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Baku Will Bank on Gas Ahead of Oil

By The Moscow Times

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BAKU — Azeri oil output will grow less than a tenth over the next decade, after more than tripling since 2000, and new discoveries suggest that the country will put more emphasis on natural gas exploration and exports.

Vitaly Bailarbayov, deputy vice president at state energy firm SOCAR, told Reuters in an interview this week that the country aims to export some 70 percent of its gas output. "We will be producing 50-55 [billion cubic meters] of gas per year by 2025 and 70 percent of that volume will be exported," Bailarbayov said.

Such exports would represent more than double current shipments and would be enough to cover the present gas consumption of a country like France. Azerbaijan's gas output rose 11 percent in 2010 year on year to 26.2 bcm from 23.6 bcm in 2009.

The country plans to produce 28 bcm to 29 bcm of gas this year with the bulk of sales going to Turkey and Russia.

It hopes to increase sales substantially when the EU-backed Nabucco pipeline is built to link Caspian fields with southern Europe and help lessen dependence on Russian gas.

The country's total gas reserves are estimated at 3 trillion to 5 trillion cubic meters.

Its biggest gas deposit is Shah Deniz, which is being developed by BP and Statoil as well as SOCAR and some others. It is estimated to contain 1.2 tcm of gas. Production was launched in 2006, and the second phase is expected to start by 2017.

In November 2010 Azerbaijan said it had found at least 200 bcm of gas at the Umid field in the Caspian Sea, describing it as the largest discovery since the giant Shah Deniz.

Bailarbayov said production at Umid is expected to start by 2020 and could contain 300 bcm to 400 bcm of gas and about 50 million tons of condensate. "These are our modest estimates," he said.

Azerbaijan became a significant oil player with production exceeding a landmark level of 1 million barrels per day in 2009 with its largest oil project, known as ACG, or Azeri-Chirag-Guneshli, which is being developed by an international group led by BP.

The project is the main source of crude for the pipeline to the Turkish Mediterranean port of Ceyhan via Georgia.

"[The oil production] plateau in a range of 50-55 million tons will be maintained in the coming years, and we do not expect any decline in oil production," Bailarbayov said.

"Oil production in Azerbaijan will be rising — but, of course, not at the speed that gas production is expected to be boosted," Bailarbayov said.

The European Union-backed Nabucco pipeline project and the planned Interconnector Turkey-Greece-Italy link should be combined to reach more markets, said Elshad Nassirov, a vice president at Azerbaijan's SOCAR, Bloomberg reported.
"Diversification of all the markets, Central and Eastern Europe and the Balkans and Greece and Italy. It would be more interesting to us," Nassirov said.

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