

Azerbaijan Renewable Energy - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2020 - 2029

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Report description:

The Azerbaijan Renewable Energy Market size is estimated at 8.17 gigawatt in 2024, and is expected to reach 9.66 gigawatt by 2029, growing at a CAGR of 3.40% during the forecast period (2024-2029).

The market was negatively impacted by the outbreak of COVID-19 due to delays in ongoing and upcoming projects. Currently, the market has rebounded to pre-pandemic levels.

Key Highlights

- Factors such as diversifying the economy of the country and decreasing its 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 the delay in the practical deployment of projects are expected to hinder the market's growth.
- 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 the 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.

Renewable Energy in Azerbaijan Market Trends

Scotts International. EU Vat number: PL 6772247784

tel. 0048 603 394 346 e-mail: support@scotts-international.com

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Hydropower to Dominate the Market

- Among renewable energy sources, hydropower had the highest installed capacity of 1,177 MW in 2022, with resources located alongside rivers such as the 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 hydropower 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 only to the thermal power source. Therefore, with several upcoming projects and a few under construction, the hydropower share is expected to increase during the forecast period.
- In July 2022, the European Union agreed to double its natural gas imports from Azerbaijan in order to reduce its reliance on Russian fossil fuels due to its invasion of Ukraine. The capacity of the Southern Corridor network of pipelines, connecting Europe with the Caspian Sea, is expected to be increased to 20 billion cubic meters annually by 2027 to increase shipments. Azerbaijan was increasing gas deliveries to the European Union from 8.1 bcm in 2021 to an estimated 12 bcm in 2022.
- 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 and rising research and development (R&D) investments by the major industry participants are expected to proliferate market growth during the forecast period.
- Furthermore, the State Strategy for the Use of Renewable and Alternative Energy Sources in Azerbaijan was introduced. This plan included crucial guidelines for the generation of electricity from renewable sources. Almost 300 MW of new renewable energy capacity is in the planning or development stages. Small hydro and wind power have received the majority of attention in the renewable energy sector.
- Furthermore, in January 2022, 240 MW of offshore wind energy was expected to be developed at the Khizi-Absheron wind farm, according to a preliminary deal inked by ACWA Power, one of Saudi Arabia's top power companies exploring the country's offshore wind potential. By Q4 2023, the project will be able to power 300,000 homes and offset 400,000 metric tons of carbon emissions, or around 3.7% of the electricity in Azerbaijan's system capacity. Such projects are expected to drive the Azerbaijani renewable energy market during the forecast period.
- In January 2022, Saudi Arabia's Acwa Power and Azerbaijan's Ministry of Energy broke ground on a USD 300 million, 240 MW wind power plant that is likely to contribute to the Central Asian country's target of generating 30% of its energy through renewables by 2030. By the end of 2023, the power project, which is 45 kilometers northwest of Baku's capital, should be complete.
- In June 2022, the government of Azerbaijan plans to raise the share of renewable energy sources in the country's overall energy production to 30% by 2030. Furthermore, Azerbaijan has already embraced the Law on the Use of Renewable Energy Sources (RES) and is developing a five-year RES strategy for 2022-2026.
- Therefore, based on the factors mentioned above, an increasing number of renewable energy projects and government support are expected to drive the renewable energy market in Azerbaijan during the forecast period.

Renewable Energy in Azerbaijan Industry Overview

The Azerbaijani renewable energy market is moderately consolidated. Some of the key players (in no particular order) are ACWA

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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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