SESSION II: THE ROLE OF NEW NATURAL GAS SUPPLIES TO EUROPE - SUPPORTING EFFECTIVE POLICIES AND APPROACHES FOR IMPROVING THE ENVIRONMENTAL FOOTPRINT

CATALYSING EFFORTS TO IMPROVE THE ENVIRONMENTAL FOOTPRINT IN THE OSCE REGION

Ali Shahbazov, Overseas Offices Section
Prague, September 12, 2019

- **Shift from coal to natural gas**: most efficient and quickest way to lower climate altering emissions and air pollution. Natural gas CO₂ emissions, compared to other fossil energy sources (less than half compared to coal, minus one third of oil and derivatives); low impact on air pollution.

- Natural gas is the most compatible baseload fuel for current renewables.

- However, EU indigenous gas production is declining and thus needs for gas imports have grown.

- Natural gas: 22 percent of the EU fuel mix; new supplies will enable Europe to diversify supply sources and thus secure use of gas. Today, many markets in Europe still rely on a single supplier of gas. However, EU indigenous gas production is declining and thus needs for new gas imports have grown.
• The Southern Gas Corridor is a key element in diversifying EU energy supplies. Together with LNG imports, it will ensure balanced choice of suppliers in all EU markets.

• SGC should greatly enhance Southern Europe's energy security and enable a significant shift from coal-based power generation to the use of natural gas, as well as to serve as a baseload fuel for renewable power generation.

• Azerbaijan proved being a reliable gas supplier and we are proud to extend such a status up to the European energy market and of our partnership with Europe.

• We have initiated SGC in order to serve as a major gas supplier to Europe, but also to deepen our ties with Europe. Last decade saw unprecedented investments in the gas development and transportation infrastructure in Azerbaijan in order to implement SGC to contribute to Europe’s energy security.
SGC has passed a number of major milestones:

Shah Deniz-2
- Total Program facilities progress is **93.0%** as of the end of July 2019.

South Caucasus Pipeline Expansion (SCPX)
- SCPX overall project progress is **100%** as of the end June 2019.

TANAP
- TANAP overall progress equals to circa **99.9%** as of the end July 2019.
- TANAP is operational and providing gas to the Turkish market. Commercial gas transportsations started on June 30, 2019, and are ongoing.

TAP
- Total actual offshore construction progress reached 44.9%.
- TAP overall progress is c **88.8%** as of the end of July 2019

- 3,500 km value chain - investment of approx. USD 40 bln
• TAP is currently near its completion, scheduled for the mid-2020. It is designed to provide alternative energy to Europe, given the expiry of long-term contracts with traditional suppliers.

• New infrastructure projects such as TAP are essential to enable the reduction in gas/energy prices for citizens and businesses, which can also ultimately result in energy prices becoming more competitive (not only along the route).

• TAP project uses no public funds, i.e. private investment, and complies with EIB/EBRD Environmental and social principles, guaranteeing a state of the art construction with no harm to society and environment.

• TAP, as a new route, is set to bring new gas supplies from Azerbaijan, is creating a secure gas resources for Europe and reducing the dependence on other existing suppliers.

• The establishment of a new transportation corridor between Azerbaijan and Europe will also serve to the political stability in the Caspian and contribute to the strengthening national security of Azerbaijan.

• The alternative gas from Azerbaijan will reach Europe via the Southern Gas Corridor in 2020.

• SGC is being built for the capacity far beyond initial 16 bcm. It can accommodate additional volumes of gas from the other gas producers. We planned SGC initially as a transportation infrastructure for all gas producers.

• Azerbaijan is ready to collaborate with new suppliers and ensure the access to the SGC infrastructure to bring additional volumes to the European market at the next stage.
• The Southern Gas Corridor is being built with advanced technology that permits gas to be produced and supplied with **few methane emissions**.

• The companies involved in the project are signatories to the [Methane Guiding Principles](#).

• SOCAR, one of the first national oil companies to join this agreement. **Also, SOCAR first company to end gas flaring in the Caspian region.**

• The construction of this pipeline will also have an important demonstration effect and set an industry standard regarding methane.

• **Azerbaijan will work together with other producing countries and with companies to make sure that not only gas arrives to Europe in a non-political manner, but also that its production and transportation have the lowest environmental impact possible.**