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## POWERING UP THE COP29 PRESIDENCY AZERBAIJAN'S TRANSITION AWAY FROM FOSSIL FUELS

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Azerbaijan faces significant risks as its economy, heavily reliant on oil and gas exports, becomes vulnerable due to the EU's declining demand for fossil fuels. To secure its future, Azerbaijan must leverage its wind and solar potential to accelerate its energy transition and diversify its economy. Its upcoming COP29 Presidency offers a unique opportunity to showcase leadership among fossil fuel-producing countries and its commitment to climate action by setting ambitious targets and developing a resilient economic diversification plan.

### Recommendations for Azerbaijan

1. Use its COP Presidency as an opportunity to submit 1.5°C aligned Nationally Determined Contributions (NDCs) with more ambitious domestic targets that reflect commitments to transition away from fossil fuel production.
2. Kickstart a producer-consumer dialogue on support mechanisms for dependent countries to transition away from fossil fuels, particularly for vulnerable producers.
3. Take immediate steps to fulfil and report progress on the delivery of commitments to reduce CO<sub>2</sub> and methane emissions under the framework of the Global Methane Pledge.



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4. Prioritise renewables rollout rather than gas expansion, considering EU's projected gas demand decline, to avoid additional stranded assets and align economic development with the Paris Agreement goals. It will be essential to prioritise Azerbaijan's domestic energy transition before exporting renewable electricity or carriers.
5. Develop an economy-wide transition plan and work with the State Oil Fund of Azerbaijan (SOFAZ) to use existing oil and gas revenue while it still can.

### Recommendations for the European Union (EU) and oil and gas importing member states, notably Italy

1. Clearly communicate its gas demand reduction trajectory to make sure Azerbaijan's gas export planning is based on realistic scenarios.
2. Initiate a consumer-producer dialogue on mechanisms to support a just and equitable transition away from fossil fuels for producing countries, especially vulnerable producers.
3. Broaden the EU-Azerbaijan partnership to focus on clean energy and industry to develop supply and value chains for green goods and commodities.
4. Support Azerbaijan and SOCAR to reduce methane emissions intensity of its gas and other exports, securing mid-term access to EU markets.
5. Encourage Azerbaijan to submit an ambitious NDC aligned with limiting global warming to 1.5°C and operationalising the global transition away from fossil fuels.

## Azerbaijan's economy vulnerable as EU's oil and gas demand declines

Azerbaijan's economy is highly dependent on fossil fuels, with oil and gas revenues representing about 60% of the government's budget and more than 90% of total exports.<sup>1</sup> Oil and gas revenues have supported a rise in living

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<sup>1</sup> International Energy Agency, June 2023, p. 6, **Azerbaijan energy profile – Analysis - IEA**



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standards in the past few decades but left the country vulnerable to energy market volatility.

The EU imported 75% of Azerbaijan's crude oil exports (19.9Mt) and 53% of its gas exports (12.2bcm) as of 2022. Oil and gas demand in the EU is already in structural decline, threatening Azerbaijan's economic stability.<sup>2</sup> By 2030, oil demand will fall by a quarter and gas demand by a half, compared to 2019 levels, according to the bloc's own projections. By 2050, demand for both fuels will reduce by at least 80%.<sup>34</sup>

As oil production is set to decline with maturing fields, Azerbaijan is relying on gas to fuel its economy. In 2022 Azerbaijan and the EU signed an agreement to double gas exports to at least 20bcm/year by 2027.<sup>56</sup> This will require large-scale investment in fields and pipeline infrastructure, along with long-term purchasing commitments. However, European importers and investors are no longer willing to provide these. This puts Azerbaijan's ability to capitalise on gas exports at risk and will create stranded assets.<sup>789</sup>

In addition, Azerbaijan's access to the EU gas market in the future will depend on its ability to meet the new European Methane Regulation. The regulation will establish a Methane Intensity Threshold for new import contracts from 2030, with suppliers required to report their emissions intensity from 2028.<sup>10</sup>

The IMF estimates that Azerbaijan's fiscal revenue from oil and gas could drop from 15% of GDP to just over 3% by 2030, and to below 1% by 2040, highlighting the urgency for Azerbaijan to diversify its economy.<sup>11</sup> The loss of government revenue could also reinforce the existing risks to political stability, including

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<sup>2</sup> European Commission, February 2024, **Commission Staff Working Document Impact Assessment Report**

<sup>3</sup> EU Commission, February 2024, **Commission Staff Working Document Impact Assessment Report**

<sup>4</sup> Compared to 2019, see: European Commission, 1 July 2024, **Italy – Final updated NECP 2021-2030**, p.457

<sup>5</sup> European Commission, July 2022, **EU and Azerbaijan enhance bilateral relations (europa.eu)**

<sup>6</sup> Organization of the Petroleum Exporting Countries, October 2023, **WOO 2023 - Home (opec.org)**

<sup>7</sup> Financial Times, 21 July 2024, **Azerbaijan hits out at EU failing to agree long-term gas deals**

<sup>8</sup> The Economist Intelligence Unit, July 2023, **Azerbaijan's gas exports to the EU face challenges - Economist Intelligence Unit (eiu.com)**

<sup>9</sup> Compared to 2019, see: European Commission, 1 July 2024, **Italy – Final updated NECP 2021-2030**, p.457

<sup>10</sup> European Parliament, November 2023, **Fit for 55: Deal to boost methane emission reductions from the energy sector | News | European Parliament (europa.eu)**

<sup>11</sup> Assessment under a Net-Zero Emissions Scenario for global energy transition (see IEA WEO 2022). The GDP is held constant across scenarios, see IMF, October 2023, **Climate Crossroads: Fiscal Policies in a Warming World**, p.21



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higher levels of corruption, limitations to political freedom and territorial conflicts.<sup>12</sup>

## Azerbaijan lacks a coherent economic diversification strategy

Azerbaijan's plans for economic diversification are insufficient. The country is too focused on expanding gas exports and lacks a coherent strategy to develop alternative revenue sources.

Plans to export green electricity to Europe via cables under the Black Sea<sup>13</sup>, or develop green hydrogen for export have potential but face technical challenges.<sup>14</sup> The slow roll out of renewables and distance to the EU market also raise feasibility questions. Even if implemented, these plans don't address the necessary wider transformation of Azerbaijan's economy and won't replace the revenue loss from declining oil and gas trade. Additionally, Azerbaijan is promoting green zones and mineral mining, but these efforts will not sufficiently offset declining fossil fuel revenues.

Meanwhile, the growing impacts of climate change will make Azerbaijan's efforts to diversify more challenging. The increased occurrence of extreme weather, heat waves, water scarcity, and floods pose a risk to Azerbaijan's energy infrastructure and overall energy security. Agriculture, which contributes 8% to GDP and employs about 40% of the population, is projected to be significantly impacted. This threatens both economic diversification and the livelihood of the population.<sup>15</sup>

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<sup>12</sup> Climate Diplomacy, February 2022, **Azerbaijan: Partnership potential beyond gas? | Climate-Diplomacy, p.78ff**

<sup>13</sup> European Commission, March 2024, **Speech by Simson at inaugural SGC session (europa.eu)**

<sup>14</sup> Azerbaijan Renewable Energy Agency under the Ministry of Energy of the Republic of Azerbaijan, August 2023, **"Low Carbon Hydrogen Economy Market Study" Azerbaijan Country Report was prepared with the Support of EBRD**

<sup>15</sup> World Bank, November 2023, p.41, **Investments and Policy Reforms Towards Low-Carbon Transition and Resilience are in Azerbaijan's Economic Interest, says WBG Report (worldbank.org)**

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## Little progress on Azerbaijan's domestic energy transition

Azerbaijan's domestic energy transition is slow, with less than 2% of Azerbaijan's energy mix coming from renewables in 2021.<sup>16</sup> The government has confirmed 2GW of renewable energy capacity will be built by 2027, and 5GW by 2030.<sup>17</sup> Only 1.6GW of total renewable capacity had been installed by 2024, mostly hydropower, out of an estimated 27GW of economically viable potential.<sup>18</sup>

The national oil company, SOCAR, dominates the country's energy planning but hasn't set out any concrete transition plans.<sup>19</sup> SOCAR Green, a new subdivision, has been tasked with deploying green energy projects but has made no progress so far. The Ministry of Energy has signed agreements for wind and solar projects directly with foreign investors, such as Saudi Arabia's ACWA Power, UAE's Masdar and BP, but most of these projects are still at the MoU-stage.<sup>2021</sup>

To reap the benefits of its renewables potential and decarbonise its energy systems, the Ministry of Energy needs to set a clear pathway to realise the planned projects, make sure the regulatory framework to support delivery is in place and incentivise SOCAR to diversify and increase its investments into renewables.

## Azerbaijan's climate targets not on track

The host of COP29 has not set a net zero target and its NDC is highly insufficient to put the country on a net-zero emissions trajectory by mid-century. The current NDC aims to reduce GHG emissions by 35% by 2030 and 40% by 2050, from 1990 levels.

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<sup>16</sup> International Energy Agency, **Azerbaijan - Countries & Regions - IEA, last accessed 16 July 2024** and The Ministry of Energy of the Republic of Azerbaijan, **The Use of Renewable Energy Resources in Azerbaijan**, last accessed 30 July 2024: The share of renewables in power generation has increased from 16.5% in 2022 to 20.3% in 2024, of which 13.9% came from hydropower.

<sup>17</sup> Speech at 15<sup>th</sup> Petersburg Climate Dialogue, April 2024, **Speech by Ilham Aliyev in the High Level Segment of the 15th Petersburg Climate Dialogue » Official web-site of President of Azerbaijan Republic**

<sup>18</sup> The Ministry of Energy of the Republic of Azerbaijan, **The Use of Renewable Energy Sources in Azerbaijan**, last accessed 5 August 2024

<sup>19</sup> SOCAR, **Decarbonisation**, last accessed 5 August 2024

<sup>20</sup> Climate Home News, 25 January 2024, **COP29 host Azerbaijan Launches Green Energy Unit to Sceptical Response**

<sup>21</sup> The Ministry of Energy of the Republic of Azerbaijan, **The Use of Renewable Energy Resources in Azerbaijan**, last accessed 30 July 2024

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The 1990 emission levels are a poor marker, as they refer to Azerbaijan as a part of Soviet Union with a different economic and industrial output. Azerbaijan's emissions fell sharply in the early 1990s following economic collapse and shrinking of the Azerbaijan economy after independence.<sup>22</sup> Since 1997, the country's emissions have risen steadily, driven largely by the oil and gas sector.<sup>23</sup>

Azerbaijan needs an actionable timeline for phasing down its oil and gas production and addressing its methane emissions if it wants to deliver even the currently announced NDC. A 1.5°C aligned 2035 NDC update will need to be embedded in a comprehensive economic transformation strategy that looks beyond decarbonising the energy sector.

Azerbaijan's leadership are celebrating its renewables targets (5GW additions by 2030) as the key contributor to its updated NDC, but this fails to address the real driver of emissions growth. The energy sector accounted for 78% of total GHG emissions in 2021.<sup>24</sup> While power sector emissions have plateaued in early 2010s, oil and gas industry's emissions have grown by over 1.5 times compared to 1990 level.<sup>25</sup> At the same time, IEA has been clear that to stay within the remit of the Paris Agreement, no further expansion of gas supply is acceptable.

Methane emissions have also grown dramatically over the last few decades, driven by oil and gas production. Azerbaijan has signed the Global Methane Pledge, but the government has not adopted a national methane strategy or reported on its progress.<sup>26</sup> At the same time a recent study by Global Witness reported a surging flare rate at several oil and gas facilities in the country.<sup>27,28</sup>

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<sup>22</sup> Our World in Data, **Azerbaijan CO2 Country Profile**, last accessed 6 August 2023

<sup>23</sup> See IEA, 2023, **Greenhouse Gas Emissions from Energy Data Explorer – Data Tools - IEA**, IEA, Azerbaijan, **Azerbaijan - Countries & Regions - IEA**, last accessed 16 July 2024, European Commission, 2023, **EDGAR - The Emissions Database for Global Atmospheric Research (europa.eu)**

<sup>24</sup> This includes emissions from electricity/heat, manufacturing/construction, transportation, buildings, other fuel combustion, and fugitive emissions, see Climatewatch, **Data Explorer | Climate Watch (climatewatchdata.org)**, last accessed on 20 September 2024

<sup>25</sup> 2024 IEA, 2023, **Greenhouse Gas Emissions from Energy Data Explorer – Data Tools - IEA**, IEA, Azerbaijan, **Azerbaijan - Countries & Regions - IEA**, last accessed 16 July 2024

<sup>26</sup> SOCAR, 2021, **Sustainable development reports (socar.az)**

<sup>27</sup> Global Witness, 29 July 2024, **COP29 host Azerbaijan failing to report ever-growing methane emissions**

<sup>28</sup> Civil society organisations are calling on Azerbaijan to phase out its oil and gas extraction by 2045 at the latest to meet the 1.5°C target, based on global equity principles.



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Improving reporting and transparency will be essential to hold Azerbaijan's NOC accountable for progress reducing emissions and ensuring its compliance with the emissions reporting requirements of its largest gas market, the EU.

In short, though Azerbaijan has taken some positive steps forward, including developing a renewables capacity pipeline and joining international emissions reduction initiatives, further signals are necessary ahead of COP29. These include transparent reporting on carbon and methane emissions reduction progress, a commitment to more ambitious renewables targets to reflect the real project pipeline and a commitment to end further expansion of oil and gas production in line with the Paris Agreement targets.

## EU's role

As one of Azerbaijan's key international partners and its biggest export market, the EU could offer a variety of economic incentives and diplomacy tools to support both Azerbaijan's COP29 Presidency and its economy wide and energy systems transformation in line with the global climate targets. Crucially, the EU should clearly communicate its declining oil and gas demand trajectory to help provide planning certainty both to the investors and Azerbaijan's oil and gas industry and avoid creating stranded assets.

As such, the EU should support Azerbaijan in submitting a NDC that includes a phase out date for fossil fuel use with clear sectoral pathways, a commitment to stop further expansion of fossil fuel production, supported by transparent and regular reporting mechanisms.

Azerbaijan is one of the key countries in EU's neighbourhood policy and as such has been part of the EU4Energy initiative and the fund of Eastern Europe Energy Efficiency and Environment Partnership (E5P). Azerbaijan is also part of the EU4Climate Project which is implemented by the UNDP and provides support for the implementation of NDCs and emissions monitoring, reporting and verification.<sup>29</sup>

Despite these being promising tools, there have not been any updates on the existing workstreams since 2022, indicating the need to revitalise the partnership, linking this to support for a more ambitious updated NDC. A revamped EU-Azerbaijan energy and climate partnership should be agreed and

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<sup>29</sup> EU4Climate, [Home Page - EU4Climate](#), last accessed 27 August 2024



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co-owned at the highest political level, reflect shared economic interests and be mutually beneficial to both partners' strategic interests.<sup>30</sup>

## Conclusion

Azerbaijan's heavy reliance on fossil fuels both in trade and domestically is unsustainable. The country's plan to expand gas exports risks locking-in fossil fuel production and creating stranded assets, given the EU's falling gas demand, and slowing down its economic diversification. The country has an opportunity to decarbonise its energy sector and transform its economy by building on its vast wind and solar power potential. Azerbaijan has taken the first steps with international investment in renewables increasing and more than 5GW of projects in the pipeline until 2030.

However, Azerbaijan's continued focus on exploiting its fossil fuel resources and the rigid structure of its NOC SOCAR, do not match its potential. Its COP29 Presidency offers Azerbaijan a unique opportunity to champion the transition away from fossil fuel production and use. This will however require a more ambitious NDC, and a sound economic diversification plan which also accounts for projected climate change impacts.

## Recommendations for Azerbaijan

- 1. Submit a 2035 NDC with more ambitious domestic targets** including:
  - (1) a 1.5°C-aligned net zero by mid-century emissions reduction target, including sectoral targets;
  - (2) a target for the rollout of renewables higher than the 5GW of renewable capacity in the pipeline until 2030;
  - (3) exclude any further exploration and expansion of fossil fuel infrastructure and set out a clear timeline for phasing out production.
- 2. Show leadership to other fossil fuel producing countries** by kickstarting a producer-consumer dialogue on support mechanisms to transition away from fossil fuels, particularly for vulnerable producers.
- 3. Take immediate steps to fulfil and report the progress on delivery of its commitments to reduce CO<sub>2</sub> and methane emissions** from production under the framework of the Global Methane Pledge.

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<sup>30</sup> E3G, 14 March 2024, [EU Clean Transition Partnerships with Emerging Economies](#)





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It will be crucial for SOCAR to regularly report the emissions transparently so progress can be assessed and verified. As part of this, SOCAR should join the OGMP 2.0 as announced.

- 4. Prioritise renewables rollout rather than gas expansion**, considering EU's projected gas demand decline, to avoid additional stranded assets and align economic development with the goals of the Paris Agreement.

It will be essential to prioritise the decarbonisation of its domestic energy mix before exporting renewable electricity or carriers. SOCAR as the key domestic player on this should come forward with plausible diversification plans with renewable energy buildout at their core, to support the country's decarbonisation and economic transformation.

- 5. Set out a clear action plan for its energy transition and the diversification of its economy.** The Ministry of Energy and SOFAZ should use existing fossil fuel revenue to speed up plans for its domestic energy and economy-wide transition.

## Recommendations for EU and main oil and gas importing member states, notably Italy

- 1. Clearly communicate its gas demand reduction trajectory and future gas needs** to make sure Azerbaijan's gas export planning is based on realistic scenarios and to avoid stranded assets for the country.
- 2. Initiate a consumer-producer dialogue on support mechanisms for producing countries**, especially vulnerable producers, to enable a just and equitable transition away from fossil fuels. Support Azerbaijan develop a proposal for a financial support package to help countries transition away from fossil fuel production.
- 3. Broaden the EU-Azerbaijan partnership by exploring new cooperation areas beyond gas.** In particular, expand the EU-Azerbaijan partnership to include an industry partnership, aiming to develop supply and value chains for green goods and commodities and low-carbon exports.
- 4. Support Azerbaijan and SOCAR to reduce methane emissions intensity of gas and other exports**, encourage transparent reporting in line with its international commitments and support Azerbaijan to meet the requirements of the EU's methane regulation to enable mid-term access to EU markets.



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5. **Revitalise existing partnerships such as the EU4Climate partnership** to encourage Azerbaijan to develop an ambitious NDC aligned with limiting global warming to 1.5°C and operationalising the global transition away from fossil fuels.

## ANNEX

Table 1: Azerbaijan’s Energy Transition Targets

Commitment	Current ambition	Progress	1.5°C aligned ambition
<b>Greenhouse gas reduction</b>	<ul style="list-style-type: none"> <li>&gt; Reduce GHG emissions by 35% by 2030 and 40% by 2050, from 1990 levels</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Total GHG emissions reduced by 1.5% since 1990; since the lowest point in the late 90s the emissions have increased by ca. 40%<sup>31</sup></li> </ul>	<ul style="list-style-type: none"> <li>&gt; Ambition needs to be increased as economic recession in the 90s distorts it.</li> </ul>
<b>Methane emissions reduction</b>	<ul style="list-style-type: none"> <li>&gt; Reduce methane emissions by at least 30% by 2030 (Global Methane Pledge).</li> <li>&gt; SOCAR committed to net zero operations by 2050 and near-zero upstream methane emissions by 2030 (Oil and Gas Decarbonization Charter).</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Methane emissions in 2020 2.3 times higher than at the lowest point in 1994</li> <li>&gt; No official reporting since 2020, difficult to assess if any reduction took place</li> <li>&gt; No national methane strategy</li> <li>&gt; Reports suggest recent increase in flaring rates at several extraction sites<sup>32</sup></li> </ul>	<ul style="list-style-type: none"> <li>&gt; Azerbaijan and SOCAR need to better monitor, and transparently report methane emissions.</li> <li>&gt; Stop flaring at extraction sites</li> <li>&gt; Pass a national methane reduction strategy</li> </ul>

<sup>31</sup> EDGAR - The Emissions Database for Global Atmospheric Research (europa.eu)

<sup>32</sup> Global Witness, 29 July 2024, **COP29 host Azerbaijan failing to report ever-growing methane emissions**



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Commitment	Current ambition	Progress	1.5°C aligned ambition
<b>Renewables deployment</b>	<ul style="list-style-type: none"> <li>&gt; NDC goal of 30% of renewables capacity by 2030 (24% by 2026), requiring about 1.3GW of newly installed wind and solar</li> <li>&gt; Latest target announced 2GW of renewable energy capacity by 2027, and 5GW by 2030<sup>33</sup></li> </ul>	<ul style="list-style-type: none"> <li>&gt; Currently 20.3% renewables of total power capacity (from 16.5% capacity in 2022)<sup>34</sup>, closer to intermediate 2026 NDC target</li> <li>&gt; There are 5GW of solar and wind projects in the pipeline until 2030 and 10GW by 2040, largely at an MoU stage. Risk of not delivering the pipeline on time is high.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; NDC needs to increase its renewables deployments targets to replace fossil fuel power generation domestically. Matching at least the planned project pipeline would come close to today's total power generation capacity of 8GW.<sup>35</sup></li> <li>&gt; Ensure this can be delivered by: (1) setting clear time-bound plans to meet the targets, (2) reforming its regulatory framework to support the delivery, and (3) incentivising SOCAR to diversify its investments into renewables and embed renewable targets in company's diversification strategy.</li> </ul>
<b>Fossil fuel phaseout</b>	<ul style="list-style-type: none"> <li>&gt; No national commitments</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Plans to double gas exports to EU by at least 20bcm/year by 2027 (opening</li> </ul>	<ul style="list-style-type: none"> <li>&gt; A national transition plan to phase out (unabated) fossil fuel use within a timeline</li> </ul>

<sup>33</sup> President of the Republic of Azerbaijan, **Speech by Ilham Aliyev in the High Level Segment of the 15th Petersberg Climate Dialogue » Official web-site of President of Azerbaijan Republic**, 26 April 2024

<sup>34</sup> In 2024, 1.6GW hydropower, 66MW wind and 280MW of solar capacity, source: The Ministry of Energy of the Republic of Azerbaijan, **The Use of Renewable Energy Resources in Azerbaijan | Ministry of Energy of Azerbaijan (minenergy.gov.az)**, 06 March 2024

<sup>35</sup> The Republic of Azerbaijan, **Second NDC\_Azerbaijan\_ENG\_Final (1).pdf (unfccc.int)**, 2023

Commitment	Current ambition	Progress	1.5°C aligned ambition
		new fields and infrastructure).	aligned with the global 1.5°C trajectory. > National commitment to no new oil and gas exploration projects.

Table 2: Assessment of different economic diversification strategies for Azerbaijan

Diversification Strategy	Description	Progress
<b>Exporting green electricity</b>	<ul style="list-style-type: none"> <li>&gt; Export 4GW of electricity from Caspian offshore wind farms to Europe via the Black Sea.<sup>36</sup></li> <li>&gt; Will be the world's longest undersea electricity cable at 1,200 km long.</li> <li>&gt; Supported by EU Commission, Georgia, Hungary and Romania.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Feasibility is unclear with studies ongoing.</li> <li>&gt; Renewables should be prioritised for domestic transition.</li> </ul>
<b>Green hydrogen</b>	<ul style="list-style-type: none"> <li>&gt; Plans to produce 0.2Mt of low-carbon hydrogen by 2030 and 1Mt by 2040, with over half aimed for export.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Production cost projected to be lower than EU but distance to EU markets &amp; slow renewables rollout raise feasibility questions.</li> <li>&gt; Technology not available on a commercial scale till mid-2030s.</li> </ul>

<sup>36</sup> The project is supported by the European Commission as part of the strategic energy partnership. Georgia, Hungary, and Romania signed an agreement to build an undersea electricity line of 1,195km under the Black Sea. The project will not be commissioned before the end of 2030.



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		<ul style="list-style-type: none"> <li>&gt; The pace of renewable electricity capacity deployment so far highly insufficient to enable the targeted hydrogen production targets in time.</li> <li>&gt; Unclear over whether the decarbonisation of the domestic electricity use will be cannibalised by the green hydrogen projects aimed for exports.</li> </ul>
<b>Azerbaijan 2030</b>	<ul style="list-style-type: none"> <li>&gt; Azerbaijan’s national <b>priorities for social and economic development.</b></li> <li>&gt; Includes commitment to a clean environment and “green growth”.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Encourages clean energy deployment but very high-level, no sectoral targets, no actionable milestones or an implementation timeline.</li> </ul>
<b>SOFAZ fund</b>	<ul style="list-style-type: none"> <li>&gt; Established to facilitate investments in non-oil sector and futureproof Azerbaijan’s economy.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Lack of transparent structure</li> <li>&gt; No reporting on progress</li> </ul>
<b>Creating Green Zones</b>	<ul style="list-style-type: none"> <li>&gt; Plans to electrify the Nagorno-Karabakh region announced in 2021 as flagship government project to create a 100% emission-free Green Zone.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; No reported progress so far</li> </ul>
<b>Critical mineral mining</b>	<ul style="list-style-type: none"> <li>&gt; Plans to mine rich mineral deposits of gold, copper and</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Overall effect on the economy’s diversification is minimal as the mining sector is valued at \$0.2bn</li> </ul>



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	other critical minerals in Nagorno-Karabakh region to become a key supplier for Europe. <sup>37</sup>	(compared to \$36.7bn for crude oil and gas). > No progress on deploying national mining value chains so far
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## About E3G

E3G is an independent climate change think tank with a global outlook. We work on the frontier of the climate landscape, tackling the barriers and advancing the solutions to a safe climate. Our goal is to translate climate politics, economics and policies into action.

E3G builds broad-based coalitions to deliver a safe climate, working closely with like-minded partners in government, politics, civil society, science, the media, public interest foundations and elsewhere to leverage change.

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<sup>37</sup> The Export and Promotion Agency of Azerbaijan, [Mining | Invest in Azerbaijan](#), last accessed on 16 September 2024