

# REGULATION OF DOWNSTREAM

**April 2019**

**BM Morrison Partners**

# Downstream

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- Refining of Petroleum Crude Oil
- Processing and Purifying of Raw Natural Gas
- Marketing and Distribution
- Focus Is on Refining and Processing

# Why Important

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- Significant Revision of Plans

- from developing single oil and gas processing complex to modernizing existing oil processing and developing gas processing and petrochemical

- changing legal landscape, structure philosophies, technology, and requirements

- recent updates on plans

# Revision of Plans

- Original Plan

- implementation during 2017-2020

- consisting of

- gas processing plant of 10 BCMA capacity

- refinery of 10 MTA capacity

- petrochemical plant (ethylene/propylene unit, HDPE, LLDPE, and others)

- power plant of 250 MW

# Revised Plans

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- Geographical Split, Reduction of Capacities
- Gas Processing Plant
  - same location and capacity
  - current stage: engineering presumably completed, moving to construction
  - expected in 2022

# Revised Plans – Continued

## □ Refinery

### □ upgrade of existing Heydar Aliyev Baku Oil Refinery

- AzarNeftYag (Azerneftiyag) merged into it in 2015, ceased to exist
- bitumen facilities commissioned December 2018 (AzarNeftYag's bitumen unit commissioned in 2000)
- close of November 2020 for Euro 5 diesel – 3 MTA
- close of February 2021 for Euro 5 gasoline – 2.2 MTA

# Revised Plans – Continued

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- Petrochemical Plant, Sumqayit Chemical Industrial Park (SCIP)
  - polypropylene (PP) 184,000 TA commissioned 2018
  - HDPE 120,000 TA commissioned 2019
  
- Power Plant?

# Structure-Driven Regimes

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- (Risk) Profiles of Participants
- State – Originator, Owner, and Sponsor
- Roles of Foreign Businesses
  - ▣ financing, typically, supported by State
  - ▣ contracting



# Legal Regime: Recap

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

# Legal Regime: Developments

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- BOT (build-operate-transfer) Law Effective April 2016
  - no practical developments
- Law on Permits and Licenses Effective June 2016
  - considerable improvement of regime

# Legal Regime: Developments – Continued

- Incentives
  - SMEs and Start-ups
    - regime introduced 2019 – probably, nothing for downstream
- Special Regimes
- Law of Alat Free Economic Zone Passed in 2018
  - status not clear
- Industrial and Technological Parks
  - petrochemical and SCIP

# Stages

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- Land Allocation
- Preparations to Construction
  - ▣ engineering survey
  - ▣ opinions

# Stages – Continued

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- ▣ placement at site
- ▣ construction passport issued
- ▣ commencement of design
- ▣ design preparation
- ▣ evaluation of design

# Stages – Continued

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- ▣ construction permit
- ▣ Construction
- ▣ Commissioning

# Operating

- Licenses
  - (production of gas and) processing of natural gas
  - transportation of gas
  - distribution of gas
  - processing of oil and oil products
  - transportation of oil and oil products by pipelines

# Operating – Continued

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- Oil and Gas Processing Still Reserved for State/State-Controlled Companies
- Exemption of Budget-Funded Enterprises from Licensing Removed in 2018



**THANK YOU**