

Azerbaijan's Growing Influence in the Balkans

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The conflict over Ukraine has accelerated the transformation of the geopolitical and geoeconomic landscape, contributing to a shift in the global balance of power as well as to a disruption in the global food and energy supply. In this regard, more countries emerged as stronger contributors to the European continent's energy security as the European Union, in particular, took steps to reduce its dependence on Russian fossil fuels through the imposition of a sanctions and export restrictions regime against that country.

Azerbaijan is one of the few non-regional countries maintaining a crucial role in the European Union's (EU) energy strategy through its flagship Southern Gas Corridor (SGC) project. In fact, "there is no more reliable non-Western pipelined oil and gas supplier to the EU than Azerbaijan," as IDD's Damjan Krnjević Mišković has [argued](#). "We're talking about a predictable, stable, secure, and friendly partnership that goes back to the 1990s."

However, with the current state of affairs, Azerbaijan faced additional demands to increase its natural gas exports (as well as to begin green energy exports) to help ensure the energy security of EU member-states and other countries in Europe, particularly in the Western Balkans. This IDD Analytical Policy Brief will examine Azerbaijan's growing influence in the Balkans in particular, which is largely predicated on its increasing role as a new alternative energy supplier.

Deepening Partnerships

Azerbaijan has adjusted its foreign policy agenda to target the countries of the Balkan region (a.k.a., Southeast Europe), which is more vulnerable to the energy crisis than Central and Western European states due to what Krnjević [characterized](#) as the "Achilles

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Heel or the soft underbelly of Europe’s gas infrastructure because of their [particularly acute] reliance on Russian gas supplies.” Energy has long been the core element of Azerbaijan’s pragmatic foreign policy, and, recently, has gained more impetus as states in Europe seek additional energy suppliers to replace fossil fuel imports from Russia.

Although the EU’s leading member states are able to compensate for energy shortages by using energy reserves, employing alternative energy sources, and importing additional gas volumes from alternative suppliers, the less developed Balkan states are struggling to adapt to the energy deficit for various reasons, including an underdeveloped pipeline network, geographic realities (i.e., some are landlocked), financial constraints, geopolitical considerations, and so on. In this regard, a recent rapprochement between Azerbaijan and the main Balkan states should come as a little surprise.

Indeed, Azerbaijan is trying to turn the current crisis situation in Europe into an opportunity by taking advantage of the current conjuncture, as the ongoing conflict over Ukraine has opened a new door for Azerbaijan in terms of energy. The Balkans is both a gateway and a corridor for the delivery of more Azerbaijani gas to Europe; it also represents an opportunity for the countries of the Balkans to minimize their respective energy security vulnerabilities. Therefore, particularly since 2021, Azerbaijan has deepened partnerships with Albania, Bosnia and Herzegovina, Bulgaria, and Serbia (and also Greece), both within the framework of SGC-associated projects and beyond.

For example, on 6 July 2023, Albanian President Bayram Begai visited Azerbaijan and discussed deepening the bilateral relationship with his Azerbaijani counterpart, Ilham Aliyev. Interestingly, despite political conflicts and diplomatic disagreements between some of the countries in the Balkans, Azerbaijan has maintained a balanced and independent approach to that part of the world whilst rapidly deepening ties with each UN member state in the region (e.g., it has continued to refuse to recognize the declared independence of the ethnic-Albanian breakaway entity of “Kosovo”).

As such, building on efforts going back to the turn of the century, Azerbaijan signed a military cooperation agreement with Serbia in 2021 and a strategic partnership memorandum in 2022 focusing on energy and electricity power exports, including to Bulgaria, Romania, and Hungary (see below). Under this agreement, Bulgaria increased its import of Azerbaijani gas while Serbia began in December 2023 to receive initial amounts with the inauguration of the long-awaited Serbia-Bulgaria gas interconnector. Its capacity (on the Serbian side) is [1.8 bcm](#) per year, which accounts for 60 percent of the country’s annual gas needs. Indeed, the Bulgaria-Serbia interconnection is changing the energy map of the Balkans and helps to guarantee the diversity and security of energy supplies not only for those two countries but for all of Southeast Europe.

The EU Commission contributed €49.6 million for the interconnector’s construction, with a further €25 million loan from the European Investment Bank (EIB), while the Serbian government covered the remaining €22.5 million. Consequently, Azerbaijan’s

gas flow to Serbia will enable the country to reduce its dependence on Russian fossil fuels and diversify its energy market. In this vein, the inauguration of the [Greece-Bulgaria \(IGB\) interconnector](#) in 2022 was of particular importance, as it enabled the first-ever direct supply of Azerbaijani natural gas from the Caspian Sea to the Bulgarian markets. Likewise, Bulgaria increased its gas imports from Azerbaijan in 2023, in no small measure due to Sofia's decision to take measures against Lukoil's operations in the country, in line with Western political priorities.

Of course, despite a strong political commitment and the allocation of significant financial resources, Azerbaijani gas is not able to fully substitute Russian gas at the pan-European level, though it can play a crucial role in promoting the energy security of individual countries, particularly in the Balkans. One should expect the EU to continue to wholeheartedly welcome Azerbaijan's active engagement with the countries of Southeast Europe due to its ability to boost the region's energy security and its strategic potential to provide significant quantities of green energy to local markets.

More Hydrocarbons + More Green Energy = More Security of Supply

Integral to this approach is honoring the terms of the history July 2022 Memorandum of Understanding on a Strategic Partnership in the Field of Energy signed by EU Commission President Ursula von der Leyen and President Aliyev in Baku. The text of this document reads in part:

The Sides endeavour to work collectively towards enabling the stable and predictable delivery of natural gas to the European Union [...] based on the long-term partnership between the Sides and the principle of market-oriented pricing. This goal includes the shipment of Caspian natural gas to the European Union and, potentially, to Western Balkan countries, with a view to supporting the conditions for the expansion of the Southern Gas Corridor to increase diversification of supply in accordance with commercial viability and market demand. The Sides underline the importance of long-term, predictable, and stable contracts in order to underpin security of demand for producers, exporters, and infrastructure owners, and security of supply for importers and buyers. [...] The Sides aspire to support bilateral trade of natural gas, including through exports to the European Union, via the Southern Gas Corridor, of at least 20 billion cubic metres of gas annually by 2027, in accordance with commercial viability and market demand.

Azerbaijan has made it clear that it will be able to meet all contractual export commitments with its own domestic sources. Indeed, various forecasting models indicate that gas production in Azerbaijan will be about [49.2 bcm in 2024](#) and 49.7 bcm in 2025—more than enough to export “at least 20 bcm annually” to the EU and the Western Balkans. The figures for 2022 and 2023 already speak to this point: two years ago, the country [produced 46.7 bcm](#) of natural gas (up from 19 bcm in 2021) and [exported 22.3 bcm](#), while last year Azerbaijan produced 48.3 bcm and exported 23.8 bcm ([LINK](#)). The rise in EU gas exports was mainly achieved due to infrastructure operating at full capacity and stable supplies. Already in July 2023, Azerbaijan began to extract gas from the Absheron field to meet growing demand.

According to estimates, [the gas field](#) possesses around 350 bcm of natural gas and 45 million tons of gas condensate), and other gas fields will be coming into production in the months and years ahead. Combined with swap and other types of agreements with Iran, Kazakhstan, Russia, and Turkmenistan, Azerbaijan will be able not only to meet its contractual obligations to the West, but to Georgia and Türkiye as well (and, potentially, to Armenia, should this become possible) in addition to meeting demands from growing domestic consumption.

Azerbaijan's rapprochement with the Balkan countries is limited to fossil fuel exports, green energy, and significant regional investment projects. For example, in 2023, Azerbaijan is set to invest significantly in gas infrastructure in Albania amid the ongoing expansion into the region's gas distribution network. In early 2024, Azerbaijan media reported that [SOCAR will start](#) supply of natural gas to two cities in Albanian (Korçë and Fier), [marking](#) the first direct supply of Azerbaijani gas to that Balkan country.

Moreover, as a country with strategic possibilities to develop large quantities of solar and wind energy, Azerbaijan recently developed a renewable energy field by attracting investments from two GCC states: Saudi Arabia (ACWA Power) and the United Arab Emirates (MASDAR). These and other investments are based on assessments (see [HERE](#)) that the country has a potential of about 135,000 MW of onshore renewable capacity (wind and solar) and an offshore wind potential of 157,000 MW (35,000 MW in shallow water and 122,000 MW in deeper water). "Just the offshore potential is about 20 times *more* than all of Azerbaijan's current installed energy capacity, *including* all its hydrocarbon production," as Krnjević has [pointed out](#).

The July 2022 MoU set the foundation for this new area of cooperation, stating that the "Sides also concur on the need to examine the development of electricity interconnections between the EU and Azerbaijan, including through the Black Sea." This was followed up with the signing of a ground-breaking Agreement on Strategic Partnership in the Field of Green Energy Development and Transmission between Azerbaijan, Georgia, Hungary, and Romania in December 2022 in the presence of von der Leyen. This document forms the basis of a project for the "transmission of electricity produced from renewable energy sources" (wind and solar from Azerbaijan; hydro from Georgia) through an undersea cable to Romania and Hungary and from there "to the other European countries," to quote from the text of the December 2022 document. (Subsequently, other countries, including Balkan states Bulgaria and Serbia, have expressed interest in joining this mega-project.)

It should be noted that Azerbaijan has committed to increasing the share of renewable energy sources in its overall energy [production to 30](#) percent by 2030.

The country [has also adopted](#) the Law on the Use of Renewable Energy Sources (RES) to make this happen. Moreover, Baku is currently developing a five-year RES strategy.

Win-Win

In recent years, Baku's relations with the Balkans have experienced dynamic growth based on strategic partnerships in the fields of energy, economy, and defense. Such a strategy boosts Azerbaijan's influence in the region, paving the way for more diplomatic maneuverability notwithstanding counterwinds coming from certain EU member states like France and recent unfortunate decisions by European-wide bodies like the Parliamentary Assembly of the Council of Europe.

Indeed, the strategic supply of energy—from hydrocarbon sources now, and from both hydrocarbon and renewable sources in the years and decades ahead—is a crucial factor in Baku's foreign policy strategy to establish a permanent footprint in the fragile Balkan region, thus diversifying and deepening a whole series of partnership portfolios that benefits not only Azerbaijan but the Balkan countries themselves, and thus the European Union as a whole.