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## **Transneft to double flow of Azerbaijani oil along Baku-Novorossiisk pipeline**

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The State Oil Company of the Azerbaijani Republic (SOCAR) has asked Russian pipeline operator Transneft (RTS: TRNF) to increase the flow of Azerbaijani oil along the Baku-Novorossiisk oil pipeline, Transneft vice president Mikhail Barkov told Interfax.

"Whereas before 83,000 tonnes [of oil] were pumped from Azerbaijan per month, now there will be 166,000 tonnes per month. That is, they've increased by an additional 83,000 tonnes per month," he said.

Barkov said that repair work along the pipeline this month would not allow for any additional oil shipments other than the aforementioned amounts.

"Additional capacity will come along later after the repairs are completed," he said.

Azerbaijan has been shipping oil on the Baku-Novorossiisk pipeline since 1997. The pipeline was restored in connection with the development of the Azeri-Chirag-Gunashli (ACG) fields. However, with the startup of the Baku-Tbilisi-Ceyhan (BTC) pipeline in April 2007, Azerbaijan International Operating Company (AIOC) decided to stop shipping oil on Baku-Novorossiisk, and later abandoned its role as operator of the pipeline. The pipeline, which has capacity to ship 5 million tonnes of oil per year, transported 4.5 million tonnes of Azerbaijani oil in 2006 (including 2.9 million tonnes of AIOC oil and 1.2 million tonnes of SOCAR oil), but saw transportation fall to 2.2 million tonnes in 2007. AIOC stopped exporting its oil along this route in April 2007. SOCAR had planned to ship 1 million tonnes of oil along the pipeline in 2008.

Due to an accident along the Turkish section of the BTC pipeline on August 6, BP-Azerbaijan resumed oil shipments from the ACG fields in the Caspian Sea along the Baku-Novorossiisk pipeline in addition to the Baku-Supsa pipeline and by rail from Baku to Batumi.

In an attempt to boost oil flows in the pipeline to its full capacity, Transneft held discussions with SOCAR about the possibility of transiting Kazakh and Turkmen oil along the Baku-Novorossiisk pipeline. In addition, the oil of third countries could replace the volume of Azerbaijani oil currently pumped through the Baku-Novorossiisk pipeline. Azerbaijan has also considered the possibility of supplying crude not along the Baku-Novorossiisk pipeline, but along the BTC and Baku-Supsa pipelines or by rail to the Georgian port of Kulevi.

The tariff for transporting Azerbaijani oil along the Baku-Novorossiisk pipeline is \$15.67 per tonne.

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