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SOCAR – Azerbaijan’s Fossil Fuel Proxy



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EXECUTIVE SUMMARY

The climate emergency is escalating quickly, as the extreme weather events in 2024 keep demonstrating. From heatwaves across South East Asia to severe floods from Kenya to Brazil, communities around the world are paying the price with their health, homes and livelihoods. The need for effective climate action is stark.

Yet Azerbaijan – a major exporter of oil and gas – is hosting this year’s United Nations Climate Change Conference, also known as COP29. Azerbaijan is set to boost its gas production by a third over the next decade. The European Commission recently signed an agreement with Azerbaijan to double the country’s gas exports to the EU by 2027, turning a blind eye to its corruption and abysmal human rights record.

Azerbaijan’s state oil company, SOCAR, produced nearly 174 million barrels of oil equivalent (mboe) in 2023 and spent at least 97 percent of its Capital Expenditure (CAPEX) on oil and gas. According to Rystad Energy, SOCAR’s CAPEX for exploration alone – the search for new sources of oil and gas – was almost \$300 million between 2022-2024 on top of exploiting existing reserves. This underscores an alarming conflict of interest. SOCAR is a deeply political organization and the Azerbaijani President’s ties to the company are a major cause for concern.

Research by the Banking on Climate Chaos Coalition shows that SOCAR has received over \$6.8 billion in loans and underwriting from financial institutions between 2021 and 2023. JPMorgan Chase and Citigroup top the list, providing \$1.8 billion and \$1 billion respectively, while Japanese banks like Mitsubishi UFJ Financial and Mizuho Financial have contributed hundreds of millions of dollars.

SOCAR’s newly founded subsidiary SOCAR Green is supposed to invest in wind, solar, green hydrogen and CCS. But instead of indicating a transition away from fossil fuels, whatever projects might be realized will mainly serve the purpose to free gas resources for export.

Azerbaijan is ruled by one of the world’s most corrupt and repressive regimes. It has a longstanding record of violently cracking down on free speech and peaceful assembly. A number of legislative amendments have been adopted in recent years that restrict the work of human rights defenders and put their activities under strict governmental control. Around 300 political prisoners are currently incarcerated under the Aliyev regime. Following last year’s fighting in Nagorno-Karabakh, dozens of Armenian prisoners remain in Azerbaijani custody, with over 80 Armenian soldiers and civilians still missing. Additionally, Azerbaijan has held eight former military and political leaders of Artsakh captive since September 2023.

Allowing a country to host an international conference on climate justice whilst actively repressing climate activists and dismantling local civil society undermines the integrity of the summit itself. It also raises concerns about whose interests will be seen and heard during the negotiations, and whether there will be genuine efforts to transition away from fossil fuels.

The Azerbaijani government’s attempt to hide its cronyism and human rights record behind a global climate summit has been blasted as blatant greenwashing. The COP climate summits represent the only opportunity for world leaders to come to an agreement on solutions to tackle climate change. It is crucial that those who host the negotiations are true climate leaders, not those with a vested interest in keeping the world hooked on fossil fuels.

INTRODUCTION

On November 11th, 2024, Azerbaijan will host the UN COP29 summit in its capital Baku over two weeks.¹

COP29 is a crucial moment for countries to set more ambitious emissions reduction targets. Under the Paris Agreement, countries pledged to submit stronger national climate commitments (known as “nationally determined

contributions,” or NDCs) every five years. The next round of NDCs is due mere months after COP29. This makes the UN summit in Baku the last major opportunity to set clear expectations for this next generation of NDCs.² Dubbed the “finance COP”, a key theme of COP29 will be dramatically scaling up every country’s climate ambitions – and finding the necessary funds to pay for them.³

AZERBAIJAN’S COP29 PRESIDENCY: PUTTING THE FOX IN CHARGE OF THE HENHOUSE?

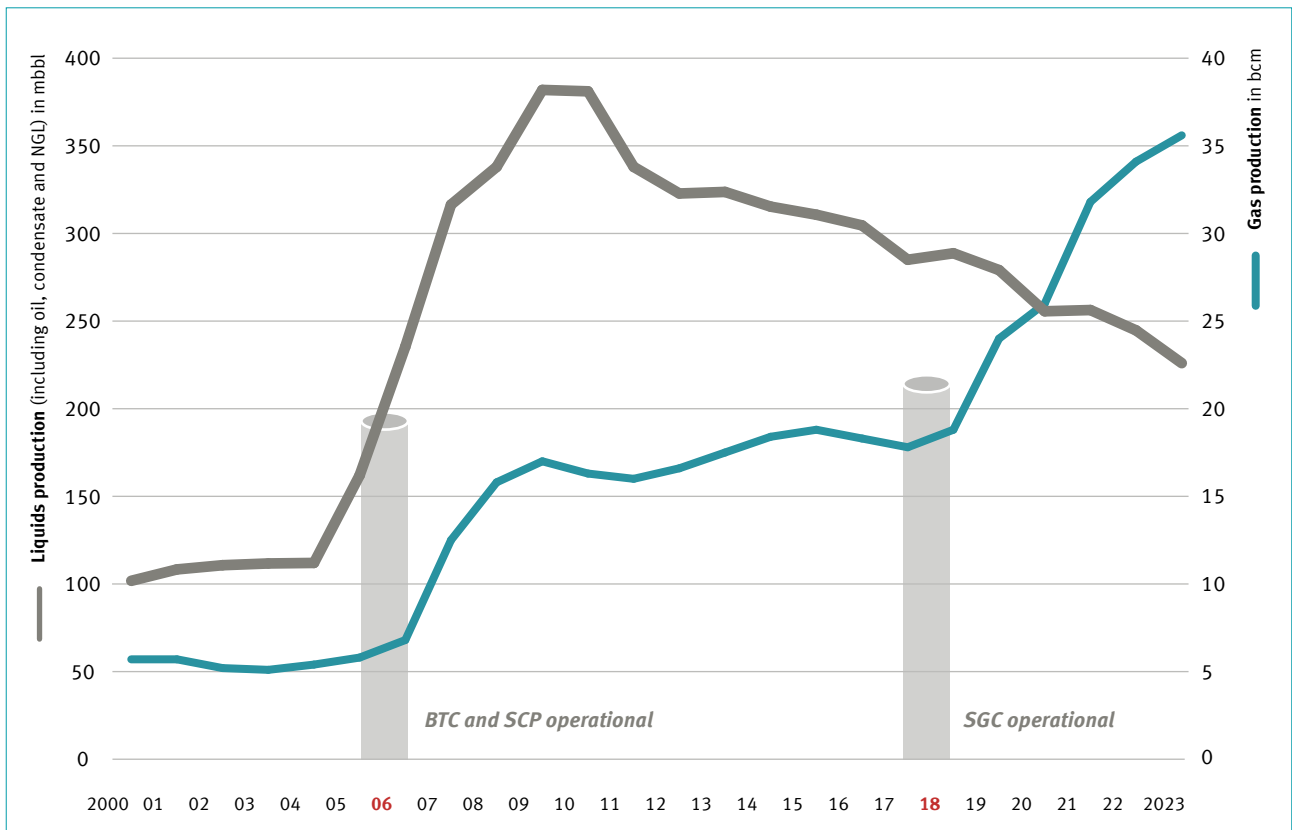
Azerbaijan’s fossil fuel industry is steeped in history, and oil and gas remain omnipresent across the country today. The country has earned the moniker “The Land of Fire” due to the naturally occurring fires produced by the sector’s gas leaks.

Azerbaijan produces less than 1% of the world’s oil and gas; it is not a significant fossil fuel producer globally. But its economy remains heavily dependent on the income

generated by the sector.⁴ Fossil fuels make up 90% of export revenues, 60% of state revenues and 30-50% of GDP, according to the International Energy Agency⁵.

To limit warming to 1.5° C, we need to reduce emissions by at least 43% by 2030 and at least 60% by 2035, according to the latest Intergovernmental Panel on Climate Change report.⁶ The level of action we need to prevent climate breakdown calls for the COP host country to demonstrate

Oil and Gas Production in Azerbaijan – reflecting infrastructure



Source: Rystad Energy UCube



Major pipelines bringing oil and gas from Azerbaijan to European markets
 Source: Company websites, CEE Bankwatch Network, GEM, Wikipedia

climate leadership ahead of the negotiations. However, Azerbaijan is doing quite the opposite. Whilst oil production in the country has been on the decline since 2010, the rise of gas production is uncurbed. Azerbaijan reportedly has enough gas for nearly 100 years and is exploiting more and more of it each year⁷, with sharp increases in 2007 and then again since 2019, showing the strong connection between transport infrastructure and production.

Production of gas increased considerably in the 2000s following the discovery of Shah Deniz – one of the world’s largest gas fields.⁸ The Baku Tbilisi Ceyhan (BTC) pipeline pumps condensate, a liquid hydrocarbon found in oil and gas, from Shah Deniz, and oil from the Azeri-Chirag-Deep-water Gunashli (ACG) field – the largest oil field in the Caspian Basin.⁹ At nearly 1,800 km long, the BTC pipeline spans three countries, running through Azerbaijan, Georgia and over 1,000 km through Turkey to the Ceyhan Marine Terminal.¹⁰

The pipeline is operated by BP, a majority shareholder in the pipeline alongside Azerbaijan (BTC) Limited and several other oil companies, including Eni and TotalEnergies.¹¹ The BTC pipeline runs in parallel to the South Caucasus Pipeline – also operated by BP – which transports gas from the Sangachal terminal near Baku to Erzurum in

the east of Turkey. The pipelines were constructed jointly and have been operational since late 2006, driving Azerbaijan’s surge in oil and gas production.¹²

Azerbaijan’s gas production upsurged again in 2018 with the opening of the Southern Gas Corridor (SGC). The SGC project included the full development of Shah Deniz gas-condensate field, the South Caucasus Pipeline Expansion, the Trans-Anatolian Pipeline and the Trans-Adriatic Pipeline projects. It involves several major energy companies including BP, SOCAR, Snam, Fluxys, Lukoil, Enagas.¹³

Azerbaijan is expected to extract 411 bcm of gas over the next 10 years, according to a Global Witness analysis of Rystad Energy data. This would emit 781 million tons of carbon dioxide – more than double the annual carbon emissions of the UK.¹⁴

The figures are based on an analysis of Azerbaijan’s current gas production, plus its resources approved for development, and those that have been discovered by oil and gas companies but have not yet been given the go-ahead. They suggest that the country’s annual gas production might rise from an estimated 37 bcm in 2024 to 49 bcm in 2033.

Geopolitical Interests and European Fossil Fuel Demand

European countries have historically been the main destination market for Azerbaijani oil and gas. The Southern Gas Corridor has been a priority project for the EU in order to diversify its gas supply sources.¹⁵ Support has also come from international public banks (World Bank, EIB, EBRD, ADB, AIIB), despite widespread concern from civil society that “the decision to channel such large amounts of money to Europe’s biggest fossil fuels project could exacerbate the already dismal human rights situation in both Azerbaijan and Turkey, and undermine the global efforts to tackle the climate crisis.”¹⁶

In 2022, in the wake of Russia’s invasion of Ukraine, the European Commission struck a new deal to double gas imports from Azerbaijan by 2027.¹⁷ However, energy experts question whether the EU will remain a major market for Azerbaijan’s gas exports over the longer term. While looking for new gas supplies in the short term, the war in Ukraine has also prompted the EU to fast-track its transition towards renewable energy sources.¹⁸ Its strategic energy plan, laid out in 2022, would halve overall gas demand in the bloc by 2030.¹⁹

.....
**“Having oil and gas deposits is not our fault.
It’s a gift from God.”**

*President Aliyev at the Petersberg Climate
Dialogue in Berlin 2024*

.....
Critics have raised the question why the Presidency of COP29 has yet again been awarded to a petrostate propped up by oil majors and one which is massively increasing its gas production.²⁰ Azerbaijan’s strong dependence on oil and gas raises questions about its ambition and leadership on climate action. The parallels to the appointment of Sultan Al Jaber to preside over last year’s COP28 climate negotiations in Dubai while still in his role as the chief executive of the Abu Dhabi National Oil Company are apparent. In November 2023, Sultan Al Jaber’s plans to discuss boosting fossil fuel business in bilateral meetings about the climate summit were exposed through leaked documents.²¹

In January 2024, the Azerbaijani government designated Mukhtar Babayev president of COP29, a former executive of the state oil and gas company SOCAR who has led Azerbaijan’s delegation to five previous COPs.²² Before becoming Azerbaijan’s ecology and natural resources minister in 2018, Babayev had built a 26-year career at SOCAR.²³

.....
**“For us in the Pacific, such words aren’t
just careless — they’re cruel. Our very homes
are at risk, and keeping our Pacific homes means
no fossil fuel expansion.”**

*Joseph Zane Sikulu, member of the Pacific Climate Warriors
and Pacific Director for climate campaign group 350.org, in
an open letter to Mukhtar Babayev, after the COP29 presi-
dent-designate visited Tonga. He demands leadership from the
COP presidency, which is clearly lacking due to their fossil fuel
expansion plans.²⁴ This is a clear statement from a citizen of a
Small Island State, which Azerbaijan claims to support.*

His COP appointment raises questions over the influence of fossil fuel companies on climate negotiations and casts doubt on the progress towards a fossil fuel phaseout.

Azerbaijan’s Climate Finance Action Fund

In July 2024, Azerbaijan launched the Climate Finance Action Fund in order to help developing countries cope with the effects of the climate crisis. The host country is seeking \$1 billion from fossil fuel producers for the international fund, with members committing “to transfer annual contributions as a fixed-sum or based on volume of production.”²⁵

The fund is intended to mobilize the private sector and to boost renewable energies, green industrial projects and help build resilience within the food and agriculture sector.²⁶

Whilst the fund will be capitalized with contributions from fossil-fuel-rich countries and companies, contributions to the fund will be voluntary and no mechanism could force the countries and companies most responsible for greenhouse gas emissions to pay into it.²⁷ This falls well short of the levy on fossil fuels that some campaigners have been calling for.²⁸

Money is needed for climate finance. However, there are concerns that the Climate Finance Action Fund legitimizes the continued extraction of fossil fuels, acting as a dangerous distraction from the strong new climate finance goal and national plans that COP29 must ensure for a fair, full and fast fossil fuel phase-out.²⁹ Or, as climate campaigners Oil Change International and 350.org stated in a letter to the Financial Times: “Funding climate action while expanding fossil fuels is like mopping the floor while turning the faucet.”³⁰

SOCAR: THE GOVERNMENT'S PROXY IN FOSSIL FUEL EXPANSION

Azerbaijan's oil and gas industry is dominated by SOCAR (the State Oil Company of the Azerbaijan Republic). It was formed in 1992 by newly-independent Azerbaijan as part of a wider development effort.³¹ The national oil company covers the entire value chain of oil and gas production, from exploration and drilling, through refining and processing, to marketing and sales. Upstream activities are focused on domestic operations, whilst its filling stations can be found across Azerbaijan, Georgia, Romania, Ukraine, Switzerland, and Turkey.³² In 2023, SOCAR generated 99% of its income from its oil and gas business, with its 2022 annual report mentioning only minimal operations in wind and solar energy.³³

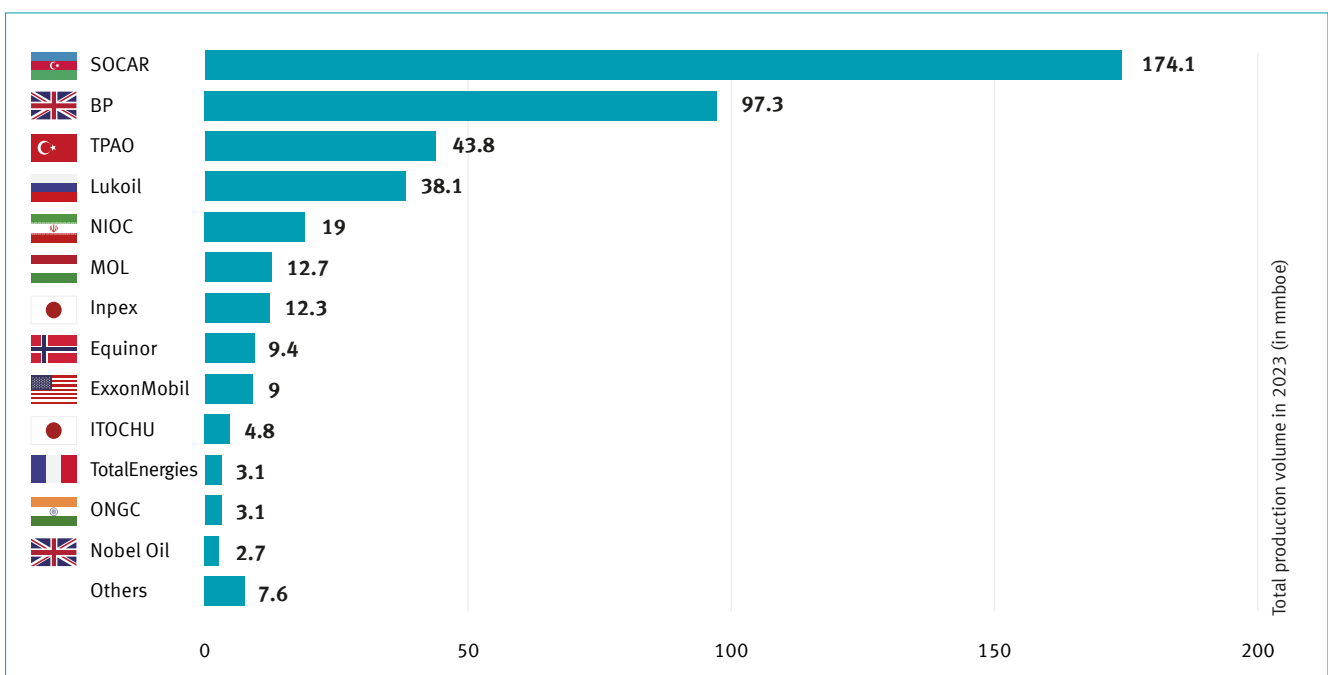
Global Witness reports that amid lasting concerns about corruption in Azerbaijan and the close proximity of private business people to the ruling elite, SOCAR remains a deeply political organization.³⁴ The Management Board of SOCAR consists of fourteen members appointed and dismissed by the President of Azerbaijan, who also names the president of the company.³⁵ The current President of Azerbaijan, Ilham Aliyev, was the Vice President of SOCAR before following his father Heydar's footsteps into government.³⁶

THE LAND OF FIRE: SOCAR'S PARTNERSHIPS WITH MAJOR GLOBAL PLAYERS

SOCAR has a stake in most domestic oil and gas projects, partnering with some of the world's biggest fossil fuel companies, as well as being involved in marketing the state's share of crude oil and gas.³⁷ The company shows no sign of slowing down its operations: In its 2022 an-

nual report, it names 38 'Production Sharing Agreements' (PSAs), which it signed with foreign oil companies. 21 of them cover the Azerbaijani border of the Caspian Sea, whilst 17 cover onshore areas. Half of the PSAs are currently being implemented (7 offshore and 12 onshore).³⁸

Production of oil and gas by company and volume in Azerbaijan, 2023



SOCAR dominated oil and gas production in Azerbaijan in 2023, producing almost twice as much as British major BP.
Source: Rystad Energy UCube

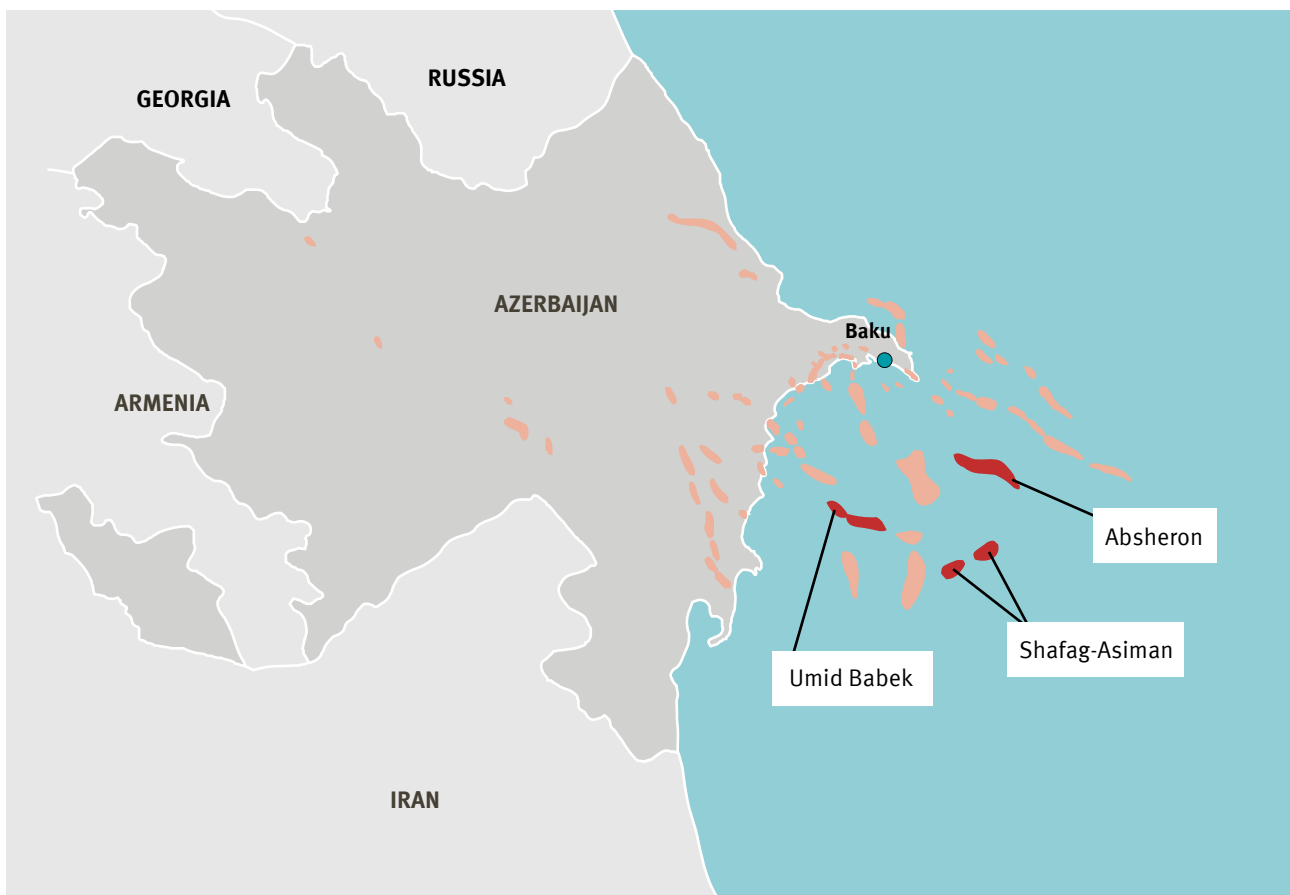
SOCAR'S OIL AND GAS EXPANSION

Containing global temperature rise to well below 2° C would require the world to keep a large proportion of existing fossil fuel reserves in the ground. Recent studies state that an estimated 60 percent of oil and gas reserves and 90 percent of known coal reserves should remain unused in order to limit global warming to 1.5° C, the Paris Agreement limit.³⁹

Yet SOCAR and its international partners are pouring hundreds of millions of dollars into continued extraction of fossil fuels from existing reserves. Following its agreement with the EU, Azerbaijan aims to raise gas exports to Europe by around 17 percent from current levels by 2026.⁴⁰

At least 97 percent of SOCAR's Capital Expenditure (CAPEX) goes into oil and gas.⁴¹ According to Rystad Energy, SOCAR's CAPEX for exploration alone – the search for new sources of oil and gas – was almost \$300 million between 2022-2024. The company is currently expanding its gas operations across the following sites:

- **Umid-Babek gas field**, located in the Caspian Sea, 75 km south of Baku. Umid was the first resource that SOCAR discovered post-independence from the Soviet Union. It is operated by the Umid-Babek Operating Company, a joint venture between SOCAR (80%) and Nobel Oil (20%).⁴² According to Rystad Energy, a final investment decision has been made to develop 486 million barrels of oil equivalent of gas (83 bcm) and 87 million barrels of gas condensate.
- **Absheron gas field**, located offshore, southeast of Baku.⁴³ In 2009, SOCAR and French multinational TotalEnergies signed an agreement on exploration, development and production sharing in the Absheron offshore block. An additional 4 million cubic meters of gas and 12,000 barrels of condensate per day are expected to be produced in the first phase of the project.⁴⁴ Rystad Energy estimates the resources at 690 million barrels of oil equivalent including 598 mmboc (95 bcm) of gas. SOCAR (35%), TotalEnergies (35%) and The Abu Dhabi National Oil Company (ADNOC), the state-owned oil company of the United Arab Emirates (30%), are all part of the project.⁴⁵



SOCAR's short term expansion gas fields; Source: SOCAR website

- **Shafag-Asiman gas field**, around 130 km southeast of Baku. According to Rystad Energy, the gas-condensate field is expected to hold 106 million barrels of oil equivalent consisting of 91 mmboe (16 bcm) of fossil gas and 15 mmboe of gas condensate. It is being developed jointly by SOCAR (50%) and BP (50%).⁴⁶

In addition, SOCAR has started production from five new wells in the Shah Deniz field, with a production capacity of 79 million cubic meters of fossil gas per day. The development is in partnership with BP.⁴⁷ BP has also committed

to long-term exploration aimed at extending the life of Azerbaijan's Chirag-Guneshli gas field at a cost of \$370 million.⁴⁸

Alongside its existing partnerships, in 2024 SOCAR signed agreements with Russian oil company Tatneft for oil extraction and petrochemicals development as well as with Kazakhstan's state oil company, KazMunayGas, to increase shipments of oil across Azerbaijan towards Turkey and Europe, and to partner on geological exploration in Kazakhstan.⁴⁹

CASPIAN UNDER THREAT

The Caspian Basin has been isolated for over two million years and hosts a unique ecosystem as a result. Over 400 species are endemic to the Caspian Sea, including the Caspian sturgeon and the Caspian seal. The vast river system and extensive wetlands attract millions of migrating birds and host a diverse range of flora and fauna. In a closed body of water, such as the Caspian Sea, oil spills are particularly perilous as there is no natural outlet for pollution.⁵⁰

The Caspian marine environment suffers from an enormous burden of pollution from oil extraction and refining, offshore oil fields, and huge volumes of untreated sewage and industrial waste, introduced mainly by the Volga River.⁵¹

There are real risks to people, as well as the sea's wildlife. The Caspian Sea has suffered numerous major oil spills, many of them in Azerbaijan's waters. As is known from studies of these and other spills, remediation is a long-term effort, and many organisms simply do not recover.⁵²

To make matters worse, Azerbaijan's fossil fuel industry operates largely in a black box: Public information is limited and assessments of development projects are only published in summary form. There is little space for independent environmental monitoring, and such work is extremely dangerous for those who attempt it. Therefore, it is very difficult for civil society and other stakeholders to ensure that companies and the government are held to adequate human rights and environmental standards.⁵³

THE BANKS BEHIND SOCAR

The global fossil fuel industry cannot exist without banks – they play a critical role in financing the climate crisis. Azerbaijan and SOCAR are no exception.

During a forum titled “COP29 and Green Vision for Azerbaijan” in April 2024, President Aliyev asked for investments

for the country to be able to reach its export targets.⁵⁴ Development banks, some of whom now have restrictions on fossil fuels finance, private banks and investors all play a role in financing. Research done for the Banking on Climate Chaos Coalition in May 2024, sheds some light on who has been financing SOCAR over the past three years.

Banks' lending and underwriting to SOCAR, in \$ million

Bank	2021	2022	2023	Grand Total
JPMorgan Chase	1,209	300	300	1,809
Citigroup	1,059			1,059
Mitsubishi UFJ Financial	307	76	78	461
Bank of America	287	76	78	441
Arab Petroleum Investments Corporation	252	86	90	429
ING Group	60	72	90	222
First Abu Dhabi Bank	40	71	90	201
Banque Cantonale de Genève	193			193
Federated Hermes	193			193
Mizuho Financial	40	45	90	175
Akbank	157			157
Crédit Agricole	60	47	49	156
Arab Banking Corporation (Bank ABC)	40	40	70	150
Raiffeisen Banking Group	40	45	46	131
Commercial Bank of Dubai	40	38	46	124
National Bank of Fujairah	40	37	38	115
Anadolubank	104			104
Banco Finantia Spain	104			104
Industrial and Commercial Bank of China	104			104
VTB Group	104			104
Al Ahli Bank of Kuwait (ABK)			91	91
UBAF Group	40	10	31	81
Abu Dhabi Investment Council		35	36	71
DZ Bank			41	41
Erste Group		10	31	41
Rabobank	40			40
Borak			31	31
National Bank of Ras Al-Khaimah			20	20
Total	4,509	987	1,348	6,844

Source: “BOCC+ 2024” dataset researched by the Banking on Climate Chaos Coalition (including Rainforest Action Network, Indigenous Environmental Network, BankTrack, CEED, Oil Change International, Reclaim Finance, Sierra Club, and Urgewald)

The annual investments differ significantly, with the biggest investments in 2021. US and Japanese banks hold up their reputation as fossil banks, occupying the first four spots, with JPMorgan Chase at the top, followed by Citibank. The presence of some Turkish banks like Anado-

lubank and Akbank is not surprising: Turkish subsidiaries of SOCAR such as Petkim Petrokimya Holding AS Total, a petrochemical company, or SOCAR Turkey Enerji AS, a gas company, are among the loan recipients.

SOCAR'S DECARBONIZATION TARGETS: SMOKE & MIRRORS

Azerbaijan has announced a target of a 40% reduction in its greenhouse gas emissions by 2050.⁵⁵ Given how central the fossil fuel industry is to Azerbaijan's economy, a significant part of this proposed reduction sits on SOCAR's shoulders.

SOCAR has several climate targets, including:⁵⁶

- Net-zero emissions by 2050
- Increase its share of renewable energy sources to 30% by 2030, in line with Azerbaijan's national energy objectives
- Zero routine flaring by 2030
- Zero methane emissions by 2035

The company's strategy only includes limited measures to reduce emissions, however, such as increased energy efficiency, and addressing methane leak and reducing flaring, in part through its signing at COP28 of the Oil & Gas Decarbonization Charter. The Charter is merely a voluntary pledge which aims to reduce the greenhouse gas pollution of 50 major oil and gas companies. It has come under criticism for not being aligned with the Paris Agreement's 1.5° C limit. Under the charter, companies could meet pledges on reducing carbon intensity and methane flaring, whilst maintaining levels of oil and gas production that are incompatible with climate goals.⁵⁷

An investigation by Global Witness found that gas flaring in Azerbaijan hit a decade high in 2023, with facilities involving SOCAR and its major commercial partner, BP, among the culprits. Gas flaring is the burning of the fossil gas associated with oil extraction. The method produces huge amounts of carbon dioxide and methane, the latter one of the most powerful greenhouse gases. The analysis of satellite data undertaken by Global Witness found the volume of gas flared at oil and gas installations in Azerbaijan had increased by 10.5 percent since 2018, the last year the country had reported its greenhouse gas emissions. Flaring increased at several facilities operated or owned by BP and SOCAR over that period, despite "numerous pledges" by both the companies and Azerbaijan to eliminate the practice from their oil and gas production by 2030.⁵⁸

The activity in Azerbaijan had "gone largely unnoticed" because the country "hasn't bothered to report its emissions in six years", according to Global Witness. Under

the Paris Agreement, countries are required to report their emissions data every two years.

Despite its climate targets, SOCAR has demonstrated no evidence of supporting just transition. Whilst it has a described 'low-carbon development strategy' for 2030, the company has not developed a credible plan to transition away from fossil fuels and shows little evidence of investing in alternative business models.⁵⁹

Impacts of gas flaring in Azerbaijan

Gas flaring is the process of burning fossil gas that is released during oil and gas production. In addition to contributing to the climate crisis, it can have major negative impacts on human health. The process releases a chemical called benzene into the air, which can give people who live nearby headaches, tremors and irregular heartbeat. Benzene can also cause cancer. Gas flaring also produces naphthalene, another likely carcinogen which can damage the eyes and the liver. Black soot from gas flaring can cause breathing difficulties, respiratory and heart disease as well as stroke.⁶⁰

The major victims of gas flaring in Azerbaijan are communities around the Sangachal terminal, owned by BP, SOCAR and Azertrans Ltd. BP has claimed that no major negative effects on air quality have been found, yet a report by Crude Accountability revealed that the villagers have reported breathing problems as well as illnesses in children and animals. The communities complained that the air they breathe is "thick with the smell of sulfur and gas" and likened the flaring to 'poison'.⁶¹ BP reports that it conducts regular air quality monitoring around the facility and that air pollution levels have stayed within acceptable limits. However, independent analysis conducted by Crude Accountability in 2019 shows significant levels of sulfur pollution.⁶²

Analysis by Global Witness found the Sangachal terminal had already flared nearly 40 million cubic meters of gas in the first half of 2024, putting it "comfortably on course for its highest annual flare rate ever."⁶³

SOCAR GREEN?

As it gears up to host the UN climate summit in November, Azerbaijan wants to present itself to the world from a new angle. Burnishing its clean energy credentials through its state-owned oil and gas company, SOCAR, is part of the plan.

At a board meeting at the end of December 2023, just a few weeks after Azerbaijan was appointed as COP29 host, SOCAR announced the creation of a green energy division called SOCAR Green. It promised investments in solar and wind projects, green hydrogen production, and carbon capture and storage. SOCAR's subsidiary would support the country's transition to renewable energy, declaring 2024 as the "Green World Solidarity Year" in the Republic of Azerbaijan.⁶⁴

SOCAR Green is partnering with Abu Dhabi green energy company, Masdar, as well as its main partner, BP, to develop a range of renewable projects, including in the so-called 'liberated' Zangilan and Jabrayil regions.⁶⁵

However, despite the rhetoric, climate scientists have questioned Azerbaijan's climate credentials as it prepares to host the COP29 summit. An increase in renewable energy production does not mean Azerbaijan is planning to leave its vast oil and gas reserves in the ground. In addition to selling its surplus, Azerbaijan is planning to extract more gas thanks, in part, to renewed investments from foreign fossil fuel giants like BP, France's TotalEnergies, Italy's Eni and Emirati oil giant ADNOC.⁶⁶

SOCAR Green gives the impression that the Azerbaijani government and SOCAR are slowly moving towards diversifying energy sources under the guise of mitigating climate change. However, this is predominantly being done to free gas for export. Any positive effect of increased renewable energy production on the climate is hugely undermined by SOCAR's relentless pursuit of fossil fuel expansion.

SOCAR'S ROLE IN CIRCUMVENTING EU SANCTIONS AGAINST RUSSIA

In July 2024, it was reported that an Azerbaijani-owned refinery in Turkey may have been pivotal in helping Russia circumvent international sanctions. The refinery, owned by STAR, is located in western Turkey. STAR is held jointly by the government of Azerbaijan and SOCAR.

Analysis of shipment data by Global Witness showed that in the first quarter of 2024 over 90 percent of the crude oil from which STAR made products like jet fuel, petroleum, and diesel came from Russia. Over the same period, STAR imported an estimated \$1.2 billion worth of Russian oil, compared with \$500 million during Q1/2022. During that

time, the EU imported over 1.2 million tons of oil products from STAR – more than 75 percent of the refinery's seaborne exports. This is up from 40 percent during the same period in 2022, when Russia invaded Ukraine. Such figures emphasize both how Russian crude has become increasingly important to STAR, as well as how the refinery has become increasingly important to Russia.

Global Witness criticized Azerbaijan and SOCAR, accusing them of undermining the EU's sanctions on Russian oil for their own profit by "stepping up imports of Russian blood oil to satisfy Europe's demand."⁶⁷

AZERBAIJAN'S IRON FIST

Governments can only mitigate the climate crisis through a meaningful partnership with individuals, vulnerable groups, environmental defenders, and civil society organizations. To this end, governments ought to enable rather than restrict rights and freedoms.

Yet the space for climate activists, environmental and human rights defenders in Azerbaijan has been steadily shrinking. According to human rights group Frontline Defenders, a number of legislative amendments have been adopted in recent years that restrict the work of human rights defenders and put their activities under strict governmental control. There is indication that Azerbaijan is “well on the road towards authoritarianism, seemingly adopting a Russian-style contempt of civil society.”⁶⁸

During previous years, COP host countries like Egypt, UAE and now Azerbaijan have scored low on the world’s leading indicator for public corruption, the Corruption Perceptions Index (CPI).⁶⁹ Azerbaijan was one of the worst performers of its region in the 2022 CPI due to widespread corruption in the country, crackdowns on rival politicians and the limiting of civic space.⁷⁰ There are serious limitations on the exercise of freedom of expression (including online), freedom of assembly and association. Despite mounting pressure from regional and international human rights bodies, the Azerbaijani government has failed to address any of the concerns raised. On the contrary, judicial harassment of journalists, editors and bloggers has been on the rise. Reports suggest an increasing use of surveillance by intelligence services on human rights defenders.⁷¹

The government is also well known for its cycle of wrongly imprisoning and pardoning individuals on politically motivated and bogus charges, including civil society and political party representatives.⁷² Gubad Ibadoghlu, a renowned political economist, civil activist and vocal critic of the government, was detained on July 23rd, 2023, on fabricated charges of the production, acquisition, or sale of counterfeit money by an organized group.⁷³ Human

rights defender and climate advocate Anar Mamadli was arrested on April 29th, 2024, on charges of conspiracy to unlawfully bring money into the country. If convicted, he faces up to eight years in prison.⁷⁴

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“COP29 lends legitimacy on the world stage to the government’s illegitimate imprisonment of my father. As his health has deteriorated to extreme levels, Western governments continue to meet weekly with their Azerbaijani counterparts regarding COP29. Meaningful progress on climate change cannot be achieved in a country where individuals like my father are imprisoned and tortured for speaking out.”⁷⁵

Ibad Bayramov, son of Gubad Ibadoghlu

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As a result of numerous waves of attacks on civil society and media, there are reportedly around 300 political prisoners currently incarcerated under the Aliyev regime. Freedom House ranks Azerbaijan amongst the least free countries in the world, below Russia and Belarus, whilst the country ranks 151st in Reporters Without Borders’ Press Freedom Index.⁷⁶

Human rights groups have repeatedly criticized Azerbaijan’s systemic torture and ill-treatment of prisoners.⁷⁷ The European Court of Human Rights has found that Azerbaijan has violated the European Convention of Human Rights or its protocols 263 times since 2001, including three times for torture and 30 times for inhuman and degrading treatment.⁷⁸

The Azerbaijani government’s hostility toward independent activism has led human rights groups to voice concerns about whether civil society groups will be able to participate meaningfully at COP29 and the extent to which environmental activism will take place in Azerbaijan following the negotiations.⁷⁹

HUMAN RIGHTS VIOLATIONS LINKED TO SOCAR

Since Aliyev succeeded his father in 2003, he has consolidated his presidential power through systemic corruption and cronyism. In 2016, the Panama Papers leak revealed how his family, advisers and allies have built an empire of wealth. They used a network of secretive companies in offshore tax havens, and acquired expensive overseas homes and positions in the country's valuable industries and natural resources.⁸⁰

SOCAR has played a central role in this cronyism: Investigations have revealed how hidden private interests have been inserted into its state business in deals that lack clear business rationale. Large deals with foreign companies are often struck with very little transparency, often closely linked to the political elite.⁸¹

It may come as no surprise that SOCAR, as the largest state-owned company in Azerbaijan, has itself been accused of human rights violations and abuses. In 2022, the Organization for the Protection of Oil Workers' Rights found numerous violations across the oil sector in Azerbaijan, including wage delays, workplace discrimination, illegal contract terminations, health and safety violations and environmental pollution.

Those who have publicly criticized SOCAR have faced consequences: the head of the Committee for the Protection of the Oilmen's Rights, Mirvari Gahramanli, was subjected to an online smear campaign in 2018 by pro-government media for criticizing SOCAR and, in particular, for her statements about the company's non-compliance with environmental standards.⁸² Azerbaijani journalist Afgan Mukhtarli, who had been investigating SOCAR, was even kidnapped in Georgia in May 2017 and afterwards imprisoned in Azerbaijan for 3 years.⁸³

In 2012, journalist Idrak Abbasov tried to film the hundreds of SOCAR employees illegally demolishing houses in the settlement of Sulutepe, on the outskirts of Baku where SOCAR wanted to develop an oilfield. He was beaten unconscious by SOCAR security guards, as was his brother Adalat Abbasov. A female journalist who was with them, Gunay Musayeva, was also assaulted. In 2020, the European Court of Human Rights found Azerbaijan responsible for Idrak's mistreatment.⁸⁴

Despite SOCAR's record of corruption and human rights violations, the fossil fuel company is poised to play a proactive role in hosting influential events and panels in the run up to the climate summit in November.⁸⁵

SOCAR'S ROLE IN THE KARABAKH CONFLICT

SOCAR as a state-owned enterprise represents not only the country's economic interests but also its broader political agenda.

The mountainous region of Nagorno-Karabakh has been the subject of a long-standing territorial dispute between Azerbaijan, in which it lies, and its ethnic Armenian majority, backed by neighboring Armenia.

In 1994, both countries agreed to a ceasefire, which, despite numerous violations, lasted until 2020. In the intervening years, no peace agreement was ever made and Azerbaijan used its oil and gas wealth to shift the balance of power. Nagorno-Karabakh remained under Armenian self-rule in the form of the unrecognized, self-proclaimed Republic Artsakh.

During what is known as the 44-day war in 2020, Azerbaijan attacked the Republic Artsakh, inhabited mostly

by ethnic Armenians, and (re)conquered territory lost during the First Nagorno-Karabakh War. After a nine-month blockade in 2023, it launched a short second offensive, seizing the remaining areas under Armenian control and forcing the native population to flee, leaving the region without an Armenian presence for the first time in over two millennia. Throughout this conflict, but in particular during the 44-day war, SOCAR actively supported Azerbaijan's military offensive through various posts on its social media platforms, such as X (formerly known as Twitter) and Facebook.⁸⁶ These posts, which promoted nationalist rhetoric and celebrated military successes, highlighted SOCAR's role not just as an economic player but also as an instrument of national propaganda. The public display of support sparked discussions in Switzerland, particularly in Geneva, where SOCAR's subsidiary, SOCAR Trading SA, is located.⁸⁷

SOCAR's public endorsement of the war even led to action from UEFA. In 2021, the governing football body dropped SOCAR's sponsorship of the Euro 2020 competition, quietly removing the company from its website.⁸⁸

Azerbaijan's military campaign was enabled by profits generated from oil and gas – predominantly through SOCAR. The income generated from these fossil fuels accounted for more than half of the country's budget during the year of the war. This financial backbone enabled Azerbaijan's military to acquire modern weaponry, particularly drones, from Israel and Turkey, significantly enhancing its combat capabilities.⁸⁹

SOCAR's involvement in the conflict extends beyond propaganda and financial contributions to the government budget. Across Europe and America, Azerbaijan has bribed various politicians to sway their statements and votes, and leading them to pass resolutions supporting Azerbaijan's position in its conflict with Armenia.⁹⁰ At times, these bribes have been facilitated through SOCAR, such as in the USA and Germany.⁹¹ Four politicians from Germany's CDU party attracted attention when they sent identical written letters to the German foreign minister, urging him to adopt a position more favorable to Azerbaijan in the Nagorno-Karabakh conflict. These letters were written directly with the Azerbaijani embassy.⁹²

AZERBAIJAN'S PRISONERS OF WAR

The international community has also voiced concerns over the ongoing illegal detention of Armenian prisoners of war, civilians, and government leaders by Azerbaijan.⁹³

In December 2023, Armenia agreed not to block Azerbaijan's candidacy to host COP29 as part of "a series of mutual goodwill gestures intended to promote reconciliation" between the two countries.⁹⁴ The following week, Azerbaijan released 32 Armenian military personnel, mostly captured in late 2020, whilst Armenia returned two Azerbaijani soldiers.⁹⁵

However, dozens of Armenian prisoners remain in Azerbaijani custody, with over 80 Armenian soldiers and civilians still missing. Additionally, Azerbaijan has held eight former military and political leaders of Artsakh captive since September 2023.⁹⁶ This includes de facto former presidents Arkadi Ghukasyan, Bako Sahakyan and Arayik Harutyunyan.⁹⁷ According to the Third Geneva Convention, to which Azerbaijan is a signatory, the release of prisoners of war and captured civilians upon the cessation of hostilities is required. Azerbaijan has still not fulfilled its international legal obligations.⁹⁸

In April this year, the UN Committee Against Torture stated that it was "alarmed by alleged extra-judicial killings, torture and ill-treatment of national and ethnic Armenians during armed conflict and anti-terrorism operations, and the perceived lack of investigations and prosecutions of these allegations". It also expressed concerns over the continued detention of 23 individuals of Armenian ethnic or national origin for terrorism and related offences. The Committee called for independent, impartial, transparent and effective investigations into the allegations of serious violations and urged that those responsible be brought to justice.⁹⁹

Now COP29 will take place in Azerbaijan while all political prisoners remain behind bars and all the missing persons still unaccounted for.

COP PRESIDENCY TROIKA: A TROJAN HORSE FOR FOSSIL FUELS?

In February 2024, past and future UN climate summit hosts the United Arab Emirates, Azerbaijan and Brazil announced that they were forming a ‘troika’ aimed at keeping alive the goal of limiting global warming to 1.5° C.¹⁰⁰

The Dubai agreement at COP28 mandated the three countries to work together on a roadmap to limit global warming to 1.5° C.¹⁰¹ In this agreement, for the first time in 28 years of negotiations, nearly 200 countries agreed to “transition away” from fossil fuels “in a just, orderly and equitable manner”. Countries arguing for a “phaseout” of fossil fuels met with resistance from a coalition of petro-states – including Saudi Arabia and Russia – who ensured that the text of the final pledge was diluted.¹⁰² In the absence of an explicit call for a “phaseout”, and with no legally binding document in play, the fossil fuel industry and its allies still have plenty of leeway to continue with business as usual.

Climate finance will again be a central theme at COP29 in Baku. Delegates are expected to agree on a New Collective Quantified Goal (NCQG) on climate finance – the most significant climate finance milestone since 2009 when developed countries jointly mobilized to raise \$100 billion a year by 2020 to address the needs of developing countries.¹⁰³ These targets are crucial for Global South countries that need financial support to implement the goals of the Paris Agreement and to adapt to climate change.¹⁰⁴

COP30 in Brazil will then focus on ensuring that countries’ individual commitments deliver ambitious climate action through their ‘Nationally Determined Contributions’ (NDCs), climate action plans that outline how countries will contribute to the Paris Agreement’s global temperature goals.¹⁰⁵

This is the official optimistic view on the collaboration between the three COP presidencies. The Troika has since sent two letters to UNFCCC parties calling for ambitious NDCs to keep the 1.5° C target within reach.¹⁰⁶

However, there is a less optimistic interpretation. These are three countries in charge of climate negotiations, and their governments are strongly interlinked with their state-owned oil and gas companies ADNOC, SOCAR, and Petrobras. In the UAE and Azerbaijan, the fossil fuel industry is the backbone of the economy. Both countries appointed managers of their national fossil fuel companies to chair the climate conference.

It remains to be seen what twists in favor of the status quo SOCAR’s Babayev can make during COP29 in Baku. The fossil fuel industry is leading climate negotiations for the second year in a row, and COP30’s prospects to shake off this conflict of interest are dim. The climate defenders among the parties of the conference and the civil society present at the COPs will have to work extra hard to make the final agreements strong enough to actually make a difference for our climate, our planet and its people.

CONCLUSIONS

Climate action is urgently needed. If taken seriously it entails the following elements:

- No expansion of fossil fuels.
- Paris-aligned phaseout of fossil fuels.
- Just transition to renewables, meaning wind and solar, that serve communities.
- The transition can only happen in a context that allows free speech and where human rights and environmental defenders are not threatened.

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October 2024

Published by:

urgewald e.V.

Von Galen Straße 4

D-48336 Sassenberg

Tel.: +49 2583 304920

www.urgewald.org

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Acknowledgements

Nils Bartsch, urgewald, Katrin Ganswindt, urgewald, Mateusz Pietrzela, urgewald,

Gligor Radečić, CEE Bankwatch Network, Ognyan Seizov, urgewald

Editing

Ali Hines

Ognyan Seizov, urgewald

Design: A. Rusch / dieprojektoren.de

Cover picture and source: IR Stone / iStock

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