

EEF.DEL/39/11
15 September 2011

ENGLISH
Original: RUSSIAN

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PROMOTION OF ALTERNATIVE AND RENEWABLE ENERGY OF
AZERBAIJAN, AT THE CONCLUDING MEETING OF THE 19th OSCE
ECONOMIC AND ENVIRONMENTAL FORUM**

Prague, 14 to 16 September 2011

**Promotion of common actions and co-operation in the OSCE area in the
fields of development of sustainable energy and transport**

**Panel debate I: Promotion of sustainable energy – the OSCE contribution and
follow-up ideas**

Esteemed Chairperson,
Ladies and gentleman,

Permit me to express our gratitude to the Government of the Czech Republic and the Secretariat of the OSCE as the organizers of this important Forum and to welcome all the participants.

In Azerbaijan the development of alternative energy is regulated at the State level. In 2004 the country adopted a State Programme for the Development of Alternative Energy. Since that time a number of laws have been enacted, and in 2009 a presidential decree created the State Agency for Alternative and Renewable Energy Sources.

It should be noted that although the Agency began operations as recently as in 2010, at the present time work is proceeding on a number of wind and solar energy projects. Only yesterday we witnessed the official opening and start-up of the first large-scale alternative energy project.

The capacity of this hybrid station, the first of its kind, amounts to 5.5 megawatts. The facility, which it is planned will produce wind, solar, biogas and geothermal energy, was built using funds appropriated from the national budget.

The station, in addition to ensuring the availability of stable and environmentally friendly electric power for a single city with a population of some 20,000 persons, will also serve as a test site for studying new technologies in this area and as a training centre for students of technical higher institutions of learning and for young scientists. All the necessary conditions have been put into place to that end.

As one of its priority areas of activity, the State Agency has selected the establishment of a legislative framework for the development of alternative energy in the country and the creation of favourable conditions for private enterprise.

Worldwide experience shows that alternative energy is being developed only in those countries where a sound legislative basis is in place and where the laws work effectively. At the same time, a whole range of related questions must be regulated by law, including environmental and economic issues as well as questions pertaining to the interrelationship between producers, suppliers and consumers. For these players we must create the most favourable conditions to encourage investment in this promising business, including exemption from customs duties, the drawing up of price schedules and a system of subsidies.

At the present time, several private companies have taken the decision to invest in wind energy. For example, construction work has just begun on two projects with an installed capacity of 50 megawatts each, for which such companies as Vestas and Fuhrländer have been called upon as wind energy equipment producers.

Another large project being carried out by a private firm has to do with the building of a plant to produce solar panels with an annual capacity of 25 megawatts and for the production of light-emitting diode lamps with an annual capacity of 7 million chips. This plant is expected to start operations in December 2011. The plant is being built in accordance with European standards, and the production equipment of German and Netherlands design has been awarded a European quality certificate, thus guaranteeing the quality of the items produced. It is noteworthy that this enterprise, in terms of its parameters and performance indicators, is also the first one of its kind in the post-Soviet space. We hope that over the next 10 to 15 years solar energy will become the primary source of alternative energy in Azerbaijan.

The State Agency has plans for the future manufacture of equipment for the production of biogas and biodiesel.

Considering the fact that the Absheron peninsula with the adjacent islands and coastal zone of the Caspian Sea is, from the point of view of wind energy, a highly promising region, it is intended that it should serve as the site for both onshore and offshore wind farms.

The German Development Bank KfW is participating in project financing for the development of local alternative energy sources. In turn, the Black Sea Trade and Development Bank has concluded a credit agreement worth 30 million euros with the Nordic Investment Bank for the funding of projects aimed at curbing emissions of greenhouse gases in the Caucasus region (including Azerbaijan), with these projects mainly concerned with renewable energy sources and increased energy efficiency and conservation.

In point of fact, the question of the protection of the environment and the creation of a greater potential for using alternative energy sources has been included in the list of priority development objectives in Azerbaijan for the years immediately ahead alongside such important strategic goals as the maintenance of macroeconomic stability, the pursuit of further diversification in the economy, the acceleration of industrialization, the development of industrial towns, the expanded use of intensive methods in the agrarian sector, the effective exploitation of the country's transit potential, the creation of greater opportunities for the use

of information and communication technologies, the more vigorous pursuit of activities in the area of innovation, etc.

To some degree this also explains the fact that the Agency for Alternative and Renewable Energy Sources under the Ministry of Industry and Energy of Azerbaijan is engaged in work to draw up a programme for the development of alternative and renewable energy sources to the year 2020.

Why is the question of the use of alternative energy sources so important for Azerbaijan? After all, it would seem that the hydrocarbon reserves in our country will enable all of us for many years to come to enjoy the gifts of nature.

However, we take the view that an approach of this kind to the question would be a superficial one for a number of reasons. The first of these reasons has to do with the fact that the rising cost and future depletion of its resources are forcing the world community to turn with increasing frequency to alternative energy sources. And, in the second place, the accident that occurred in 1986 at the Chernobyl nuclear power plant and that cost the lives of scores of thousands of persons and the natural disasters that struck the Japanese nuclear power station at Fukushima-1 have forced us to reflect. For it is no accident that, in the immediate wake of the Japanese disaster, Germany, Italy and Switzerland acted to discontinue the development of nuclear energy on the territory of their countries.

In the light of this fact we would note that if such countries, with their highly developed economies and considerable experience in the construction and operation of nuclear power stations, are displaying caution in this area, then certain States with weak or dependent economies, particularly in so densely populated a region as the South Caucasus, should give thought to this matter and not display such eagerness. To act otherwise, from the point of view of environmental and energy security, is in no way justified.

Accordingly, there should be no doubt that as traditional energy resources are depleted they will steadily become more expensive not only in Azerbaijan but also throughout the entire world. And we repeat: the exhaustion of the hydrocarbon reserves is giving rise to a significant threat to the present world economy, which satisfies the overwhelming majority of its energy needs by drawing on petroleum and gas. This is why, recognizing that threat, scientists and engineers are actively working to find alternative sources of energy.