

Azerbaijan Renewable Energy Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Azerbaijani renewable energy market is expected to register a CAGR of more than 5% during the forecast period, 2022-2027. The COVID-19 outbreak witnessed a drop in global energy prices, and as a response to the slowdown, the country had to cut its oil production. According to Eurasianet, Azerbaijan's economy contracted by more than 4% in 2020. Factors, such as diversifying the economy of the country and decreasing the dependence on the oil and gas sector, are some of the key points in the country's Strategic Road Map on National Economic Perspectives, which is expected to drive the renewable energy market in Azerbaijan. Moreover, diversification of the energy mix offers multiple benefits, including job creation and energy security, further promulgating the renewable energy market in the country. However, the lack of international companies' investments and delay in the practical deployment of projects are expected to hinder the growth of the market studied.

Key Highlights

Hydropower has the highest installed capacity in the country among the renewables, along with a well-developed small hydropower generation sector. Therefore, the hydropower sector is expected to be the largest segment in Azerbaijan's renewable energy market.

Azerbaijan's oil sector accounts for one-third of its economy, with exports of crude oil having a significant share. The country plans to generate additional revenue through crude oil exports, demanding a decrease in domestic consumption of oil and gas in upcoming years. Therefore, renewables are expected to increase their share in the energy mix, further creating several opportunities for market players in the near future.

Increasing renewable energy projects across the country and the growing government's focus on curbing carbon emissions are further expected to stimulate market growth.

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Azerbaijan Renewable Energy Market Trends

Hydropower to Dominate the Market

Among renewable energy sources, hydropower has the highest installed capacity of 1,145 MW in 2020, with resources located alongside rivers, such as Kura and its tributaries.

Azerbaijan's small hydropower generation sector has the presence of independent power producers, as well as auto producers generating power for consumption in their own facilities. For example, small-scale hydro-power generation is being added, such as the 1.5 MW in the Balakan facility.

Hydropower accounts for more than 10% of the electricity generation in the country, second to the thermal power source.

Therefore, with several upcoming projects and a few under construction, the hydropower share is expected to be increased during the forecast period.

Therefore, with the diversification of its economy, the government plans to increase the share of non-oil foreign direct investments (FDI) by 2025, in turn, driving the hydropower segment during the forecast period.

Increasing Number of Renewable Energy Projects and Growing Governmental Focus Driving the Market Demand

Growing technological advancements, coupled with rising research and development (R&D) investments by the major industry participants, are expected to proliferate market growth during the forecast period.

In December 2021, Abu Dhabi Future Energy received an order to develop a solar PV park of 230 MW capacity. The project is expected to be developed in a single stage and is in the permitting stage. The project is anticipated to enter into operations by 2023, which might enable the company to expand its business portfolio across the country.

Furthermore, Azerbaijan launched the State Strategy on the utilization of alternative and renewable energy sources in the country for 2012-2020. This strategy provided vital directions for the production of electricity from renewables. The key focus in renewable energy has been on small hydro along with wind power, and over 300 MW of new renewables capacity are in the planning or development stage.

Also, in January 2022, ACWA Power, a Saudi Arabia's leading power company to explore the offshore wind potential in the country, signed a preliminary agreement to develop the offshore wind project of 240 MW at Khizi-Absheron wind farm. By Q4 of 2023, the project will have the capacity to supply around 3.7% of the electricity in Azerbaijan's grid capacity, powering 300,000 households and offsetting 400,000t of carbon emissions. Such projects are expected to drive the Azerbaijani renewable energy market during the forecast period.

Therefore, based on the above-mentioned factors, an increasing number of renewable energy projects and government support are expected to drive the renewable energy market in Azerbaijan during the forecast period.

Azerbaijan Renewable Energy Market Competitor Analysis

The Azerbaijani renewable energy market is moderately consolidated. Some of the key players are ACWA Power International, Tamiz Shahar JSC, Azerenerji JSC, Abu Dhabi Future Energy Company PJSC (Masdar), and OCA Global Investments SL.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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