

Law of the Azerbaijan Republic

On Power

Chapter I. General

Article 1. Main concepts

Concepts dealt with in this Law have the following meanings:

- activity in the sphere of power resources — activities on exploration, development, production, processing, storage, transportation, distribution and utilization of power materials and products (power resources);
- prospecting in the area of power (exploration) — activity carried out with the purpose similar to development by way of preliminary magnetometry, gravimetry, seismic survey, geochemical investigations, thermal and radioactive prospecting, testing and drilling;
- development — activity aimed to discovery and assessment of accumulations or underground reserves of power materials by means of drilling;
- distribution of power (distribution) — treatment of crude oil and oil products, gas, electric and thermal power and their distribution among the customers;
- distributor of power (distributor) — any organization distributing power resources;
- power plant — any fixed or mobile plant (including their location sites) used for activities connected with power, or for due diligence implementation of said activities, for storing of required power materials and products;
- main power transportation systems — means of transportation (pipelines, electric power lines, etc.) or their components used for transportation or transmission of power materials and products except railroad, motor roads and water-ways, and also plants responsible for transmission of communication signals;
- agreement, or agreement concerning power resources — written agreement concluded between the parties and regulating the terms of activities in the sphere of power resources;
- reproducible power sources — power sources which exist permanently or are continuously formed (the sun, wind, heat flows of the earth, bio-mass, ocean, water ways, etc.);
- restoration activities — restoration of sites used in power industry for the benefit of community and their improvement to protect the environment.

Article 2. Coverage

1. This Law covers the following:

- activities in the sphere of power resources (with respect to power materials and products specified in Enclosures 1 and 2);
- arrangement, construction and operation of plants for implementation of specified activities;
- measures on protection and efficient use of power (resources), and also prevention or mitigation of negative impact of activities in the sphere of power resources on the environment.

2. This Law is focused on major legal foundations of state control over petroleum, gas and electric power sectors of power industry. Other laws taken with respect to specific industries might contain other regulations.

Chapter II. State policy with regard to power

Article 3. Objectives of state policy with regard to power

Objectives of state policy with regard to power are the following:

1. Provision of efficient recovery, production, transportation, distribution, storage, utilization and safety of power materials and products.

2. Creation of infrastructure which is capable to supply - efficiently and reliably all customers with power and new employment places, accounting for the following:

- conditions for competition and minimum monopoly must be created in all activities with regard to power resources;
- organization of activities in the sphere of power resources based on different forms of ownership, long-term contracts and special permits;
- creation of favorable conditions for local enterprises producing high-quality products;
- creation of favorable conditions for use of effective and ecologically safe technologies.

3. Conservation of power resources, reduction of waste volumes, efficient use of power and use of reproducible power sources.

4. Reduction of negative impact on the environment.

5. Subsidies to producers and customers with the purpose of improvement of efficiency of power in conditions of power deficit.

6. Creation of favorable legal and fiscal conditions for investments.

7. Development of state programs in the sphere of power resources.

Article 4. State programs in the sphere of power resources

1. In accordance with the objectives specified in this Law, relevant executive power body prepares long-term state programs on organization and development of power resources.

2. Development programs with regard to power resources are financed from the state budget of the Azerbaijan Republic, fund of effective use of power resources, legal entities and physical persons, including foreign investors.

3. These programs shall be verified every 5 years by relevant executive power body and, being an important part of state strategy in the sphere of power resources, must be legally approved.

Chapter III. Exclusive rights and control in the sphere of power resources

Article 5. Exclusive rights of the state in the sphere of power resources

In accordance with Constitution of the Azerbaijan Republic the State, without prejudice to exclusive rights of any physical person and legal entity specified in Article 6 of this Law, has exclusive right of ownership with respect to all accumulations of primary power resources concerning:

- prospecting/exploration;
- development of accumulations of resources and recovery of power materials and products;
- construction and use of underground storages;
- construction and management of main power transportation systems;
- in accordance with legislation, with the aim of securing its safety and independence, enjoys exclusive rights in other spheres related to power resources.

Article 6. Exclusive rights of physical persons and non-state legal entities in the sphere of power resources

Exclusive rights of physical persons and non-state legal entities might arise only from agreement on power concluded in compliance with provisions of Article 5 of this Law, or rights granted by the state to the enterprises of energetic sector.

Article 7. Management and control in the sphere of power resources

Relevant executive power bodies, with respect to the purposes of this Law, used laws and regulations have the following authorities:

- to control activities in the sphere of power resources;
- to control use of power materials and products;
- to control various aspects of protection of the environment and safety regarding activities in the sphere of power resources;
- to allocate sites, water and underground areas for activities in the sphere of power resources not contradicting the legislation.

Chapter IV. Requirements to efficient use of power resources, protection of the environment, safety and health, special permits, insurance and damage

Article 8. Requirements to efficient use of power, power materials and products

1. According to legislation any legal entity and physical person is responsible for efficient use of power, power materials and products, observance of regulations on the use of power resources and avoidance of excess wastes. Similar responsibility relates to design, erection and use of power units and plants.

2. Relevant executive power body establishes economical, technical and organization regulations in the area of efficient use of power resources. Any newly commissioned power plant should comply with these regulations. Said executive power body has the right to take decisions with regard to existing power plants:

- on allocation of adequate time to bring the plants into correspondence with new regulations or their replacement with new ones;
- on relevant measures to be taken and sanctions envisaged by legislation on the expiration of said term or in case of conflict with regulations.

3. All customers pay for used power materials and products against bills presented by the distributors. In this respect:

- the distributor should install individual meters at each new power unit/plant supplying power to consumers;
- the customer without meter installed has the right to demand individual meter to be installed. (Costs of the meter itself and its installation can be reimbursed as envisaged by legislation, also as compensation to the price of consumed power established by the distributor, within one year from the date of certificate issue; in this case the meter becomes the property of distributor);
- relevant executive power body approves regulations on technical requirements to meters installation, certification rules and verification of individual power meters.

Article 9. Responsibilities on protection of the environment, safety and health

1. Every person or legal entity operating in the sphere of power resources and also those using power materials and products must protect the environment against pollution.

Contamination of the environment is controlled by norms and regulations as specified by legislation.

2. All costs of measures on the protection of the environment, safety and health, all relevant studies and expertise shall be at the expense of respective enterprise operating in the sphere of power resources.

3. On receiving any application on conclusion of power agreement or getting special permit, relevant executive power body instructs that expertise is to be carried out by independent experts which shall define the extent of impact on the environment and its reasons on the territory where relevant activity is carried out. All costs of the expertise shall be paid by the applicant in advance. Relevant executive power body and an applicant might provide assistance in implementation of the expertise and carry out their own researches. Expert conclusion about the extent of impact on the environment and its reasons, on agreement between the parties, might be accepted as the base document. Should physical person or legal entity fail to demonstrate measures on liquidation of negative impact on the environment as required by regulations, relevant executive power body will refuse special permit for conclusion of the agreement and activity in the sphere of power resources.

4. If recovery, production, distribution and fabrication of power materials and products by the enterprise are of state importance and cannot be implemented by other method, relevant executive power body has the right, in compliance with legislation, to exempt the enterprise from said requirements for transition period, however not more than five years.

Article 10. Granting special permit for activities in the sphere of power resources

1. Any physical person or legal entity interested in activities in the sphere of power resources, before said activity begins, as specified by legislation, based on agreement on power or application, must get special permit from relevant executive power body.

2. Whenever there is any danger of certain harmful effect on the environment or human life and health as a result of operation of power plant or any action, relevant executive power body has the right - in accordance with legislation, to use measures for restriction of use or complete abandonment of said power plant.

3. Relevant executive power body provides unbiased consideration of applications for special permits.

4. To simplify procedure of their issue, special permits might be granted for several kinds or groups of activity in the sphere of power resources and/or power plants.

5. Any physical person and legal entity desiring to commence new activity or to expand significantly existing one must get new special permit.

6. Whenever activity of physical person or legal entity contradicts to terms specified in special permit said permit given to him might be annulled.

7. With respect to issue of special permit, relevant executive power body is authorized as follows:

- to make decisions on sanctions to be applied to physical persons and legal entities and power plants, and also procedures of control and issue of special permits;
- in cases of absence of normative acts, to make decisions on application of international regulations and standards;
- with the purpose of observance of special requirements, to include relevant terms into special permit;
- to demand to take relevant measures on prevention of accidents and their liquidation.

Article 11. Responsibilities regarding compensation of damage

1. In case of death or injury, or damage to the environment due to operation of power plant the person (entity) - operator of the plant (its owner) is responsible for reimbursement of incurred damage, its prevention, mitigation and liquidation. These provisions apply to erection, operation, maintenance of power plants.

2. Until it is proved that the owner of the plant is different legal entity or physical person, and said person as an owner failed to fulfill its obligations, the former shall be regarded the owner of the plant.

3. If damage has not been caused by activity of the owner of power plant and it is not possible to prevent of liquidate consequences of this damage (force-majeure circumstances), the owner will be released from responsibility to compensate said damage.

4. If damage has been caused as a result of joint operation of several power plants, the plant which had major effect - in terms of time, space, medium, etc. in the case will be regarded as main reason of damage, and compensation liabilities should be divided in proportion with incurred damage.

5. If it has been proved that power plant was the main reason of incurred damage, then the owner of this plant must submit to relevant executive power body and also persons/entities suffering losses and owners of neighbor power plants information required for identification of liabilities with regard to damage.

6. If no other agreement on compensation exists, incurred damage shall be compensated with money. The party suffering losses will have the right to demand compensation in advance.

7. Compensation of losses shall be paid in accordance with legislation of the Azerbaijan Republic.

Article 12. Insurance

1. List of activities and power plants which have to be insured (mandatory condition), terms, installments and sum of insurance in connection with accidental damage which could be done to the environment, depths of earth, safety and health of people is regulated by legislation. Liabilities related to insurance may be envisaged in special permits or terms of agreements on power resources.

2. The owner of the power plant which has been included into the list by request of relevant executive power body shall continue to pay insurance installments even after its operation stopped, while there remains danger of its harmful effect.

Chapter V. Agreements on power

Article 13. General

1. Agreements on power are concluded between relevant executive power body and contractor. Contractors have the right to carry out activity in accordance with term and regulations specified in this Law and agreements on power.

2. Agreements on power might be concluded whenever contractors have special permit obtained based on their application, as a result of bid, in accordance with legislation, or in special cases - following negotiations, applying special terms.

3. In accordance with this Law control over conclusion and implementation of agreements on power shall be carried out by relevant executive power body.

Article 14. Agreements on prospecting

1. Agreements on prospecting shall clearly identify procedure of presentation of relevant power resources (material) and contractual site to relevant executive power body, and of permitted methods of prospecting and prospecting results.

2. If not specified otherwise by legislation, the contractor concluding agreements on prospecting shall not have the following rights:

- exclusive right for prospecting within the borders of contractual territory;
- right for prospecting/exploration on contractual territories on development, recovery and underground storages;
- priority right for conclusion of agreements on development, production or other purposes.

3. At the end of each investigation period contractor shall submit to relevant executive power body all obtained data and explanations on the fields, and also samples and results of survey.

4. Exploratory period in the contract should not exceed 2 years from the effective date. By mutual agreement between the parties this term may be extended for one additional year.

Article 15. Agreements on development and production

1. In accordance with agreements on development and production contractor has the following rights and obligations related to power resources:

- to carry out development in accordance with work program specified in the agreement;
- to notify relevant executive power body in due time about discoveries of power resources and to make necessary estimates;
- to submit to relevant executive power body for agreement and approval detailed work program on development and production at each discovery duly announced by contractor as commercial;
- to transfer the whole contractual territory to relevant executive power body, less the territory of announced commercial discovery;
- in accordance with work program which has been agreed before commencement of work with relevant executive power body, to recover primary power materials during the period of development and production, in accordance with legislation and provisions of agreement;

- to construct all plants and main power transportation systems specified in the agreement or in work program and to use them;

- to recover resources and to become the owner of certain part of recovered power resources in accordance with applicable legislative acts or agreement.

2. Activity of contractor in development and production should not result in losses and his exclusive rights must not be in prejudice to exploration activity of other persons/entities for the benefit of science, installation and use of plants other than those used in agreement on development and production of power materials.

3. For transportation of power resources (materials and products) belonging to contractor from contractual territory, contractor shall use main power transportation systems as priority. Favorable conditions must be created for contractor to connect to main power transportation systems, and contractor will use these systems as a third party. Where no such systems exist or they cannot be used to contractor's satisfaction, he has the right to construct required transportation means at his own expense and to exploit them. Provisions of agreement on power also apply to these plants, said provisions supplementing work program for a period of production. When costs of such transportation systems are borne by contractor only, provisions of Article 13 of this Law do not apply.

4. The state has priority with regard to purchase of power resources (materials and products) at world market prices to satisfy local demand.

5. Term of development specified in agreement on power for development and production might be divided into several phases, or might be extended for certain term, however altogether not more than 8 years from the effective date.

Article 16. Agreement on main power transportation systems

1. In accordance with conditions, terms and work program of agreements on main power transportation systems contractor has the following rights and responsibilities:

- to construct and use main power transportation systems with the purpose of transportation and transfer of power materials and products along the established routes;

- to build, erect and use additional plants, including storages in connection with activity specified in agreement on power;

- to become an owner of respective immovable property and to transfer the right of its use to third party;

- at request of relevant executive power body, or to achieve synergy effect which allows to improve safety and to reduce transportation costs, without any damage to contractual activity, to coordinate its activity with the main power transportation systems of the third party.

2. Agreements on main power transportation systems are concluded based on competition between transportation means and/or power materials and products. If there are serious obstacles to investments, after reimbursement of costs on only one kind of power material and product and conclusion of agreements, exclusive agreements might be concluded on main power transportation systems. If agreement is of exclusive nature, contractor should at any time fulfill requirement of the third party on transportation. Otherwise contractor loses exclusive right for these systems and have no right to contest conclusion of additional agreement on main power transportation systems.

3. Contractor under agreement which envisages transportation of power materials and products (resources) belonging to a third party through main power transportation systems shall do the following:

- determine prices and tariffs, and also commercial terms and technical conditions of transportation of power materials and products (resources);
- irrespective of origin, destination point or owner of power materials and products - to take orders on their transportation, establish prices - without discrimination, illegal delays, restrictions and duties;
- provide means of transportation belonging to him which are not currently used.

4. Contractor must provide unused transportation means to interested third party for transportation of power materials and products (resources). Transportation of power materials and products (resources) of the third interested party should be without prejudice to transportation of power materials and products (resources) of contractor.

5. Paragraph 2 of Article 15 of this Law is applied respectively to main power transportation systems. Moreover, contractor should not object if the state or other contractor places any plant, which causes no harm to contractual activity, near main power transportation systems and operates them.

6. Main power transportation systems might be used for distribution of power only based on agreements concluded in accordance with Article 17 of this Law.

7. Initial term of agreement on main power transportation systems shall not exceed 20 years from the effective date. On mutual agreement between the parties this agreement might be extended for 10 additional years.

Article 17 Agreements on distribution of power

1. Contractor under the agreement on distribution of power has the following rights:

- to distribute power products (resources) between the consumers within the borders of contractual territory and accumulate it as specified in the agreement;
- to use rights secured by the first paragraph of Article 16 of this Law;
- to erect and operate all plants specified in the agreement or required for contractual activities.

2. Within the borders of contractual territory distributor of power (resources) has the following responsibilities:

- to establish prices and tariffs, and also general terms of connection to power distribution units;
- create capabilities for timely connection of each customer on the contractual territory based on established prices, tariffs and conditions and to supply power thereto based on contract;
- provide purchase and distribution of power resources (products) as defined by agreement, in required volumes and quality, to satisfy demand of customers connected to the distributor network, to create synergy effect together with other producers, forwarders and distributors and use it;
- to purchase surplus power resources (products) produced by industrial enterprises and consumers.

3. Should contractor in special cases refuse to connect a customer(s) to its network, such customer(s), despite exclusive rights of contractor, might be supplied by another enterprise producing, transporting or distributing power. In such cases relative executive power body might take decision on exemption of power distributor from obligation to connect said customer to its network and to supply it with power.

4. Paragraphs 2, 3, 4 and 6 of Article 16 of this Law are applied in a same way when distributing power.

Article 18. Agreements on underground storages

1. Contractor under the agreement on underground storages has the following rights:

- development of deep geological structures suitable for underground storages in accordance with regulations;
- construction, within the borders of contractual territory, of underground storages for storing of certain power materials and products (resources) in accordance with regulations;

- construction and use of all subsurface and surface plants required for contractual activity.

2. Paragraphs 1, 2, 3, 5 of Article 15, paragraphs 3 and 6 of Article 16 of this Law are applied in a same way to agreements on underground storages.

Article 19. Registration of rights on agreements on power

1. Registration of rights on kinds of activity specified in Article 5 of this Law is accomplished as specified by legislation by relevant executive power body.

2. Registration is accomplished against presentation of application by respective right owner and also approved copy of agreement or act supporting said right.

3. Registration reflects types of respective power materials and products, kinds and term of activity, exclusive rights (if any) and also full name and legal address of right owner and their authorised representative.

Article 20. Disputable agreements on power, disputable activity

1. Whenever certain persons (entities) are granted exclusive rights under a number of agreements on power where kinds and/or term of activity overlap agreement registered last becomes invalid.

2. When activities related to commercial discovery of power resources (accumulations) or underground storages proceed outside the contractual territory, they shall be carried out jointly with contractors under agreements on power on said territories.

When accumulations and underground storages extend to the territory of another existing agreement on power, relevant executive power body, after agreement with contractor (s) may extend the area of realisation of agreement (s) on power on said territory, or permit to conclude new agreement on power on said territory.

3. If, as a result of a third party' activity contractor fails to carry out activities under the agreement, and there consent cannot be achieved between the contractor and third party, relative executive power body

must take provisional decision on settlement of dispute based on application of one of the parties. All claims, including claims for liquidation of damage remain in force and might be settled in the law court.

Article 21. Working program

1. Contractor carries out activities under the contract according to working program agreed with relevant executive power body.
2. Working Program (programs) is to be implemented on agreement with involved state or municipal bodies with consideration of requirements of chapter 6 of the present Law.
3. The correspondence of the working program to the present Law, its implementation by the contractor is controlled by respective executive power body.

Article 22. Pricing, commercial and technical terms of trade

1. On the basis of the present Law the contractors are independent in agreement of prices, commercial and technical terms of trade, if otherwise is not stipulated by the legislation.
2. Prices, tariffs and general terms of trade established by distributors of power or other contractors being monopolists according to agreement on power in the area of transportation, accumulation or storing of power materials or products should be oriented to reduction of costs and market prices. They can be applied only when they correspond to state policy in the area of power (resources) and under control if contractor misuses its monopolistic position, and also after approval by relevant executive power body. They must be used without discrimination, groundless delay or reduced payment.
3. Where state subsidies apply to prices, these should be stated in separate bill with indication of specific terms and schedules of issuing.

Article 23. Transfer of agreements on power to third parties

1. Agreements on power can be transferred to third parties, or contractor may conclude subcontract by special permit of relevant executive power body which comes into effect after the registration.

2. If there is no special permit, initial contractor shall be responsible for fulfillment of obligations of contractor by successor before the state, either jointly with successor or individually.

Article 24. Term of validity of agreement on power and its extension

1. Term of validity of agreement on power is specified in the agreement and should not exceed maximum term established by legislation. Term of validity of agreement on power ends on a date specified therein.

2. The term of agreement on power can be extended every time on proposal of contractor, by conclusion of agreement between relevant executive power body and contractor, as follows:

- when contractor has fulfilled all obligations under the agreement on power within the first term;
- on agreement of scope of work for the term of extension with relevant executive power body before the end of initial term;
- when full term of agreement on power corresponds to existing legislation.

3. It is not permitted to extend the term of agreement on power second time, except cases envisaged in paragraph 2 of this Article, however the contractor has the right to bid for new agreement on power in relation with contractual territory and kind of activity under the former agreements on power.

Article 25. Termination of agreement on power

1. Agreement on power can be terminated before the end of its term only in accordance with terms of agreement itself, or in the following cases:

- when important arguments are found which give grounds for refusal of agreement on power;
- in case of failure by contractor to fulfill his obligations;
- when contractor fails to use rights granted to him by agreement on power in due order.

2. Agreement on power cannot be in the following cases:

- until contractor receives notification on termination of agreement on power from relevant executive power body, and expiration of the term for confirmation of inadequacy of contractor' activity with contractual obligations;

- when failure by contractor to fulfill his obligations is beyond the sphere of his control and these circumstances cannot be prevented of its consequences - liquidated (force-majeure circumstances).

3. If not specified otherwise by legislation, on termination of agreement on power, it

4. Agreements on power concluded for indefinite period can be terminated by either party, however not earlier than after twelve months.

Article 26. Forfeit of agreement on power

1. After forfeit of agreement on power former contractor has no right to carry out contractual activity.

2. If not specified otherwise by legislation, at request of relevant executive power body former contractor should give free to the state, or new contractor installed and other equipment envisaged by terms of agreement and necessary for operations. To estimate depreciation of funds for a term exceeding term of agreement on power, thus reducing costs for contractor, in agreements on main transportation systems, distribution of energy and underground storages. In particular, justified payments might be envisaged - by the state or new contractor - for plants in fair working condition, their service life still not being expired. Such payments can be justified by decisions of relevant executive power body and agreement on power. In case of conflict of opinions such payments are determined based on conclusion of independent experts.

3. In accordance with articles of this Law former contractor must carry out rehabilitation of power plants being transferred to the state or to new contractor, to prevent damage which could be done to the environment.

Article 27. Rehabilitation activities

1. Each agreement on power should include plan of rehabilitation of territory which has become unfit as a result of contractor' activity. Contractor must undertake rehabilitation before agreement on power is concluded.

2. If this is technically possible, contractor should rehabilitate contractual territory which is not needed in further activity under the agreement within acceptable term. Agreement on power may specify procedures for fulfillment of said obligations by contractor.

3. Contractor must amend initial rehabilitation plan on a regular basis and to match it with contractual activity. Contractor should approve the last rehabilitation plan one year before the term of agreement on power expires, or at any time specified in the agreement. This plan is submitted to relevant executive power body. After the hearing of involved parties relevant executive power body, to avoid damage to the environment which can be done by power plants remaining after the former contractor, or to achieve results envisaged in initial rehabilitation plan, might take decision on introduction of necessary amendments into the latest plan.

4. If this does not contradict legislation, the former contractor may dispose of his immovable property only after said rehabilitation has been done.

5. Relevant executive power body might request from contractor to create reserves which should accumulate at special account, or to present reliable bank guarantee/security on a sum required for fulfillment by contractor of obligations specified in this Article within the term of agreement on power and after this term.

6. Special fund must be created with the purpose of financing of rehabilitation activities which cannot be done by contractor. Contribution to this fund be paid by contractor and procedure of use of fund are determined by relevant executive power body.

7. Relevant executive power body may take more detailed regulations on rehabilitation.

Article 28 Fuel reserves

1. To create a competition in the area of fuel supplies and to improve efficiency of power production producers of energy have the right to choose independently enterprises to supply them with fuel both within and outside the country.

2. Fuel purchased under the contract concluded between producer and fuel supplier (chosen independently) is delivered to the producer through main power transportation systems being objects of monopoly without restrictions, on condition that transportation, customs and other costs are reimbursed in accordance with legislation.

3. To provide reliable power supply, fuel reserves are formed at the enterprises -producers of power resources. Financing, formation, storing, use, volume and accounting of fuel reserves are managed by relevant executive power body of the Azerbaijan Republic.

Chapter VI. Right for immovable property

Article 29. Provision of rights for immovable property

1. This Law, in accordance with Land Code and Law of the Azerbaijan Republic «About the Earth Entrails» gives the right to contractor to use land and mineral resources contained therein for implementation of activities in the area of power (resources).

2. The owner of the land site or user of land site, irrelevant either it is state or private entity, has no authority to submit any claims to the state with respect to existence of contractor's plants at sites with accumulations of power resources - on the surface, under the surface, or underground depth on the territory (including inner waters of the Azerbaijan Republic and sector of Caspian sea (lake) belonging to the Azerbaijan Republic) where said site is located.

Article 30. Advantage of use of immovable property being in joint use

1. Whereas it is efficient to limit impact of various activities in the area of power on property in joint use, the property of the third party must not be influenced and used without its consent. To carry out said kinds of activity the state or municipal bodies must, as priority, provide transportation routes, land sites belonging to them and being in joint use, or the state must propose to the owner, at his consent, state land sites as a form of compensation for use of its property.

2. Determination of routes and plans of establishment of main power transportation systems, electric power distribution systems must be agreed upon with relevant executive power body before agreement on power has been submitted or during its implementation.

3. Agreement on power may include provision concerning direct payment to municipal body and (or) state certain part of payment made by contractor.

Article 31. Changes when using immovable property and public interests

1. Changes of right of ownership or use of immovable property as a result of activities in the sphere of power (resources), and resulting terms of reimbursement are controlled by relevant executive power body, accounting for the following:

- provisions of this Law;
- fulfillment of requirements on protection of the environment, safety and specifications;
- avoidance of discrimination in placement of power plants or main power transportation systems in mentioned immovable property.

2. Before agreement on power is submitted right of ownership and respective changes must be published and open for public comments. After they have been published, within one month the draft must be edited taking into account comments of community, state and municipal bodies, and implemented.

Article 32. Compensation when using immovable property and its confiscation with reimbursement

1. Special permit for kinds of use of land sites for activities in the sphere of power is granted based on application without compensation.

2. Owners, users and persons based close to immovable property must create conditions for timely reimbursement of compensations listed below, in order to implement new kinds of activity in the sphere of power, and all relevant measures taken by respective executive power body in accordance with provisions of this Law.

- if specific activity is being carried out within a short time period, without serious obstacles for use of specific immovable property, the owner, user or neighbour have the right to receive compensation for damage done to his property only resulted from such activity;
- if specific activity is being carried out within extended time period, serious obstacles arise for normal use of immovable property and, as a result - economic difficulties, the owner, user or neighbour have the right to receive additional compensation. Terms and sum of such compensation are determined in accordance with existing legislation;
- if said obstacles are of a serious nature and last more than one year, the owner, user or neighbour can apply provisions of paragraph 3 of this Article as priority.

3. If existing use of immovable property has to be stopped, or when construction or use of power plants, main power transportation systems, power distribution networks and underground storages create serious obstacles for use of immovable property, then, on terms stipulated by the Civil Code, said immovable

property can be confiscated from its owner with respective compensation. With consent of owners of immovable property such compensation might be in the form of another immovable property - of the same nature and value.

Article 33. Responsibility for violation of this Law

Legal entities and physical persons violating this Law bear responsibility in accordance with legislation of the Azerbaijan Republic.

President of the Azerbaijan Republic

Heydar ALIYEV.

Baku, November 24, 1998.

No 541-IG.

With amendments according to the Law № 122-IIIQD of 30 May, 2006 («LegalActs»).

Enclosure 1

Power materials and power products (in compliance with Appendix EM to European Agreement - Power Charter)

Materials of nuclear power

26.12

Uranium or thorium ores and concentrates

26.12.10

Uranium ores and concentrates

26.12.20

Thorium ores and concentrates

28.44

Chemically radioactive elements and radioactive isotopes (including decaying and reproducible chemical elements and isotopes), their compounds, mixtures and wastes containing said products

28.44.10

Natural uranium and its compounds

28.44.20

Uranium enriched with U-235 and its compounds; plutonium and its compounds

28.44.30

Uranium impoverished with U-235 and its compounds; thorium and its compounds

28.44.40

Radioactive elements, isotopes and radioactive compounds (except those specified in paragraphs 28.44.10; 28.44.20 or 28.44.30)

28.44.50

Used (wasted) fuel elements of nuclear reactors

28.45.10

Heavy water (deuterium oxide)

Coal, natural gas, crude oil and oil products, electric power

27.01

Coal, coal bricks, pellets and similar solid fuels produced from coal

27.02

Except gagate, lignite, brown coal, sintered or non-sintered

27.03

Sintered or non-sintered peat (including peat wastes)

27.04

Coke and semi-coke produced from coal, lignite or peat, sintered or non-sintered; retort carbon

27.05

Coal, water, generator gas and similar gases (except petroleum gases and other hydrocarbons)

27.06

Coal, lignite and peat resins and other dewatered or non-dewatered mineral resins, or partially distilled products, including those regenerated

27.07

Other products of high-temperature distillation of oils and bituminous resins; similar products wherein aromatics content exceeds content of non-aromatic components (e.g. benzene, toluene, xylene, naphthalene, mixtures of other aromatic hydrocarbons, phenols, creosote oils, etc.)

27.08

Pitch and pitch coke produced from coal resin, other mineral resins

27.09

Crude oil and crude oil products produced from bituminous rocks

27.10

Oil and oil products produced from bituminous rocks (except crude oil and crude oil products)

27.11

Petroleum gases and other hydrocarbon gases, other gaseous products

Condensed:

- natural gas
- propane
- butane
- ethylene, propylene, butylene, butadiene, etc.

In gaseous state:

- natural gas, etc.

27.13

Petroleum coke, petroleum bitumen and other wastes of refining, including those obtained from bituminous rocks

27.14

Natural bitumen and asphalt; bituminous and petroleum shales, bituminous sands, asphaltite and asphalt rocks

27.15

Bitumen mixtures based on natural asphaltene, natural bitumen, mineral resins or mineral pitch resins (e.g. bitumen mastic, asphalt road coatings)

27.16

Electric power

Other kinds of power

44.01

Parts of tree trunks, firewood, bundles of wood, branches, faggots

44.02

Charcoal (including coal produced from bark or cones), sintered or non-sintered

Enclosure 2

Power materials and power products, which do not fall under classification: «Economic activity in the sphere of power»

27.07

Oils, other products of high-temperature distillation of bituminous resins; similar products wherein aromatics content exceeds content of non-aromatic components (e.g. benzene, toluene, xylene, naphthalene, mixtures of other aromatic hydrocarbons, phenols, creosote oils, etc.)

44.01

Parts of tree trunks, firewood, bundles of wood, branches, other wood as such

44.02

Charcoal (including coal produced from bark or cones), sintered or non-sintered