

Decree of the President of the Republic of Azerbaijan on improvement of the structure of the State Oil Company of the Azerbaijan Republic

Since the Republic of Azerbaijan gained state independence one of the most important tasks has been the execution of reforms in the economy and state administration. The formation of the relations of a market economy and the creation of a management mechanism to modern standards in the country has required the implementation of radical changes.

In recent years important steps have been taken with the aim increasing the effectiveness of state administration and of improving the economy on the basis of new principles. The structure of numerous ministries, state committees, companies, concerns and other bodies has been reviewed, the powers of existing bodies of central executive authority have been harmonized with the requirements of the market economy, and new institutions possessing the necessary functions have been set up.

The reforms being carried out have encompassed all spheres of the economy and state administration and have created fecund conditions for the establishment of the principles of a market economy, the creation of extensive opportunities for economic initiative, the provision of people's stable social position and the privatization of state property. In all of the above spheres the state has adopted explicit decisions and taken measures.

Historically the petroleum industry has formed the crux of Azerbaijan's economy and one of the greatest achievements of our country has been the creation in this sphere of a potent scientific and technical and human resource potential and extensive infrastructure. It is this field which has evolved into a leading factor in the economy and particular attention has been constantly paid to it.

In recent times a new oil strategy and doctrine have been advanced and successfully implemented, which have been of critical importance for the progress of our republic. With the signature of the "Contract of the Century" on September 20th 1994 for the first time Azerbaijan initiated the joint development of unique oil and gas fields with many world renowned companies. The work carried out has provided a powerful driver in terms of increasing the country's influence in the international arena and integration of economic relations.

The petroleum complex has not been left aside from the reforms conducted in the sphere of the economy and state administration. Thus over the timeframe in question amendments have been

made on various occasions to the structure of the State Oil Company of the Azerbaijan Republic with the purpose of increasing the effectiveness of its administration, and the existing structure has been enhanced. One of the most important steps has been the creation by Decree of April 18th 2001 of the President of the Republic of Azerbaijan of the Fuel and Energy Ministry of the Republic of Azerbaijan. At the same time one of the main tenets of state policy has been the creation of the State Oil Fund of the Republic of Azerbaijan on December 29th 1999 with the aim of ensuring the employment of revenues obtained from the joint development of oil fields for the country's economic and social progress.

A result of consistently and systematically applied economic reforms has been that on the basis of the Order of March 22nd 2001 of the President of the Republic of Azerbaijan "on the privatization of enterprises of the fuel and energy complex" consistent with "State Program II for the privatization of state property in the Republic of Azerbaijan" a decision has been adopted on the privatization of 68 enterprises of the State Oil Company of the Azerbaijan Republic not involved directly in oil production and refining and they have been put at the disposal of the Economic Development Ministry.

The serious work conducted has enabled profound reforms to be carried out more purposefully. However at the same time the necessity has arisen for the implementation of a range of supplementary measures in this field and for the alignment of methods of administration with a qualitatively different level which meets international standards.

In connection with the above, with the aim of more effective use of the republic's oil and gas resources, full satisfaction of the requirements of domestic consumption and export potential, a fundamental tightening of the financial discipline of enterprises belonging to the fuel and energy sector, the consistent structuring of their activity in accordance with the principles of the market economy and the application of the new administrative structure of the State Oil Company of the Azerbaijan Republic which is to ensure the implementation of these tasks, ***I hereby decree:***

1. The Charter of the State Oil Company of the Azerbaijan Republic (appended - Attachment I) be approved.
2. The Structure of the State Oil Company of the Azerbaijan Republic (appended - Attachment II) be approved.
3. The State Oil Company of the Azerbaijan Republic be instructed within one month in a manner provided for by the legislation
 - to amalgamate the Offshore Oil and Gas Production Association and the Onshore Oil and Gas

Production Association and to set up an "Azneft" Production Association on their basis;

- to amalgamate the Foreign Economic Relations Division and the AzerNeftTejhzat Association [formerly the State Fuel Committee] and to set up a Marketing and Economic Operations Division on their basis;

- to set up an Oil Pipelines Division on the basis of the Main Oil Pipelines Production Association;

- to set up a Baku Deepwater Jackets Plant on the basis of the ShelfLayihəTikinti Production Association [SPS];

- to set up the AzerneftYagh ["old"] Oil Refinery on the basis of the AzerNeftYagh Production Association;

- to set up the AzerNeftYanacag ["new"] Oil Refinery on the basis of the AzerNeftYanacag Production Association, which entities belong to the Company.

4. The "KhezerDenizGazmaTikinti" Trust [Caspian Sea Drilling Construction Trust], the "KhezerDenizNeftSosialTikinti" Trust [Caspian Sea Oil Social Construction Trust and Automobile Transportation Office belonging to the State Oil Company of the Azerbaijan Republic be declared open for privatization. The management of the State Oil Company of the Azerbaijan Republic and of the enterprises declared open for privatization be instructed to bear personal responsibility for the administration and preservation of the assets of said enterprises until they are privatized or transformed into joint stock companies.

5. The Economic Development Ministry of the Republic of Azerbaijan be charged with ensuring that privatization of the enterprises mentioned in Paragraph 4 hereof be conducted in accordance with the legislation.

6. The Cabinet of Ministers of the Republic of Azerbaijan ensure the implementation of measures emanating from this Decree.

7. Decree N°126 of April 5th 1994 on the approval of the new version of the Charter of the State Oil Company of the Azerbaijan Republic of the President of the Republic of Azerbaijan and Order N°50 of January 10th 1994 on the approval of the new management structure of the State Oil Company of the Azerbaijan Republic of the President of the Republic of Azerbaijan be deemed ineffective.

8. This Decree enters into force on the day of its signature.

Heydar ALIYEV

President of the Republic of Azerbaijan

Baku city, January 24, 2003, No.844