.4. Extractive Companies

The following companies participated in the EITI in 2015, presented their report forms to the Independent Administrator. The list of the companies indicated in the Request for Proposal Annex 1 Table 5 was checked. It should be noted that Petronas Azerbaijan Shah Deniz S.A.R.L has just joined the Memorandum of Understanding on Executive Industry Transparency Initiative implementation in Azerbaijan in 2015. In 2015 the legal name of GDF SUEZ E&P Absheron BV has been changed to ENGIE E AND P ABSHERON B.V.

Table 18: The companies that joined EITI

Foreign Extractive companies

#	Name of the company	Responsible person	Extractive industry	TIN	Reporting date	Stamped and signed	PSA
1	Apsheron Investment Limited	Igor Kindoda	Oil-gas	1401089201	18/07/2016	✓	Zigh Hovsan
2	Azen Oil Company B.V	Sara Suleymanova	Oil-gas	1700357251	26/07/2016	✓	Binagadi, Girmaki and Chakhnaglar
3	Azerbaijan (ACG) Limited	Latifov Yashar	Oil-gas	9900025071	29/07/2016	✓	Azeri-Chirag-Gunashli
4	Azerbaijan (Shah Deniz) Limited	Khalilov Khalid	Oil-gas	9900050981	29/07/2016	✓	Shah Deniz
5	Bahar Energy Limited	Norman Benson	Oil-gas	1401921221	29/07/2016	✓	Bahar and Gum Deniz
6	BP Exploration (Azerbaijan) Limited	Gordon Birrell	Oil-gas	9900070341	03/08/2016	✓	Shah Deniz
7	BP Exploration (Caspian Sea) Limited	Gordon Birrell	Oil-gas	9900070211	03/08/2016	✓	Azeri-Chirag-Gunashli
8	BP Shafag-Asiman Limited	Gordon Birrell	Oil-gas	1701289681	03/08/2016	✓	Shafag-Asiman
9	CNPC	Aliusmanov Yaqub	Oil-gas	1700489661	02/08/2016	✓	Kursangi and Garabaghly
10	Commonwealth	Richard Pegge	Oil-gas	9900007571	21/07/2016	✓	Gobustan
11	Exxon Azerbaijan Limited	Charles Wierstra	Oil-gas	9900061191	01/08/2016	✓	Azeri-Chirag-Gunashli
12	ENGIE E AND P ABSHERON B.V.	Hieke Liebold	Oil-gas	1701157271	02/12/2016	✓	EDPSA Apsheron
13	Ali-Bayramli Neft LLC	Musayev Sayyad	Oil-gas	9900076291	26/07/2016	✓	Mishovdagh and Kelameddin
14	Fortnamate Assets Limited	Aliusmanov Yagub	Oil-gas	9900058401	02/08/2016	✓	Kursengi and Garabaghly
15	Inpex Southwest Caspian Sea, Ltd.	Shosuke Yoshida	Oil-gas	990003863	01/08/2016	✓	Azeri-Chirag-Gunashli
16	Itochu Oil Exploration (Azerbaijan) Inc.	Yoshihisa Okada	Oil-gas	9900017401	29/07/2016	✓	Azeri-Chirag-Gunashli
17	Karasu Development Company	Arzu Ismayilova	Oil-gas	9900027901	25/07/2016	✓	Mishovdagh and Kelameddin
18	Kura Valley Development Company LTD	Igor Kindoda	Oil-gas	9900051361	18/07/2016	✓	Padar
19	Gobustan Neft LLC	Rasim Qurbanov	Oil-gas	9900076161	01/08/2016	✓	Gobustan
20	Lukoil Overseas Shah Deniz	Y.M. Popliko	Oil-gas	9900074991	26/07/2016	✓	Shah Deniz
21	Naftiran Intertrade Co (NICO) Limited	Mehdi Cavadi	Oil-gas	9900072741	29/07/2016	✓	Shah Deniz
22	Neftchala Investments Limited	Babayev Kamil	Oil-gas	1401551781	20/07/2016	✓	Neftchala, Khilly Durovdagh-Babazanan
23	Novatis Oil F.Z.E.	Mammadov Azar	Oil-gas	1700478091	18/07/2016	✓	Surakhany
24	ONGC Videsh Limited	N/A	Oil-gas	1701431501	01/08/2016	✓	Azeri-Chirag-Gunashli
25	Petronas Azerbaijan Shah Deniz S.A.R.L	Hanafi B. Talib	Oil-gas	2003417531	27/10/2016	✓	Shah Deniz
26	Petro-Hong-Kong Pirsaat Oil	Xiao Jiang	Oil-gas	9900045941	15/08/2016	✓	Pirsaat
27	R.V. Investment Group Services	Bahrur Rustamov	Mining	9900047931	27/07/2016	✓	Gold, silver and copper

#	Name of the company	Responsible person	Extractive industry	TIN	Reporting date	Stamped and signed	PSA
28	Salyan Neft LLC	Hafiz Duniyaliyev	Oil-gas	9900076031	26/07/2016	✓	Kursangi and Garabaghly
29	SGC Upstream LLC	Tural Mansumov	Oil-gas	1701618791	29/07/2016	✓	Shah Deniz
30	Statoil Apsheron A.S	Aynur Sultanli	Oil-gas	9900066351	29/07/2016	✓	Azeri-Chirag-Gunashli
31	Statoil Shah Deniz AS	Aynur Sultanli	Oil-gas	1701175611	29/07/2016	✓	Shah Deniz
32	Chevron Khazar, Ltd.	Baxtiyar Axundov	Oil-gas	9900046581	01/08/2016	✓	Azeri-Chirag-Gunashli
33	Shirvan Investment Limited	Shirinov A.Z.	Oil-gas	1401553101	20/07/2016	✓	Kurovdagh
34	Total E & P Apsheron B.V	Anna Merzlyakova	Oil-gas	1401620891	01/08/2016	✓	EDPSA Apsheron
35	TOTAL E & P Azerbaijan B.V.	Anna Merzlyakova	Oil-gas	9900034931	01/08/2016	✓	Shah Deniz
36	Turkish Petroleum Anonim Ortakligi	Saliha Dundar	Oil-gas	9900006091	01/08/2016	✓	Azeri-Chirag-Gunashli
37	Turkish Petroleum Overseas Company Ltd	Saliha Dundar	Oil-gas	9900005861	01/08/2016	✓	Shah Deniz
38	UGE-LANCER PTE.LTD	Oktay Askarov	Oil-gas	1501980421	19/07/2016	✓	Balakhany

On 30 May 2014, Total E & P Azerbaijan B.V sold its 10% of stake in Shah Deniz field to TPAO, the Turkish exploration and production company.⁸³ Due to the implementation of tax payment in 2015 related to 2014, Total E & P Azerbaijan B.V has submitted 2015 Report to Independent Administrator.

#	Name of the company	Responsible person	Extractive industry	TIN	Reporting date	Stamped and signed
1	AzGerneft	Nabiyev M.A	Oil-gas	9900047091	27/07/2016	✓
2	SOCAR	Sharifov Vugar	Oil-gas	9900003871	12/08/2016	✓

In 2015, the government agencies involved in the reconciliation process are listed below:

- State Oil Fund of the Azerbaijan Republic;
- State Oil Company of the Azerbaijan Republic;
- The Ministry of Taxes of the Azerbaijan Republic;
- The Ministry of Ecology and Natural Resources of Azerbaijan Republic.

⁸³ <http://www.total.com/en/energies-expertise/oil-gas/exploration-production/projects-achievements/other-projects/shah-deniz-stage-2-project-azerbaijan>

4.2. Sale of the state's share of production

Table 19: Last buyers of crude oil of the State's share and SOCAR for 2015:

Name of the company	Quantity (net US bbls)	Amount (US dollars)
BP	3,590,057.741	191,831,620.190
CPC	2,329,838.854	126,128,351.990
ENI	10,643,818.538	530,251,417.010
EXXON	15,550,655.891	790,334,153.050
GUNVOR	7,017,197.141	359,432,726.680
INA	3,837,488.457	199,203,907.790
IOC	5,149,303.186	264,433,010.260
KPI	2,705,462.894	125,662,689.010
OMV	8,947,339.010	470,750,991.480
ORL	1,993,967.722	91,082,768.500
P66	3,479,696.423	163,041,138.830
PAZ	14,600,503.552	726,992,899.910
PERTAMINA	9,446,248.963	505,210,689.380
PES	2,049,498.268	110,493,278.420
PETROGAL	8,251,037.030	441,050,516.000
PKN ORLEN	8,186,065.574	423,483,404.630
REPSOL	2,529,062.316	151,588,129.960
ROSNEFT	2,571,151.585	135,097,666.950
SARAS	9,879,289.372	507,085,183.340
SHELL	5,200,910.494	265,439,879.780
STIR	4,744,089.660	257,814,479.430
SUNCOR	5,315,698.778	294,755,128.070
TOTSA	12,990,980.384	665,235,229.030
TOTALERG	5,666,379.250	297,160,605.190
VITOL	1,888,577.660	97,438,607.090
OTHERS	6,998,207.449	321,323,487.460
Total	165,562,526.192	8,512,321,959.430

The total amount of crude oil is 165.6 million barrel of which 140.3 million barrel belongs to Government and the remaining part of 25.3 million barrel is attributable to SOCAR.

In addition, the data on the quantity and value of natural gas exported during 2015 is provided in the table below:⁸⁴

Countries which natural gas is exported to	Quantity(mln m ³)	Value (thsd. US dollars)
Georgia	994.5	190,059.8
Islamic Republic of Iran	281.4	10,679.9
Total	1,275.9	200,739.7

Product	Quantity (mln m ³)	Value (thsd. US dollars)
Natural gas, according to SOCAR and AIOC reports	8,145.2	1,818,026.2
Total	8,145.2	1,818,026.2

No gold, silver and copper products were exported during 2015.

4.3. Infrastructure provisions and barter arrangements

Information regarding infrastructure provisions and barter arrangements was not included in EITI report for the year ended 2015. This is due to the decision made by EITI Multi Stakeholder Group on 34th meeting dated 10 December 2014 to eliminate the information which is not relevant in Azerbaijan Republic.⁸⁵

⁸⁴ The State Statistical Committee of the Republic of Azerbaijan, "Foreign trade", page 79 and 226, http://www.stat.gov.az/menu/6/statistical_yearbooks/

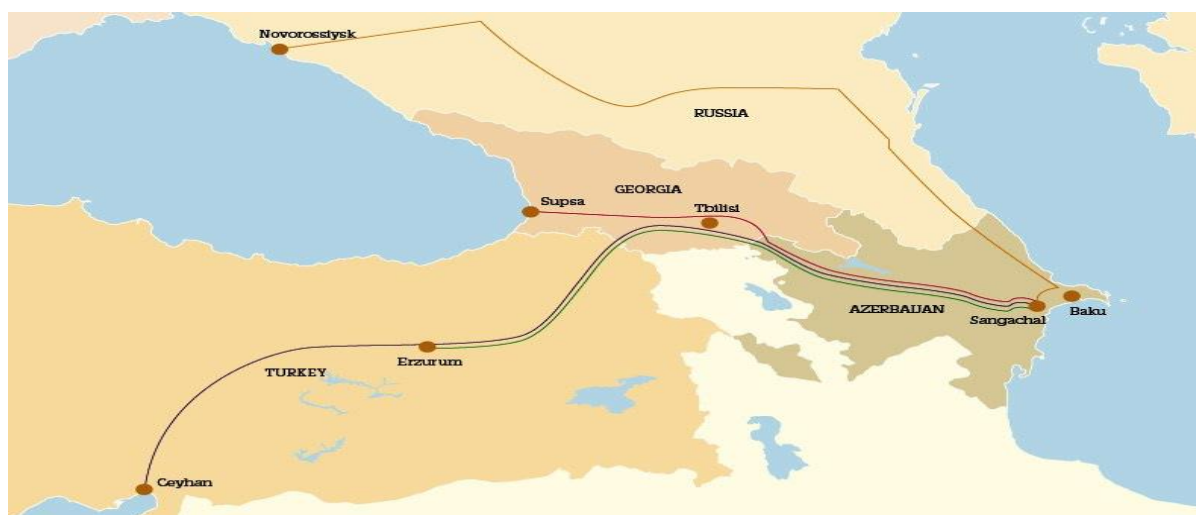
⁸⁵ "The official website of EITI", "Documents", "Extract from protocols", <http://www.eiti.az/index.php/en/senedler-2/extracts-from-minutes>

4.4. Transportation revenues

There are 4 pipelines in the Republic of Azerbaijan:

- Baku-Tbilisi-Ceyhan;
- Baku-Erzurum;
- Baku-Supsa; and
- Baku-Novorossiysk.

Figure 7: Pipelines



Baku-Tbilisi-Ceyhan ⁸⁶

Baku–Tbilisi–Ceyhan (“BTC”) pipeline carries oil from the Azeri–Chirag–Deepwater Gunashli (“ACG”) field and condensate from Shah Deniz across Azerbaijan, Georgia and Turkey. It provides a connection between Sangachal terminal on the shores of the Caspian Sea and Ceyhan marine terminal on the Turkish Mediterranean coast. Along the length of 443 km of all the 1,768 km-long pipeline buried in the ground crosses through Azerbaijan, 249 km through Georgia and 1,076 km through Turkey.

Figure 8: Baku-Tbilisi-Ceyhan



The operator of Azerbaijani and Georgian part is BP on the behalf of shareholders of BTC Co, however operator in Turkish part is BOTAS International Limited (BIL). The carrying capacity of BTC is currently 1.2 million barrels per day.

⁸⁶ BP Azerbaijan, Operations and projects, Pipelines, “Baku-Tbilisi-Jeyhan”, http://www.bp.com/az_az/caspian/operationsprojects/pipelines/BTC1.html

Figure 9: Shareholders of BTC Ko

In 2015, approximately 262.8 million barrels of crude oil were exported through Baku-Tbilisi-Ceyhan oil pipeline.

BTC pipeline currently carries mainly ACG oil and Shah Deniz condensate. In addition, Turkmenistan and Kazakhstan oil was transported via the BTC.

South Caucasus Pipeline ⁸⁷

The South Caucasus Pipeline ("SCP") was constructed in order to export Shah Deniz gas from Azerbaijan to Georgia and Turkey. The pipeline begins in the Sangachal terminal near Baku. It follows the route of the BTC crude oil pipeline through Azerbaijan and Georgia to Turkey, where it is connected to the Turkish gas distribution system.

In order to minimise environmental and social impacts, to make cost saving on operating and capital expenditure these two projects were connected and were built at the same time and at the same construction corridor with BTJ pipeline.

The length of the pipeline is 691 km: 443 kilometre in Azerbaijan and 248 kilometres in Georgia. Diameter is 42 inches. The pipeline has been operational since late 2006 transporting gas to Azerbaijan and Georgia, and starting from July 2007 to Turkey from Shah Deniz Stage 1 Daily average gas during the first half of the year was 20.1 million cubic meters.

Figure 10: South Caucasus Pipeline

In 2015, approximately 18,6 million barrels of crude oil were exported through South Caucasus Pipeline.

In 2015 expansion works were carried out along the route of the SCP in Azerbaijan and Georgia.

⁸⁷ BP Azerbaijan, Operations and projects, Pipelines, "Southern Caucasus Pipeline", http://www.bp.com/az_az/caspian/operations/projects/pipelines/SCP.html

Western Route Export Pipeline ⁸⁸

The Western Route Export Pipeline ("WREP") transports crude oil from offshore oil fields in the Caspian Sea to the Black Sea, from where the crude is further shipped via tankers through the Bosphorus to European markets. WREP extends from the Sangachal terminal near Baku by crossing through Azerbaijan and Georgia to Supsa terminal on the Black Sea coast of Georgia. The length of the pipeline is 829 km.

Azerbaijan International Operating Company (AIOC), is the owner of the pipeline and the Azeri-Chirag-Deepwater Gunashli (ACG) Production Sharing Agreement are exploiting it on behalf of its partners. Construction started following the ratification of the intergovernmental agreement between Azerbaijan and Georgia in April 1996 and was completed in November 1998. WREP has been in operation since February 1999.

Figure 11: Western Route Export Pipeline



In 2015 31.4 million barrels of crude oil were transferred through the Western Route Export Pipeline.

Baku-Novorossiysk pipeline ⁸⁹

Baku-Novorossiysk oil pipeline in northern direction is 1,330 km long. The diameter of the pipeline is 530 mm. Furthermore, 231 km of the length goes through Azerbaijan, however 1,099 km of the length goes through Russia. (Built in 1983, in 1995-1996, direction of movement was changed by AIOC and SOCAR).

Filling the pipeline with oil started in October 1996. Maximum throughput capacity of the pipeline is 105 thousand barrels a day. Baku-Novorossiysk oil pipeline has 3 pump stations (Sangachal, Sumgayit and Siyazan). The pipeline metering station is situated in Shirvanovka. The route starts from Sangachal oil terminal in Azerbaijan. The price of the terminal is 72 million US dollars, the capacity is 100 000 tonnes (730,000 thsd. barrels). Terminal consists of 4 reservoirs each with a capacity of 25,000 tonnes.

Final point is Novorossiysk port. The port is capable of carrying 34 mln.tonnes of oil and oil products. The operator of Azerbaijan is AIOC, the operator of the Russian part is Russian "Transneft" company that incurs expenses based on repairs and reconstruction of existing facilities as well as the construction of new facilities.

Figure 12: Baku-Novorossiysk pipeline



⁸⁸ BP Azerbaijan, Operations and projects, Pipelines, "Western Export Pipeline", http://www.bp.com/az_az/caspian/operations/projects/pipelines/WREP1.html

⁸⁹ SOCAR, Transport, "Baku Novorossiysk Oil pipeline" <http://www.socar.az/socar/az/activities/transportation/baku-novorossiysk-oil-pipeline>

Azerbaijan crude oil is transported through the territory of Russia. The respective activities of the parties as well as their roles and responsibilities are governed by the Agreement signed between Azerbaijan and the Russian Federation dated 18 January 1996. According to this agreement, following negotiations between Russia and foreign companies, multilateral contracts and documents were signed; describing all commercial and legal aspects of relations between parties and organization representing their governments in details:

- Agreement between “Transneft” company and Azerbaijan International Operating Company (AIOC) on Azerbaijani oil transported through the territory of Russian Federation;
- Basis of agreement among participants of “Contract of the Century” – SOCAR, AIOC and foreign companies on oil exports via the northern route;
- The agreement between Government of the Republic of Azerbaijan and AIOC on assisting in the transportation of oil.

Each pipeline has its own transportation tariff set. The source of formation of the tariff depends on the ownership structure of a pipeline. Transit revenues are formed as the result of payments of transportation tariffs for each pipeline. The companies that transport oil through a pipeline make tariff payments based on transportation expenses incurred.

Baku-Tbilisi-Ceyhan Main Export Pipeline (BTC) and South Caucasus Gas Pipeline (SCG) are infrastructure projects designed by foreign investors within the framework of “Azeri-Chirag-Gunashli” and “Shah-Deniz” projects with the purpose of ensuring the access to the world market of the crude oil and gas which will be produced in the sector of the Caspian Sea belonging to Azerbaijan Republic. In this regard, these pipelines belong to the investors of “Azeri-Chirag-Gunashli” and “Shah-Deniz” projects up to a certain period.

Transit revenues to be achieved from pipelines depend on transportation tariffs on the territory of the Republic of Azerbaijan. The profits of the Government are generated from oil revenues and transferred directly to SOFAZ; therefore expenses related to hydrocarbons transportation are paid by the Fund itself. Thus, to cover the service of oil transportation through the pipeline; monthly transit fees are paid to the Azerbaijan International Operating Company (AIOC), which is the operating company of Baku-Supsa pipeline.

In 2015 another revenue flow (transit fees) has been generated from transportation of hydrocarbons through the territory of Azerbaijan. The amount of AZN 11.6 million were conveyed by Azerbaijan International Operating Company (AIOC) to SOFAZ budget.⁹⁰

Table 20: Transit fees

Transfer authority	Date	Amount (million)	
		USD	AZN
AIOC	07.01.2015	1.0	0.8
AIOC	12.02.2015	1.0	0.7
AIOC	12.03.2015	1.0	1.0
AIOC	14.04.2015	1.0	1.1
AIOC	14.05.2015	1.0	1.0
AIOC	11.06.2015	1.0	1.1
AIOC	14.07.2015	1.0	1.0
AIOC	02.09.2015	0.6	0.6
AIOC	15.09.2015	1.0	1.1
AIOC	13.10.2015	1.0	1.0
AIOC	17.11.2015	1.0	1.1
AIOC	08.12.2015	1.0	1.1
Total		11.6	11.6

Table 21: Cargo transportation sector, 1,000 tonnes⁹¹

Pipeline:	2013	2014	2015
Oil pipeline	43,549	45,784	49,895
Gas pipeline	14,392	15,750	15,251
Total	57,941	61,534	65,146

⁹⁰ State Oil Fund of Azerbaijan Republic, Annual report – 2015, Page 29, http://www.oilfund.az/uploads/Annual_Report_2015_AZ.pdf

⁹¹ State Statistical Committee of the Republic of Azerbaijan, “Publications”, “E-version of Publications”, “Azerbaijan Transportation 2016”, http://www.stat.gov.az/menu/6/statistical_yearbooks

Table 22: The revenue from cargo transportation sector (thsd. manats)

Pipeline:	2013	2014	2015
Oil pipeline	1,249,234	1,195,644	1,325,903
Gas pipeline	199,631	243,465	353,867
Total	1,448,865	1,439,109	1,679,770

Table 23: Costs associated with cargo transportation sector thsd. manats)

Pipeline	2013	2014	2015
Oil pipeline	305,310	199,913	198,242
Gas pipeline	140,225	162,499	181,487
Total	445,535	362,412	379,729

Table 24: Export via the pipelines, 1,000 tonnes (on the basis of indicators Customs Committee)⁹²

Pipeline:	2013	2014	2015
The Baku-Tbilisi-Ceyhan pipeline	27,474.3	26,871.5	26,678.4
Western Route Export Pipeline	4,028.8	4,232.7	4,222.6
Baku-Novorossiysk oil pipeline	1,750.1	1,018.2	1,186.9

4.5. Transactions related to State-owned enterprises

The State Oil Company of Azerbaijan Republic ("SOCAR") is an entity acting on behalf of the government to carry out its activities in the oil and gas industry. SOCAR carries out the exploration and development of oil and gas fields, production, processing and transportation of oil, gas and gas condensates, selling of oil, gas and oil-chemical products on domestic and foreign markets.

SOCAR acting on behalf of the Azerbaijan Republic within the PSA Framework obtains state's share of oil and gas in-kind from the participant of PSAs. The volume of oil and gas obtained by SOCAR from the contracting companies in 2015 is indicated in the Table 17.

The state's share of the revenues from the sale of profit oil and gas is accumulated in the State Oil Fund of Azerbaijan and the relevant information is given in the Table 26. The information on transfer which is carried out by the State Oil Fund to the state budget is indicated in the Table 27.

Allocation of tax liabilities (profit tax, VAT, property tax, excise tax, income tax, price exchange and other taxes) occurring during SOCAR's activity is calculated in accordance with appropriate legislation and is transferred to the State Treasury Department.

Under the state guarantee the Central Bank acts as a lender, the Azerbaijani banks act as a borrower and SOCAR acts as re-borrower of the loan. The Central Bank of the Republic of Azerbaijan, the Ministry of Finance of the Republic of Azerbaijan, SOCAR and Azerbaijan banks sign an agreement which is guaranteed by the Ministry of Finance which acts on behalf of the Government.

The allocations made to the Government reflect the monetary investment or funding by SOCAR to the state budget, separate government agencies and projects carried out by the government in accordance with the special regulations of the Government. Such kind of contributions are recognised as a reduction of capital. Non-monetary contributions are recognized in the carrying amount of the assets transferred.⁹³

4.6. Sub-national payments

Information regarding sub-national payments was not included in EITI Report for the year ended 2015. This is due to the decision made by EITI Multi Stakeholder Group on 34th meeting dated 10 December 2014 to eliminate the information which is not relevant to the Republic of Azerbaijan.⁹⁴

4.7. Level of disaggregation

The information provided by the companies and government has been included in 2015 EITI Report on an disaggregated basis. The reports submitted by the companies involved in the reconciliation process are specified in Annex 3 of this EITI report.

⁹² State Statistical Committee of the Republic of Azerbaijan, "Publications", "E-version of Publications", "Azerbaijan Transportation 2016", http://www.stat.gov.az/menu/6/statistical_yearbooks

⁹³ SOCAR, "Financial statement 2015", "Note 27, Share capital, additional paid-in capital and retained earnings", Page 69, <http://www.socar.az/socar/assets/documents/az/socar-financial-reports/Maliyy%C9%99%20hesabat%C4%B1%202015.pdf>

⁹⁴ "The official website of EITI", "Documents", "Extract from protocols", <http://www.eiti.az/index.php/en/senedler-2/extracts-from-minutes>

4.8. Data timeliness

Preparation of the EITI Report 2015 commenced in July 2016 and in accordance with the EITI Standard 4.8 the report should be issued not later than 2 years.

4.9. Data quality and assurance

We completed the collection of the initial reports during the period from August to September 2016. We received all relevant and necessary reports from the companies and government. Upon completion of the submission procedure, we started to analyse and review all given information to identify any unresolved discrepancies. We found numerous discrepancies between the payment originally submitted by the extractive companies and the same data provided by the Government.

The number of foreign and local extractive companies participating in the reconciliation process totalled to 40 (forty). The list of participating companies was included in the 4.1.4 "Extractive companies" band of the report.

All companies that took part in the reconciliation process have signed the Memorandum of Understanding on implementation of the Extractive Industries Transparency Initiative in the Republic of Azerbaijan and have submitted their reports for 2015.

In order to comply with EITI Requirements and to ensure the credibility of data submitted:

- Companies were requested to have their reporting templates signed by a senior official;
- All government template declarations must be signed by a senior official; and
- The figures mentioned in the Reporting templates must be referred to the relevant evidence documentation to ensure the reliability of the information provided by the companies.

We have performed special audit procedures to obtain reasonable assurance over the transactions involved in the reconciliation process. The special audit procedures were performed according to relevant procedures outlined in the scope of work. Detailed information about this could be found in Annex 8 of the report. The special audit procedures involve selection of items for testing from the population of monetary and non-monetary transfers.

The companies within the extractive industry engaged in PSAs have to fulfil contractual obligation. According to PSAs accounting procedure, all the companies have to be audited by internationally-recognised independent auditors not later than 7 months of the calendar year.⁹⁵

The audit of the financial statements of the companies is conducted in accordance with International Standards on Auditing. While the financial statements of the Companies are prepared on the accrual basis of accounting, the EITI reports are prepared on cash basis of accounting.

In Azerbaijan, the companies operating based on PSA should submit accounting and tax reports, together with a profit tax declaration and a relevant audit act, for each reporting period (year) to tax authorities not later than fifteen (15) of March or fifteen (15) of April of the year respectively following the reporting period.

There is no practise of auditing the EITI Reports by the independent auditors; therefore, the Reports are signed by the senior officials of the companies. In order to ensure the credibility of data, the RFP outlines that the EITI reports should be signed by the senior officials of the companies.

The report submitted by the government is prepared by the Ministry of Taxes of Azerbaijan Republic, Ministry of Ecology of the Republic of Azerbaijan, State Oil Company of Azerbaijan Republic and State Oil Fund of Azerbaijan Republic and signed by the Chairman of the EITI on behalf of the government.

⁹⁵ "Shafag-Asiman PSA" perspective structure" "Annex 3-Accounting Procedures", "1.3 Audits", <http://www.eiti.az/index.php/az/senedler/sazishler/44-shefeq-asiman-hasilatin-pay-bolgusu>

According to the requirement of EITI standard, the reports submitted by the companies and the government have been reconciled and assessed on the comprehensiveness, reliability and accuracy of data included in reports for the year ended 2015. The figures indicated in the reports submitted by the extractive companies and the Government during the reconciliation process were fully reconciled, relevant adjustments were made and outlined in this report. According to the results of the reconciliation process, all discrepancies were fixed.

According to the requirement of the EITI standard, reports obtained from the companies that have signed the MOU were reconciled with the reports submitted by the Government. As required by the clause, there were not any disclosures provided due to the absence of any discrepancies.

According to the requirement of EITI standard, the financial statements of government entities prepared in accordance with international reporting standards and audited in accordance with the International Standards of Auditing are published on the official website.⁹⁶ The Government agencies are audited annually by the Chamber of Accountants of Azerbaijan Republic. The revenue and expenditure streams are a part of the state budget approved in the form of law by the President of the Republic of Azerbaijan. The financial statements of the State Oil Company of Azerbaijan Republic are audited annually in accordance with the International Standards on Auditing and published on the official website.⁹⁷

5. EITI REQUIREMENT 5

5.1. Distribution of extractive industry revenues

The revenues and expenditures of the state budget of Azerbaijan Republic for 2015 was approved in the amount of 17.2 billion AZN and 17.8 billion AZN respectively.

Table 25: Revenue and expenses of the state budget 2013-2015 (million manats)⁹⁸

Revenue	2013	2014	2015
Income tax of physical entities	859.7	980.3	982.5
Profit tax of legal entities	2,374.8	2,302.7	2,211.1
Land tax	33.1	35.4	48.7
Property tax	125.1	141.3	148.2
Value Added Tax	2,710.0	3,119.6	3,454.7
Excise Tax	593.3	797.3	647.8
Royalty Tax	121.5	116.2	116.1
Taxes related with foreign economic activities	675.2	684.7	934.5
Other taxes	161.5	192.7	247.7
Other receipts (including SOFAZ transfer to the state budget)	11,842.1	10,030.4	8,706.7
Total	19,496.3	18,400.6	17,498.0
Expenses	2013	2014	2015
National economy	8,207.5	7,598.7	6,408.9
Education	1,437.7	1,553.9	1,605.1
Culture, art, information and activities not included in other categories	226.6	248.5	236.3
Healthcare	618.9	665.3	708.2
Physical training	48.3	45.5	36.1
Social protection	1,730.9	1,946.8	1,829.6
Social insurance	19.4	24.4	27.6
Science	117.0	124.2	113.2
Court authority, law enforcement agencies	1,049.3	1,103.6	1,105.7
Legislation, executive and governmental authorities	349.3	449.7	430.9
Other payments	5,338.6	4,948.4	5,283.0
Total	19,143.5	18,709.0	17,784.6

⁹⁶ SOCAR, Economic and statistical indicators, SOCAR statements, Financial statement 2015, <http://www.socar.az/socar/assets/documents/az/socar-financial-reports/Maliyy%C9%99%20hesabat%C4%B1%202015.pdf>

⁹⁷ State Oil Fund of Azerbaijan Republic, Annual report – 2015, http://www.oilfund.az/uploads/Annual_Report_2015_AZ.pdf

⁹⁸ State Statistical Committee of the Republic of Azerbaijan "Azerbaijan in figures" 2016, http://www.stat.gov.az/menu/6/statistical_yearbooks/

During 2015, the amount of receipt from the mining industry to the state budget was 8,7 billion manat. The amount of 8,7 billion manat includes the transfers made by the State Oil Fund of Azerbaijan Republic. The amount transferred from the State Oil Fund of Azerbaijan Republic to the state budget was 8,1 billion AZN in 2015.⁹⁹

In accordance with the legislation of the state budget of Azerbaijan Republic for the year 2015, approximately 91,3% of revenue sources are centred around the Baku region. The remaining 8,7% is anticipated to be sourced from the local revenues of other cities and regions. The income is generated from the State Oil Fund, tax income, customs duties, the income from credits and other revenue streams, excluding the income relevant to "Motor Roads" Purpose Budget Fund.

Information on transfers of funds by the PSA contractor companies to the state budget in 2015 has been presented in more details in "Reconciliation of the results" section of the report.

In 2015, the flow of the funds to the State Oil Fund amounted to AZN 7,7 100 bln. The Oil Fund's income sources have been formed from Azerbaijan's share of the proceeds from the sale of hydrocarbons, transit fees, bonus payments, acreage payments, revenues from Fund's assets management and income from other sources.

Table 26: The income sources of SOFAZ in 2015 (mln manats) ¹⁰¹

Sources	2013	2014	2015
Proceeds from the sale of profit oil and gas	13,108.0	12,319.8	7,369.6
Revenue from managing the funds	480.6	387.2	335.6
Payments on transit fees	8.1	8.9	11.6
Bonus payments	1.9	13.3	2.1
Acreage fees	1.8	1.7	2.2
Other revenue and receipts	0.08	0.1	-
Total	13,600.4	12,731.0	7,721.1

Table 23: The breakdown of payments of Oil Fund in 2015 (mln manats) ¹⁰²

Sources	2013	2014	2015
Transfers to state budget	11,350.0	9,337.0	8,130.0
Improvement of social conditions of refugees and internally displaced persons	300.0	300.0	150.0
Samur–Apsheron irrigation system	173.9	80.2	90.0
The administrative expenses of Oil Fund	47.5	45.9	27.9
Education of Azerbaijani youth abroad	33.0	33.5	35.5
New Baku–Tbilisi–Kars railway construction project	25.7	57.1	61.5
Financing of the participating interest of the Republic of Azerbaijan on Construction of “Star” Oil Refinery Project in Turkey Republic	372.6	223.5	-
The second phase of operation “Shahdeniz” gas-condensate field	-	40.0	-
Financing of the participating interest of the Republic of Azerbaijan in “South Gas Corridor” projects	-	-	692.9
Total	12,302.7	10,117.2	9,187.8

5.2. Sub-national transfers

Information regarding sub-national transfers was not included in EITI Report for the year ended 2015. This is due to the decision made by EITI Multi Stakeholder Group on 34th meeting dated 10 December 2014 to eliminate the information which is not relevant to Azerbaijan Republic. ¹⁰³

⁹⁹ The Law on implementation of state budget of the Republic of Azerbaijan in 2015, <http://www.oilfund.az/uploads/azerbaycanRespublikas%C4%B1n%C4%B12015.pdf>

¹⁰⁰ State Oil Fund of Azerbaijan Republic, “Annual report-2015”, “Oil Fund budget for 2015”, Page 75, http://www.oilfund.az/uploads/annual_2015az.pdf

¹⁰¹ State Oil Fund of Azerbaijan Republic, “Annual report-2015”, “Oil Fund budget for 2015”, Page 75, http://www.oilfund.az/uploads/annual_2015az.pdf

¹⁰² State Oil Fund of Azerbaijan Republic, Annual report-2015”, “Oil Fund budget for 2015”, Page 76, http://www.oilfund.az/uploads/annual_2015az.pdf

¹⁰³ “The official website of EITI”, “documents”, “extract from protocols”, <http://www.eiti.az/index.php/en/senedler-2/extracts-from-minutes>

Azerbaijan Republic is unitary state and therefore it does not have any sub-national transfers. There are local budgets, but they are governed by and accumulated from the centralised budget. All collected duties and taxes are transferred to the single budget. Nakhichevan AR is the only exception as it collects the taxes to its budget and is supported by the central budget at the same time.

5.3. Revenue management and expenditures

In order to ensure the comparison of information at all levels of budget system of the Republic of Azerbaijan, the unified budget classification is applied. The classification of income and expenditure of the budget is the result of grouping of income and expenditure which are included in the budget system. The structure and composition of the budget classification are determined in accordance with resolution of the Cabinet of Ministers dated 6 October 2004 on "Approval of the unified budget classification".

According to the resolution, the detailed classification of income sources of the state budget must be presented along with projects related to annual draft law on the budget within the budget package for the discussions in Milli Majlis.

The classification includes all types of direct payments from extractive industry to the budget (profit tax of the contracting and subcontracting companies operating within PSA framework, income tax of the hired employees of contracting and subcontracting companies operating within PSA framework); the amount of transfer to SOFAZ is indicated as well.¹⁰⁴

The state budget is formed of all types of income and expenses which are related to the government agencies and is confirmed as a law by the President of the Republic of Azerbaijan.

Chamber of Accounts of the Republic of Azerbaijan gives its opinion on the draft state budget and budget of extra-budgetary funds, annual report on state budget execution and appropriate law projects.

In accordance with the legislation, Chamber of Accounts conducts an audit of income and expenses of state and consolidated budget.¹⁰⁵

The process of preparation of draft state budget commences 11 months before the next fiscal year and covers the period until the draft budget is presented to the National Assembly of the Republic of Azerbaijan (Milli Majlis).

The draft budget is based on the macroeconomic forecasts of the country's economic and social development, target programs, sectors of economy, administrative districts, all businesses regardless of ownership, financial and economic activities for the current and following year made on the basis of the evaluation results of the next fiscal year.

The draft law on the state budget for the next fiscal year along with other documents attached should be submitted to the National Assembly of the Republic of Azerbaijan (Milli Majlis) for consideration and approval no later than 15 October.¹⁰⁶

6. EITI REQUIREMENT 6

6.1. Social expenditures

Acknowledging its social responsibility, SOCAR is actively involved in the social life of the country and contributes to a number of important socio-economic projects carried out in Azerbaijan Republic. SOCAR invests in provision of social services, establishment of public infrastructure and other similar areas.

- Social assistance and protection;
- Support to education, culture and sports initiatives;
- Support to healthcare;
- Support to other state social programs;
- Other events envisaged in the internal documents of the Company.

¹⁰⁴ Resolution on Cabinet of Ministers of the Republic of Azerbaijan", <http://www.e-qanun.az/framework/5840>

¹⁰⁵ Resolution on Chamber of Accounts of the Republic of Azerbaijan", 2 July 1999 № 700-IQ", <http://www.e-qanun.az/framework/3865>

¹⁰⁶ Resolution on the State Budget System of the Republic of Azerbaijan", 2 July 2002, № 358-IIQ", <http://www.e-qanun.az/framework/1126>

Table 28: SOCAR payments for charity, social and sponsorship purposes in 2015 ¹⁰⁷

Description	Amount (thsd. manats)
Sport events	7,694.8
Financial association and trade unions	528.8
Education	622.8
Culture and art	736.7
State-run enterprises and bodies	1,050.0
Material assistance to individual persons	1,468.0
Disabled veterans and others	65.1
Total	12,166.2

6.2. Quasi-fiscal expenditures

EITI Multi-stakeholder group defines the concept of “Quasi-fiscal expenditure” as follows:

Quasi-fiscal expenditures are fiscal activities that are carried out by state agencies on behalf of the Government and are not compensated for. Such expenditures are generally not required by the Law and are not accounted for in the state budget.

While determining the types of quasi-fiscal activities in the extractive industry and in accordance with the “Guide on Resource Revenue Transparency” of IMF, MSG has decided, after carrying out the analysis of presence of Quasi-fiscal expenditures in Azerbaijan to include in the EITI report the information on the following types of quasi-fiscal expenditures which are stipulated in the Guide:

- **Energy Quasi-fiscal activities:** requirements for NRCs to provide products (particularly energy) at less than cost recovery or market price for domestic consumption;
- **Public expenditure Quasi-fiscal activities:** requirements for NRCs or international companies to provide social services or other public goods normally provided by general government.¹⁰⁸

Starting from 2007, the wholesale and retail domestic prices for oil and gas products are subject to the state regulation and this regulation is a responsibility of Tariff (Price) Council of Azerbaijan Republic. The prices determined for oil, gas and oil products by the Council were lower than the market prices. As per “On regulation of tariffs of petroleum products across the country”, the Tariff (Price) Council Decision No.14, dated 23 November 2015 and the amendments to the Tariff (Price) Council Decision No.2, dated 14 January 2015, new tariffs related to sales of oil products across the country were introduced.¹⁰⁹ This means that in 2015, as compared to the world market prices, SOCAR offered lower prices to domestic consumers for oil, gas and oil products. Starting from 2007, in accordance with the law on the state budget, during the export of products produced domestically with prices regulated by the State, the difference between the contractual (sale) price (excluding export expenses) and the wholesale price across the country is subject to collections by the State (in the form of the export tax):

Revenues from the sale of crude oil are reported after deduction of relevant tax which is formed on the basis of the difference between international market price of crude oil and domestic price regulated by the government. The difference between the market price and the price regulated by the state is subject to the 30 percent tax rate and the amount of tax is transferred to the state budget. Revenues from crude oil production in accordance with ACG PSA and produced condensate in accordance with Shah Deniz PSA are not subject to excise and price difference taxes described above.

SOCAR transferred AZN 158.4 million to the state budget on the basis of revenues generated from the price change in 2015.

Based on decisions of the Government, SOCAR makes direct cash contributions to and funds the state budget, various government agencies and projects administered by the Government. During the year 2015, such direct cash transfers to the Government and financing (made in the form of payments to sub-contractors of governmental entities) amounted to AZN 140 million and AZN 186 million, respectively. Financing in the form of transfer of assets constructed by SOCAR amounted to AZN 13 million as of 31 December 2015.¹¹⁰

¹⁰⁷ SOCAR, “Sustainability Report”, “Social activity and support regional development”, Page 34, <http://www.socar.az/socar/assets/documents/az/socar-annual-reports/davamli-inkisaf2015.pdf>

¹⁰⁸ International Monetary Fund, “Guide on Resource Revenue Transparency (2007)”, <http://www.imf.org/external/np/pp/2007/eng/051507g.pdf>

¹⁰⁹ Tariff (Price) Council of Azerbaijan Republic, Resolution № 14, <http://www.tariffcouncil.gov.az/?/az/resolution/view/141/>

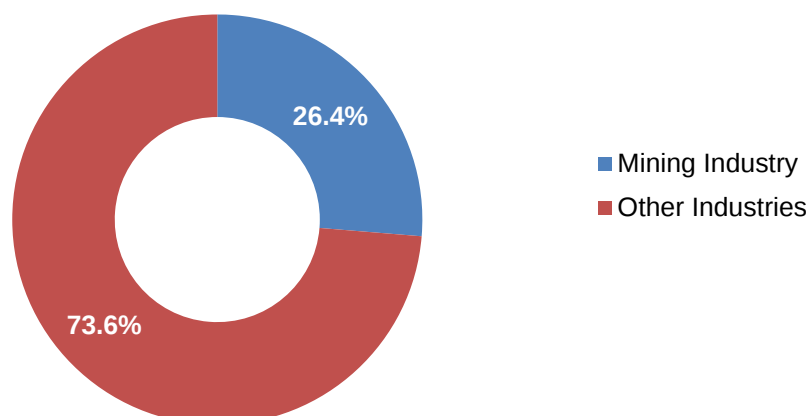
¹¹⁰ SOCAR, “Financial Report 2015”, “Note 27, Charter capital, additional paid-in-capital and retained earnings”, page 67, <http://www.socar.az/socar/assets/documents/en/socar-financial-reports/Financial%20report%202015.pdf>

6.3. Contribution of the extractive industry to the economy of Azerbaijan

6.3.1. Industry and Field structure of GDP

GDP growth amounted to AZN 54.4 billion manat in 2015 and per capita GDP amounted to 5.7 thousand manat. The value added by mining industry production constitutes the significant part in GDP structure and its share in industry was 26.4%.

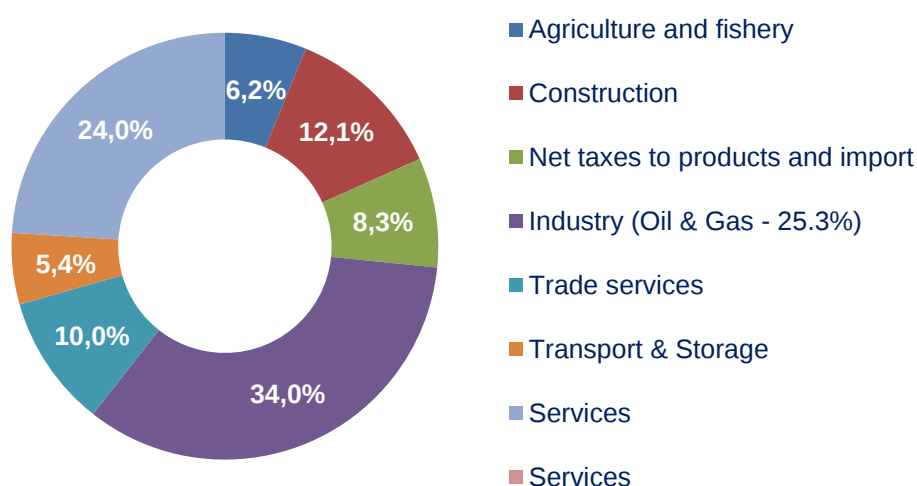
Graph 3: Production structure of GDP (2015) ¹¹¹



The size of mining industry in absolute terms was AZN 14.4 billion manat out of total GDP amount of AZN 54.4 billion manat.

In the calculation of macroeconomic indicators the shadow economy is also taken into account. The share of shadow economy observed in GDP Azerbaijan consists of 9.1%. Despite to the fact that there are no official records publicly available, for this information the State Statistics Committee, "Statistical News" refers to an article published in a scientific journal. ¹¹²

Graph 4: Area structure of GDP in 2015 (percentage) ¹¹³



¹¹¹ State Statistical Committee of the Republic of Azerbaijan, "Publications", "E-version of publications", "Statistical Yearbook of Azerbaijan", Page 384 http://www.stat.gov.az/menu/6/statistical_yearbooks

¹¹² <http://az.trend.az/business/economy/2445536.html>

¹¹³ State Statistical Committee of the Republic of Azerbaijan, "Publications", "E-version of publications", "National Accounts of Azerbaijan 2016", Page 45, page. 125, http://www.stat.gov.az/menu/6/statistical_yearbooks

6.3.2. The state revenue from the mining industry

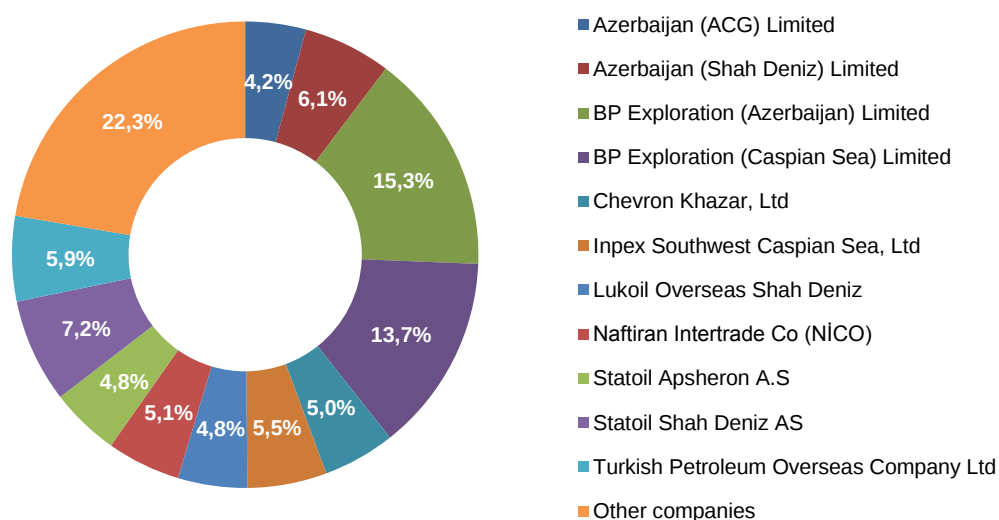
Consolidated total income of the state budget amounted to AZN 17.5 billion manat in 2015. During the reporting period receipts from the mining industry amounted to AZN 8.7 billion manat and this made 49.7% of the total budget revenues.

Table 29: Proceeds cover EITI reporting 2015 from extractive industry

Revenue streams	Amount (mln manats)	Percentage
State Oil Fund of Azerbaijan Republic ¹¹⁴		
Proceeds from profit oil and gas	7,369.6	42.12%
Bonus	2.1	0.01%
Acreage fees	2.2	0.01%
Transit fees	11.6	0.07%
State Treasury Agency of the Ministry of Finance of the Republic of Azerbaijan		
Profit tax	792.2	4.53%
Mining tax	112.8	0.64%
Value Added Tax	140.1	0.80%
Land tax	21.7	0.12%
Property tax	33.6	0.19%
Exchange difference	158.4	0.91%
Other taxes	56.0	0.32%
Total	8,700.6	49.72%

The analysis of the state budget revenues shows that eleven companies accounted for 77.6 % of budget revenues in 31 December 2015.

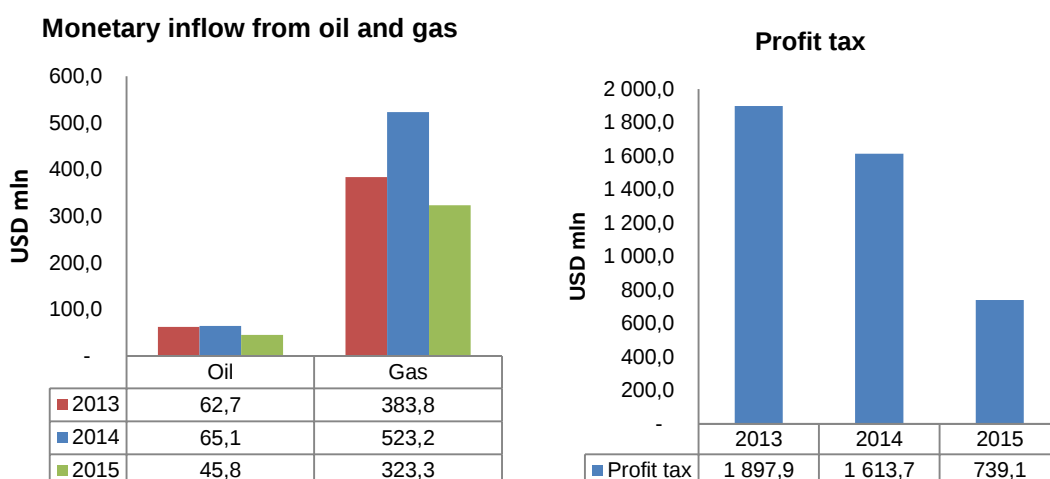
Graph 5: Revenues transferred to the state budget from top 11 extractive companies



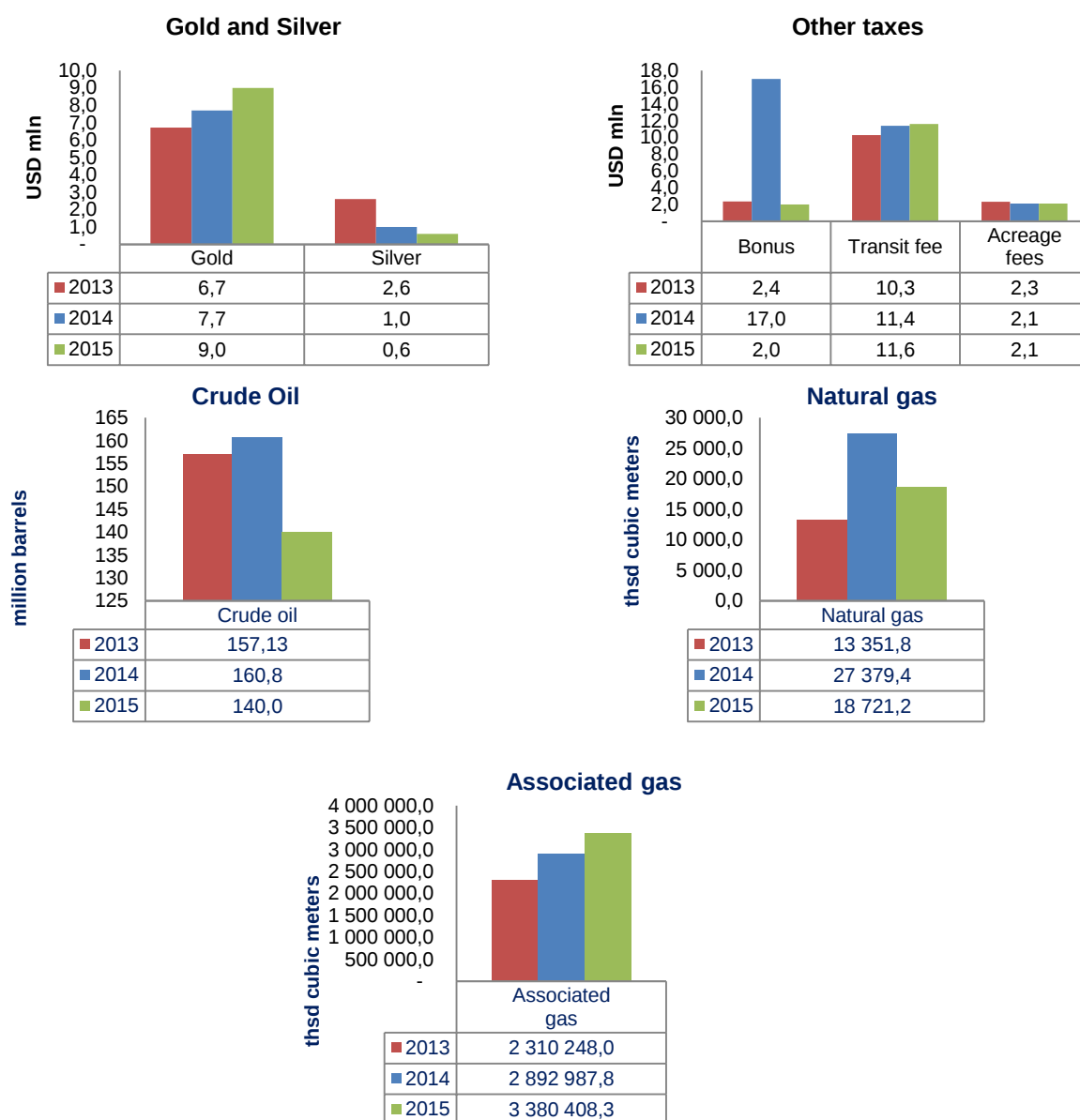
¹¹⁴ State Oil Fund of Azerbaijan Republic, http://www.oilfund.az/az_AZ/huequqi-senedler/fondun-buedcesine-dair/azerbaycan-respublikasi-doevlet-neft-fondunun-2016-ci-il-buedcesi-hagqinda-azerbaycan-respublikasi-prezidentinin-29-dekabr-2015-ci-il-tarixli-719-noemreli-fermaninda.asp

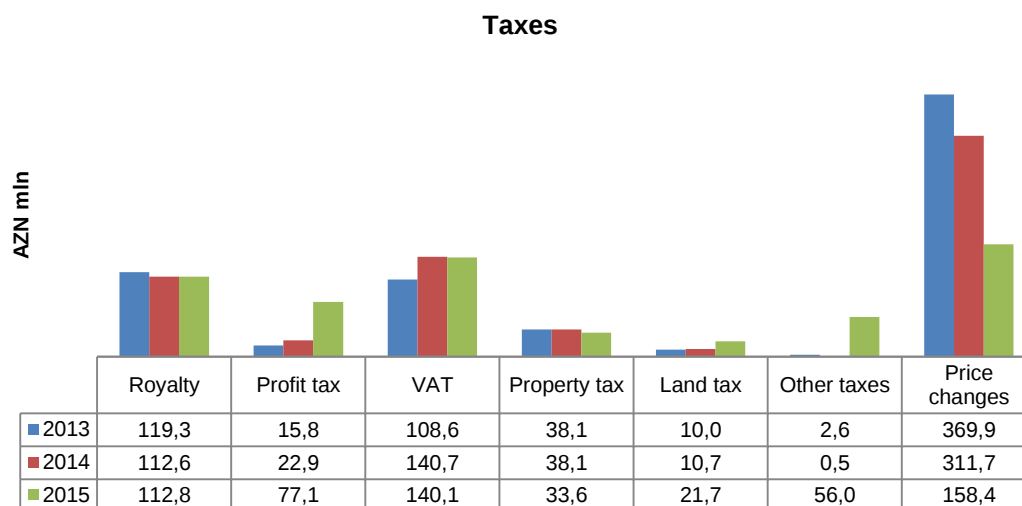
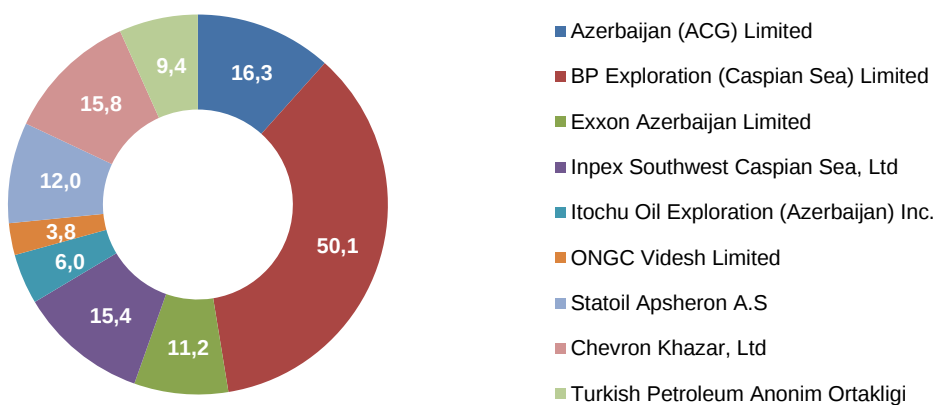
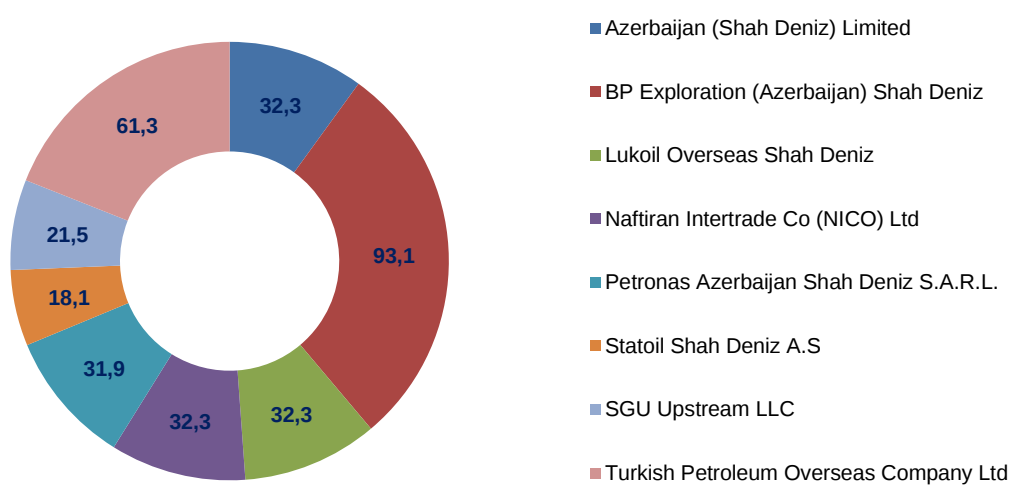
Comparison of final information for the years 2013, 2014 and 2015

Graph 6: Government's interest in the foreign Companies' extractive output:



Graph 7: Government's interest in the foreign Companies' extractive output:



Graph 8: Share of local companies in the government's share of production:**Graph 9:** Transfers of crude of made by ACG PSA**Graph 10:** Cash inflow from Gas transportation on ShahDeniz PSA

6.3.3. Employment in the extractive industry

Characteristics of employment in the sectors of economy: ¹¹⁵

In 2015 the economically active population was 4,915.3 thousand people and among them 4,671.6 thousand people were employed in the economy. The rate of mining industry to employment was 0.8%, which is 39.1 thousand people.

Table 30: Employment in Mining industry

Employment	2015 (thsd people)
Number of economically active population	4,915.3
Number of people employed in the economy	4,671.6
Number of people in Mining industry	39.1

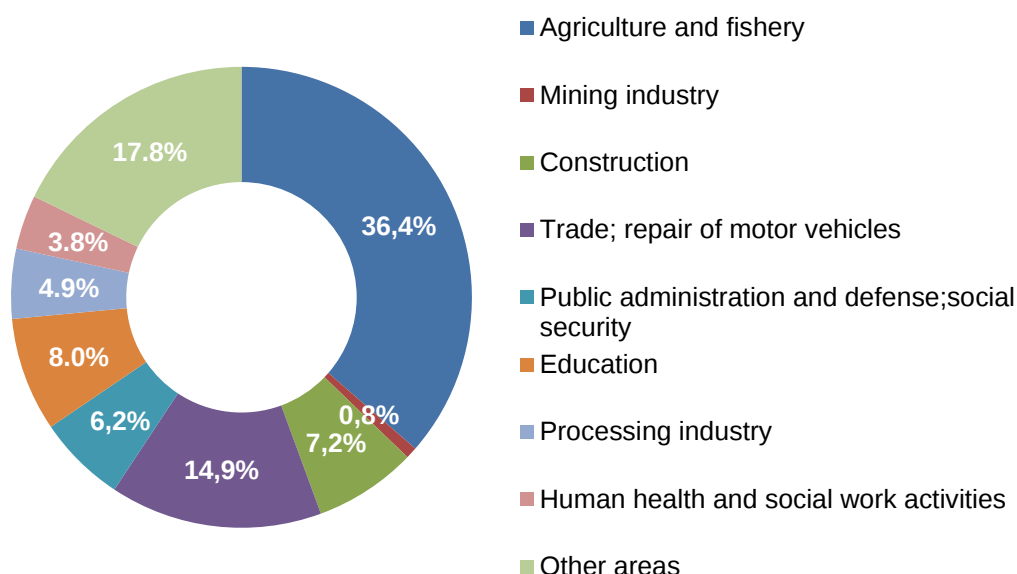
Payments made to SSPF

In accordance with the Memorandum of Understanding in 2015, EITI reported total mandatory premiums paid to SSPF by local and foreign companies as AZN 58.1 million. This information has been obtained from the SSPF by the EITI secretariat.

SSPF payment	2014	2015
Foreign and local companies	59.3	58.1

(mln manat)

Graph 11: Employment structure (2015) ¹¹⁶



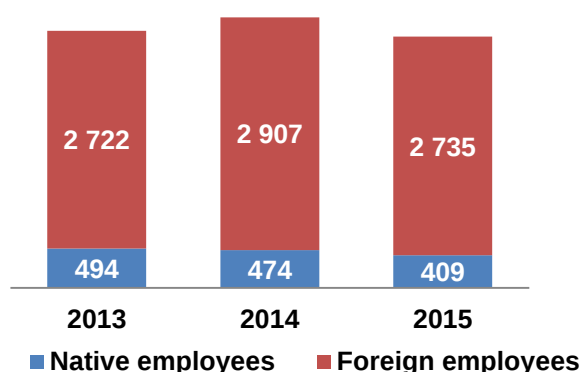
In order to promote the development of the Azerbaijani citizens BP and SOCAR signed a cooperation agreement in November 2013 for the provision of the 3 projects (Azeri-Chirag-Guneshli, Shah Deniz, Baku-Tbilisi-Ceyhan and South Caucasus Pipeline).

The agreements re-benefit the two organisations' commitment to cooperate closely in the areas of nationalisation of BP's staff, development and training of professionals specialising in petroleum disciplines, and workforce involved in oil and gas development projects in Azerbaijan. ¹¹⁷

¹¹⁵ State Statistical Committee of the Republic of Azerbaijan, "Publications", "E-version of publications", "Azerbaijan in figures - 2016", Page 29,30, http://www.stat.gov.az/menu/6/statistical_yearbooks/

¹¹⁶ State Statistical Committee of the Republic of Azerbaijan, "Publications", "E-version of publications", "Azerbaijan in Figures 2016", http://www.stat.gov.az/menu/6/statistical_yearbooks/

¹¹⁷ BP Azerbaijan, "Sustainability Report 2015", Page 15, http://www.bp.com/content/dam/bp-country/az_az/PDFs/sustainabilityreports/BP-SR-2015-aze.pdf

Graph 12: Workforce of BP for three years

In 2015 the number of Azerbaijani citizens in BP were 2,735 people. Approximately 87% of the permanent employees of the company were local professionals.

6.3.4. Key regions (areas) where production is concentrated

Most of the oil reserves (i.e.80%) are located in Apsheron Peninsula, Baku and Apsheron archipelago at the depth of 3000-4000 metres in the shelf of the Caspian Sea. The formation of oil deposits in rocks belongs to Cenozoic period. Oil production is connected with the excavation works in Balakhany-Sabunchu-Ramana with inclusion of Bibiheybat. The main oil producing areas are located near Baku. There are 5 areas onshore of oil and gas condensate put into exploration at the territory of the Apsheron peninsula and the Lower and Middle Kura, coastal areas of the Caspian Sea and Shamakhi-Gobustan. There are 43 oil, gas and condensate regions in the Azerbaijan Republic from which 38 are suitable for exploitation.

Table 31: Oil production (including condensates), thsd tonnes ¹¹⁸

Regions	2013	2014	2015
Baku	42,558	41,366	41,039
Siyazan	49	50	49
Neftchala	41	44	39
Salyan	187	184	175
Imishli	20	19	17
Shirvan	308	290	250
Total	43,163	41,953	41,569

The main oil producing areas, such as Sabunchu, Surakhany and Bibiheybat are located near Baku. In 2015, oil production in Baku reached 41,039 thousand tonnes, which represents 98.7% of the total oil production.

In 2015, onshore and offshore oil production in kind (including condensates) was 1,576 tonnes and 39,994 tonnes respectively.

Table 32: Gas production, mln. cubic metres. (raw materials) ¹¹⁹

Regions	2013	2014	2015
Baku	29,196	29,505	29,124
Siyazan	7	7	7
Neftchala	-	-	-
Salyan	30	33	35
Shirvan	12	10	9
Total	29,245	29,555	29,175

In 2015, the natural and associated gas production volumes was 13,663 million cubic metres and 15,512 million cubic metres, respectively.

¹¹⁸ State Statistical Committee of the Republic of Azerbaijan, "Publications", "E-version of publications", "Industry of Azerbaijan", Page 308, http://www.stat.gov.az/menu/6/statistical_yearbooks.

¹¹⁹ State Statistical Committee of the Republic of Azerbaijan, "Publications", "E-version of publications", "Industry of Azerbaijan", Page. 308 and Page 105, http://www.stat.gov.az/menu/6/statistical_yearbooks.

Table 33: Gold production, kg (production of main products) ¹²⁰

Region	2013	2014	2015
Gadabay	1,619	1,873	2,229
Total	1,619	1,873	2,229

Table 34: Silver production, kg (production of main products) ¹²¹

Region	2013	2014	2015
Gadabay	630	240	133
Total	630	240	133

Table 35: Copper ores and concentrates, tonnes (the main production) ¹²²

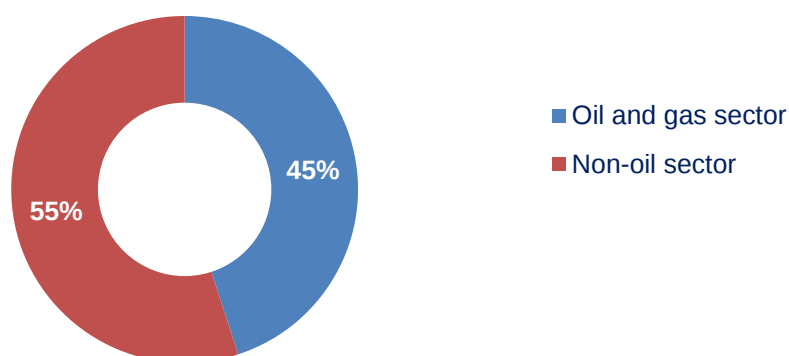
Region	2013	2014	2015
Gadabay	329	675	969
Total	329	675	969

Value of products ¹²³

The total value of the mining industry in 2015 was AZN 16,362 million which consists of crude oil and natural gas production amounting to AZN 14,723 million and the metal ores production amounting to AZN 87 million.

6.3.5. Other information**Total investment in main capital (2015):** ¹²⁴

In 2015, total capital investments amounted to AZN 16 billion of which 55% (8.8 billion manats) and 45% (7.2 billion manats) of total capital investment was invested in non-oil and oil sectors respectively.

Graph 13: Total investment in main capital

¹²⁰ State Statistical Committee of the Republic of Azerbaijan, "Publications", "E-version of publications", "Industry of Azerbaijan", Page 177, http://www.stat.gov.az/menu/6/statistical_yearbooks.

¹²¹ State Statistical Committee of the Republic of Azerbaijan, "Publications", "E-version of publications", "Industry of Azerbaijan", Page 177, http://www.stat.gov.az/menu/6/statistical_yearbooks.

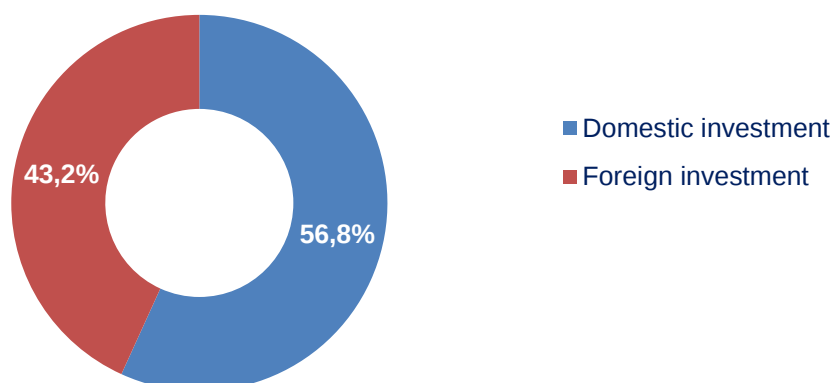
¹²² State Statistical Committee of the Republic of Azerbaijan, "Publications", "E-version of publications", "Industry of Azerbaijan", Page 177, http://www.stat.gov.az/menu/6/statistical_yearbooks.

¹²³ State Statistical Committee of the Republic of Azerbaijan, "Publications", "E-version of publications", "Industry of Azerbaijan", Page. 29, http://www.stat.gov.az/menu/6/statistical_yearbooks.

¹²⁴ State Statistical Committee of the Republic of Azerbaijan, "Publications", "E-version of publications", "Statistical Yearbook of Azerbaijan - 2015", Page 538, http://www.stat.gov.az/menu/6/statistical_yearbooks/ and http://www.cbar.az/assets/4028/lcmal_2015_final.pdf, page 20.

In addition to above stated, domestic investment exceeded foreign investments. 56.8% of total investment were from domestic sources while 43.2% of total investment generated from foreign sources.¹²⁵

Graph 14: Local and foreign investments



¹²⁵ "State Statistical Committee of the Republic of Azerbaijan, "Publications", "E-version of publications", "Statistical Yearbook of Azerbaijani - 2015", Page 549, http://www.stat.gov.az/menu/6/statistical_yearbooks/.

7. RECONCILIATION RESULTS

We present below detailed results of the reconciliation process, as well as differences noted between the amounts paid by extractive Companies and amounts received by Government entities. We have included the amounts initially reported by companies and the adjustments made following our reconciliation work, as well as the final amounts and unresolved differences.

7.1. Reconciliation by revenue stream (foreign companies)

The table below shows the total payments reported by foreign extractive companies and Government entities, taking into account all adjustments:

Revenue streams	Template originally lodged			Adjustments		Final Amounts			(USD mln)
	Extarctive company	Government	Difference	Extarctive company	Government	Extarctive company	Government	Difference	
Monetary inflow from oil	45.8	46.3	(0.5)	-	(0.5)	45.8	45.8	-	
Monetary Inflow from gas	325.0	324.8	0.8	0.3	0.5	325.3	325.3	-	
Bonuses	2.0	2.0	-	-	-	2.0	2.0	-	
Transit fee	4.6	11.6	(7.0)	7.0	-	11.6	11.6	-	
Acreage fee	2.1	2.1	-	-	-	2.1	2.1	-	
Profit tax	614.5	739.1	(124.6)	124.6	-	739.1	739.1	-	

* The bracket represents the reduction of total amount

The table below shows a summary of the in-kind transfers to the Government (aggregated figures) reported by the foreign extractive Companies and government:

In kind	Template originally lodged			Adjustments		Final Amounts		
	Extarctive company	Government	Difference	Extarctive company	Government	Extarctive company	Government	Difference
Crude Oil (oil (million barrels)	140.0	140.3	(0.3)	-	(0.3)	140.0	140.0	-
Natural Gas (thsd. m ³)	18,721.2	18,721.2	-	-	-	18,721.2	18,721.2	-
Associated Gas (thsd. m ³)	3,199,061.9	3,380,408.3	(181,346.4)	181,346.4	-	3,380,408.3	3,380,408.3	-
Gold (thsd. ounces)	9.0	9.0	-	-	-	9.0	9.0	-
Silver (thsd. ounces)	0.6	0.6	-	-	-	0.6	0.6	-
Gold concentrate (thsd. ounces)	0.03	0.03	-	-	-	0.03	0.03	-
Silver concentrate (thsd. ounces)	2.1	2.1	-	-	-	2.1	2.1	-
Copper concentrate (thsd. tonnes)	0.1	0.1	-	-	-	0.1	0.1	-

7.2. Reconciliation by extractive Company (foreign companies)

The table below shows the total payments reported by foreign extractive companies and Government entities:

(USD mln)

Foreign Extractive Companies	Template originally lodged			Adjustments		Final Amounts		
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Apsheron Investment Limited	3.0	3.0	-	-	-	3.0	3.0	-
Azen Oil Company B.V.	17.3	17.3	-	-	-	17.3	17.3	-
Azerbaijan (ACG) Limited	47.2	47.2	-	-	-	47.2	47.2	-
Azerbaijan (Shah Deniz) Limited	32.3	69.1	(36.8)	36.8	-	69.1	69.1	-
Bahar Energy Limited	6.6	6.6	-	-	-	6.6	6.6	-
BP Exploration (Azerbaijan) Limited	171.9	171.9	-	-	-	171.9	171.9	-
BP Exploration (Caspian Sea) Limited	155.4	154.9	0.5	(0.5)	-	154.9	154.9	-
BP Shafag-Asiman Limited	2.1	2.1	-	-	-	2.1	2.1	-
CNPC	1.6	1.6	-	-	-	1.6	1.6	-
Exxon Azerbaijan Limited	41.4	41.4	-	-	-	41.4	41.4	-
Ali Bayramli Neft LLC	0.2	0.2	-	-	-	0.2	0.2	-
Fortunamate Assets Limited	0.9	0.9	-	-	-	0.9	0.9	-
Inpex Southwest Caspian Sea, Ltd.	62.2	62.2	-	-	-	62.2	62.2	-
Itochu Oil Exploration (Azerbaijan) Inc.	12.3	12.3	-	-	-	12.3	12.3	-
Karasu Development Company	8.9	8.9	-	-	-	8.9	8.9	-
Lukoil Overseas Shah Deniz	54.0	54.5	(0.5)	0.5	-	54.5	54.5	-
Naftiran Intertrade Co (NICO) Limited	32.3	57.7	(25.4)	25.4	-	57.7	57.7	-
Neftchala Investment Limited	0.8	0.8	-	-	-	0.8	0.8	-
Novatis Oyl F.Z.E.	6.3	6.3	-	-	-	6.3	6.3	-
ONCS Videsh Limited	15.0	15.0	-	-	-	15.0	15.0	-
Petronas Azerbaijan Shah Deniz	31.9	31.9	-	-	-	31.9	31.9	-
Salyan Neft LLC	0.3	0.3	-	-	-	0.3	0.3	-
SGC Upstream LLC	21.5	21.5	-	-	-	21.5	21.5	-
Shirvan Investment Limited	13.7	13.7	-	-	-	13.7	13.7	-
Statoil Apsheron AS	53.8	53.8	-	-	-	53.8	53.8	-
Statoil Shah Deniz AS	18.1	80.8	(62.7)	62.7	-	80.8	80.8	-
Chevron Khazar, Ltd	56.8	56.8	-	-	-	56.8	56.8	-
TOTAL E & P Azerbaijan B.V.	1.6	1.6	-	-	-	1.6	1.6	-
Turkish Petroleum Anonim Ortaklığı	44.7	44.7	-	-	-	44.7	44.7	-
Turkish Petroleum Overseas Company Ltd	66.6	66.6	-	-	-	66.6	66.6	-
UGE-LANCER PTE.LTD	13.3	13.3	-	-	-	13.3	13.3	-

The following table shows the companies that presented reporting templates, but did not make any payments to the Government during 2015.

(USD mln)

Foreign Extractive Companies	Template originally lodged			Adjustments		Final Amounts		
	Extarctive company	Government	Difference	Extarctive company	Government	Extarctive company	Government	Difference
Petro-Hong-Kong Pirsaat Oyl	-	-	-	-	-	-	-	-
Commonwealth	-	-	-	-	-	-	-	-
Kura Valley Development	-	-	-	-	-	-	-	-
R.V. Investment Group Services	-	-	-	-	-	-	-	-
Total E & P Apsheron B.V.	-	-	-	-	-	-	-	-
Gobustanneft LLC	-	-	-	-	-	-	-	-
ENGIE E AND P ABSHERON B.V	-	-	-	-	-	-	-	-

The following table shows the volume of in-kind crude oil transferred to the government by foreign extractive companies:

(million barrels)

Foreign Extractive Companies	Template originally lodged			Adjustments		Final Amounts		
	Extarctive company	Government	Difference	Extarctive company	Government	Extarctive company	Government	Difference
Azerbaijan (ACG) Limited	16.3	16.3	-	-	-	16.3	16.3	-
BP Exploration (Caspian Sea) Limited	50.1	50.1	-	-	-	50.1	50.1	-
Exxon Azerbaijan Limited	11.2	11.2	-	-	-	11.2	11.2	-
Inpex Southwest Caspian Sea. Ltd.	15.4	15.4	-	-	-	15.4	15.4	-
Itochu Oil Exploration (Azerbaijan) Inc.	6.0	6.0	-	-	-	6.0	6.0	-
ONGS Videsh Limited	3.8	3.8	-	-	-	3.8	3.8	-
Statoil Apsheron A.S	12.0	12.0	-	-	-	12.0	12.0	-
Chevron Khazar Ltd	15.8	15.8	-	-	-	15.8	15.8	-
Turkish Petroleum Anonim Ortakligi	9.4	9.4	-	-	-	9.4	9.4	-

The following table shows the volume of in-kind natural gas transferred to the government by foreign extractive company:

(thsd m³)

Foreign Extractive Company	Template originally lodged			Adjustments		Final Amounts		
	Extarctive company	Government	Difference	Extarctive company	Government	Extarctive company	Government	Difference
Bahar Energy Limited	18,721.2	18,721.2	-	-	-	18,721.2	18,721.2	-

The following table shows the volume of in-kind associated gas transferred to the government by foreign extractive companies:

Foreign Extractive Companies	Template originally lodged			Adjustments		Final Amounts		
	Extarctive company	Government	Difference	Extarctive company	Government	Extarctive company	Government	Difference
Azerbaijan (ACG) Limited	50,721.0	50,721.0	-	-	-	50,721.0	50,721.0	-
BP Exploration (Caspian Sea) Limited	1,671.0	1,671.0	-	-	-	1,671.0	1,671.0	-
Exxon Azerbaijan Limited	14,770.0	14,770.0	-	-	-	14,770.0	14,770.0	-
Inpex Southwest Caspian Sea. Ltd.	3,077,634.8	3,258,980.8	(181,346.0)	181,346.0	-	3,258,980.8	3,258,980.8	-
Itochu Oil Exploration (Azerbaijan) Inc.	8,723.7	8,723.7	-	-	-	8,723.7	8,723.7	-
ONGS Videsh Limited	8,723.7	8,723.7	-	-	-	8,723.7	8,723.7	-
Statoil Apsheron A.S	4,875.5	4,875.5	-	-	-	4,875.5	4,875.5	-
Chevron Khazar Ltd	17,447.5	17,447.5	-	-	-	17,447.5	17,447.5	-
Turkish Petroleum Anonim Ortakligi	8,555.0	8,555.4	(0.4)	0.4	-	8,555.4	8,555.4	-
UGE-LANCER PTE.LTD	5,939.7	5,939.7	-	-	-	5,939.7	5,939.7	-

The table below shows the transfers of gold, silver and copper made in kind by R.V. Investment Group Services Company to the Government:

In kind	Template originally lodged			Adjustments		Final Amounts		
	Extarctive company	Government	Difference	Extarctive company	Government	Extarctive company	Government	Difference
Gold (thsd. ounces)	9.0	9.0	-	-	-	9.0	9.0	-
Silver (thsd. ounces)	0.6	0.6	-	-	-	0.6	0.6	-
Gold concentrate (thsd. ounces)	0.03	0.03	-	-	-	0.03	0.03	-
Silver concentrate (thsd. ounces)	2.1	2.1	-	-	-	2.1	2.1	-
Copper concentrate (thsd. tonnes)	0.1	0.1	-	-	-	0.1	0.1	-

7.3. Reconciliation by extractive companies (local companies)

The table below shows a summary of the figures (in cash payments) reported by the local extractive Companies and Government:

Local Extractive Companies	Template originally lodged			Adjustments		Final Amounts		
	Extarctive company	Government	Difference	Extarctive company	Government	Extarctive company	Government	Difference
AzGerneft	0.7	0.7	-	-	-	0.7	0.7	-
SOCAR	597.8	599.0	(1.2)	1.2	-	599.0	599.0	-

7.4. Reconciliation by revenue stream (local companies)

The table below shows a summary of the revenue streams (aggregated figures) reported by the local extractive Companies and Government

The table below shows a summary of the revenues streams (aggregated figures) reported by the local extractive companies and Government									(thsd AZN)
Revenue streams	Template originally lodged			Adjustments			Final Amounts		
	Extarctive company	Government	Difference	Extarctive company	Government	Extarctive company	Government	Difference	
Monetary inflow from Oil	-	-	-	-	-	-	-	-	
Monetary Inflow from Gas	-	-	-	-	-	-	-	-	
Bonuses	-	-	-	-	-	-	-	-	
Transportation tariff to SOFAZ	-	-	-	-	-	-	-	-	
Acreage fee	-	-	-	-	-	-	-	-	
Profit taxes	89.4	77.1	12.3	(12.3)	-	77.1	77.1	-	
Royalty	111.2	112.8	(1.6)	1.6	-	112.8	112.8	-	
VAT	146.0	140.1	5.9	(5.9)	-	140.1	140.1	-	
Property tax	33.4	33.6	(0.2)	0.2	-	33.6	33.6	-	
Land tax	21.5	21.7	(0.2)	0.2	-	21.7	21.7	-	
Price changes	138.7	158.4	(19.7)	19.7	-	158.4	158.4	-	
Other taxes	58.3	56.0	2.3	(2.3)	-	56.0	56.0	-	

(thsd AZN)

7.5. Payments made to Government according to PSA

Payments made to Government by Foreign Extractive Companies on PSA in 2015:

Foreign Extractive Companies	Final amount (USD mln)	
	Extractive companies	Government
AZERI-CHIRAG-GUNASHLI		
Azerbaijan (ACG) Limited	47.2	47.2
BP Exploration (Caspian Sea) Limited	154.9	154.9
Chevron Khazar, Ltd.	56.8	56.8
Exxon Azerbaijan Limited	41.4	41.4
Inpex Southwest Caspian Sea, Ltd.	62.2	62.2
Itochu Oil Exploration (Azerbaijan) Inc.	12.3	12.3
ONGC Videsh Limited	15.0	15.0
Statoil Apsheron A.S	53.8	53.8
Turkish Petroleum Anonim Ortaklığı	44.7	44.7
SHAHDENIZ		
Azerbaijan (Shah Deniz) Limited	69.1	69.1
BP Exploration (Azerbaijan) Limited	171.9	171.9
SGC Upstream LLC	21.5	21.5
Lukoil Overseas Shah Deniz	54.5	54.5
Naftiran Intertrade Co (NICO) Limited	57.7	57.7
Statoil Shah Deniz AS	80.8	80.8
TOTAL E & P Azerbaijan B.V.	1.6	1.6
Turkish Petroleum Overseas Company Ltd	66.6	66.6
BINAGADI, GIRMAKI, CHAKHNAGLAR, SULUTEPE, MASAZIR, FATMAYI, SHABANDAGH AND SIANSOR		
Azen Oil Company B.V.	17.3	17.3
BAHAR AND GUM DENİZ		
Bahar Energy Limited	6.6	6.6
ZIGH HOVSAN		
Apsheron Investment Limited	3.0	3.0
SHAFAG-ASIMAN		
BP Shafag-Asiman Limited	2.1	2.1
KURSENGİ AND GARABAGHLY		
CNPC	1.6	1.6
Fortunamate Assets Limited	0.9	0.9
Salyan Neft LLC	0.3	0.3
MISHOVDAGH AND KELAMEDDIN		
Karasu Development Company	8.9	8.9
Ali-Bayramli Neft LLC	0.2	0.2
NEFTCHALA, KHILLY, AND DUROVDAGH-BABAZANAN		
Neftchala Investment Limited	0.8	0.8
SURAKHANY		
Novatis Oil F.Z.E.	6.3	6.3
BALAKHANY		
UGE-LANCER PTE.LTD	13.3	13.3
KUROVDAGH		
Shirvan Investment Limited	13.7	13.7
PADAR		
Kura Valeey Development Company LTD	-	-
PIRSAAT		
Petro-Hong-Kong Pirsat Oil	-	-
Southwestern "Gobustan" BLOC		
Commonwealth	-	-
Apseron Gas Deposit		
Total E & P Apsheron B.V	-	-
ENGİE E AND P APSHERON B.V	-	-
Gadabay gold-copper project		
R.V.Investment Group Services	-	-

7.6. Adjustments

Adjustments made on information presented by foreign companies

The adjustments were carried out on the basis of confirmations from the extractive Companies and Government and supported by proper evidence for justifications. The breakdown of adjustments is shown below

Monetary inflow from Oil:

		(USD million)
Revenue stream		Extractive company and Government
Monetary inflow from Oil		(0,5)

Total difference in inflow from oil was 0.5 million USD.

Foreign Extractive Company	Per Company			Per Government			Final Diff.
	Original	AJE	Final	Original	AJE	Final	
Bahar Energy Limited	2.1	-	2.1	2.6	(0.5)	2.1	-

- There was a difference between the amount submitted by Bahar Energy Limited and the amount provided by Government. The reason for this difference was the fact that SOFAZ included the inflow from Gas in the balance of inflow from Oil. In order to propose the necessary adjustment relevant payment documents to SOFAZ were submitted to us. It should be noted that the total inflow from Oil and Gas was calculated correctly by both parties.

Monetary inflow from Gas:

		(USD million)
Revenue stream		Extractive company and Government
Monetary inflow from Gas Qaz (Extractive company)		0.3
Monetary inflow from Gas Qaz (Government)		0.5

Total difference in inflow from gas was 0.8 million USD.

Foreign Extractive Company	Per Company			Per Government			Final Diff.
	Original	AJE	Final	İlkin	Original	AJE	
Bahar Energy Limited	2.5	-	2.5	2.0	0.5	2.5	-
Lukoil Overseas Shah Deniz	32.0	0.3	32.3	32.3	-	32.3	-

- There was a difference between the amount submitted by Bahar Energy Limited and the amount provided by the Government. The reason for this difference was the fact that SOFAZ included the inflow from Gas in the balance of inflow from Oil. In order to propose the necessary adjustment relevant payment documents to SOFAZ were submitted to us. It should be noted that the total inflow from Oil and Gas was calculated correctly by both parties.
- The amount of 0.3 million was not included in the Initial Report by Lukoil Overseas Shah Deniz in due to rounding factor.

Transit fee:

		(USD million)
Revenue streams		Extractive company and Government
Transit fee		7.0

The difference of USD 7.0 million included in the Government's schedule relates to transit fees that were paid by the Government to itself for the transit of its own oil entitlement. Each month SOFAZ and contractors pay fees to the Azerbaijan International Operating Company (AIOC), the operating company of the ACG oilfield), the levels of which are determined by the Republic of Azerbaijan and Georgia for the transportation of oil (Government's entitlement to oil profits) through Western Route Pipeline and operating costs (operational and capital expenditure). AIOC pays Georgia's share from the total fees collected. SOFAZ receives only the transportation tariff's share determined by the Republic of Azerbaijan. Because of the nature of the transaction this is a permanent difference.

Profit tax

(USD million)

Revenue stream	Extractive companies
Profit tax	124.6

The total difference of profit taxes were USD 124.6 million. The table below demonstrates the Companies which had incorrectly included the data into the reporting template:

(USD million)

Foreign Extractive companies	Per Company			Per Government			Final diff.
	Original	AJE	Final	Original	AJE	Final	
BP Exploration (Caspian Sea) Limited	153.7	(0.5)	153.2	153.2	-	153.2	-
Lukoil Overseas Shah Deniz	22.0	0.2	22.2	22.2	-	22.2	-
Azerbaijan (Shah Deniz) Limited	-	36.8	36.8	36.8	-	36.8	-
Naftiran Intertrade Co (NICO) Limited	-	25.4	25.4	25.4	-	25.4	-
Statoil Shah Deniz AS	-	62.7	62.7	62.7	-	62.7	-

- The profit taxes in the amounts of USD 36.8 million, USD 25.4 million and USD 62.7 million were not included in the report by Azerbaijan (Shah Deniz) Limited, Naftiran Intertrade Co (NICO) Limited and Statoil Shah Deniz AS respectively.
- Profit tax in the amount of USD 0.2 million was not included in the Initial report by Lukoil Overseas Shah Deniz due to rounding factor.
- The amount of USD 0.5 million which relates to withholding tax from foreign subcontractors was included in the Initial Report as profit tax by BP Exploration (Caspian Sea) Limited.

Local Extractive Company adjustments

The figures reflected in the table below is based on the SOCAR's report:

(thsd AZN)

Revenue streams	Per Company			Per Government			Final diff.
	Original	AJE	Final	Original	AJE	Final	
Profit tax	88.7	(12.3)	76.4	76.4	-	76.4	-
Royalty	111.2	1.6	112.8	112.8	-	112.8	-
VAT	146.0	(5.9)	140.1	140.1	-	140.1	-
Property tax	33.4	0.2	33.6	33.6	-	33.6	-
Land tax	21.5	0.2	21.7	21.7	-	21.7	-
Price changes	138.7	19.7	158.4	158.4	-	158.4	-
Other taxes	58.3	(2.3)	56.0	56.0	-	56.0	-

- There were differences in each revenue streams between the Government and SOCAR. In order to eliminate these differences, Company has presented its personal account paper. The differences arised due to application of accrual method of accounting in reports by the Company instead of cash method.

Adjustmens of in kind volumes

In kind	Extractive company (million barrels)
Crude oil	0.3

- The difference of 0.3 million barrels of oil was incorrectly included in the Report of SOCAR which was submitted to the Government. The difference occurred due to technical error made by SOCAR.

In kind	Extractive company (thsd m³)
Associated gas	181,346.4

The total difference of associated gas was 181,346.4 thousand m³.

Foreign Extractive company	Per Company (thsd. m³)			Per Government (thsd. m³)			Final Amount
	Original	AJE	Final	Original	AJE	Final	
Shirvan Investment Limited	8,555.0	0.4	8,555.4	8,555.4	-	8,555.4	-
BP Exploration (Caspian Sea) Limited	3,077,634.8	181,346.0	3,258,980.8	3,258,980.8	-	3,258,980.8	-

- The volume of 0.4 million m³ of associated gas was not included in the Initial Report submitted by Shirvan Investments Limited due to rounding factor.

The reason for the difference on the volume indicators of associated gas that is indicated in the reports submitted by SOCAR and BP Exploration (Caspian Sea) Limited is usage of different measurement units. A foreign extractive company reported the volume measured in Normal Cubic Metres (Nm³) at 0°C whereas the Government reported the volume measured in Standard Cubic Metres (Sm³) at 15°C.

<u>Sangachal Terminal</u>		<u>Oil Rocks</u>	
Government	2,792,994.5	Government	465,986.3
Company	<u>2,615,533.7</u>	Company	<u>462,101.1</u>
Difference	177,460.8	Difference	3,885.2

The Nm³ can be converted to Sm³ by using coefficient of Nm³= Sm³/1.05491

8. SPECIAL AUDIT PROCEDURES

We have performed procedures to obtain reasonable assurance over the transactions involved in the reconciliation process. The assurance engagement involves selection of items for testing from the population of monetary and non-monetary transfers

There are different sampling options, such as

- Selecting all items (100% testing);
- Selecting specific items according to their characteristics; and
- Statistical and non-statistical sampling.

100% testing:

It is most likely to be appropriate where the population constitutes a small number of large value items, when there is a significant risk and other means do not provide sufficient appropriate audit evidence.

Selecting specific items:

The auditor may decide to select specific items from a population based on factors such as his/her understanding of the reporting entity (extractive company or government agency), the assessed risk of material misstatement and the characteristics of the population being tested. The items that the auditor is likely to select using this method include:

- High value or key items – the assurance provider may decide to select specific items within a population because they are of high value or have some other characteristic, for example they appear suspicious, unusual, and particularly risk-prone or have a known history of error.
- All items over a certain amount – the assurance provider may decide to examine all items whose values exceed a certain amount in order to verify a large proportion of the total amount of a class of transactions.

Statistical and non-statistical sampling:

If it is the intention to analyse the results of a test based on statistical methods it will be necessary to ensure that sample items are selected at random so that each sampling unit has a known chance of being selected.

With non-statistical sampling items can be selected on the basis of professional judgement rather than using random selection. However, since the purpose of sampling is to use the sample selected to draw conclusions about the population as a whole it is important that the assurance provider exercise professional judgement to ensure as far as possible that the assurance provider selects a sample that is representative of the population as a whole and that bias is avoided.

There were 40 participating countries on the reconciliation process in 2015. We selected 6 (six) extractive companies and tested all items (100% testing) related to those Companies.

According to our internal procedures we have selected seven companies using the “RAND” formula (a random number generating formula) in “Microsoft Excel”:

No	Name of the company	Date of the testing
1	Bahar Energy Limited	21 October 2016
2	Lukoil Overseas Shah-Deniz Ltd.	4 October 2016
3	Naftiran Intertrade Co (NICO) Limited	21 October 2016
4	Itochu Oil Exploration (Azerbaijan) Inc.	4 November 2016
5	Neftechala Investments Limited	21 October 2016
6	Total E & P Azerbaijan B.V	25 October 2016

We have obtained reasonable assurance on the amounts stated by the companies. We vouched the recorded amounts from the reporting templates to original supporting documents including:

- Profit tax declarations;
- Payment orders
- Letters on transfer to relevant government agencies;
- Reconciliation acts; and
- Act of acceptance of gas.

In order to ensure the completeness of the figures in the Report, we have verified the documents for the purpose of obtaining sufficient evidence that the amounts to be paid to the state by the companies occurred.

9. RECOMMENDATIONS AND RESULTS

9.1. Lessons learned from the 2015 reconciliation

We have prepared the report for the year ended 31 December 2015 based on the experience of previous years.

During the reconciliation process we have observed that the extractive companies made common mistakes while filling in the Reporting templates. Common errors were due to rounding issues, omitting figures from the Reporting templates, including amounts and volumes which should not be included in the Reports and etc.

We recommend that seminars and training should be organised for the participants of the reconciliation process. It would increase the level of productivity and decrease the number of recurrent errors repeated each year. During the seminar, we made recommendations to help the companies to decrease repeated mistakes. In addition, EITI Secretariat should send errors table to Companies apart from formal letter and report templates.

The reporting period for the companies and government agencies has been appointed from 14 July to 1 August 2015. The extractive companies and government agencies delayed the submission of Report due to short period.

The delays in the reconciliation process of 2015 has been due to the late submission of reports to the Independent Administrator. In the following years we recommend extension of the reporting duration.

In accordance with the RFP and EITI Requirement # 4.9 to ensure the credibility of submitted data, the companies and government agencies were required to have their reporting templates signed by a senior official.

Despite the fact that the companies and government agencies have the Reporting templates signed by the senior official, our recommendation for forthcoming years is for them to undertake necessary steps to ensure that reports submitted by extractive companies and government agencies are certified by an independent external auditor. It will decrease the number of errors made by the companies during the submission of reporting templates each year.

We have used open and official sources during the collection of other information required by the EITI Standards.

Since some data needed for the Report is placed in official sources with delays we recommend to extend the duration of the preparation of the Report from July to October.

9.2. Follow up of the recommendations of the 2014 EITI Report

Coalition Comments	Implemented (Yes/No/On-going)	Description of action undertaken
To eliminate duplication of information in the Background part of the Report, to provide the dynamics of data (at least 3 years) and to present graphically/schematically the income/receipt stream flowing to the government agencies.	Yes	The information has been included in part of 2. "Background" of this Report, page 22, "Ongoing reforms in extractive industry"
In order to ensure an understanding of the legal regime of the mining industry, a short review on mechanisms and connections of mining industry regulated by each legal provision must be provided in the Report. In addition, the Report must contain graphical representations (visual schemes) of the legal and fiscal regimes.	Yes	The information has been included in part of "Background", pages 17-19, "The structure of the government budget system" of this Report.
It is recommended to add Information on pipeline expansion (transfer capacity, exported products) to the Report.	Yes	The information has been included in part of 4.4 "Transportation revenues", pages 46-50 of this Report.
Investment and employment indicators presented in "The contribution of the extractive sector to the economy" section of the Report must be expanded to cover all mining companies. In addition, to continue efforts towards the inclusion of complete information on number of local and foreign employees engaged in mining sector.	On-going	The information has been included in the "6.3 "The contribution of the extractive sector to the economy of Azerbaijan", pages 59-60 part of the report which consist of "Employment in the extractive industry", page 62 in the part of and "Other information" of the report. Only the data on BP and SOCAR has been obtained from open sources. Relevant information on other companies has not been reflected in the report due to unavailability of data in a publicly available sources.
Share under total amount of all annual similar payments to SSPF by local and foreign extractive companies, change of this share over the years and comparison form with employment structure has to be presented.	Yes	The information has been included in the part of 6.3.3 "Employment in the extractive industry", page 60 of the Report.
Inclusion of detailed information on mechanisms of mutual relations and commitments of SOCAR with/to the Ministry of Finance, State Oil Fund, Social Security Fund, Central Bank and Azerbaijan International Bank and disclosure under mechanisms of these relationships.	Yes	The information has been included in the part of 2.6.2 "Relations of SOE with relevant Government agencies", pages 25-27 of the Report.

Coalition Comments	Implemented (Yes/No/On-going)	Description of action undertaken
The investigation on SOCAR's quasi-fiscal operations have to be pursued and detailed information must be included in the EITI reports of the following years.	Yes	The information has been included in the part of 6.2 "Quasi-fiscal expenditures", page 55 of the Report.
The comprehensive information on the beneficial ownership level of SOCAR, and any changes made to it must be improved, adapted to the requirements of the standard and included into the report.	Yes	The information has been included in the part of 2.6.5 "Joint Ventures, associates and subsidiaries of state-owned enterprises", pages 29-31 of the Report.
Information on the conclusion of PSA must be improved in compliance with the requirements of paragraph 3.9 of the standard and included in the licensing section and the normative act confirming the legitimacy must be shown.	Yes	The information on the conclusion of the PSA procedures has been included in the part of 2.2 "Allocation of licenses", pages 22-23 of the Report.
The reference has not been provided to information related to registration of active companies involved in PSA in part 3.7 of the Report	Yes	The information has been included in the part of 2.3 "Register of licenses", page 23 of the Report.
The Structure and content in the part of "Approach and methodology" have to be improved.	Yes	The information has been included in the part of "Approach and methodology", pages 9-10 of the Report.
To ensure the inclusion of the country's entire oil and gas and mineral reserve deposits and product types (oil, gas, condensate, gold, silver, etc.) in the report.	Yes	The information has been included in the part of 3.1 "Overview of Mining Industry", pages 33-37 of the Report.
Although information on production volumes and costs by the region, as well as export volumes and cost of raw materials is not given in the Report, information on production volumes has been provided in section 3.3 of the Report. The reference or note could be given to the export data in section 3.3 of the Report.	Yes	The information has been included in the part of 3.2 "Production volume", pages 37-38 of the Report.
The information provided in "Analysis of government revenues" section should be added to the appropriate section of the Report in accordance with the requirement 3.7 of the Standard.	Yes	The information has been included in the part of 6.3.2 "The state revenue from the mining industry", page 56-59 of the Report

Recommendations of Validators	Implemented (Yes/No/On-going)	Description of action undertaken
A summary of these contracts and licenses to be announced by the Azerbaijani side must be shown to the EITI Report. Taking into account the fact that the PSA is ratified by the parliament of Azerbaijan MSG has to consider increasing of efforts to include the rest of the PSAs into the Report.	On-going	The information has been included in the parts of 2.3. "Register of licenses", 2.4 "Contracts" and 3.1 "Overview of Mining", pages 23, 24 and 33-37 respectively of the Report.
MSG has to ensure disclosure of all details on changes in law about equity stake and ownership by SOCAR.	Yes	The information has been included in the part of 2.6 "State participation in the extractive industry", page 24-32 of the Report.
MSG is encouraged to add additional information on type of product, price, market sale volume and in-kind revenues.	Yes	The information has been included in the parts of 3.2 "Production volume", and 4.2 "Sale of the state's share of production or other revenues collected in-kind" pages 37-38 and 45 respectively of the Report.
MSG encourages Independent Administrator to submit a terms of use of publicly available audited financial statements of companies and government agencies.	On-going	The audited financial reports of the foreign companies participating in the EITI report are not publicly available on an individual basis. The audited financial reports of some foreign companies are published in publicly available sources after being consolidated by a parent company. However, these financial reports do not reflect sufficient information on activities carried out in Azerbaijan. It is possible to prepare terms of use for these financial reports in case they are published by foreign companies in the next years.
MSG is encouraged to develop a report on transportation to provide a complete description on the use and transport of materials, their transport routes, transportation measures, tariff rates and methodologies used to calculate them.	Yes	The information has been included in the part of 4.4 "Transportation revenues", page 46-50 of the Report.

ANNEXES

Annex 1. Statement of the EITI Committee of the Republic of Azerbaijan

The schedule of payments/allocations received during the year ended 31 December 2015 by the Government of the Republic of Azerbaijan (the “Government”) from the local and foreign Companies operating in the extractive industries of the Republic of Azerbaijan (collectively-the “Companies”), is prepared in accordance with the Memorandum of Understanding (the “MoU”) dated 10 June 2014 signed between the National Committee of the EITI, the local and foreign Companies operating in the extractive industries of the Republic of Azerbaijan and the non-governmental organisations detailed in Annex 4.

The Chairman of the EITI Committee

Annex 2. Reporting templates

Report on payments made by an extractive industry company to the government of the Republic of Azerbaijan

Company: _____

TIN: _____

Ownership: Foreign ☐ Local ☐

Extractive Industry: _____

Activity type: _____

Reporting period: 1 Jan– 31 December 2014

Type of payment		Volume and value of payments	
1. Company transfers to the government (in kind)		volume	unit of a measure
1.1.	Oil		mln barrels
1.2.	Natural gas		thsd kub metr
1.3.	Associated gas		thsd kub metr
1.4.	Gold		ounces
1.5.	Silver		ounces
1.6.	Parent metals:		tonnes
	a)		
	b)		
1.7.	Other allocations:		
	a)		
	b)		
2. Company payments to the government (in cash) *		mln US dollars	mln Azerbaijani manats
2.1.	Oil		
2.2.	Natural gas		
2.3.	Associated gas		
2.4.	Gold		
2.5.	Silver		
2.6.	Parent metals:		
	a)		
	b)		
2.7.	Bonuses		
2.8.	Acreage fees		
2.9.	Transit fees		
2.10.	Other payments:		
	a)		
	b)		
2.Total			
3.Taxes			
3.1.	Royalty		
3.2.	Profit tax		
3.3.	Value Added Taxes		
3.4.	Property tax		
3.5.	Land tax		
3.6.	Other taxes (except for income tax for physical persons, allocations into the State Social Protection Fund and withholding tax)		
3.Total:			
4.Other			
4.1.			

Annex 3. Reconciliation sheets by extractive companies

Apscheron Investment Limited

(USD mln)

(USD million)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	3.0	3.0	-	-	-	3.0	3.0	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee			-	-	-			-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes				-	-			
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m³)								
Associated Gas (thsd. m³)	50,721.0	50,721.0	-	-	-	50,721.0	50,721.0	-

Azen Oil Company B.V.

(USD mln)

(USD million)

Revenue streams	Template originally lodged			Adjustments			Final Amounts		
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference	
Monetary inflow from Oil	14.8	14.8	-	-	-	14.8	14.8	-	
Monetary Inflow from Gas	-	-	-	-	-	-	-	-	
Bonuses	-	-	-	-	-	-	-	-	
Transit fee	-	-	-	-	-	-	-	-	
Acreage fee	-	-	-	-	-	-	-	-	
Profit taxes	2.5	2.5	-	-	-	2.5	2.5	-	
Other taxes	-	-	-	-	-	-	-	-	

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m³)	1,671.0	1,671.0	-	-	-	1,671.0	1,671.0	-

Azerbaijan (ACG) Limited

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	0.5	0.5	-	-	-	0.5	0.5	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	46.7	46.7	-	-	-	46.7	46.7	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	16.3	16.3	-	-	-	16.3	16.3	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

Azerbaijan (Shah Deniz) Limited

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	32.3	32.3	-	-	-	32.3	32.3	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	-	36.8	(36.8)	36.8	-	36.8	36.8	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

AzGerneft

(AZN mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	0.7	0.7	-	-	-	0.7	0.7	-
Other taxes	0.04	0.04	-	-	-	0.04	0.04	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

Ali-Bayramli Neft LLC

(USD mln)

(USD million)

Revenue streams (in cash)	Template originally lodged			Adjustments			Final Amounts		
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference	
Monetary inflow from Oil	-	-	-	-	-	-	-	-	
Monetary Inflow from Gas	-	-	-	-	-	-	-	-	
Bonuses	-	-	-	-	-	-	-	-	
Transportation tariff to SOFAZ	-	-	-	-	-	-	-	-	
Acreage fee	-	-	-	-	-	-	-	-	
Profit taxes	0,2	0,2	-	-	-	0,2	0,2	-	
Other taxes	-	-	-	-	-	-	-	-	

In-kind payments	Template originally lodged			Adjustments			Final Amounts		
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference	
Crude Oil (mboe)	-	-	-	-	-	-	-	-	
Natural Gas (thsd. m³)	-	-	-	-	-	-	-	-	
Associated Gas (thsd. m³)	-	-	-	-	-	-	-	-	

Bahar Energy Limited

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	2.1	2.6	(0.5)	-	(0.5)	2.1	2.1	-
Monetary Inflow from Gas	2.5	2.0	0.5	-	0.5	2.5	2.5	-
Bonuses	2.0	2.0	-	-	-	2.0	2.0	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	18,721.2	18,721.2	-	-	-	18,721.2	18,721.2	-
Associated Gas (thsd. m ³)	14,770.0	14,770.0	-	-	-	14,770.0	14,770.0	-

BP Exploration (Azerbaijan) Limited

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	93.1	93.1	-	-	-	93.1	93.1	-
Bonuses	0.004	0.004	-	-	-	0.004	0.004	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	78.8	78.8	-	-	-	78.8	78.8	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

BP Exploration (Caspian Sea) Limited

(USD mln)

Revenue streams	Template originally lodged			Adjustments		Final Amounts		
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	1.7	1.7	-	-	-	1.7	1.7	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	153.7	153.2	0.5	(0.5)	-	153.2	153.2	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments		Final Amounts		
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	50.1	50.1	-	-	-	50.1	50.1	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	3,077,634.8	3,258,980.8	(181,346.0)	181,346.0	-	3,258,980.8	3,258,980.8	-

BP Shafag-Asiman Limited

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	2.1	2.1	-	-	-	2.1	2.1	-
Profit taxes	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

CNPC

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	1.6	1.6	-	-	-	1.6	1.6	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	8,723.7	8,723.7	-	-	-	8,723.7	8,723.7	-

Commonwealth

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

Exxon Azerbaijan Limited

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	0.4	0.4	-	-	-	0.4	0.4	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	41.0	41.0	-	-	-	41.0	41.0	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	11.2	11.2	-	-	-	11.2	11.2	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

ENGIE E AND P ABSHERON B.V

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

Fortunamate Assets Limited

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	0.9	0.9	-	-	-	0.9	0.9	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	8,723.7	8,723.7	-	-	-	8,723.7	8,723.7	-

Inpex Southwest Caspian Sea, Ltd.

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	0.5	0.5	-	-	-	0.5	0.5	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	61.7	61.7	-	-	-	61.7	61.7	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	15.4	15.4	-	-	-	15.4	15.4	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

Itochu Oil Exploration (Azerbaijan) Inc.

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	0.2	0.2	-	-	-	0.2	0.2	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	12.1	12.1	-	-	-	12.1	12.1	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	6.0	6.0	-	-	-	6.0	6.0	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

Karasu Development Company

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	8.9	8.9	-	-	-	8.9	8.9	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

Kura Valley Development Company LTD

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

Gobustan Neft LLC

(AZN mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

Lukoil Overseas Shah Deniz

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	32.0	32.3	(0.3)	0.3	-	32.3	32.3	-
Bonuses	0.001	0.001	-	-	-	0.001	0.001	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	22.0	22.2	(0.2)	0.2	-	22.2	22.2	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

Naftiran Intertrade Co (NICO) Limited

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	32.3	32.3	-	-	-	32.3	32.3	-
Bonuses	0.001	0.001	-	-	-	0.001	0.001	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	-	25.4	(25.4)	25.4	-	25.4	25.4	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

Neftchala Investment Limited

(USD mln)

Revenue streams	Template originally lodged			Adjustments		Final Amounts		
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	0.8	0.8	-	-	-	0.8	0.8	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments		Final Amounts		
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

Novatis Oil F.Z.E.

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	3.1	3.1	-	-	-	3.1	3.1	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	3.2	3.2	-	-	-	3.2	3.2	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	4,875.5	4,875.5	-	-	-	4,875.5	4,875.5	-

ONGS Videsh Limited

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	0.1	0.1	-	-	-	0.1	0.1	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	14.9	14.9	-	-	-	14.9	14.9	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	3.8	3.8	-	-	-	3.8	3.8	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

Petronas Azerbaijan Shah Deniz

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	31.9	31.9	-	-	-	31.9	31.9	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

Petro-Hong-Kong Pirsaat Oil

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

R.V.Investment Group Services

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Gold (thsd. ounces)	9.0	9.0	-	-	-	9.0	9.0	-
Silver (thsd. ounces)	0.6	0.6	-	-	-	0.6	0.6	-
Gold concentrate (thsd. ounces)	0.03	0.03	-	-	-	0.03	0.03	-
Silver concentrate (thsd. ounces)	2.1	2.1	-	-	-	2.1	2.1	-
Copper concentrate (thsd. tonnes)	0.1	0.1	-	-	-	0.1	0.1	-

Salyan Neft LLC

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	0.3	0.3	-	-	-	0.3	0.3	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	17,447.5	17,447.5	-	-	-	17,447.5	17,447.5	-

SGC Upstream LLC

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	21.5	21.5	-	-	-	21.5	21.5	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

SOCAR

(AZN mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fees	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	88.7	76.4	12.3	(12.3)	-	76.4	76.4	-
Royalty	111.2	112.8	(1.6)	1.6	-	112.8	112.8	-
VAT	146.0	140.1	5.9	(5.9)	-	140.1	140.1	-
Property tax	33.4	33.6	(0.2)	0.2	-	33.6	33.6	-
Land tax	21.5	21.7	(0.2)	0.2	-	21.7	21.7	-
Price changes	138.7	158.4	(19.7)	19.7	-	158.4	158.4	-
Other taxes	58.3	56.0	2.3	(2.3)	-	56.0	56.0	-

Statoil Apsheron A.S

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fees	0.4	0.4	-	-	-	0.4	0.4	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	53.4	53.4	-	-	-	53.4	53.4	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	12.0	12.0	-	-	-	12.0	12.0	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

Statoil Shah Deniz AS

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	18.1	18.1	-	-	-	18.1	18.1	-
Bonuses	0.002	0.002	-	-	-	0.002	0.002	-
Transportation tariff to SOFAZ	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	-	62.7	(62.7)	62.7	-	62.7	62.7	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

Chevron Khazar Ltd.

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	0.5	0.5	-	-	-	0.5	0.5	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	56.3	56.3	-	-	-	56.3	56.3	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	15.8	15.8	-	-	-	15.8	15.8	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

Shirvan Investment Limited

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	12.9	12.9	-	-	-	12.9	12.9	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	0.8	0.8	-	-	-	0.8	0.8	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	8,555.0	8,555.4	(0.4)	0.4	-	8,555.4	8,555.4	-

Total E & P Apsheron B.V.

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

Total E & P Azerbaijan B.V.

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	1.6	1.6	-	-	-	1.6	1.6	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

Turkish Petroleum A.O

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	0.3	0.3	-	-	-	0.3	0.3	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	44.4	44.4	-	-	-	44.4	44.4	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	9.4	9.4	-	-	-	9.4	9.4	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

Turkish Petroleum Overseas Company Ltd

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	-	-	-	-	-	-	-	-
Monetary Inflow from Gas	61.3	61.3	-	-	-	61.3	61.3	-
Bonuses	0.003	0.003	-	-	-	0.003	0.003	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	5.3	5.3	-	-	-	5.3	5.3	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	-	-	-	-	-	-	-	-

UGE-LANCER PTE.LTD

(USD mln)

Revenue streams	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Monetary inflow from Oil	9.1	9.1	-	-	-	9.1	9.1	-
Monetary Inflow from Gas	-	-	-	-	-	-	-	-
Bonuses	-	-	-	-	-	-	-	-
Transit fee	-	-	-	-	-	-	-	-
Acreage fee	-	-	-	-	-	-	-	-
Profit taxes	4.2	4.2	-	-	-	4.2	4.2	-
Other taxes	-	-	-	-	-	-	-	-

In kind	Template originally lodged			Adjustments			Final Amounts	
	Extractive company	Government	Difference	Extractive company	Government	Extractive company	Government	Difference
Crude Oil (million barrels)	-	-	-	-	-	-	-	-
Natural Gas (thsd. m ³)	-	-	-	-	-	-	-	-
Associated Gas (thsd. m ³)	5,939.7	5,939.7	-	-	-	5,939.7	5,939.7	-

Annex 4. List of Non-Governmental Organisations and individuals party to the Memorandum of Understanding

#	Non-government organisations
1.	Agrarian Reform Support PU
2.	Agro-Industrial Engineers Public Union
3.	Aran Environment Enlighten Public Union
4.	Aran Human Rights Resource Centre (Shirvan)
5.	Assistance to Social and Cultural Development of the Youth Public Union
6.	Azerbaijan Committee for Human Rights and Defence of Freedoms
7.	Azerbaijan Independent Teachers Union
8.	BUTA Humanitarian Children's Fund
9.	Care for the Elderly Intellectuals Public Union
10.	Carpet World Association (Guba)
11.	Caspian Barrel Research Centre
12.	Caucasus International Relations and Strategic Studies Centre
13.	Caucasus Media Investigations Centre
14.	Center for Environmental Education PU
15.	Centre for Citizen Initiatives and Legislation Improvement
16.	Centre for Democratic Reforms
17.	Centre for Economic and Legal Enlightenment of Journalists
18.	Centre for Economic and Social Development
19.	Centre for Research on Against Torture
20.	Centre for Studying of Economic Resources
21.	Centre for Support to Civic Initiatives
22.	Centre of Equal Opportunities
23.	Centre of Political Culture for Azerbaijani Women
24.	Centre of Women's Problems Research
25.	Centre on Legal Initiative for Civil Society
26.	Citizen Initiative for Democracy PU
27.	Citizens' Social Welfare PU
28.	Citizens' Labour Rights Protection League
29.	Constitution Researches Fund
30.	Cultures' Integration Center PU
31.	Dalgha Environment and Protection of Nature Public Union
32.	Democracy and NGO's development Resource Centre
33.	Democracy and Women Initiative Public Union
34.	Democracy Studying PU
35.	Democratic Development and Economic Cooperation Public Union
36.	Democratic Development Platform
37.	Democratic Initiatives and Social Development Public Union
38.	Democratic Institutions and Human Rights Social Union
39.	Democratic Society, Election and Monitoring of Media Public Union
40.	Development of Knowledge and Enlightenment" Public Union
41.	Development Society and Civil Relations" Public Union
42.	Development Watch research Centre
43.	Digital Development Public Union
44.	Distribution Monitoring Center PU
45.	Eco Life Public Union
46.	Ecological Renaissance Public Union
47.	Ecologist Support to Protection of Environment Public Union
48.	Economic and Environment Research Centre
49.	Economic and Political Research Centre
50.	Economic and Social Education Centre
51.	Economic Innovation Centre
52.	Economic Research Centre
53.	Economics Association of International Economic Research Union

#	Non-government organisations
54.	Eco-World Public Union
55.	Education and Social Development of Beylagan Youth PU
56.	Education of the Young Generation" Public Union
57.	Education Research Centre
58.	Electron Election Public Union
59.	ELS Independent Research Centre
60.	Enlightenment on Genetic engineering Public Union
61.	Expert Journalist Center PU
62.	Foundation for Defence of Democratic Values
63.	Free Person Human Rights Defence Society
64.	Ganja Children Foundation
65.	Globalizing Azerbaijan Civil Development Center (GACDC)
66.	Guzaran Social Investigation Centre
67.	Hand Power International Humanitarian Association PU
68.	Hostages and Missing Persons Investigation Association
69.	Human Right-2003 Public Union
70.	Human Rights and Enlightenment Social Union
71.	Humanitarian Research Society
72.	Institute of Democratic Initiatives
73.	International Monitoring Center PU
74.	Islam, Democracy and Human Rights Centre
75.	Journalist Initiative Centre
76.	Karabakh Fighters Association
77.	Law and Development PU
78.	Legal Aid Centre to Oilmen
79.	Media and Education Innovation Center PU
80.	Modern Development and Legal Aid Centre
81.	Modern Woman and Society Public Union
82.	Monitor of Democracy Public Union
83.	Mughan Human Rights Protection Public Union
84.	Multimedia Centre
85.	National Culture Promotion Public Union
86.	Oil Workers' Rights Protection Organisation
87.	Progress Social Development Public Union
88.	Progress Social Research Public Union
89.	Promotion Human Rights and Law
90.	Public Association for Assistance to Free Economy
91.	Public Finance Monitoring Centre
92.	Public Union Civil Society Institute
93.	Public Union for Democracy and Ecological Balance
94.	Public Union for Solving Social-Economic Problems of Mortar Victims
95.	Region International Analytical Centre
96.	Regional Development and Human Rights Public Union
97.	Regional Enlightenment Public Union
98.	Regional Garabagh Agriculture Association
99.	Regional Gender Centre of
100.	Regional Human Rights and Enlightenment Centre
101.	Regional Human Rights and Media Centre (Barda)
102.	Regional Human Rights and Social Research Centre
103.	Regional Woman Initiatives Public Union
104.	Rescuer Public Union
105.	Return to Native Place Public Union
106.	Road Construction Monitoring Centre
107.	Robust Development and Enlightenment public unity
108.	Social Assistance for People with Disabilities and Families with Martyrs Public Union
109.	Social Initiatives and Human Rights Public Union

#	Non-government organisations
110.	Social Research PU
111.	Social Strategic Studies and Analytically Investigations Public Union
112.	Social-economic development of the regions Public Union
113.	Society for Care for disabled People of Garabagh War
114.	Society for Democratic Reforms
115.	Solidarity Among Women Public Union
116.	Support for Economic Initiatives Public Union
117.	Support for Young Poets Public Union
118.	Support to Cultural Education and Folklore Activities Public Union
119.	Support to Democracy PU
120.	Support to Democratic Elections Center PU
121.	Support to Sustainable Tourism Development PU
122.	Support to Youth Scientific Development Public Union
123.	The Western Regional Representative of Azerbaijan National Committee Of Helsinki Citizen's Assembly
124.	Transparent Governance PU
125.	Trust for Future Care for the Vulnerable People Public Union
126.	Ulduz Electron Organisation
127.	Umid Support for Social Development PU
128.	VALUE Support to Youth Development and education of PU
129.	Woman World Public Union
130.	World of Law Legal Propaganda Public Union
131.	Young Democratic Reformers Public Union
132.	Young Leaders Education, Training and Development PU
133.	Youth Club Public Union
134.	Zengilan Public Union

Individuals

#	Individuals
1	Arzu Soltan
2	Dunya Sakit
3	Elmidar Aliyev
4	Fuad Rasulov
5	Hijran Hamidova
6	Sedaget Pashayeva
7	Suheylyla Jafarova
8	Shamil Movsumov
9	Zaur Ibrahimli

Annex 5. Bibliography used in compiling of the report

The State Statistical Committee of the Republic of Azerbaijan	http://www.stat.gov.az
State Oil Company of Azerbaijan Republic	http://www.socar.az
Ministry of Ecology and Natural Resources of Azerbaijan Republic	http://www.eco.gov.az
State Oil Fund of Azerbaijan Republic	http://www.oilfund.az
Ministry of Taxes of the Republic of Azerbaijan	http://www.taxes.gov.az
Ministry of Energy of the Republic of Azerbaijan	http://www.minenergy.gov.az
The State Customs Committee of the Republic of Azerbaijan	http://www.customs.gov.az
Central Bank of the Republic of Azerbaijan	http://www.cbar.az
Chamber of Accounts of the Republic of Azerbaijan	http://www.sai.gov.az/
The official website of the President of the Republic of Azerbaijan	http://www.president.az/
The National Assembly of the Republic of Azerbaijan	http://www.meclis.gov.az/
The Cabinet of Ministers of the Republic of Azerbaijan	http://www.cabmin.gov.az/
The Ministry of Finance of the Republic of Azerbaijan	http://www.maliyye.gov.az
State Social Protection Fund under the Ministry of Labor and Social Protection of the Republic of Azerbaijan	http://www.sspf.gov.az
The official website of EITI Azerbaijan	http://www.eiti.az
Ministry of Justice of the Republic of Azerbaijan	http://www.e-qanun.az
The Tariff (price) Council of the Republic of Azerbaijan	http://www.tariffcouncil.gov.azn
SOCAR Trading	http://www.socartrading.com
Organization of the Petroleum Exporting Countries "OPEC"	http://www.opec.org
British Petroleum company	http://www.bp.com
Natural Gas World	http://www.naturalgaseurope.com
World Gold Council	http://www.gold.org
Total Global Homepage	http://www.total.com
Trend News Agency	http://www.az.trend.az