

## Azerbaijan community microgrids

Azerbaijan is hosting COP 29 in November. With oil and gas being the foundations of its economy and foreign trade, what is its own position on renewables and the energy transition; what are its priorities; how might it try to steer the direction of this COP? This Insight explores these questions from a starting point of Azerbaijan's own energy characteristics.

While oil and gas production is critically important, there are several problem areas: oil output is on decline; it is not clear where the next tranche of significant gas production is to come from, and when. On renewables it is a late starter. It does have hydro capacity, but wind and solar have been an insignificant factor.

This is recognised by policy makers, and Gulf renewables developers Masdar and ACWA power have been brought in with multi-GW projects. There are signs of delivery; a large 230 MW solar plant came on-stream late last year. Azerbaijan has a target of 30% of capacity to be renewables by 2030, and delivering this does now seem to be a realistic possibility. The problem for Azerbaijan is that being a late starter, it has no renewables experience (apart from hydro): it has no manufacturing base and no depth of renewables management and maintenance skills to call upon.

These dynamics offer some pointers to the direction Azerbaijan might hope to take this COP. Focus is likely to be on financing the transition, development of green corridors, and also storage. Already this COP is being called "the Finance COP"

COP 29, which will be held in Baku between November 11-22, has been widely trailed as "the finance COP" and it is certainly true that decisions on how funding for mitigation and adaptation in the developing world is to be sourced and allocated will be fundamental to the success of the Conference. Although this is [&hellip;]

The following article is based on research conducted under the State Department's Title VIII Fellowship, for the Black Sea Program at MEI. During summer 2024, the author traveled to Baku and Karabakh and interviewed 15 policymakers from various government ministries, the private sector, academia, the parliament, and energy agencies.

As noted above, Azerbaijan's energy transition, particularly with support from the United States, can significantly contribute to guaranteeing a dependable energy supply to Europe, and neighboring Central Asia as well, while reducing the influence of Russia and Iran in Southeastern Europe, the South Caucasus, and Central Asia. Additionally, by working together, geopolitical linkages may be strengthened and a more robust and diverse transcontinental energy network may be promoted throughout the area.

This assistance improves relations with nations that uphold democratic and liberal economic principles while also promoting stability in the area. With its planned focus on sustainable energy practices and technology



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transfer, the next COP, in Baku, presents a special chance for the US and Azerbaijan to strengthen their collaboration on renewable energy initiatives.

By carefully utilizing foreign alliances and collaborative projects and initiatives, the United States has a great chance to take the lead again in global climate efforts. This strategy includes financial assistance in addition to the exchange of technological know-how to speed up the switch to clean energy. To accelerate the global adoption of clean technologies, climate financing in renewable energy infrastructure and research is essential. The US can establish itself as a major force behind global climate development by giving priority to these areas.

Until now, oil and gas have been the main focus of US and EU investments in Azerbaijan's energy industry; renewable energy initiatives are still in their infancy. From the US side, corporations such as ExxonMobil and Chevron have been active in Azerbaijan's oil industry for years. And BP has been a key partner in Azerbaijan's offshore oil and gas extraction efforts as well as hydrocarbon exports to Europe.

At the same time, however, Azerbaijan will need to navigate potential economic pressure from siding too closely with one side over the other, which could put undue restrictions on growing its own renewable energy industry. As such, Azerbaijan's energy transition plan will need to strike a balance with both powers.

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