

## **AzR is on the threshold of difficulties**

**ARVAK center's comment, 10.02.2024**

According to *EADaily*, citing Azerbaijani sources, “*State Oil Fund of Azerbaijan has collapsed revenues*”.

In January 2024, State Oil Fund of Azerbaijan (SOFAZ) revenues from Azeri–Chirag–Gunashli (ACG–the Azerbaijan’s largest oil block) amounted to \$387.645.000, while, last January ACG revenues reached \$625 million. The difference is more than obvious.

According to international experts, the peak of production in all fields and the new indicators clearly show that every year the bulk of oil pumped out from the ACG is rapidly falling. If in 2022 this volume was 32.7 million tons, then in 2023 production fell to 30.2 million tons. According to the AzR Energy Ministry’s forecasts, in 2024 this figure will drop to 29.5 million tons, in 2025 – to 28.3 million tons, in 2026 – to 27.5 million tons, and in 2027 – up to 26.9 million tons of oil.

The above-mentioned actual and projected indicators show a steady decline in oil production in Azerbaijan, which will inevitably affect the revenues of the AzR Oil Fund, and consequently, incomes to the state budget and the country’s entire economy. Even at the dawn of the implementation of the so-called “Contract of the Century”, signed by Heydar Aliyev with international energy cartels in 1994, Azerbaijani politicians and expert circles convinced their society that the development of oil and gas fields would allow Azerbaijan, in addition to building a strong economy, to turn the oil fund into reliable financial “safety cushion” for the state, comparable in its assets to the Norwegian Oil Fund (Norwegian State Pension Fund) established in 1990. However, to date, the Norwegian fund has already accumulated capital in the amount of \$1 trillion, while the Azerbaijani SOFAZ was able to collect only \$40 to \$50 billion. The Norwegian budget is practically not tied to the Oil Fund, and the country’s economy is growing dynamically in a self-directing mode, without borrowing from the Fund (except for the “Covid” period of time), while the Azerbaijani economy and social sphere are constantly “stumbling” and is it is not possible keep them “afloat” without systematically draining of oil revenues from SOFAZ.

Inefficient economic management, widespread corruption in the state system and an authoritarian-clan model of governance contributed to the development of a practice of a systematic and unjustified waste of Azerbaijan's oil revenues by the state budget. Thus, the “Golden era” of oil wealth was missed by the country’s rulers, who failed to rid the AzR of “oil needle” and to build an effective economy not directly depended on hydrocarbon exports, its volumes and international prices.

At the same time, I. Aliyev is aware of the dangers threatening the country's economy, and, consequently, the prospects for his regime, soon, as evidenced by the indicators of almost zero economic growth over the past two or three years. It can be assumed that this is the reason for the haste of the Aliyev regime in the matter of strategic reformatting of the country's economy from the fossil sector to a logistics and transit priority, as well as a quick forceful solution of the Karabakh issue and imposing extraordinary presidential elections.

Perhaps, I. Aliyev is preparing for difficult times for himself and his country, but he is not telling the Azerbaijani society about this.