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## **The Quest for European Energy Security: Italian Engagement in Azerbaijan's Energy Transition**

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# The Quest for European Energy Security: Italian Engagement in Azerbaijan's Energy Transition<sup>1</sup>

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## Executive summary

Energy security has become the main focus for Europe's economic stability, autonomy, and transition to green technologies, especially after the disruption in the traditional supply routes due to geopolitical tensions. In this landscape, Azerbaijan has positioned itself as a reliable long-term energy partner for the European Union, with Italy playing a vital role as a strategic transit hub. Italy is currently the largest European buyer of Azerbaijani oil and gas, while Italian state-owned energy companies have become active in Azerbaijan's energy sector. However, Europe's increasing demand for secure and sustainable energy supplies comes not only with opportunities, but also risks. Continued dependence on limited suppliers and bottlenecks in infrastructure may create vulnerabilities for the EU economy. At the same time, Azerbaijan's vast hydrocarbon reserves and growing renewable energy potential offer a strategic pathway to strengthening Italy's and Europe's energy resilience while advancing sustainability goals. This working paper argues that Azerbaijan-Italy energy cooperation represents a strategic model for balancing energy security, economic development, and green transition. Italy's strongest contribution lies in leveraging its state-owned and state-supported companies through four main stages:

- 1. Securing diversified and reliable energy supply routes for Europe** - Through the Southern Gas Corridor and the Trans-Adriatic Pipeline, Azerbaijani oil and gas have become critical to reducing Europe's dependence on Russian energy. Italian companies play an important role in production, transportation, and infrastructure, reinforcing Italy's position as a supplier of Caspian energy to the EU market.
- 2. Driving technology transfer and infrastructure modernization** - Italian firms contribute advanced technologies, engineering expertise, and project management capabilities that enhance Azerbaijan's energy efficiency and production capacity.
- 3. Accelerating Azerbaijan's renewable energy transition** - Cooperation has increased beyond hydrocarbons to renewable energy, hydrogen, and other sustainable projects. Joint ventures with key Italian companies support Azerbaijan's goal of increasing renewable capacity and developing Green Energy Zones, aligning national priorities with EU Green Deal objectives.
- 4. Strengthening human capital and institutional alignment** - Italian engagement includes workforce training, education programs, and institutional cooperation that build local capacity and embed European standards in Azerbaijan's energy sector. These initiatives enhance sustainability, regulatory compliance, and credibility of long-term partnership.

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## Introduction

Located at the crossroads of Europe and Asia, Azerbaijan is renowned for its abundant natural resources. Since regaining its independence in 1991, strong economic and political ties with developed countries have always been on Azerbaijan's agenda. In addition, the turning point for the country was the signing of the Contract of the Century in 1994 with major oil companies across the globe, enabling large-scale foreign investment in the energy sector.<sup>2</sup> In addition to the oil and gas industry, Azerbaijan has rapidly turned its focus to diversifying its energy sector, specifically via the development of renewable energy resources. The country has great potential for solar, wind, and hydroelectric energy, with both governmental and private sector efforts to benefit from these resources.<sup>3</sup>

In this context, Italy has been one of Azerbaijan's major partners for decades, showing special interest in the energy sector, with projects like the Southern Gas Corridor strengthening bilateral cooperation between the two countries.<sup>4</sup> In addition, Italy has invested more than \$770 million in Azerbaijan's economy since the country's independence and there are currently 114 Italian companies operating in Azerbaijan across various industries such as energy, trade, agriculture, and construction. These companies have a strong economic presence with 277 projects worth \$9.9 billion in Azerbaijan's oil and gas sector, and 37 projects worth \$708 million in the non-oil sector.<sup>5</sup> Italian companies like ENI, Saipem, Technip Energies Italy, and Ansaldo have been key players in Azerbaijan's energy development, bringing their technology, expertise, and investment to the country. Italian companies are actively engaged in operations in the oil & gas field, with representatives like ENI owning 5% shares of the Baku-Tbilisi-Ceyhan pipeline and exploitation of "Dan Ulduzu" and "Ashrafi" offshore oil fields.<sup>6</sup> Moreover, in the framework of COP 29 and environmentally sustainable initiatives, ENI CEO Claudio Descalzi has signed a new agreement with Azerbaijani State Oil Company (SOCAR) CEO Rovshan Najaf on evaluating potential cooperation, production of hydrocarbons, HG emissions reduction, and energy security.<sup>7</sup>

Considering the importance of environmentally sustainable initiatives and projects in Azerbaijan in recent years, including COP 29, to use the full potential of renewable sources new discussions have been held between Italy and Azerbaijan.<sup>8</sup> The president of Azerbaijan, Ilham Aliyev, has also invited Italian companies during numerous Italian-Azerbaijan business forums to deepen cooperation between the two countries considering Azerbaijan's huge renewable energy potential.<sup>9</sup> Taking into account the new, dramatically increasing reconstruction projects in the Nagorno-Karabakh liberated

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<sup>2</sup> Azerbaijan.az. (2024). History of development of oil industry. <https://azerbaijan.az/en/related-information/130>

<sup>3</sup> International Energy Agency. (2025). Azerbaijan energy profile. <https://www.iea.org/reports/azerbaijan-energy-profile/overview>

<sup>4</sup> APA. (2024). Italian company to participate in green project in Azerbaijan. <https://en.apa.az/energy-and-industry/italian-company-to-participate-in-green-project-in-azerbaijan-photo-450274>

<sup>5</sup> Azernews. (2024). Azerbaijan, Italy deepen ties with new opportunities ahead. <https://www.azernews.az/analysis/230845.html>

<sup>6</sup> Pashayev, F. (2014). Economic cooperation between Azerbaijan and Italy. Khazar University Press, 17(1). <http://hdl.handle.net/20.500.12323/3224>

<sup>7</sup> Eni. (2024). Eni and SOCAR sign agreements in the energy security, reduction of greenhouse gas emissions and in the biofuel production chain sectors. <https://www.eni.com/en-IT/media/press-release/2024/09/eni-and-socar-sign-agreements-in-the-energy-security-reduction-of-greenhouse-gas-emissions-and-in-the-biofuel-production-chain-sectors.html>

<sup>8</sup> AIR Center. (2024). Azerbaijan is now a major contributor to Europe's energy security. <https://aircenter.az/en/single/azerbaijan-is-now-a-major-contributor-to-europes-energy-security-1412>

<sup>9</sup> Azerbaijan.az. (2021). Rome hosted Azerbaijan-Italy business forum. <https://azerbaijan.az/en/news/1539>

territories of Azerbaijan, there are opportunities for Italian companies to be involved in those projects, especially for renewable energy sources where Italian companies have already commenced reconstructing generators.<sup>10</sup>

Following Russia's invasion of Ukraine in 2022, Europe faced one of the most severe energy crises in decades, due to sharp reductions in Russian gas supplies and volatility in energy prices.<sup>11</sup> This shock contributed to the European Union's determination to diversify its energy imports and secure alternative sources of supply. Within this geopolitical context Azerbaijan emerged as a reliable partner in ensuring Europe's energy security. Through the Southern Gas Corridor Azerbaijani gas reached European markets via the Trans-Anatolian and Trans-Adriatic pipelines, infrastructure in which Italy plays a strategic role.<sup>12</sup> Thus, Italy's geographic position and diplomatic engagement with the South Caucasus have positioned it as a bridge between EU energy needs and Caspian natural resources. Consequently, Baku's relations with Rome have become not only bilateral but also EU-level significant, as they align directly with the EU's objectives of supply diversification and green transition.<sup>13</sup>

Furthermore, the cooperation between Azerbaijani and Italian companies has both contributed to Azerbaijan's growth as an energy powerhouse and fostered economic and political ties between the two countries, contributing to the broader energy security framework of the European Union (EU). This partnership illustrates how bilateral relations can evolve into a strategic triangle between Azerbaijan, Italy, and the European Union and balance commercial interests with geopolitical matters and the shared goal of sustainable future.

The aim of this paper is to examine the role of Azerbaijan as a long-term reliable partner for Italian state-owned and energy-centered companies, with a focus on both traditional and renewable energy sources. Azerbaijan is a key global player in the energy sector, considering its rich resources, thus understanding the mutual relations would provide insights into how international collaboration can influence energy security, economic development, and sustainability in the country. In addition, the research would help to understand the strengthening dynamics of the bilateral relations between Azerbaijan and Italy. Moreover, taking into account the recent emphasis on sustainability and renewable energy sources, it is essential to analyze how Italian firms are involved in Azerbaijan's transition toward renewable energies and sustainability policies. By analyzing key bilateral agreements and memoranda between Italy and Azerbaijan, the study seeks to understand how political and institutional frameworks have contributed to Italian engagement in Azerbaijan, especially in the bigger picture of European energy security.

The following research question aims to explore the role of Italian companies in Azerbaijan: What is the strategic role of Azerbaijan in supplying energy to Italy and how does this cooperation strengthen Italy's position within the EU's energy diversification strategy?

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<sup>10</sup> Azernews. (2024). Azerbaijan, Italy deepen ties with new opportunities ahead.

<https://www.azernews.az/analysis/230845.html>

<sup>11</sup> Dincer, M. (2024). The role of Azerbaijan as the EU's energy supplier: a secondary alternative partner in natural gas. European Politics and Society, 25(4), 624–642.

<sup>12</sup> Ministry of Foreign Affairs. (2025). The Republic of Italy. <https://mfa.gov.az/en/category/avropa/italiya>

<sup>13</sup> Nuriyev, R., McFerren, J. (2025). THE CURRENT STATE OF THE GAS INDUSTRY AND THE EMERGING GREEN ENERGY SECTOR IN AZERBAIJAN. SOCAR Proceedings 2, pp.159-17.

This research seeks to fill the gap in the existing literature on the performance and impact of Italian companies operating in Azerbaijan's energy sector by providing a detailed analysis of the strategic role that Italian state-owned companies play in Azerbaijan's energy sector.

This paper commences by providing a background of Azerbaijan's energy sector, its role as a strategic energy supplier of the EU, and the energy relations between Italy and Azerbaijan, with a particular focus on the green energy sector. It then moves to the description of findings and discussions, ending with some concluding remarks.

## Overview of Azerbaijan's energy sector

Azerbaijan has rich natural resources for the energy supply, both traditional and renewable. Nevertheless, traditional energy sources, especially oil and gas, have been the backbone of the country for centuries. With the regaining of state independence, the most crucial step in the country's oil history was the Contract of the Century signed in 1994 with 13 global oil companies regarding oil extraction from Azeri, Chirag, and Gunesli platforms in the Caspian Sea. The Azerbaijani body responsible for oil production in the country is the State Oil Company of the Republic of Azerbaijan (SOCAR), which has obtained agreements for BTC (Baku-Tbilisi-Ceyhan) and SCP (Southern Caucasus Pipeline).<sup>14</sup> Additionally, to diversify the Azerbaijani economy, the State Oil Fund was established in 1999; it is responsible for allocating revenues obtained from oilfields to the economic and social development of the country.<sup>15</sup>

Concerning the gas industry, the "AzeriGas" Closed Joint-Stock Company is owned by SOCAR, which involves the Shah Deniz gas field, and the expansion of the Southern Caucasus Pipeline (SCP), Trans- Anatolian Pipeline (TANAP), and Trans-Adriatic Pipeline (TAP).<sup>16</sup> These routes not only provide a stable flow of natural gas to Southern Europe but also strengthen Italy's role as a critical entry point for non-Russian gas supplies to the European Union. For Italian companies, Azerbaijan represents a key partner in achieving energy diversification and ensuring strategic autonomy within the EU framework.

Azerbaijan has worked diligently on realizing its renewable energy potential with the utilization of solar, hydro, and other green energy. The country has huge potential in solar, wind, geothermal, biomass, and hydropower energy. There are 36 hydropower stations, 8 wind power stations, 2 bioenergy stations, 13 solar energy stations, and 2 hybrid power plants in the country.<sup>17</sup> Moreover, the aim to reduce greenhouse gas emissions and increase renewable energy capacity by 30% has been included in the country's strategy until 2030.<sup>18</sup> Additionally, in 2021 President Aliyev signed an order to establish a Green Energy Zone in the liberated territories.<sup>19</sup> These developments open opportunities for Italian firms specializing in green technology, energy efficiency, and sustainable infrastructure, including potential collaborations in wind and hydrogen production.

<sup>14</sup> Azertag. (2020). SOCAR announces last year's average price of Azeri Light.

[https://azertag.az/xeber/SOCAR\\_Azeri\\_Lightin\\_otenilki\\_orta\\_qiymetini\\_achiqlayib-1382372](https://azertag.az/xeber/SOCAR_Azeri_Lightin_otenilki_orta_qiymetini_achiqlayib-1382372)

<sup>15</sup> Azerbaijan.az. (2024). History of development of oil industry. <https://azerbaijan.az/en/related-information/130>

<sup>16</sup> Azerbaijan Energy Regulatory Agency. (2025). History of gas production and supply in Azerbaijan.

<sup>17</sup> Ministry of Energy of the Republic of Azerbaijan. (2024). The Use of Renewable Energy Resources in Azerbaijan. <https://minenergy.gov.az/en/alternativ-ve-berpa- olunan-enerji/azerbaycanda-berpa-olunan-enerji-membelerinden-istifade>

<sup>18</sup> International Energy Agency. (2025). Azerbaijan energy profile.

<https://www.iea.org/reports/azerbaijan-energy-profile/overview>

<sup>19</sup> Ministry of Energy of the Republic of Azerbaijan (2024).

Azerbaijan's energy policy since 2007 has been to implement vital infrastructure projects and increase capital investment overseas, thus creating more value rather than being a raw material producer.<sup>20</sup> In this regard, SOCAR has entered the petrochemical industry and established branches like "SOCAR Methanol", "SOCAR Polymer", and "SOCAR Carbamide". Furthermore, SOCAR has been promoting the "Azeri Light" oil brand abroad and conducts business activities in more than 100 trade centers in more than 40 countries.<sup>21</sup>

In conclusion, Azerbaijan's transformation from an oil-dependent economy into a modern, diversified energy hub has reinforced its strategic importance for Europe and Italy. Its abundant energy resources, growing renewable sector, and commitment to infrastructure modernization create significant opportunities for Italian firms that seek long-term engagement in the Caspian region.

## Azerbaijan as a supplier to Italy and the EU

Azerbaijan has a strategically important role for the European Union as a supplier of energy in the context of Europe-Asia connectivity. The mutual cooperation between Azerbaijan and the EU is fruitful for both sides and has become especially crucial in the recent geopolitical instabilities in the region. Furthermore, the Russo-Ukrainian War has created an obstacle for the EU in obtaining oil and gas resources. As President of the European Commission Ursula von der Leyen mentioned, Azerbaijan is a reliable partner of the EU, considering its abundance of natural resources and long-term partnership with the EU.<sup>22</sup> In 2024 the volume of gas exports from Azerbaijan to the EU totaled 13 billion cubic meters while oil supply was 17 billion cubic meters.<sup>23</sup> Italy remains the largest European buyer, with 9.59 million tons of crude oil worth \$4.99 billion and 8 million tons of natural gas during the nine months of 2025.<sup>24</sup>

In 2024, a strategic partnership was signed with the European Commission, enforced by the Southern Gas Corridor Advisory Council, focusing on the shared goals and the organization for energy cooperation opportunities.<sup>25</sup> The Southern Gas Corridor and the Trans-Adriatic Pipeline stand at the root of cooperation in energy relations with the EU. TAP has a capacity of 10 billion cubic meters, with a possible expansion to 20 million cubic meters to be achieved by the end of 2027.<sup>26</sup>

<sup>20</sup> AIR Center. (2021). ENERGY POLICIES AND STRATEGIES OF AZERBAIJAN.

Retrieved from <https://aircenter.az/uploads/vOjWYIToHRbw.pdf>

<sup>21</sup> Azertag (2020).

<sup>22</sup> AIR Center. (2024). Bilateral relations between Italy, the EU, and Azerbaijan: Energy security and foreign policy. <https://aircenter.az/en/post/bilateral-relations-between-italy-the-eu-and-azerbaijan-energy-security-and-foreign-policy-1475>

<sup>23</sup> Caliber.az. (2025). Azerbaijan expands gas supplies to three more European countries Breakthrough on the gas front. <https://caliber.az/en/post/azerbaijan-expands-gas-supplies-to-three-more-european-countries>

<sup>24</sup> Report.az. (2025). EU countries imported over 17.2M tons of oil from Azerbaijan in 2024. <https://report.az/en/amp/energy/eu-countries-imported-over-17-2m-tons-of-oil-from-azerbaijan-in-2024>

<sup>25</sup> AIR Center (2024).

<sup>26</sup> Opinio Juris. (2024). Italy-Azerbaijan relations: interview with Zaur Mammadov, Director of the Baku Political Science Club. <https://www.opiniojuris.it/opinio/italy-azerbaijan-relations-interview-with-zaur-mammadov-director-of-the-baku-political-science-club/>

The pipeline currently supplies 10% of Italy's gas needs along with other European countries, assisting in reducing dependence on Russian energy resources.<sup>27</sup>

In his speech at the international forum in Cernobbio, Italy, President Aliyev divided EU-Azerbaijan energy relations into three stages.<sup>28</sup> The first stage covers the early years of Azerbaijan's independence, in which major European energy companies were invited to work in the Caspian Sea, making Azerbaijan a great oil supplier for these countries. Additionally, two strategic oil pipelines were constructed, ending in the Mediterranean port of Turkey and the Black Sea port of Georgia.<sup>29</sup> The second stage covers the development of gas fields, considering 2,6 trillion cubic meters of Azerbaijani gas reserves. Here, the Southern Gas Corridor pipelines were built, which include the South Caucasus pipeline, the Trans-Anatolian pipeline, and Trans-Adriatic pipeline. The last stage of cooperation covers the renewable energy potential of Azerbaijan, such as electric energy, solar, hydrogen, and green hydrogen.

Additionally, the EU-Azerbaijan partnership is increasing in scope from traditional energy to renewable energy. Last year, the partners signed a memorandum of understanding on wind energy cooperation within the EU-Azerbaijan Green Energy Advisory Council.<sup>30</sup> These kinds of agreements aim to benefit both sides, as they facilitate the clean energy transition of Azerbaijan and explore new renewable energy supplies for Europe. Moreover, after Azerbaijan hosted the COP 29, the focus on renewable energy resources continues to increase. As President Aliyev highlighted, benefitting from the renewable energy potential of the Caspian Sea is the next agenda item for Azerbaijan, which has a potential of 157 gigawatts, helping to reduce dependence on traditional energy sources such as natural gas.<sup>31</sup>

Thus, Azerbaijan has established itself as a key energy partner for the European Union and Italy amidst geopolitical instability and energy security concerns in Europe, leading to stronger cooperation in both traditional and renewable energy sectors. This partnership is expected to increase, with the country meeting Europe's energy demands.

## Relations with Italian companies and existing bilateral frameworks

Italian companies play a crucial role in increasing industrial production and helping to diversify Azerbaijan's economy. Italy is Azerbaijan's leading trading partner, with bilateral trade value being around \$11 billion as of 2024.<sup>32</sup> As of the end of 2024, 114 Italian companies operate in Azerbaijan in various sectors, including energy, trade, agriculture, and construction.

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<sup>27</sup> Caspian Policy Center. (2023). Azerbaijan and Italy Agree to New Strategic Energy Deal. <https://www.caspianpolicy.org/research/energy-and-economy-program-eep/azerbaijan-and-italy-agree-to-new-strategic-energy-deal>

<sup>28</sup> President.az. (2022). Speech by Ilham Aliyev at the international forum in Cernobbio, Italy. <https://president.az/en/articles/view/57277>

<sup>29</sup> Asciani, A., Crescenzi, R., & Iammarino, S. (2016). What drives European multinationals to the EU neighbouring countries? A mixed methods analysis of Italian investment strategies. *Environment and Planning C: Government and Policy*, 34, 656–675.

<sup>30</sup> AIR Center (2024).

<sup>31</sup> AIR Center (2024).

<sup>32</sup> Azernews (2024).

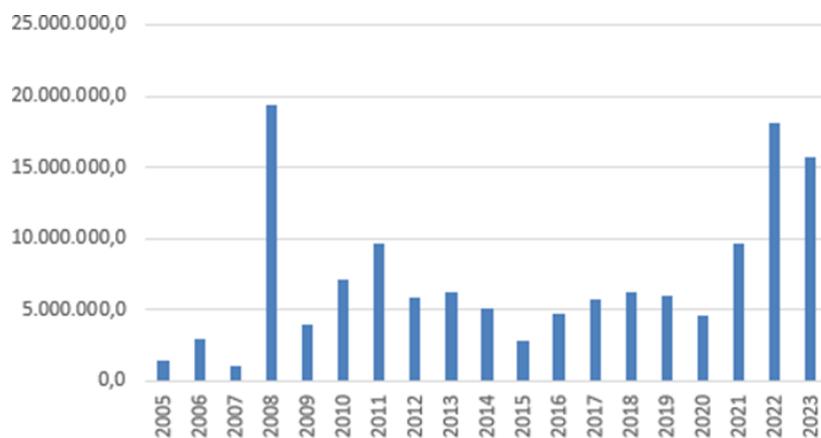
Graph 1. Italy-Azerbaijan trade turnover<sup>33</sup>

Table 1 Products exported by Italy to Azerbaijan (millions of US dollars).

Products	2022*	2021	2020	2019	2018	2017	2016	2015	2014	2013
Chocolate and chocolate products	1,2	1,4	1,5	1,7	1,7	2,2	2,2	2,2	2,5	2,8
Medicines	-	23,5	15	12,8	12,8	10,7	7,4	12,6	5,3	8,3
Metal structures	-	-	-	8,7	4,3	7,4	5,4	4,6	3,2	1,1
Plastic mass pipes, hoses, and their fittings	-	3,2	1,8	1,7	1,3	1,4	1,06	0,2	0,7	0,2
Shoe	4,2	-	4,6	5,6	5,9	5,6	4,8	0,7	2,4	1,5
Pipe fittings made of ferrous metals	-	11,1	21,4	9,8	3,7	4,2	7,6	36,6	12,1	3,1
Seating furniture	9,03	2,6	2,9	3,4	3,5	3,4	4,4	0,9	0,6	1,7
Wooden office, kitchen, bed, and other furniture	-	5	5,04	8,1	9,9	8,9	13,6	6,8	5,8	4,7

Source: Azerbaijan State Statistics Committee, <https://www.stat.gov.az/source/trade/> (13.11.2022).

Note \* Trade indicators for 2022 cover January-September 2022.

Graph 2. Italian exports to Azerbaijan<sup>34</sup>

Table 2 Products exported by Azerbaijan to Italy (million US dollars).

Products	2022*	2021	2020	2019	2018	2017	2016	2015	2014	2013
Crude oil	5.674	6.064,5	4.121,2	5.536,7	5.834,7	5.292,7	4.274,2	2.137,1	4.538,1	5.812,4
Natural gas	8.821,8	3.079,4	-	-	-	-	-	-	-	-
Shelled hazelnuts	23,5	34,7	28,9	33,2	20,4	51,4	40,1	31,8	10,1	9,2
Heavy distillates or gasoils for other purposes	30,8	35,3	9,8	58	11,4	-	9,5	53,2	136,4	107,3
Liquid fuel	-	1,6	1,9	0,7	-	0,4	4	22,4	94,5	59,7
Acyclic alcohols and their derivatives	9,9	7,8	8,8	8,4	-	0,9	0,8	5,8	-	-

Source: Azerbaijan State Statistics Committee, <https://www.stat.gov.az/source/trade/> (13.11.2022). Note \* Trade indicators for 2022 cover January-September 2022.Graph 3. Azerbaijani exports to Italy<sup>35</sup>

There are economic relations organizations like the Italian Institute of Foreign Trade (ICE), which actively participates in the development of economic and commercial relations, especially cooperating with AZPROMO.<sup>36</sup> Moreover, one of the most important indicators of mutual trade is the Italian-Azerbaijani Chamber of Commerce (ITAZERCOM).

<sup>33</sup> State Customs Committee. (2025). Customs Statistics of Foreign Trade Republic of Azerbaijan.<sup>34</sup> State Statistics Committee. (2022). Italy-Azerbaijan trade indicators. State Statistics Committee. (2024). Italy-Azerbaijan trade turnover.<sup>35</sup> State Statistics Committee (2022).<sup>36</sup> Pashayev (2014).

In bilateral trade relations Azerbaijan has been Italy's largest supplier of crude oil, especially with the start of the operation of the Trans-Adriatic gas pipeline (TAP), a segment of the Southern Gas Corridor.<sup>37</sup> The President of Azerbaijan outlined in his speech with the Italian ambassador to Azerbaijan that the Southern Gas Corridor is a project of historical importance which offers new areas of cooperation with Italian companies.<sup>38</sup>

As Chairman of the Board of the Center of Analysis of International Relations Farid Shafiyev mentioned, the high-level cooperation between Italy and Azerbaijan can be majorly seen in the energy field.<sup>39</sup> Over the past decade, Italy has purchased on average €5.5 billion worth of Azerbaijani oil annually, and since December 31, 2020 this figure also reflects the natural gas from the Shah Deniz field imported by Italy via the Southern Gas Corridor.<sup>40</sup> In 1995, the permission granted for Italian company Eni-Agip to explore the “Qarabagh” oil field in the Caspian Sea owned by the State Oil Company of the Republic of Azerbaijan implied a new step towards strengthening economic relations between the two countries. Under the “Contract of the Century” numerous Italian companies have been involved in the exploration and development of the Caspian Sea with 5% ownership in the Baku-Tbilisi-Ceyhan oil pipeline.<sup>41</sup> Besides this, Eni-Agip has worked on the Kurdashi oil field and the Shah Deniz gas condensate field project. Furthermore, recently several agreements have been signed between President Ilham Aliyev and Claudio Descalzi, the CEO of the Italy's Eni S.p.A., focusing particularly on the application of new technologies in the oil and gas industry and renewable energy.<sup>42</sup> Besides Eni, Saipem is also involved in the offshore platforms, Maire Tecnimont has worked on the modernization of the Baku refinery, Snam holds 20% of the shares of the TAP gas pipeline, and Technip Italia is active in the petrochemical sector.<sup>43</sup>

In recent years, renewable and green energy applications have been prevalent across the globe, including in Azerbaijan. Italy and Azerbaijan have already started cooperation in the field of renewable energy. Italian companies have expertise in renewable energy production and the Azerbaijani government actively focuses on the initiative to stimulate the Italian-Azerbaijani joint ventures in this field. Last year ENI signed a memorandum with SOCAR on the reduction of greenhouse gas emissions.<sup>44</sup> Additionally, another Italian company, CESI, collaborated with the Azerbaijani Ministry of Energy on a study for a “green” energy corridor that would transport energy from the Caspian Sea through Azerbaijan, Georgia, and the Black Sea to Eastern Europe.<sup>45</sup> Another initiative is by Saipem in the construction of onshore wind power projects and

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<sup>37</sup> Ministry of Foreign Affairs (2025).

<sup>38</sup> APA. (2024). Azerbaijani President: Italian companies are among the first foreign companies which started to work with respect to the reconstruction of the liberated territories. <https://en.apa.az/official-news/azerbaijani-president-italian-companies-are-among-the-first-foreign-companies-which-started-to-work-with-respect-to-the-reconstruction-of-the-liberated-territories-351545>

<sup>39</sup> AIR Center (2024).

<sup>40</sup> Embassy of Italy in Baku. (2025). “Azerbaijan and Italy: Deep roots of a developing friendship and the future of our cooperation”. <https://ambbaku.esteri.it/wp-content/uploads/2023/10/ambasciataditaliaabaku-1.pdf>

<sup>41</sup> Caliber. (2024). Italy, Azerbaijan unite for green energy, economic growth. <https://caliber.az/en/post/italy-azerbaijan-unite-for-green-energy-economic-growth>

<sup>42</sup> Caliber (2024).

<sup>43</sup> Ministry of Foreign Affairs and International Cooperation Economic Observatory Italy. (2023). Azerbaijan Overview. [https://www.infomercatiesteri.it/overview.php?id\\_paesi=120](https://www.infomercatiesteri.it/overview.php?id_paesi=120)

<sup>44</sup> Caliber (2024).

<sup>45</sup> Ministry of Energy of the Republic of Azerbaijan. (2024). Development of energy partnership between Azerbaijan and World Bank discussed. <https://minenergy.gov.az/en/xeberler-arxivi/00148>

the development of wind energy in the Caspian Sea. Moreover, in the liberated territories of Karabakh, Italian firm Ansaldo is building modern electricity infrastructure.<sup>46</sup>

### **Eni**

Italy's involvement in the Azerbaijani energy sector began with Eni in the 1990s. The company also closely worked on the discovery of the Shah Deniz field with Lukoil's joint venture, LukAgip.<sup>47</sup> Furthermore, Eni had operations in the offshore Kurdashi- Araz Daniz and Kirqan Daniz fields. Although Eni was present in Azerbaijan's upstream sector, the company later transferred its shares to Saipem in 2010. As of 2024, Eni signed an agreement with SOCAR in the fields of hydrocarbon exploration and production, energy security, reduction of greenhouse gas emissions, and synergies related to gas transportation infrastructure.<sup>48</sup> The agreements were closely in line with the United Nations Climate Change Conference COP 29, which was held in Azerbaijan in November 2024, and ENI's 2050 decarbonization strategy. In addition, during the visit of the President of Azerbaijan to Italy in September 2024 three Memoranda of Understanding were signed with ENI.<sup>49</sup> The first Memorandum targeted the expansion of Eni and SOCAR's cooperation on hydrocarbon exploration and production and energy security in Europe. The second one was focused on greenhouse gas emissions and improving energy efficiency in the upstream sector with the latest technologies. Lastly, the third document addressed cooperation in the biofuel production chain with regard to agro-industrial and other residues.

### **Saipem**

One of the largest Italian companies operating in the energy sector of Azerbaijan is Saipem, which is represented by Saipem Asia Azerbaijan Branch and BOS Shelf. These companies have been in the market since 2001 with the development of the Azeri-Chirag-Gunashli project. BOS Shelf was established between SOCAR and Saipem Group company Star Gulf LLC in 2001 and operates at Baku Deep Water Jacket Factory, 35 km south of Baku.<sup>50</sup> Here, the company offers offshore oil and gas services and has facilities to manage its transportation and installation activities. The phases of the Azeri-Chirag-Gunashli project were finally completed in 2008 when Saipem's Asia Azerbaijan Branch won a 5 year project for BP Caspian Sea Ltd for maintenance and repair in the ACG and Shah Deniz fields.<sup>51</sup> In the following year, the company was again awarded another 5 year agreement from BP Caspian Sea Ltd regarding transportation & installation services from the Caspian Sea. In this framework, Saipem contributed to increasing oil production and recovery of an additional 360 million barrels of oil from the ACG field via new offshore facilities, the construction of a new offshore platform in Shah Deniz, the expansion of the South Caucasus Pipeline, and an onshore processing terminal at Sangachal. In 2014, Saipem obtained the right to a new contract worth \$1.8 billion from BP on behalf of the Shah Deniz

<sup>46</sup> Caspian Barrel. (2020). Italian Ansaldo Energia Receives 5 Million Euro Contract to Create Energy Infrastructure in Karabakh. <https://caspianbarrel.org/en/2020/12/italian-ansaldo-energia-receives-5-million-euro-contract- to-create-energy-infrastructure-in-karabakh/>

<sup>47</sup> ECCO. (2024). ENERGY RELATIONS BETWEEN

ITALY AND AZERBAIJAN. [https://eccoclimate.org/wp-content/uploads/2024/11/Energy-relations-between-Italy-and-Azerbaijan\\_risks-of-gas-dependency-in-the-energy-transition.pdf](https://eccoclimate.org/wp-content/uploads/2024/11/Energy-relations-between-Italy-and-Azerbaijan_risks-of-gas-dependency-in-the-energy-transition.pdf)

<sup>48</sup> Eni. (2024). Eni CEO Claudio Descalzi meets the Minister of Economy of the Republic of Azerbaijan Mikayil Jabbarov and signs MoU with SOCAR to explore cooperation in energy projects and energy transition initiatives. <https://www.eni.com/en-IT/media/press-release/2024/07/eni-ceo-claudio-descalzi-meets-the-minister-of-economy-of-the-republic-of-azerbaijan-mikayil-jabbarov-and-signs-mou-with-socar-to-explore-cooperation-in-energy-projects-and-energy-transition-initiatives.html>

<sup>49</sup> Eni (2024).

<sup>50</sup> ECCO (2024).

<sup>51</sup> Saipem. (2009). Country Sustainability Report- Azerbaijan. <https://www.saipem.com/sites/default/files/2022-12/202503AzerbaijanCoun.pdf>

consortium.<sup>52</sup> In 2018, Saipem won yet another contract, this time from Total for the development of the Absheron field located in the Caspian Sea, operated by a joint venture between Total and SOCAR.<sup>53</sup> Furthermore, Saipem was awarded three new contracts by BP in the ACG project in 2019 valued at around 145 million USD.<sup>54</sup>

Saipem thoroughly values the Azerbaijani climate and as the company's former CEO Umberto Vergine mentioned, the Caspian region is a strategic place for the oil and gas industry to deliver gas to Europe.<sup>55</sup> Last year the company and its BOS Netherlands branch signed a new agreement with BP Exploration for offshore activities in the Caspian Sea operating the SCV Khankendi, a vessel owned by the Shah Deniz consortium.<sup>56</sup> The contract was valued at 300 million USD, where Saipem would provide marine services. These contracts once again confirm Saipem as a reliable partner for the energy industry in Azerbaijan.

### **Technip Energies Italy**

Technip Energies Italy also operates in the energy sector of Azerbaijan, especially in the "green" energy field. In 2016, the company won a contract for the reconstruction of the Ethylene- Polyethylene Plant.<sup>57</sup> In 2024, in a meeting with the Azerbaijan Investment Company, a new framework for cooperation was adopted with regard to renewable energy resources and sustainable development to diversify the economy of Azerbaijan.<sup>58</sup> As a result of this cooperation, the "Ecostar Green" LLC joint venture was established by the "Azerbaijan Investment Company" OJSC, "SOCAR Downstream", and Technip Energies. Its "Waste Monetization" project is now being implemented, with a value of 97 billion Euro, aiming at green gas production from the recycling of plastic waste obtained from the raw material base of Azerkimya, a SOCAR-owned chemical plant. Moreover, it is planned that a plant with a capacity of 30,000 tons of olefin (gas mixture) and 10,000 tons of fuel gas annually built in Sumgayit will support the circular economy with the application of "green" technologies and offer sustainable waste management.<sup>59</sup> Moreover, last year a contract for the establishment of a joint venture was signed between Technip and SOCAR Downstream for the "Production of Pyrolysis Oil from Plastic Waste" project.<sup>60</sup> This "green" project aims for efficient waste management and the reduction of carbon emissions.

<sup>52</sup> Saipem. (2014). Saipem: awarded \$1.8 billion contract for Shah Deniz Stage 2. <https://www.saipem.com/en/media/press-releases/2014-04-30/saipem-awarded-18-billion-contract-shah-deniz-stage-2>

<sup>53</sup> Saipem. (2018). Saipem: new Offshore E&C contracts in Azerbaijan, the North Sea and the Republic of Congo worth approximately 400 million USD in total.

<sup>54</sup> Saipem. (2019). Saipem: new offshore E&C contracts awarded by BP in Azerbaijan worth around 145 million USD. <https://www.saipem.com/en/media/news/saipem-new-offshore-ec-contracts-awarded-bp-azerbaijan-worth-around-145-million>

<sup>55</sup> Saipem (2014).

<sup>56</sup> Saipem (2024).

<sup>57</sup> Azertag. (2023). Azerbaijan-Italian cooperation: the secret or author of successful Technip Energies projects in Azerbaijan. [https://azertag.az/en/xeber/azerbaijan\\_italian\\_cooperation\\_the\\_secret\\_or\\_author\\_of\\_successfull\\_technip\\_energies\\_projects\\_in\\_azerbaijan-2681746](https://azertag.az/en/xeber/azerbaijan_italian_cooperation_the_secret_or_author_of_successfull_technip_energies_projects_in_azerbaijan-2681746)

<sup>58</sup> Azerbaijan Investment Company. (2024). Charter for a Joint Venture established by the AIC, "SOCAR Downstream" and "Technip Energies Italy S.P.A." was signed. <https://www.aic.az/en/news/1362/charter-for-a-joint-venture-established-by-the-aic-socar-downstream-and-technip-energies-italy-spa-was-signed>

<sup>59</sup> Azerbaijan Investment Company (2024).

<sup>60</sup> Azernews. (2024). Azerbaijan teams up with Technip Energies for €97 million project. <https://www.azernews.az/business/232173.html>

Another notable activity carried out by Technip involves local talent training and education. In 2019 the company, jointly with the Heydar Aliyev Foundation, developed a new Master's Program in the country<sup>61</sup> with the aim of developing student's skills and knowledge in oil and gas, energy, and sustainability. This step implies close integration between Italian expertise and local communities as the program's alumni now work in numerous local and international projects.

### **Ansaldo**

Ansaldo is another valuable partner of Azerbaijan in the field of renewable energy. In 2023, a new energy contract was signed among the parties worth 170 million USD for power generation with Azerenerji, Azerbaijan's biggest electrical power company.<sup>62</sup> The project involves four gas turbines and one power-generating plant with a capacity of 1280 megawatts being installed in the Mingachevir region to increase energy efficiency.<sup>63</sup> Currently, the wind turbines are being assembled in Italy and will be sent to Azerbaijan in the next stage.<sup>64</sup> This project allows the saving of 1.2 bln m<sup>3</sup> of natural gas annually, and the amount of carbon dioxide emissions into the environment will be reduced by 1.5-2 million tons.<sup>65</sup> Furthermore, a Memorandum of Understanding between Ansaldo and the Republic of Azerbaijan touches upon the construction of a hydrogen production plant with electrolyzer technology developed by the Ansaldo Energia Group.<sup>66</sup> It also calls for the training of new staff, know-how exchange initiatives, and joint participation in projects dedicated to carbon capture and storage, nuclear small modular reactors, and energy storage systems using hydrogen. Another notable step by Ansaldo was in the liberated territories of Azerbaijan, where the company will provide equipment for four substations with a capacity of 110 kilovolts each, to be built in Aghdam, Fizuli, Kelbajar and Gubadli regions.<sup>67</sup> Also, in 2024, within the framework of the bilateral Italy - Azerbaijan meeting, the Ansaldo CEO and the Azerbaijani Minister of Energy signed two vital energy agreements in the fields of conventional and renewable energy.<sup>68</sup> The first agreement pertains to a ten-year service contract for two of the country's existing combined cycle power plants and the construction of the new Yashma plant, a 1000-megawatt power plant. The other memorandum gives insight into energy potential and the creation of suitable conditions for investments in the country in sustainable and renewable energy projects.

### **Snam**

Responsible for the transport of natural gas from Azerbaijan to Italy, today Snam holds a 20% share in the Trans Adriatic Pipeline which has a capacity of 10 billion cubic metres.<sup>69</sup> Since 2020, Snam has had agreements with SOCAR in the

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<sup>61</sup> Technip Energies. (2025). Baku Master technology transfer program.

<https://www.ten.com/en/sustainability/sustainability-in-action/baku-master>

<sup>62</sup> Caspian Policy Center (2023)

<sup>63</sup> Ansaldo Energia. (2023). Ansaldo Energia News: Ansaldo Energia signs contract for four gas turbines in Azerbaijan. <https://www.ansaldoenergia.com/about-us/media-center/power-generation-news-insights/detail-news/ansaldo-energia-signs-contract-for-four-gas-turbines-in-azerbaijan>

<sup>64</sup> Azernews. (2024). Italy's Ansaldo Energia inspects largest power plant built in Mingachevir.

<https://www.azernews.az/business/222450.html>

<sup>65</sup> Azernews (2024).

<sup>66</sup> Ansaldo Energia. (2024). Ansaldo Energia News: COP 29, Azerenerji JSC and Ansaldo Energia strengthen their partnership in fostering energy security and transition. <https://www.ansaldoenergia.com/about-us/media-center/power-generation-news-insights/detail-news/ansaldo-energia-news-cop-29-azerenerji-jsc-and-ansaldo-energia-strengthen-their-partnership-in-fostering-energy-security-and-transition>

<sup>67</sup> Caspian Barrel (2020).

<sup>68</sup> Ansaldo Energia. (2020). Ansaldo Energia partner of the Azerbaijani Republic for its energy development and transition programs. <https://www.ansaldoenergia.com/about-us/media-center/press-releases/detail-press-releases/ansaldo-energia-and-azerbaijan-signed-two-important-agreements-today>

<sup>69</sup> ECCO (2024).

framework of benefiting from new technologies in the TAP pipeline and the efficient use of renewable gas. The agreement is in three areas, which include research on biogas and biomethane, promotion of sustainable mobility using compressed natural gas (CNG), liquefied natural gas (LNG) and hydrogen, and the establishment of partnerships with car manufacturers.

## SACE

In the petrochemical industry, SACE has signed a memorandum with the Azerbaijan Investment Company (AIC) and SOCAR for the GPC Project, which envisions the construction of a petrochemical plant for meeting the demand of the European and Chinese markets.<sup>70</sup> The involvement of the Azerbaijani state fund further confirms the aim of diversifying the non-oil sector. Overall, the company has been present in Azerbaijan for nearly a decade and assists with the financial side of the energy industry.<sup>71</sup>

Company Name	Main Sector of Involvement	Main Activities in Azerbaijan's Energy Sector	Turnover (2024)	Employees in Azerbaijan
ENI	Oil & Gas (Upstream)	Exploration and production of oil & gas (e.g., Shah Deniz), MoUs on biofuels and energy security with SOCAR	€23.1 billion	Not publicly disclosed
Saipem	Oilfield Services & Engineering	Offshore platform development (e.g., ACG field), pipeline engineering for TAP	€14.5 billion	462
Ansaldi Energia	Power Generation Equipment	Installation of gas turbines (e.g., Mingachevir plant), hydrogen and CCS initiatives	€1.4 billion	Not publicly disclosed
Technip Energies	Engineering & Clean Tech	Pyrolysis oil plant, renewable initiatives, student training program	€6.9 billion	Not publicly disclosed
SNAM	Gas Transport & Infrastructure	20% ownership in TAP pipeline; R&D collaboration with SOCAR in renewable gas (biomethane), hydrogen, CNG/LNG mobility	€3.5 billion	Not publicly disclosed
SACE	Export Credit & Project Financing	Financing petrochemical plant project with AIC and SOCAR; supports diversification of non-oil sector	€3.6 billion	Not publicly disclosed

*Graph 5. Summary of Italian companies in Azerbaijan's energy sector*

The analysis of bilateral and multilateral treaties and agreements signed between Italy and Azerbaijan, as well as between Azerbaijan and the European Union, in the domains of energy cooperation, foreign investment, and sustainable development indicate that Azerbaijan has achieved numerous gains from the operation of Italian companies on its territory. In the context of the bilateral state-level agreements, it has achieved the increase of energy production, benefiting from the technology and expertise of Italian companies, collaboration with state level companies, large exposure to the EU market, and the increase in foreign currency reserves.

Firstly, starting with the overall promotion and protection of Italian FDI, the bilateral investment treaty on the promotion and protection of investments signed between Azerbaijan and Italy in 1997 mentions the mutual protection of investments which in turn will encourage business ventures and the economic development of both states. This implies that Azerbaijan is eager to promote the operations of Italian companies in the country, in line with international and local regulations. Article 2 calls for attracting more Italian companies to invest in Azerbaijan, at the same time providing fair and non-discriminatory measures for them. The clause regarding creating and maintaining favorable economic and legal conditions to permit Italian investments means that there is a great interest in receiving FDI from Italian companies.<sup>72</sup> Furthermore, Article 2 of the MoU outlines further cooperation via visits, meetings, and forums in bilateral economic

<sup>70</sup> ECCO (2024).

<sup>71</sup> SACE. (2016). ITALY – AZERBAIJAN BUSINESS FORUM.

<https://eventisistemapaese.esteri.it/EventiSistemaPaese/Evento/download/80.pdf>

<sup>72</sup> World Trade Institute. (1997). Azerbaijan - Italy BIT. <https://edit.wti.org/document/show/7245b5ac-c38e-4731-9c85-63a386f9bac7>

cooperation activities. There have been numerous state-level meetings and business forums with Italian companies in both the traditional and renewable energy sectors.<sup>73</sup> In addition, Article 3 supports cooperation in the fields of the chemical and petrochemical industry, water management, and environmental issues. This focus is on the development of non-oil sectors, and already the Italian presence in Azerbaijan in these fields is consistently increasing, such as the projects of Ansaldo Energia, Technip Energies Italy, etc. The 2014 Joint Declaration “On Strategic Partnership between the Republic of Azerbaijan and the Republic of Italy” also enforces the vision of Azerbaijan in relation to Italian companies.<sup>74</sup> The declaration mentions the organization of a high-level dialogue between the institutions of the Parties on energy policy, with the participation of business circles, and the expansion of bilateral relations by supporting institutional energy cooperation, exchange of experience, and cooperation between their companies. This means that Italian companies are not merely commercial partners, but strategic actors in Azerbaijan’s energy transition and economic development agenda. It implies that Italian firms are expected to contribute not only capital and technology, but also to support Azerbaijan’s long-term objectives such as diversifying energy sources, adopting low-carbon solutions, and aligning with EU market standards. This strategic frame upgrades the position of companies like ENI and Ansaldo Energia from transactional investors to policy-aligned stakeholders in Azerbaijan’s development.

Azerbaijan also vastly benefits from the technology and know-how of Italian companies in the energy sector. Both BIT and the 2014 Memorandum on Strategic Partnership encourage Italian companies to utilize the latest technological advancements in increasing the energy supply of Azerbaijan. Moreover, the joint declaration on cooperation in the field of energy of 2013 mentions the involvement of Italian companies with the latest technology in the extraction of gas from the Shah Deniz field. Considering the current involvement of Italian companies like Saipem and ENI in this area, Azerbaijan has an opportunity to increase its energy production with the latest energy-efficient technology of Italian companies. Azerbaijani Minister of Economy Mikayil Jabbarov and SOCAR President Rovshan Najaf met with Marco Villa, the CEO of the Italian company “Technip Energies”, underlining that the importance of international experience and the application of modern technologies in realizing the potential for active cooperation is undeniable.<sup>75</sup> One of the examples is “Ecostar Green” LLC, a joint venture established with Technip Energies. The venture will utilize innovative Alterra pyrolysis technology to produce pyrolysis oil from plastic waste.<sup>76</sup> This way Azerbaijan will be introduced to up-to-date global practices of Italian companies and benefit from their effectiveness. Moreover, another initiative is by Ansaldo Energia, in which two wind turbines and two generators were installed in the new power plant in Mingachevir city. The fuel consumption of the new plant will be 225 grams per kilowatt-hour, which will save 1.2 grams of fuel per kilowatt-hour. This number is equal to saving 1.2 bln m<sup>3</sup> of natural gas per year. Also, the CO<sub>2</sub> emissions will be reduced by 1.5-2 million tons annually as a result.<sup>77</sup> Among other ventures that benefit from Italian technology include a polypropylene plant in Sumgayit, built jointly with Maire Tecnimont, and the usage of Italian technology to assemble low-medium-and-multi-tonnage trucks from the leading European manufacturer IVECO.<sup>78</sup>

<sup>73</sup> President.az (2023).

<sup>74</sup> E-qanun. (2014). On approval of the Joint Declaration “On strategic partnership between the Republic of Azerbaijan and the Republic of Italy”. <https://e-qanun.az/framework/28451>

<sup>75</sup> Azernews (2024).

<sup>76</sup> Azerbaijan Energy Regulatory Agency. (2025). History of development of the electric power system of the Republic of Azerbaijan. <https://regulator.gov.az/en/elektrik/elektrik-enerjisi-bazarinin-inkisaf-tarixi#:~:text=The%20history%20of%20the%20energy,capacity%20of%2075%20horsepower%20each.>

<sup>77</sup> Azernews (2024).

<sup>78</sup> Caliber (2024).

Regarding the increase in production, notable projects are being implemented in the renewable energy sector. A joint venture with Technip Energies on the "Production of pyrolysis oil from plastic waste" project, being built in the Sumgayit Chemical Industry Park, aims to produce 23,000 tons of pyrolysis oil from 36,000 tons of plastic annually.<sup>79</sup> Another project by Technip Energies from 2016 is the Ethylene-Polyethylene Plant reconstruction, which has increased annual ethylene production from 100-120 thousand tonnes to 192 thousand tonnes, and doubled propylene production from 80-90 thousand tonnes to 187 thousand tonnes, also extending the plant's operating life by 20 years.<sup>80</sup> Additionally, gas turbines installed by Ansaldo in the Mingachevir power plant help with electricity supply for 1.2 million households and save more than 2 million tonnes of CO<sub>2</sub> emissions annually. In the traditional energy sector, since its establishment in the country, Saipem has contributed to more than 500 million barrels of oil from the ACG field through offshore facilities.<sup>81</sup>

Azerbaijan also enjoys human capital training and development as a result of Italian companies' involvement. In line with Article 2 of the Memorandum of Understanding on economic cooperation between the Republic of Azerbaijan and the Republic of Italy, Technip Energies holds a Master's Program in the country to develop student's skills and knowledge in oil and gas, energy, and sustainability and then offers employment.<sup>82</sup> This program allows human capital to gain closer insight into Italian expertise and increase local workforce talent. Moreover, Saipem's 2009 reports indicate that since its entry into Azerbaijan, the company has employed 100% locals in its BOS Shelf Branch and 88% locals in the Saipem Asia Branch.<sup>83</sup> This is beneficial in promoting and supporting the advancement of Azerbaijani nationals with Italian expertise. In addition, the new Memorandum of Understanding of Ansaldo Energia includes training of staff and know-how exchange initiatives.<sup>84</sup>

Azerbaijan also gains access to the EU energy market as a result of Italian companies' operations in the country. Firstly, as mentioned in the Joint Declaration of the President of the Republic of Azerbaijan and the Prime Minister of the Republic of Italy on cooperation in the field of energy and the protocol on cooperation on natural gas, Italian companies will help with the extraction of oil and gas that will be supplied to Europe via TAP and TANAP pipelines. Also, the Memorandums of Understanding signed with ENI mention improving Azerbaijan's energy efficiency, which will help to strengthen the energy security of Europe and establish Azerbaijan as a strong, long-term partner.

Concerning foreign currency reserves, Article 6 of 1997 BIT mentions repatriation of capital and profits related to investment without any delay in any convertible currency. This sentence suggests that by not imposing specific requirements on currency and exchange rates, both countries aim to foster the flow of investments and create a more attractive investment climate.

<sup>79</sup> APA (2024).

<sup>80</sup> Azertag (2023).

<sup>81</sup> Saipem. (2024). Saipem: framework agreement with bp for offshore activities in Azerbaijan.

<https://www.saipem.com/en/media/press-releases/2024-07-12/saipem-framework-agreement-bp-offshore-activities-azerbaijan>

<sup>82</sup> Technip Energies (2025).

<sup>83</sup> Saipem (2009).

<sup>84</sup> Ansaldo Energia (2024).

## Policy analysis and forward-looking opportunities

From the Italian government and business perspective, the gains from deepening cooperation with Azerbaijan are significant, both economically and strategically, in terms of earning profits and playing a key role in the energy supply to the EU. Firstly, the Italian state-owned companies earn profit and thus increase their financial prosperity. Another key point is the reliable energy supply to the EU. Considering the Russo-Ukrainian War and the high costs of obtaining energy locally in the EU, the region is in search of a long-term and reliable partner, and Azerbaijan is a good candidate.<sup>85</sup> The protocol in the field of natural gas signed in 2007 between Azerbaijan and Italy takes into consideration Azerbaijan being an important natural gas producer with vast opportunities for increasing local production with the possibility of exporting natural gas to the European market.<sup>86</sup> The 2007 protocol also mentions SOCAR's involvement in oil and gas production with joint production with other companies. In addition, the protocol implies that approximately 8 billion cubic meters of natural gas per year will be supplied by Italy. This means that Azerbaijan has been open to Italian collaboration for both domestic and international consumption of gas since the early 2000s. In this regard, the 2014 Joint Declaration "On Strategic Partnership between the Republic of Azerbaijan and the Republic of Italy" mentions cooperation on the TAP and TANAP pipelines in the supply of natural gas from Azerbaijan to Europe. These arrangements highlight the geopolitical dimension of the Azerbaijan-Italy energy relations, positioning Italian engagement within a broader EU energy security framework. For Azerbaijan, these collaborations elevate the country's status as a reliable energy supplier, while for Italy, they diversify sources and strengthen its strategic autonomy in energy.

Looking forward, several opportunities can further deepen this partnership. Italian companies have expertise in renewable energy technologies that aligns with Azerbaijan's goals of increasing its renewable energy capacity to 30% by 2030 and developing Green Energy Zones in the liberated territories. For example, ongoing projects like the Mingachevir power plant modernization and joint ventures with Technip Energies for pyrolysis oil production illustrate how Italy can support Azerbaijan's energy transition while promoting advanced technology and sustainable practices.

Moreover, reconstruction projects in the liberated territories present another area of strategic opportunity. Italian engineering, construction, and energy firms can participate in rebuilding electricity infrastructure, modernizing grids, and implementing renewable energy projects. This engagement not only generates economic returns but also strengthens bilateral relations and Italy's influence in a geopolitically important region.

Most importantly, a deepened partnership supports EU energy security by ensuring a diversified supply of hydrocarbons and renewables from a politically stable source. Through cooperation with Azerbaijan, Italy can advance its objectives of strategic autonomy, contribute to decarbonization goals, and solidify its leadership role within Europe in shaping energy corridors connecting the Caspian region to the EU. In this way, Italian companies become not just investors but strategic actors driving economic growth, technological transfer, and sustainability across Azerbaijan and Europe.

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<sup>85</sup> AIR Center (2024).

<sup>86</sup> E-qanun. (2007). On approval of the "Protocol on cooperation in the natural gas sector between the Ministry of Economic Development of the Republic of Azerbaijan and the Ministry of Economic Development of the Republic of Italy". <https://e-qanun.az/framework/13175>

## Conclusion and policy recommendations

Italy has strong incentives to deepen its cooperation with Azerbaijan in the energy sector, both in traditional hydrocarbons and emerging renewables. Italian state-owned and private companies can secure long-term access to reliable energy supplies while exporting expertise in technology, infrastructure, and sustainable energy. Moreover, expanding involvement in reconstruction projects and renewable energy initiatives can further support Italy's role as a strategic partner for Azerbaijan and among European countries.

Regarding the recommendations, the Italian government and firms should explore tax benefits, regulatory support, and public-private partnerships to encourage deeper investments in Azerbaijan's energy sector and green projects. Moreover, strengthening policy dialogue between Italian companies and Azerbaijani institutions would help to enhance transparency and ensure that the strategic partnerships are aligned with both national priorities and international environmental standards.

Given Italy's role as a key EU member and Azerbaijan's strategic energy location, collaborative projects in traditional and green energy corridors could further strengthen integration into the European energy landscape. Italian companies should ensure that all initiatives conducted in collaboration with Azerbaijani enterprises, especially in renewable energy, hydrogen, and energy efficiency, are compatible with European sustainability standards within EU Green Deal goals, enhancing both environmental impact and market credibility.<sup>87</sup>

Furthermore, Italian companies should institutionalize training programs, joint ventures, and technical collaborations to share know-how with the Azerbaijani workforce, fostering a skilled talent pool while embedding Italian expertise in the local economy. Initiatives like Technip Energies' Master's Program demonstrate the potential for skills development, integrating local talent into regional projects while strengthening Italy's industrial and technological influence.

Beyond bilateral trade, Italy should leverage EU and regional partnerships to support large-scale infrastructure, renewable energy, and gas corridor projects, strengthening Europe's energy security and Italy's strategic influence. Italian companies and the state of Azerbaijan should explore multilateral cooperation involving the EU and other regional partners. Also, this would upgrade Italian companies from bilateral actors to facilitators of broader regional transformation.

Through these measures, Italian firms can maximize economic and political gains, support sustainable development in Azerbaijan, and contribute to broader EU energy security objectives. By positioning itself as a key facilitator of both traditional and green energy cooperation, Italy reinforces its role as a central actor in the evolving Europe-Caspian energy landscape.

To conclude, this study explored the technological and infrastructural contributions of Italian state-owned and state-supported companies to inward foreign direct investment and economic development in Azerbaijan's energy sector within the broader context of a bilateral cooperation framework. Through an analysis of legal agreements, strategic memorandums, and project-level evidence, the research demonstrates that Italian firms like ENI, Saipem, Ansaldo

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<sup>87</sup> European Commission. (2025). The European Green Deal - Striving to be the first climate-neutral continent. [https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en)

Energia, and Technip Energies Italy play a multidimensional role in Azerbaijan's energy landscape. Their contributions surpass mere capital investment, extending to technology transfer, renewable energy development, infrastructure modernization, human capital training, and Azerbaijan's integration into the European energy network. Legal documents like the bilateral investment treaty of 1997 between Italy and Azerbaijan and strategic memorandums signed in the past decade provide the legal and diplomatic foundations for such engagement. Italian companies have used these measures to both secure business operations and align themselves with Azerbaijan's national development goals, particularly in energy transition and sustainability. Moreover, the projects implemented by Italian firms in Azerbaijan have contributed significantly to the diversification and modernization of the country's energy sector. For Azerbaijan, these partnerships increase energy production capacity, promote skill development, and increase access to European markets. For Italy and its companies, its relationship with Azerbaijan secures commercial profits and strengthens Italy's role in the EU's energy security. This mutual benefit indicates the geopolitical importance of the Azerbaijan-Italy energy partnership. Overall, the findings imply how bilateral cooperation can foster sustainable economic ties that benefit both Italian companies and Azerbaijan.