

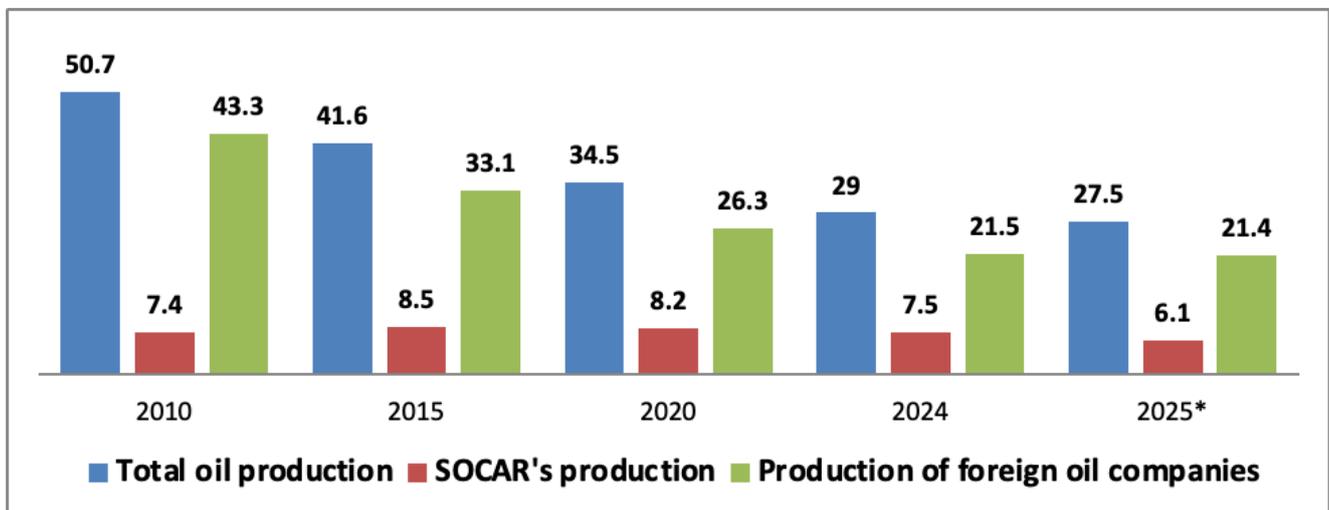
Crude Oil Production Declines Rapidly In Azerbaijan

written by BRI Economic Team BAİ İqtisadi Qrupu

Crude Oil Production Declines Rapidly

In recent years, Azerbaijan has experienced a steady decline in crude oil production. This downward trend continued during the first nine months of 2025. According to the State Statistical Committee, total oil production in the sector amounted to 20,6 million tons between January and September this year, which is 4,5 percent or 1,1 million tons less than in the same period of the previous year. If the current pace of decline continues through the remaining months, total oil production in 2025 is likely to decrease from 2024's total by about 1,5 million tons to 27,5 million tons.

Table 1: Crude Oil Production in 2010–2025, million tons



Note: 2025 figure is an estimate

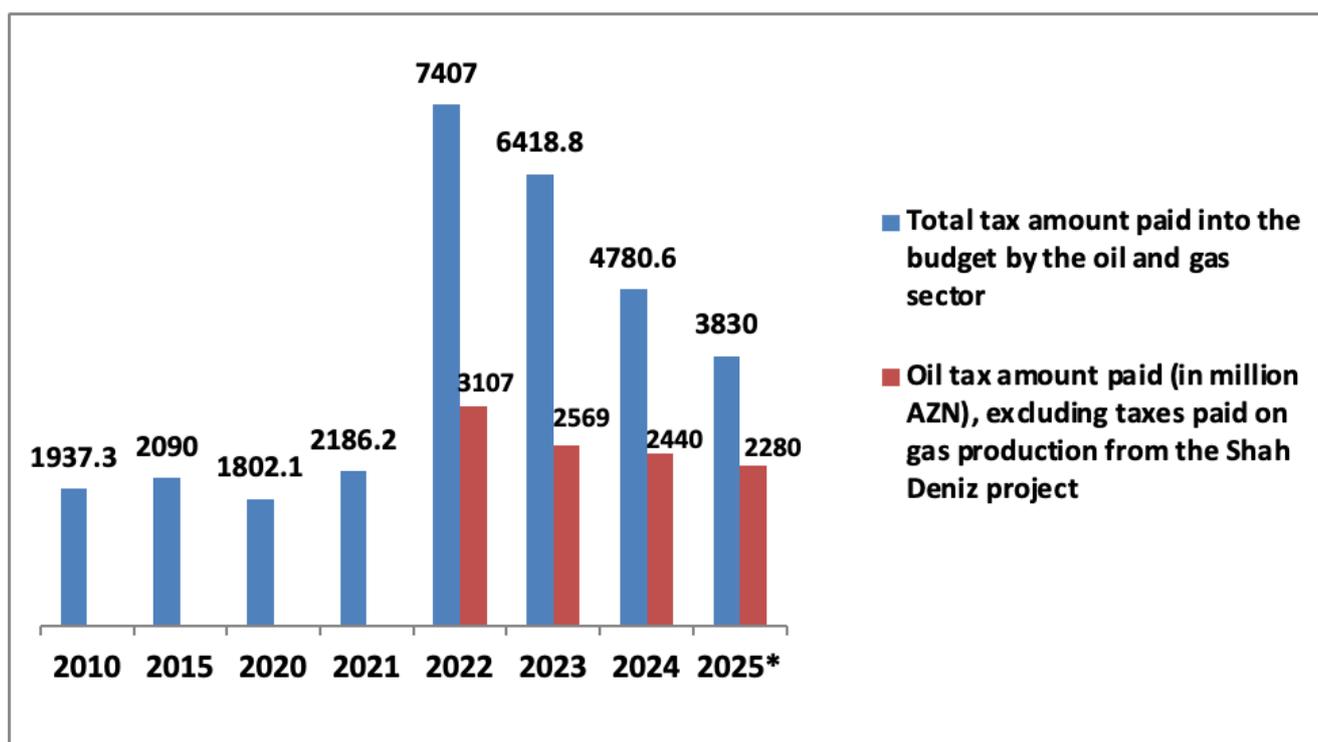
According to the data presented in the State Statistical Committee's [energy database](#), Azerbaijan's marketable crude oil production fell almost by half between 2010 and 2024, dropping from 50,7 million tons to 29 million tons. Figures from the State Oil Company's [annual reports](#) show that SOCAR's crude oil production remained stable during this period. The sharp

decline is found in the production of foreign oil companies operating under production-sharing agreements. Their output fell more than twofold, from 43,3 million tons to 21,5 million tons. The choice of 2010 as the base year is not accidental. That year recorded the highest level of crude oil production in Azerbaijan's history. A continuous decline began the following year. Since then, production has dropped by 7–8 million tons every five years.

According to forecasts presented in the 2026 state budget documents submitted to parliament, SOCAR's production will also start to decline in 2025–2026. In 2025, SOCAR's crude oil output is expected to fall by 1,4 million tons compared to 2024, and by an additional 0,5 million tons in 2026. As a result, SOCAR's projected production for 2026 stands at 5,6 million tons. These forecasts suggest that overall national oil production may fall below 27 million tons next year.

The decline in oil production is also causing a rapid decrease in the amount of oil-related taxes paid to the state budget.

Table 2: Taxes Paid by the Oil Sector to the State Budget, 2010–2025, million AZN



Note: 2025 figure is an estimate

Data obtained from the [Chamber of Accounts](#) on state budget execution show that until 2022, taxes paid from this sector to the state budget were based on oil production. These included payments for the crude oil produced by SOCAR and by foreign companies operating under the Azeri-Chirag-Gunashli project. Starting in 2022, tax payments have also been made for gas production under the Shah Deniz project. Between 2010 and 2021, tax payments from the oil sector remained around 2–2,2 billion manats. In 2022, they rose sharply to 7,4 billion manats due to payments from Shah Deniz.

Documents submitted to parliament indicate that tax payments from the oil and gas sector as a whole will continue to decline in 2025–2026 and stabilize at around 3,6 billion manats.[\[1\]](#) This is 2,1 times less than the peak level recorded in 2022. During this period, tax payments related to crude oil are expected to decrease by nearly 1 billion manats.

The decline in gas revenues is mainly linked to a sharp drop in the market price of natural gas. Following the 2022 Russian invasion of Ukraine, the average annual price of gas in Europe increased more than fivefold. Since then, prices have gradually returned closer to pre-war levels.

[\[1\]](#) Documents of the large-scale budget project are inaccessible to the general public and are only accessible to members of parliament. Analysts can obtain this type of information from MPs through informal contacts.