

Testimony
of H.E. Mr. Yashar Aliyev
Ambassador of the Republic of Azerbaijan
to the United States

“Pipeline Politics: Achieving Energy Security in the OSCE Region”
Commission on Security and Cooperation in Europe
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Distinguished Mr. Chairman,
Distinguished Members of the Commission,

Azerbaijan is one of the oldest oil producing countries in the world. Oil extraction in Azerbaijan dates back to between the 7-6 centuries B.C. In 1848 the world’s first on-shore oil-well was industrially drilled in Baku. It happened 11 years before Pennsylvania’s oil boom. Remarkably, a century later in 1949, the world’s first off-shore oil-well was also drilled in Azerbaijan.

After regaining its independence, Azerbaijan was facing numerous problems emanating from the disruption of traditional economic ties within the once single economy of USSR. While struggling to overcome the difficulties, Azerbaijan has steadily pursued an independent energy policy. Under the leadership of the late President Heydar Aliyev the Government developed the national energy strategy, which envisioned the diversification of export routes for Caspian oil through the construction of new pipelines.

In implementing its energy strategy, Azerbaijan has always received strong political support from the United States. Without US assistance it would have been impossible to complete within a relatively short period of time several pipeline mega-projects in the region.

Today, as the Baku-Tbilisi-Ceyhan (BTC) oil-pipeline and the Baku-Tbilisi-Erzurum (BTE) gas-pipeline have become a reality, they now represent key elements of the oil and gas transportation system in the region.

In addition to its role as a large energy producer, Azerbaijan is also becoming an important transit hub for multimodal transportation of vast hydrocarbon resources of Central Asia to the world markets, and particularly the European markets, through the East-West Energy Corridor. Evidence of this emerging role is the June 2006 Agreement between Azerbaijan and Kazakhstan on transportation of Kazakh oil to international markets via Baku-Tbilisi-Ceyhan pipeline.

Diversification of transportation routes, as well as of energy suppliers and markets are key factors for ensuring the reliable and predictable supply and transit of oil and gas to European consumers. Existence of multiple transportation routes from a number of suppliers would also reduce a possibility of rising tensions over energy supply.

As the international community has witnessed in several cases over the last few years, supply chain disruptions can cause energy insecurity in European countries. Having signed in November 2006 an MOU with EU on Strategic partnership in the field of energy, Azerbaijan has proved its ability to be a reliable partner in ensuring predictability and transparency in energy supply, and in enhancing the European energy security both as a supplier and a transit country.

Along with that Kazakhstan and Turkmenistan can become important elements in ensuring the European energy security with Azerbaijan as a transitional hub for delivering the Central Asian hydrocarbons to the European markets via BTC and BTE pipelines. Meanwhile, if they would opt for other routes of transportation, Azerbaijan is in a position to fill BTC and BTE pipelines with its resources.

Azerbaijan and the United States productively cooperate in many areas. Azerbaijan is a staunch ally of the United States in the global war on terror. Economic cooperation has been recently elevated to the level of partnership. The 1st meeting of the bilateral Economic Partnership Commission in February this year was followed by the Energy Dialogue in last March, when our countries signed MOU on Energy Security. This MOU, as well as the MOU on Strategic partnership in the field of energy between Azerbaijan and EU represent important contributions to ensuring energy security in Europe.

Strengthening transparency and financial discipline in the energy sector constitutes a top priority for my Government. In order to manage oil revenues, maintain macroeconomic stability and finance implementation of strategically important social and infrastructure projects in the country, the Government of Azerbaijan has established the State Oil Fund.

In 2003 Azerbaijan joined the Extractive Industries Transparency Initiative (EITI) initiated by the United Kingdom. The State Oil Fund is the responsible organ for implementation of the EITI initiative.

In recognition of the activities of the State Oil Fund, the United Nations granted it the 2007 Public Service Award for “Improving transparency, accountability and responsiveness in the Public Service”. It is the highest global award of international recognition of excellence in public service. The State Oil Fund is the first government agency awarded the UN Public Service Award among the government institutions of the Eastern Europe and the Commonwealth of Independent States. Tomorrow this award will be presented to the Fund officials in Vienna.

Democratization is another crucial task for my Government in pursuing economic development. Being one of the most dynamically developing economies with increasing inflow of petrodollars, Azerbaijan is determined to steadily diversify its economy and pursue with reforms to strengthen its democracy, ensure protection of human rights, fight corruption, further independence of its court system, and ensure transparency and efficiency of state governance.

Azerbaijan is demonstrating openness of its economy and is promoting democracy and the rule of law in the country, as well as on the regional level.

The Second Summit of GUAM Organization for Democracy and Economic Development, which was successfully held in Baku just a week ago, is another manifestation of the

abovementioned commitments of my country, which assumed 1 year chairmanship in the organization.

In conclusion, distinguished Members of the Commission, I would call you to repeal Section 907 of FREEDOM Support Act that restricts US assistance to Azerbaijan. The Act does not comply with the spirit and level of bilateral relations of our countries and is for that reason annually waved by the President of the United States since 2002.

Thank you.