

WAVERLEY GATEWAY GUIDE

Connecting International Capital with Emerging & Frontier Markets

AZERBAIJAN

Eurasia

Dialogue | Trust | Partnership

office@lordwaverley.com

www.lordwaverley.com

WHERE AND HOW TO ENTER

KEY INVESTMENT LOCATIONS

Location / Region	Strategic Importance	Priority Sectors
Baku	Capital and dominant commercial, financial, and energy hub; Caspian Sea port	Energy, financial services, logistics, tourism
Sumgait / Absheron Peninsula	Established industrial corridor adjacent to Baku; petrochemicals and heavy industry base	Petrochemicals, manufacturing, industrial parks
Karabakh and East Zangezur (reconstruction zone)	Territory regained in 2023; roughly \$25 billion invested in infrastructure, housing, and resettlement over six years	Infrastructure, construction, agriculture, tourism (diversification spend ~\$3B planned)
Alat Free Economic Zone	Flagship special economic zone south of Baku, anchored by the Port of Baku and Middle Corridor logistics ambitions	Logistics, light manufacturing, trade, re-export
Ganja	Second city and western industrial hub near the Georgian border, on the Middle Corridor route	Manufacturing, agro-processing, logistics
Shah Deniz / offshore Caspian fields	Core gas-production base underpinning Southern Gas Corridor exports to Europe; \$2.9B compression project starting Q3 2026	Oil and gas, energy services
Nakhchivan (exclave)	Azerbaijani exclave bordering Armenia, Iran, and Turkey; prospective endpoint of the TRIPP transit corridor	Transit infrastructure, trade (contingent on corridor implementation)

INVESTOR ENTRY ROUTES

- Azerbaijan Investment Holding and AZPROMO (Export and Investment Promotion Agency) provide centralized investor facilitation and incentive guidance
- Industrial parks and the Alat Free Economic Zone offer tax holidays, customs exemptions, and simplified licensing for qualifying manufacturing and logistics investment
- Direct tendering through Karabakh and East Zangexur reconstruction authorities for infrastructure, construction, and diversification projects in the reconstruction zone
- Central Bank of Azerbaijan oversight of currency and capital-account activity; the manat has remained stable and pegged to the US dollar
- SOCAR joint-venture and production-sharing arrangements for oil and gas sector participation
- State Oil Fund (SOFAZ) co-investment and partnership channels for large-scale infrastructure and diversification projects

MARKET-ENTRY OBSERVATION

Azerbaijan in October 2026 presents a notably stable macroeconomic and energy picture set against a genuinely active, multi-front geopolitical environment. Fitch Solutions forecasts 2026 GDP growth of 2.5%, up from an estimated 1.4% in 2025, with the government continuing a deliberate pivot toward non-oil growth: State Oil Fund transfers to the budget have fallen roughly 10% over the past two years and are planned to fall a further 20% over the next three, with a goal of oil supplying only 30% of budget revenue by the end of 2030. Azerbaijan has simultaneously expanded its role as a European gas supplier, beginning deliveries to Germany and

Austria via the Trans-Adriatic Pipeline in January 2026 under a ten-year SEFE supply agreement, part of a broader Southern Gas Corridor expansion toward 20 billion cubic meters annually to the EU by 2027, underpinned by a \$2.9 billion Shah Deniz compression project beginning construction in the third quarter of 2026.

Alongside this economic stability, Azerbaijan is managing two distinct and significant geopolitical threads. First, reconstruction of Karabakh and East Zangezur, territory regained in the 2020 and 2023 conflicts with Armenia, has absorbed roughly \$25 billion in infrastructure, housing, and resettlement spending over six years, with a further \$3 billion planned for tourism, agriculture, industry, and digitalization diversification in the region. Second, a final peace treaty with Armenia remains unsigned more than a year after the August 2025 Washington framework agreement; Azerbaijan has conditioned signing on Armenia amending its constitution to explicitly recognize Azerbaijani sovereignty over Karabakh, a change Armenia's government has signaled openness to but currently lacks the parliamentary supermajority to enact. Compounding this, Azerbaijan's relationship with Russia has deteriorated to what regional analysts describe as its lowest point in the post-Soviet period, following the December 2024 Azerbaijan Airlines crash, a June 2025 raid targeting ethnic Azerbaijanis in Russia that killed two men, and a cycle of tit-for-tat diplomatic and media actions continuing into August 2026.

INVESTOR RISK & MARKET ACCESS

KEY ENTRY BARRIERS

Issue	Potential Impact	Possible Mitigation
Unresolved peace treaty with Armenia	No signing ceremony is scheduled more than a year after the Washington framework; Azerbaijan's constitutional-amendment precondition has not been met by Armenia	Treat peace-process timelines with caution; do not assume imminent finalization when planning cross-border or TRIPP-dependent projects
TRIPP corridor implementation uncertainty	Construction has not started as of mid-2026; the US security role, customs procedures, and financing remain unresolved, and Iran opposes the project	Monitor technical-implementation progress closely before committing capital to Nakhchivan-corridor-dependent logistics
Escalating Russia relationship	Diplomatic, media, and security-related tit-for-tat actions have pushed relations to a post-Soviet low, with unpredictable future trajectory	Diversify logistics and trade exposure away from Russia-dependent routes where feasible; monitor the relationship as a regional risk indicator
Governance and authoritarian political system	Azerbaijan is governed under a highly centralized presidential system with limited political pluralism and significant press-freedom restrictions	Conduct standard governance and reputational due diligence appropriate to an authoritarian operating environment
Hydrocarbon revenue dependency, despite diversification efforts	Oil and gas still represent the majority of budget revenue and exports even as the government targets a reduced share by 2030	Monitor oil-price sensitivity and the pace of actual (not just announced) non-oil diversification
Karabakh reconstruction-zone risk factors	Significant unresolved land-mine contamination and ongoing resettlement logistics in recently-regained territory	Engage specialist risk assessment for any project located directly within the Karabakh/East Zangezur reconstruction zone
Currency and capital-market depth	The manat remains dollar-pegged and stable, but domestic capital markets remain shallow relative to the size of the economy	Plan financing structures around international rather than local capital-market depth for larger projects

INVESTOR RISK NOTE

Azerbaijan's risk profile is best understood as bifurcated between genuine macroeconomic and energy-sector stability on one hand, and an actively unsettled regional geopolitical position on the other. The economy itself is performing solidly, with credible non-oil diversification targets, a stable currency, and a rapidly expanding role as a European gas supplier that gives Azerbaijan real strategic leverage with the EU. The more significant uncertainties are external: an Armenia peace treaty that has stalled well past its original optimistic timeline, a TRIPP transit corridor whose practical implementation remains undefined over a year after its framework agreement, and a Russia relationship that has deteriorated sharply and unpredictably through 2025 and into 2026. None of these threads currently threatens Azerbaijan's core economic stability, but each represents a live variable that could affect regional logistics, investor sentiment, or the pace of Karabakh reconstruction depending on how it resolves.

MARKET ACCESS

Azerbaijan's market access centers on its energy exports and its position on the Middle Corridor, the trans-Caspian trade route connecting China and Central Asia to Europe via the South Caucasus, bypassing Russia. The Southern Gas Corridor gives Azerbaijan direct pipeline access to European gas markets under an EU memorandum targeting 20 bcm annually by 2027, and Azerbaijan is a member of the Organization of Turkic States, deepening trade and infrastructure ties with Turkey and Central Asia. Azerbaijan is not an

EAEU member and has maintained a more independent trade posture than Armenia, though its economic relationship with Russia, while currently strained diplomatically, remains substantial. A potential future peace treaty and TRIPP corridor with Armenia would materially improve regional connectivity by opening currently closed land routes, but neither should be assumed imminent for market-access planning purposes.

WHO SHOULD THE INVESTOR MEET?

INSTITUTIONAL LANDSCAPE

Actor	Why It Matters	Waverley Engagement Angle
Office of the President (Ilham Aliyev)	Highly centralized decision-making authority over economic and foreign policy	Ultimate authority for any large-scale or strategically significant investment
Azerbaijan Investment Holding / AZPROMO	Principal investment-facilitation bodies for foreign investors	Standard first point of contact for market entry and incentive guidance
State Oil Fund of Azerbaijan (SOFAZ)	Manages oil-revenue reserves and co-invests in major infrastructure and diversification projects	Relevant partner for large-scale infrastructure and strategic co-investment
SOCAR (State Oil Company of Azerbaijan)	Dominant state energy company; central counterpart for oil, gas, and petrochemical investment	Essential partner for any energy-sector engagement
Karabakh Revival Fund and reconstruction authorities	Coordinate the \$25 billion-plus reconstruction and resettlement program in Karabakh and East Zangezur	Primary channel for reconstruction-zone infrastructure and diversification investment
Central Bank of Azerbaijan	Monetary authority; maintains the dollar-pegged manat	Relevant for currency and banking-sector matters, though not a major practical constraint
European Union Delegation / EU energy partners	Administers the Southern Gas Corridor partnership and broader EU-Azerbaijan economic cooperation	Important counterpart for energy-sector and EU-market-linked investment

CURRENT INTERNATIONAL BUSINESS CHANNELS

The American Chamber of Commerce in Azerbaijan (AmCham) and the Azerbaijan-Europe/Western chambers of commerce are the leading business associations for market intelligence and government liaison. AZPROMO runs regular investment forums, including the Azerbaijan International Investment Forum in Baku, which has become a venue for government officials to outline reconstruction and diversification priorities. Major international oil companies (BP, among others) and European gas buyers (SEFE, Snam, Enagás, Fluxys) maintain substantial in-country presence given Azerbaijan's energy-export role. The World Bank, EBRD, and Asian Development Bank maintain active country programs supporting infrastructure and private-sector development.

INVESTOR PROFILE BEST SUITED

Azerbaijan currently suits investors comfortable with a stable macroeconomic and energy-sector environment operating alongside unresolved regional geopolitical questions: energy companies and infrastructure investors can engage with genuine confidence given Azerbaijan's expanding, EU-backed role as a gas supplier, while investors considering Karabakh reconstruction or TRIPP-corridor-dependent logistics should size positions for meaningful implementation uncertainty and timeline risk. Manufacturing and logistics investors targeting the Middle Corridor trade route have a credible medium-term growth story, provided they are not dependent on Armenia-transit routes pending the still-unresolved peace treaty. Investors uncomfortable operating within a centralized, limited-pluralism governance environment, or unwilling to monitor an unpredictable Russia relationship, should weight these factors accordingly.

FROM INTELLIGENCE TO ENGAGEMENT

STEP 1: Engage AZPROMO and the Azerbaijan Investment Holding early

Open direct dialogue with the principal investment-facilitation bodies to understand current incentive packages and diversification priorities.

STEP 2: Assess energy-sector opportunity against the Southern Gas Corridor expansion

For energy and related infrastructure investors, evaluate opportunities tied to the EU's 20 bcm/year 2027 target and the ongoing Shah Deniz compression project.

STEP 3: Apply enhanced due diligence to Karabakh/East Zangezur projects

Given land-mine contamination and resettlement logistics, commission specialist risk assessment before committing capital to the reconstruction zone.

STEP 4: Monitor the Armenia peace treaty and TRIPP corridor as leading indicators
Track progress on both before finalizing any investment plan dependent on improved Armenia-transit connectivity or the Nakhchivan corridor.

STEP 5: Track the Russia relationship as a regional risk signal
Monitor the trajectory of Azerbaijan-Russia tensions as an indicator of broader regional stability and potential logistics disruption.

WAVERLEY'S ROLE

- Independent due diligence and risk assessment for Karabakh and East Zangezur reconstruction-zone investment
- Direct liaison with AZPROMO, the Azerbaijan Investment Holding, and SOCAR for market entry and energy-sector structuring
- Ongoing geopolitical monitoring of the Armenia peace process, TRIPP corridor implementation, and the Azerbaijan-Russia relationship
- Introductions to European energy partners and development-finance institutions active in Azerbaijan's diversification agenda

INVESTOR CALL TO ACTION

Engage Waverley for an updated assessment of Karabakh reconstruction-zone opportunities and the associated risk-mitigation requirements before committing capital.

Request a tailored briefing on how the Armenia peace process and TRIPP corridor implementation timeline may affect your target sector's regional connectivity assumptions.

WAVERLEY INVESTOR INTELLIGENCE & OPPORTUNITY PIPELINE

Azerbaijan's clearest near-term opportunity lies in energy infrastructure tied to the Southern Gas Corridor expansion, where the EU's 20 bcm/year 2027 target and the \$2.9 billion Shah Deniz compression project create direct, creditworthy demand for contractors and service providers. Karabakh and East Zangezur reconstruction represents a second, larger but higher-risk opportunity, with roughly \$3 billion earmarked for tourism, agriculture, industry, and digitalization diversification in the region over the coming years, alongside the broader \$25 billion infrastructure build-out already underway. Middle Corridor logistics and the Alat Free Economic Zone offer a third, more conventional trade-and-manufacturing opportunity benefiting from Azerbaijan's position on the China-Europe trans-Caspian route, independent of how the Armenia peace process or TRIPP corridor resolve.

POSITIONING

Waverley views Azerbaijan as a country with genuinely solid macroeconomic and energy-sector fundamentals navigating an unusually active set of external relationships simultaneously: an unresolved Armenia peace treaty, an uncertain TRIPP corridor, and a sharply deteriorated Russia relationship.

For investors able to separate Azerbaijan's core economic stability from these external variables, and who apply appropriate caution to Karabakh reconstruction-zone and corridor-dependent projects specifically, Azerbaijan offers a genuinely attractive opportunity in energy infrastructure and Middle Corridor logistics, structured with the geopolitical-monitoring safeguards this briefing sets out.

SELECTED SOURCES

- Fitch Solutions, 2026 Azerbaijan GDP growth forecast, via IntelliNews
- Trend News Agency, "Azerbaijan Invests \$25 Billion in Karabakh, East Zangezur Over Six Years," September 25, 2026
- Rigzone, "Azerbaijan Starts Sending Gas to Austria, Germany via TAP Pipeline," January 19, 2026
- Eurasianet, "Assessing the Armenian-Azerbaijani Peace Deal One Year Later," August 2026
- Jamestown Foundation, "Russia-Azerbaijan Tensions Escalate to Unprecedented Level," 2025-2026