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ENERGY POLITIC AND ECONOMY IN THE CASES OF AZERBAIJAN AND INDONESIA

Abstract: Indonesia is the developed countries that have embarked on projects and energy strategies to increase renewables energy since it largely addressed political, economic and environmental goals in their energy security policies. Indonesia concern in energy sector with three parameteurs, called P4M (Promosi Perlindungan dan Penanaman Modal) or Promotion and Protection of Investments. The OIC and NAM are the organizations that Azerbaijan and Indonesia are involved in. One of the problems discussed therein is the energy sector. Currently Indonesia and Azerbaijan tried to reduce energy dependence and to achieve environmental sustainability. Policy makers need to pursue a strategy of informing the public with sound evidence while being open about energy policy in general.

Indonesia and Azerbaijan have 5 bilateral agreements. *First*, opening of RI-Azerbaijan Diplomatic Relations. *Second*, Cooperation and Consultation between Foreign Ministries. *Third*, cooperation between News Agencies. *Fourth*, Visa Exemption for Diplomatic and Service Passport Holders. *Fifth*, Economic and Technical Cooperation (KSET). The trade balance between the two countries is still dominated by the oil and gas sector, and does not yet reflect the real potential they have, either because trade has so far been through a third country due to the absence of direct sea/air routes, or the lack of market penetration by the Indonesian manufacturing industry. The potential for cooperation that can be worked on between Indonesia and Azerbaijan is in the oil and gas sector given that Azerbaijan is rich in both natural resources. Currently the two countries are consolidating the finalization of the P4M (Promotion and Protection of Investments Indonesia needs to encourage bilateral cooperation in the energy sector, especially oil and gas based. The best collaboration model is to ensure government-to-government long term purchase/contract.

Keyword: energy politic, economy, oil, gas, Indonesia, Azerbaijan

UOT: 33

JEL: Q 48; Q 48

DOI: doi.org/10.54414/komq6396

Introduction

One of the most pressing issues facing the international community is energy security. Indonesia and Azerbaijan are developed countries that have started energy projects and strategies to enhance energy sector cooperation as they mostly discuss political, economic and environmental goals in their energy security policies. Azerbaijan is an oil-rich country that has a large role at the Crossroads of Europe-Asia.

In the southern Caucasus region The Republic of Azerbaijan is bounded on the north by Russia, on the east by the Caspian Sea, on the

south by Iran, on the west by Armenia, and on the northwest by Georgia. The current population of Azerbaijan reached is 10,2 million by April of 2021, based on latest United Nations data. The territory of country covers an area of 86 600 square kilometres. The capital and the largest city of so called land of fire is Baku. The primary sources of energy and the main export products are oil and gas. Since its independence in 1991 large oil and gas reserves pushed the country's economy to strong growth in the 1990s and 2000s. Oil and gas production increased considerably in the 2000s, with the discovery of

the Shah Deniz gas field reached record levels in 2010.

Energy mix of Azerbaijan is heavily concentrated on fossil fuels, with oil and gas accounting for more than 98% of total supply. The country's electricity generation of count is dominated by natural gas (90%), while large hydro generates 8%. Electricity sector also plays an important role in Azerbaijan's social and economic development along with the oil and gas sector. It is sufficient to cover domestic demand, and the power system is capable of supplying electricity to almost the entire population.

Azerbaijan has strong potential for renewable energy development because of the excellent solar and wind resources and significant prospects for biomass, geothermal and hydropower. Renewables also offer the most prominent low-carbon solution to meeting Azerbaijan's climate targets to reduce its greenhouse gas emissions by 2030.

The biggest fleet in the Caspian Sea belongs to Azerbaijan. Some countries on the eastern shores of the Caspian Sea transport their hydrocarbon resources to international markets through Azerbaijan, thus Azerbaijan has become not only a supplier but also a reliable transit country. Estimated geological reserves of the Karabakh field discovered in 2020 are more than 60 million tons of oil. It is a first oil field discovered in the years of independence.

Azerbaijan has one of the highest energy self-sufficiency ratios in the world because of this large hydrocarbon production: country's energy production is more than four times its energy demand.

The Cooperation between Indonesia and Azerbaijan

Indonesia is one of the Asian countries of concern in the energy sector with three main parameters called P4M (Promotion of Protection and Investment) or Promotion and Protection of Investment. Indonesia and Azerbaijan have been meeting their needs for development since 2011 but until now the realization of the Memorandum of Understanding (MoU) has not followed up on bilateral agreements. Currently Indonesia

and Azerbaijan are trying to reduce energy dependence and achieve environmental sustainability.

Indonesia recognized the sovereignty of the Republic of Azerbaijan on 28 December 1991 and opened diplomatic relations on 24 September 1992 through the signing of the Joint Communique in Moscow. The Azerbaijani government opened an Embassy in Jakarta on 12 February 2006, while Indonesia opened the Indonesian Embassy in Baku on 2 December 2010.

Indonesia and Azerbaijan have 5 bilateral agreements. First, the opening of RI-Azerbaijan Diplomatic Relations. Second, Cooperation and Consultation between the Ministries of Foreign Affairs. Third, cooperation between news agencies. Fourth, Visa Exemption for Diplomatic passport holders and services. Fifth, Economic and Technical Cooperation (KSET). The trade balance of the two countries is still dominated by the oil and gas sector, and does not reflect their real potential, either because trade has so far been through third countries due to the absence of direct sea/air routes, or lack of market penetration by Indonesia's manufacturing industry. The potential for cooperation that can be encouraged between Indonesia and Azerbaijan is in the oil and gas sector considering Azerbaijan is rich in both natural resources.

Currently both countries are consolidating the finalization of P4M (Promotion and Protection of Investment). Until now there has been no recorded investment from and to the two countries. Indonesia needs to promote bilateral cooperation in the energy sector, especially oil and gas based. The best collaboration model is to ensure government-to-government long-term purchases /contracts. If we look at the trade balance, trade volume is mainly dominated by Indonesian imports for Azerbaijani oil. Currently Indonesia still buys Azerbaijani oil through Italy. Azerbaijan-Indonesia relations were officially established in 1992. The two countries are members of the Organization of Islamic Cooperation and the Non-Aligned Movement. Azerbaijan was the second largest crude oil supplier to Indonesia in 2011 after Saudi Arabia.

In March 2016, Azerbaijan and Indonesia drafted a Memorandum of Understanding to further deepen cooperation in the energy and mineral resources sectors. In addition, the Indonesian government encouraged the country's oil and gas company Pertamina to continue to enhance cooperation in Azerbaijani oil and gas projects. The Governments of Indonesia and Azerbaijan have initiated cooperation in the energy sector since 2011. However, unfortunately the draft agreement has not been completed and there have been no significant developments. Indonesia as an oil importer from Azerbaijan must buy through Italy.

Energy Sector in Azerbaijan

In 1846 the first oil well was drilled in Azerbaijan, and the country became the first historical homeland of oil in the world. The first oil refinery was constructed in Baku in 1859. A development of the oil industry in Azerbaijan has started in the same year. It was more than a decade before the Americans have made their discovery of oil in Pennsylvania. At the first stage-for the first time in the world oil was extracted by an industrial method from the well located at 21 meters deep in the Bibi-Heybat an oil field. A number of oil wells were discovered as the well drilling technologies have developed. The increase in the production of oil led to the development of the oil infrastructures, and a creation of hundreds of companies engaged in a production, a refining and sales.

The big desire of national leader Haydar Aliyev to turn an independent Azerbaijan into a modern, powerful country with sustainable economic development, determined the oil strategy, which ensured the involvements of foreign investors in the development of Azerbaijan's oil field.

On September 20, 1994, under the leadership of national leader Heydar Aliyev "The Contract of the Century" was signed, which became the turning point for Azerbaijan's 20th-century history due to its political, economic, and strategic importance. The parliament of Azerbaijan ratified "The Contract of the Century" on December 12, 1994. The \$7.4 billion agreement involved 11 international oil companies from 7 countries: Azerbaijan, USA, UK, Russia, Turkey, Norway

and Saudi Arabia as contractor parties. The historical agreement opened the way to another 26 contracts with 41 oil companies from 19 countries. The current assessment of Azeri-Chirag-Gunashli fields exceeds 1 billion tons of oil, which were initially estimated to have 500 million tons.

Oil started to be exported to the Black Sea by the Baku-Novorossiysk pipeline in late 1997. In 1999, another pipeline from Baku was commissioned to the different Black Sea port – Supsa. The first tanker carrying Azerbaijani oil was sent to the world markets in December 1999.

Globally important oil pipeline The Baku-Tbilisi-Ceyhan was a crucial step towards making Azerbaijan an energy corridor. The foundation of once considered as a myth the pipeline was laid in 2002 in the result of continuous effort of national leader Heydar Aliyev. In May 2005 inauguration of the pipeline took place with the participation of the President of the Republic Azerbaijan Ilham Aliyev. First Azerbaijani oil was shipped from the Turkish port of Ceyhan in 2006.

The Baku-Tbilisi-Ceyhan (BTC) pipeline is 1 768 km long, with 443 km in Azerbaijan, 249 km in Georgia and 1 076 km in Turkey. It has a capacity of 1.2 million barrels per day. About 80% of the country's oil is exported through the Baku-Tbilisi-Ceyhan (BTC) pipeline. From the Sangachal terminal near Baku through Georgia, crude oil is being transported to the Mediterranean port of Ceyhan in Turkey; from there the oil is shipped by tanker to world markets. Some Turkmen and Kazak oil is also being transported by BTC pipeline.

The Baku-Novorossiysk pipeline runs from the Sangachal terminal on the Caspian Sea to the Novorossiysk terminal on the Black Sea in Russia. The pipeline has been operating since 1996 is 1 330 km long with a capacity of 105 000 barrels per day.

The fact of The Baku-Supsa. From the offshore oilfields in the Caspian Sea crude oil is being transported through The Baku-Supsa pipeline to Supsa, Georgia, on the Black Sea where it continues to European markets via tankers. It is 833 km long with a capacity of 145 000 barrels per day.

Azerbaijan has an estimated 1.3 trillion cubic metres of proven natural gas reserves according to the operator (BP), also predicted reserves are about 3 trillion cubic meters. In the middle of the 20th century one of the world's largest gas fields, Shah Deniz was discovered. Unfortunately, due to unavailability of the necessary technology the exploitation of the field was suspended and its potential was not identified.

The discovery of 'Umid' and 'Absheron' fields opened a new page in the history of natural resources of Azerbaijan. These events confirmed Azerbaijan's possession of large gas fields. The 'Umid' field alone has a potential of more than 200 billion cubic meters. For the next 100 years Azerbaijan will be seen as a reliable supplier of hydrocarbon resources.

More specific about Southern Gas Corridor Project. Azerbaijan is the initiator, shareholder and the host country of the strategically important Southern Gas Corridor project. The Southern Gas Corridor is a joint project of several major international companies, including SOCAR. In 2011, Azerbaijan and the European Commission signed a Joint Declaration on the Southern Gas Corridor project. The project is expected to attract \$28 billion investment. Turkey and Georgia were the first countries joined the initiative.

Shah Deniz I is producing around 9 bcm/year. Shah Deniz II began producing in mid-2018 and is expected to increase to 4 bcm in 2020 and 6 bcm in 2021, eventually rising to 16 bcm per year. Shah Deniz II and the South Caucasus Pipeline are key parts of the Southern Gas Corridor infrastructure project to deliver Caspian gas to the EU.

Azerbaijan is already exporting its gas to neighboring countries and new pipelines have been built to start exporting it to the European market:

- in 2007, Baku-Tbilisi-Erzurum gas pipeline (South Caucasus Gas Pipeline) was commissioned, and gas produced under the first phase of Shah Deniz project is exported to Georgia, Turkey and Greece;

- in 2012, Azerbaijan and Turkey signed TANAP (Trans-Anatolian Natural Gas Pipeline) project

- In 2013, Shah Deniz consortium chose TAP (Trans Adriatic Pipeline) project, which will link

the Turkish border to the south of Italy, to deliver the Azerbaijani gas to the European markets, and the construction of the pipeline is nearing completion.

These projects enable implementation of the Southern Gas Corridor project through connecting the Shah Deniz gas field to the south of Italy. On January 21 2021 Azerbaijan President Ilham Aliyev and Turkmenistan President Gurbanguly Berdymukhamedov signed a memorandum of understanding, on joint exploitation of the hydrocarbon field now known as "Dostluk" or "Dostluq" – "friendship" in their respective languages. It is a move that may open the way for the transit of Turkmenistan's massive gas reserves to Europe.

In other side the history of electricity in Azerbaijan started in 1897 when the country was a part of the Russian Empire. The Nobel Brothers company built a power station of 550 kilowatt in Baku. Mainly, this station was supplying the local industry with the electricity, whereas a bit of energy generated there was being used for the lighting system.

In 1901, the Bibi-Heybat Power Station of 2000 horsepower started to work. A year later, a power station of 2000 horsepower was exploited for the first time in the Black City (currently, White City). About 95% of the electricity produced in Baku was being used for the oil industry, also up to 5% was kept for the lighting system.

Alternative energy sources started to be used widely in Azerbaijan after construction of the Mingachevir reservoir. The Mingachevir Thermal Power Station, built in 1954, was a lower stage of the planned power stations complex to be constructed on the Kura River. Three years later, the Varvara Thermal Power station which was a part of that complex had also been exploited.

The first mainly largest electric power plant in Europe was built in Ali Bayramli (currently, Shirvan) in 1959. To match growing demands for heating and electricity in the Sumgayit industrial district, the authorities embarked on a project for building the Sumgayit Heating Electricity Center №2.

The beginning of the new era in the field of energy was marked by exploitation of the first in the CIS area modern turboshaft North Power

Station of 400 megawatts, as well as construction of 7 module power stations of 860 megawatts, power cables and substations in the different parts of the country.

Two decisive executive orders like the "State Program on development of the fuel and energy complex in the Republic of Azerbaijan from 2005 to 2015" and the "Additional Measures to Improve Electricity Supply in the Republic of Azerbaijan" signed by the President İlham Aliyev were milestones for modern development in the field of energy in the country.

Conclusion

A result of scientific research briefly, as follows:

1. Azerbaijan and Indonesia is focused on further enhancing mutually beneficial economic, trade and socio-cultural cooperation

2. The big desire of national leader Haydar Aliyev to turn an independent Azerbaijan into a modern, powerful country with sustainable economic development, determined the oil strategy, which ensured the involvements of foreign investors in the development of Azerbaijan's oil field.

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AZƏRBAYCAN VƏ İNDONEZIYA NÜMUNƏSİNDƏ ENERJİ SİYASƏTİ VƏ İQTİSADİYYAT

Xülasə: İndoneziya enerji təhlükəsizliyi siyasətində əsasən siyasi, iqtisadi və ekoloji məqsədləri nəzərə aldığı üçün bərpa olunan enerji mənbələrindən istifadəni artırmaq üçün layihələrə və enerji strategiyalarına başlamış inkişaf etmiş bir ölkədir. P4M (Pro-mosi Perlindungan dan Penanaman Modal) və ya İnvestisiyaların Təşviqi və Qorunması adlı üç parametrlili enerji sektorunda İndoneziya konserni. İƏT və Qoşulmama Təşkilatı Azərbaycan və İndoneziyanın daxil olduğu təşkilatlardır. Onlarda müzakirə olunan məsələlərdən biri də enerji sektorudur. Hazırda İndoneziya və Azərbaycan enerji asılılığını azaltmağa və ekoloji dayanıqlığa nail olmağa çalışırlar. Siyasət qurucuları ümumən enerji siyasəti haqqında açıq olmaqla yanaşı, sərt məlumatlar vasitəsilə ictimaiyyəti məlumatlandırma strategiyasına əməl etməlidirlər.

İndoneziya və Azərbaycan arasında 5 ikitərəfli saziş var. Birincisi, İnquşetiya Respublikası ilə Azərbaycan arasında diplomatik əlaqələrin açılması. İkincisi, xarici işlər nazirlikləri arasında əməkdaşlıq

və məsləhətləşmələr. Üçüncüsü, xəbər agentlikləri arasında əməkdaşlıq. Dördüncüsü, diplomatik və xidməti pasport sahibləri üçün vizasız rejim. Beşinci, iqtisadi və texniki əməkdaşlıq (KSET). İki ölkə arasında ticarət balansında hələ də neft-qaz sektoru üstünlük təşkil edir və hələ də onların real potensialını əks etdirmir, çünki ya ticarət indiyədək birbaşa dəniz/hava yollarının olmaması səbəbindən üçüncü ölkədən keçib, yaxud İndoneziya istehsal sənayesinin bazara kifayət qədər nüfuz etməməsi. İndoneziya ilə Azərbaycan arasında əməkdaşlıq potensialı neft-qaz sektorundadır, çünki Azərbaycanın hər iki təbii sərvətlə zəngindir. Hazırda iki ölkə P4M (İnvestisiyaların Təşviqi və Mühafizəsi, İndoneziya enerji sektorunda, xüsusilə neft və qaz sektorunda ikitərəfli əməkdaşlığı təşviq etməlidir. Ən yaxşı əməkdaşlıq modeli hökumətlə uzun müddət ərzində hökumətin qarşılıqlı əlaqəsini təmin etməkdir) tamamlanmasını gücləndirir. -müddətli satınalma / müqavilə.

Açar sözlər: enerji siyasəti, iqtisadiyyat, neft, qaz, İndoneziya, Azərbaycan.

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ЭНЕРГЕТИЧЕСКАЯ ПОЛИТИКА И ЭКОНОМИКА НА ПРИМЕРЕ АЗЕРБАЙДЖАНА И ИНДОНЕЗИИ

Аннотация: Индонезия является развитой страной, которая приступила к реализации проектов и энергетических стратегий по увеличению использования возобновляемых источников энергии, поскольку она в значительной степени учитывала политические, экономические и экологические цели в своей политике энергетической безопасности. Индонезийский концерн в энергетическом секторе с тремя параметрами, называемыми P4M (Pro-mosi Perlindungan dan Penanaman Modal) или «Поощрение и защита инвестиций». OIC и NAM – это организации, в которые входят Азербайджан и Индонезия. Одна из обсуждаемых в них проблем – энергетическая сфера. В настоящее время Индонезия и Азербайджан пытаются снизить энергетическую зависимость и добиться экологической устойчивости. Разработчики политики должны следовать стратегии информирования общественности с помощью достоверных данных, но при этом быть открытыми в отношении энергетической политики в целом.

Индонезия и Азербайджан имеют 5 двусторонних соглашений. Во-первых, открытие дипломатических отношений между РИ и Азербайджаном. Во-вторых, сотрудничество и консультации между министерствами иностранных дел. В-третьих, сотрудничество между информационными агентствами. В-четвертых, безвизовый режим для владельцев дипломатических и служебных паспортов. В-пятых, экономическое и техническое сотрудничество (KSET). В торговом балансе между двумя странами по-прежнему преобладает нефтегазовый сектор, и он еще не отражает реального потенциала, который у них есть, либо потому, что торговля до сих пор осуществлялась через третью страну из-за отсутствия прямых морских/воздушных путей, или недостаточное проникновение на рынок индонезийской обрабатывающей промышленности. Потенциал сотрудничества, над которым можно работать между Индонезией и Азербайджаном, находится в нефтегазовом секторе, учитывая, что Азербайджан богат обоими природными ресурсами. В настоящее время две страны консолидируют завершение P4M (Поощрение и защита инвестиций, Индонезии необходимо поощрять двустороннее сотрудничество в энергетическом секторе, особенно в нефтегазовом секторе. Наилучшей моделью сотрудничества является обеспечение взаимодействия правительства с -государственная долгосрочная закупка/контракт.

Ключевые слова: энергетическая политика, экономика, нефть, газ, Индонезия, Азербайджан

Daxil olub: 12.07.2021