

GREENFIELD OIL AND GAS PROCESSING PROJECT: AZERBAIJANI PERMITTING

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Greenfield Project

- New development
- Multidisciplinary concept, most notably
 - investments (foreign investment)
 - sales
 - construction
 - software development
 - cellular networks
- Uses include development of industrial facilities

Greenfield Project

- Costlier than “brownfield”
 - work from scratch
 - control
 - commitment to market
 - no constraints
 - promoting business

Greenfield Projects in Azerbaijan

- Involves foreign (direct) investment (as sponsors and/or financiers)
- May vary by magnitude and importance
- Earlier examples premised on privatisation and are, therefore, mostly “brownfield” (e.g., Qaradag cement plant)
- Subsequently, upstream and oil and gas major pipeline developments, concentrated around transportation (highways, airports, and railway) and, in most cases, governed by special regimes
- Outside special regimes, required government support one way or another (for instance, guaranteed offtaking and prices)

Greenfield Projects in Azerbaijan

- As oil revenues flew in, no or limited foreign investment
- State is originator, owner, and sponsor
- Part exceptions are polypropylene and high-density polyethylene production plants
- Other examples are methanol plant and ammonia and urea complex
- All recent examples (excluding pipeline development and railway) are in oil and gas processing

Greenfield Project: Legal Regime

- Constitution
- International Agreements
- Codes:
 - Civil
 - Land
 - Town-Planning and Construction
 - Other

Greenfield Project: Legal Regime

- BOT (build-operate-transfer) law promulgated in April 2016
- Law on permits and licences promulgated next day with effect June 2016
- Further streamlining underway
- Energy, infrastructure, subsoil and other relevant legislation

Greenfield Project: Legal Regime

- Protection of investments
- Public procurement
- Antimonopoly and natural monopoly legislation
- Currency control
- Other

Greenfield Project: Legal Regime

- Regulations of authorities
- Charters of state-owned entities
- Updated licensing regulations
- Management of state property

Greenfield Project: Legal Regime

- Incentives
- Special regimes
- Export of oil and gas infrastructure
- Special economic zones
- Industrial and technological parks

Greenfield Project: General Legal Regime

- Stages
 - land allocation
 - typically, by Cabinet of Ministers
 - preparations to construction
 - engineering survey report is approved by Ministry of Emergencies (MoE)

Greenfield Project: General Legal Regime

- further sub-stages include opinions by:
 - State Committee for Urban Planning and Architecture
 - Ministry of Ecology and Natural Resources (MENR) opines on development
 - Ministry of Health
 - State Fire Control Service of MoE
 - utilities opine on development

Greenfield Project: General Legal Regime

- placement at site is agreed with architecture and city planning department of local executive authority
- construction passport is issued by local executive authority
- local executive authority approves commencement of design
- design is prepared by developer
- technical safety evaluation of design is prepared by expert institution and approved by Safety Control Agency

Greenfield Project: General Legal Regime

- construction permit
 - developer applies to local executive authority
 - consideration by local executive authority and reverting to and by applicant
 - local executive authority obtains opinions from relevant other authorities as well as expert evaluation of design
 - consideration by local executive authority
 - local executive authority issues construction permit

Greenfield Project: General Legal Regime

- construction
 - positive opinion of MENR on development (including financing) and imports
 - obtaining journal of state control of construction
 - permits for items with limited turnover

Greenfield Project: General Legal Regime

- commissioning
 - obtaining of certificate-passport
 - obtaining test certificates from utilities

Questions & Comments?

Thank you!