

**From:** Josh Holly  
**Sent:** Wednesday, October 25, 2017 2:02 PM  
**To:** Josh Holly  
**Subject:** Azerbaijan is Key to Europe's Energy Security

Hope my note finds you well. I thought you might be interested in the below article, which discusses the importance of a recently-struck agreement between a consortium of oil companies, including Azerbaijan's state energy company SOCAR, that will bring much needed energy security to western Europe and reduce dependence on Russian oil and gas.

Please let me know if you have any questions.

Thanks,

-Josh

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**Commentary: Azerbaijan is key to Europe's energy security**

Houston Chronicle

By: Art McHaffie

October 24, 2017

When I first arrived in Azerbaijan in November 1994, assigned by the U.S. oil company Amoco Corporation to a joint venture consortium, signs of economic crisis were everywhere. Grocery store shelves were bare. Infrastructure was in decay after years of neglect under Soviet rule.

Now, more than 20 years later, Azerbaijan and its capital Baku are hubs of economic activity, providing the West with a reliable trade and energy ally in an uncertain region. The country's oil and gas industry has largely driven its transformation and growth.

In the mid-1990s, after restoring domestic order and forging a ceasefire with Armenia, then-Azerbaijani President Heydar Aliyev made oil a national priority. Amoco and nine other companies joined with Azerbaijan's state energy company, SOCAR, in a billion-dollar bet to develop oil in the Caspian Sea. At the time, this deal was referred to as the "contract of the century," bringing economic potential to Azerbaijan and the region.

Last month, the consortium partners of the original agreement expanded and renewed their collaboration for another 25 years. The original deal helped Azerbaijan prosper. Today's deal will offer Europe long-term energy security.

Western Europe is dependent on Russian oil and gas. Russian state-owned Gazprom supplies more than one-third of the energy needs of the UK, Spain, Germany and many other EU nations. But Russia is an unpredictable partner. President Vladimir Putin has demonstrated that he will weaponize Gazprom if it suits his political needs, or satisfies his personal grudges.

Once in 2006, and again during the bitterly cold winter in January 2009, Gazprom turned off its energy pipeline, freezing gas exports to Europe for several days over a pricing dispute with Ukraine. The 2009 cutoff halted 60 percent of Europe's gas supply and darkened homes, hospitals and businesses. In 2014, after Russia illegally seized Crimea, Moscow used Gazprom to further manipulate Ukraine and cut off energy supplies to that nation for a time.

The punitive nature of Russia's regime and its manipulation of access to its oil and gas puts Europe and the safety of its citizens at risk. It is critical that Europe diversify its energy resources and engage multiple sources and modes of delivery. The latest deal, signed in September and anchored by Azerbaijan, assures both.

In addition to SOCAR, the consortium now includes BP (which bought Amoco in 1998) from the U.K., ExxonMobil and Chevron from the U.S.; Inpex and Itochu from Japan; Statoil from Norway, TPAO from Turkey and ONGC Videsh from India.

The consortium operates in the Caspian Sea's Azeri-Chirag-Guneshli (ACG) field, about 75 miles off the coast of Azerbaijan, the largest source of the country's oil production. Azerbaijan's bountiful Caspian fields were untapped during the Soviet occupation because the USSR lacked the required capital and deep-water technology.

Since the contract of the century was signed, the ACG field has produced about three billion barrels of oil along with associated natural gas.

When the first deal was signed, former President Aliyev set the ambitious goal of initial oil production within three years. There was much to be done. Infrastructure needed to be fixed, an existing Soviet-era offshore platform had to be rebuilt and outfitted with modern production facilities, a pipeline had to be laid to shore and a terminal to receive the oil had to be built. In addition, a pipeline to the Black Sea port of Supsa, Georgia, had to be constructed and an existing pipeline to Russia needed refurbishing.

All of us connected with the project logged endless work weeks to overcome the many obstacles. It was indeed a billion-dollar experiment because we would have to spend that much to prove that Western companies could operate in this post-Soviet country.

President Aliyev made it clear that our project was a top priority for his country. Senior representatives of the Azerbaijani government and SOCAR removed barriers and helped us in every regard. Azerbaijan negotiated crucial transmission agreements with then-Georgian President Eduard Shevernadze and then-Russian President Boris Yeltsin.

The success of the first billion-dollar oil project paved the way for additional tens of billions of dollars in investments by Western oil companies. With the guidance of current Azerbaijani President Ilham Aliyev, many additional projects followed the initial contract, including the full-field development of the ACG complex, the Baku-Tbilisi-Ceyhan main export pipeline to the Mediterranean Sea, development of the

giant Shah Deniz natural gas field and the construction of the Northern Gas Corridor to transport natural gas from Azerbaijan to Europe.

President Ilham Aliyev also led the renegotiation of the latest deal. Under it, the consortium partners will pay Azerbaijan \$3.6 billion and SOCAR's stake will increase. It's a good deal for Azerbaijan and a great deal for Europe.

The contract of the past century helped Azerbaijan achieve wealth and prosperity that was barely imaginable when I arrived in 1994.

The contract of this century will help Europeans sleep a little easier on cold winter nights, knowing they are not completely dependent on a unilateral, arbitrary Kremlin for their energy needs.