



INDUSTRY BRIEFS:
RENEWABLE ENERGY
REPUBLIC OF AZERBAIJAN

GENERAL

⚡ Renewable Energy in Azerbaijan: Legal Horizons and Market Momentum

This document outlines legal regulation of renewable power projects as well as their present status.

Azerbaijan is entering a transformative era in energy policy. With ambitious national targets to reach 30 percent renewable energy capacity by 2030 and a growing portfolio of solar and wind projects, the country is rapidly redefining its role in the global energy transition. For investors, developers, and policymakers, this shift presents both opportunity and complexity.

At Bureau 28a, we are at the forefront of this evolution. Our legal team has deep expertise in navigating the regulatory frameworks, investment incentives, and contractual structures that underpin Azerbaijan's renewable energy landscape. From advising on public-private partnerships to structuring bankable power purchase agreements, we help clients unlock the full potential of green energy development.

Whether you are entering the market or scaling operations, Bureau 28a provides the legal clarity and commercial insight to move your renewable energy projects forward - with confidence and impact.

REGULATION

Legal and Supporting Acts

Law, *On Electro-Energetics*, of 3 April 1998, was adopted with the objective of governing the entire power industry while containing virtually no specific regulation of renewable energy projects. Similarly, Laws, *On Energy*, dated 24 November 1998, and, *On Power and Heating Plants*, of 28 December 1999 had no such specific regulation. It was not until 2004 that the Republic promulgated a special act for promoting renewable energy, the *State Program for Using Renewable Energy Sources*.

The first large-scale renewable energy projects agreed in 2020-21 (see below), liberation of previously occupied territories, and developing of an open energy market necessitated an overhaul of the regulatory framework. As such (in order of hierarchy and relevance to the industry):

- Law, dated 31 May 2021, *On Use of Renewables to Generate Electricity*, was enacted with effect 14 July 2021 (the “Renewable Energy Law”);
- Law, dated 11 April 2023, [On Power Industry \[Electro-Energetics\]](#), was promulgated on 19 May 2023 taking effect as of 2024;
- Law, dated 24 October 2023, *On Energy*, is effective 5 December 2023;
- Law, [On Public Private Partnership](#), of 9 December 2022 came into effect as of 27 December 2022;

- Presidential Instructive Order, *On Measures Related to Creation of “Green Energy” Zone in Liberated Territories*, of 3 May 2021 was promulgated; and
- Cabinet Instructive Order, *On Approval of “Plan of Measures for Establishment of ‘Green Energy’ Zone in Liberated Territories in 2022-2026”*, of 21 June 2022 adopted (the “CoM Order”).

Key Provisions and Exemptions

- the Ministry of Energy develops mapping of potential renewable energy sources, based on which the Cabinet of Ministers qualifies a particular site for renewable energy generation;
- once a site is qualified, the Ministry of Energy selects a power generator, transfers rights in the concerned land plot, and informs the affected persons all with a view to commence energy generation in the next two years;
- a power generator is selected through an auction or direct involvement or, in pilot projects of strategic importance, by the Cabinet of Ministers subject to an approval from the President;
- the selected energy generator makes: (i) an investment agreement with the Ministry of Energy; (ii) a power purchase agreement (PPA) with a guaranteed buyer (offtaker); (iii) a transmission connection agreement with either Azarenerji JSC (the state-owned generator and grid operator) or Azarisiq JSC (the state-owned distributor); and (iv) other agreements, such as those securing access to land or water;
- direct supplies by renewable energy generators to consumers (bypassing the State-owned generator and grid operator) are theoretically possible where a green energy generator does not require a guaranteed offtaker; in this case, it will sell at the wholesale tariff approved by the Tariff Council (presently, at AZN0.066/kw/h);
- generators of electricity from renewable energy sources will have priority to access electricity transmission and distribution;
- the Cabinet exempted from rent state- and municipal-owned land leased to investors in relation to construction and operation of power stations of 100 MW and higher capacity of energy sources (wind and solar); and
- entire income received by active individual consumers from electricity of up to 150 kW, inclusive, capacity generated through renewable energy sources and supplied to the grid is exempt from the income tax.

PROJECTS

General

The Renewable Energy Law calls for the creation of an information system of renewable energy sources that would include information of each power station generating from renewable sources, its scheduled capacity, electricity generated, volume of natural gas saved, and revenue generated from sale of CO2 allowances. The system was to be developed and integrated into e-government resources by May 2022. To the best of our knowledge, no such system has been created to date.

The list of renewable energy projects can be deduced from the list of agreements and understandings as reported by the Ministry of Energy on the following resources:

- agreements: <https://minenergy.gov.az/en/beynelxalq-muqavileler/niyyet-protokolu-ve-icra-muqavileleri>
- memoranda of understanding: <https://minenergy.gov.az/en/beynelxalq-muqavileler/anlasma-memorandumlari>

Those of the listed notable and the first large renewable energy projects the Republic represented by the Ministry of Energy entered into are:

- the investment, PPA, and transmission connection agreements with ACWA Power for wind power plant project of a maximum capacity of 240 MW in December 2020, the project is developed in Abseron and Xizi districts in the areas of Cayli and Sitalcay villages; and
- the investment, PPA, and transmission connection agreements with Masdar for a solar PV project of a maximum capacity of 230 MW in April 2021, the project is developed in Qaradag district (Area 60).

Liberated Territories

The CoM Order lists steps to develop green energy in the liberated territories of Qarabag and around. Some of these steps including development of green energy infrastructure have already been agreed upon in principle (see the lists of renewable energy projects reported by the Ministry of Energy discussed above).

The steps include: (i) development of the Azerbaijan-Turkiye-Europe Energy Corridor (the Cabrayil Energy Intersection project), (ii) development of a solar power plant in Cabrayil, (iii) development of wind power plants in Lacin and Kalbacar, and (iv) restoration of existing small hydro power stations. The full list of the steps is available at:

<https://nk.gov.az/uploads/doc/docs/old/45b83b31e4352f968de5853d1612525a.pdf>

In May 2021, the contract for *Electric Power Development Master Plan for Green Energy Zone Project* was made between Tokyo Electric Power Services Co., Ltd. (TEPSCO) and the Ministry of Energy. The status of the Plan has not been publicized.

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