



EXPORT AND INVESTMENT
PROMOTION AGENCY OF THE
REPUBLIC OF AZERBAIJAN



INVESTMENT PROJECTS IN AZERBAIJAN

ADDRESS:

Baku Business Center,
Neftchilar ave. 32, Sabail, Baku, AZ1000

PHONE:

+994 12 598 01 47
+994 12 598 01 48

E-MAIL:

office@azpromo.az

CAUSTIC SODA PRODUCTION PROJECT

project owner: **Nobel Energy**

PROJECT DEFINITION

Nobel Energy plans to construct a caustic soda production plant in Azerbaijan, Sumgayit Chemical Industrial Park with an annual caustic soda (NaOH, 50%) production capacity of 20 thousand tons.

Annual production and product types are as follows:

NaOH	20 thousand tons	Caustic Soda
CaCl ₂	10 thousand tons	Calcium chloride
HCl	5 thousand tons	Hydrochloric acid
NaClO	3 thousand tons	Sodium hypochlorite
Cl	1 thousand tons	Liquid Chlorine



Project owner: **Nobel Energy**

Nobel Oil LTD or Nobel Energy is a company operating in Azerbaijan, since 2005 in oil and gas service sector.

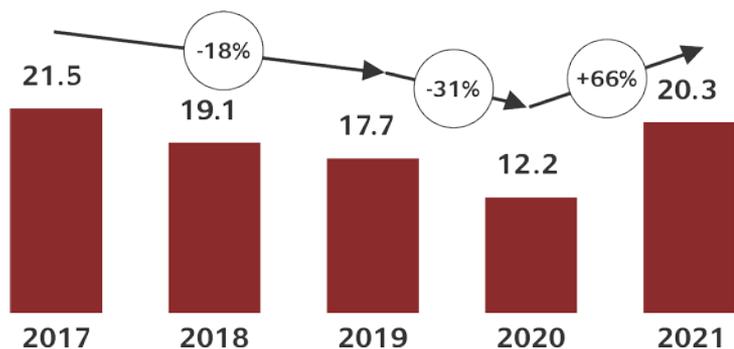
Nobel Energy is a provider of integrated services to the oil and gas industry in the Caspian region. Nobel Energy was originally established in 2005, later its corporate structure was re-organized to replace the Azerbaijan-based business under a parent company (Nobel Energy Services (UK) Limited) with its headquarters in London.

Along with strong local presence, Nobel Energy has a strong management team dedicated to the project. The project covers demand for caustic soda (50%) in Azerbaijan, which increased to 20.3 thsd tons in 2021.

MARKET INSIGHTS

Azerbaijan's local demand for caustic soda (50% concentration) is fully covered via imports. Average demand was 17.7 to 21.5 thsd tons over last 5 years with 2020 being low due to COVID lockdown implications.

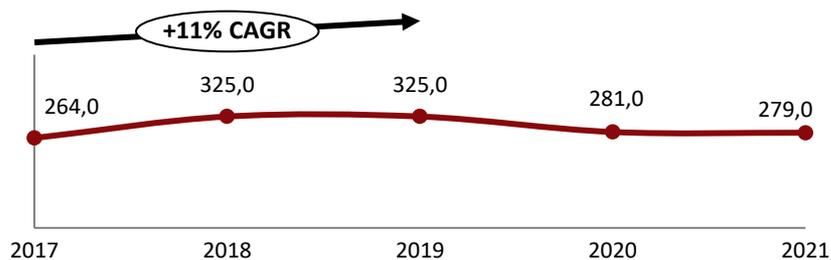
IMPORT OF "50% CAUSTIC SODA" EQUIVALENT IN AZERBAIJAN, thousand tons



COMMENTS

- There is no production of "caustic soda 50%" in Azerbaijan since 2013. Domestic consumption has been satisfied via imports from the neighboring countries in last 10 years
- Import volume of "caustic soda 50%" decreased by an average 9% during 2017-2019 partially due to an average 11% annual increase in their prices
- In 2020 Covid restrictions decreased imports by 31%. Consumers could switch to cheaper alternatives. For example: lime
- 2021 increase was covered by doubling imports from Russia

PRICE OF "50% CAUSTIC SODA" EQUIVALENT IN AZERBAIJAN, USD per ton



PRODUCTION OF "50% CAUSTIC SODA" IN AZERBAIJAN, tons

	2010	2011	2012	2013	...	2021
Production of caustic soda, tons	7 105	13 188	254	0	0	0

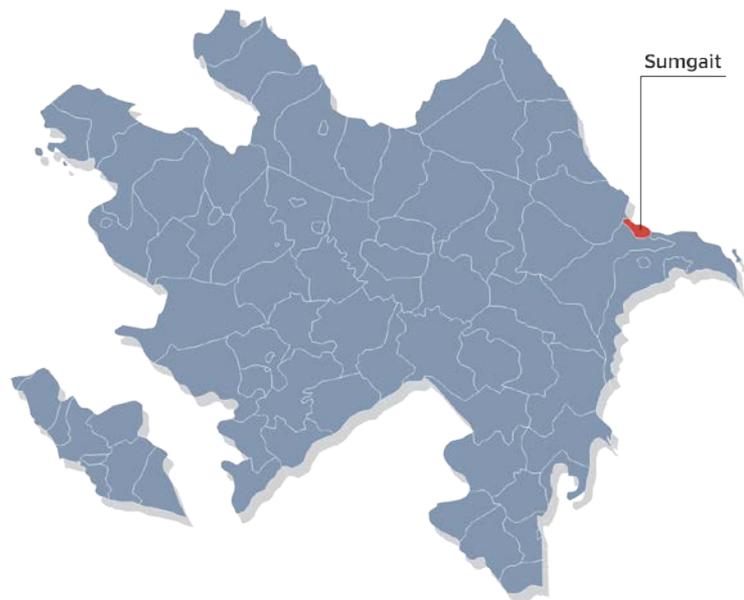
PROJECT LOCATION, PRODUCTS AND THEIR DESTINATION

LOCATION

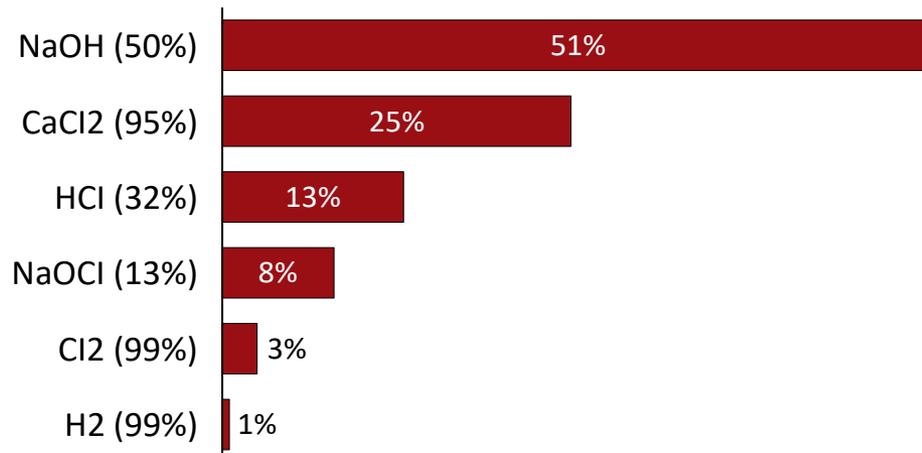
SUMGAI T INDUSTRIAL CHEMICAL PARK

The construction of the plant is projected in Sumgait Chemical Industrial Park, which provides tax and other incentives, as well as close access to raw materials and utilities.

Required land area is 7.5 hectares.



PARTICIPATION IN TOTAL PRODUCTION CAPACITY



PRODUCTION OF "50% CAUSTIC SODA" IN AZERBAIJAN, tons

Product	Azerbaijan	Export
NaOH	100%	0%
CaCl ₂	50%	50%
Other	100%	0%

GLOBAL FORECAST

Global demand outlook for caustic soda is positive. CAGR for upcoming years is at the level of 6%.

NaOH caustic soda

Nobel plans to capture 100% of the Azerbaijani 20.3 thousand ton market by offering prices of and quality competitive to foreign imports.



Load demand is sufficient to cover Nobel's volumes for most products excluding CaCl₂ (95%), so Nobel will export remaining production volumes to Turkey, Russia, Kazakhstan, or Georgia

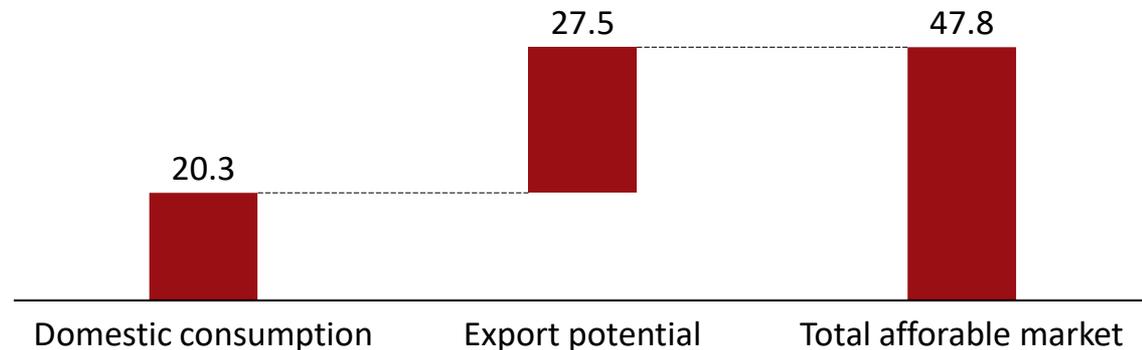
Plant would be capable to export additional NaOH production to Kazakhstan, Russia, and Germany.

The available market size in those countries is 736 thousand, out of which Nobel can be compete in 47.8 thousand tons, due to prices it can offer.

NOBEL'S TARGETED
NaOH VOLUME:

ESTIMATION OF CAUSTIC SODA (50%) MARKET SIZE CONSIDERING PRODUCTION PRICE AND DELIVERY PRICE FOR EACH COUNTRY, THOUSAND TONS

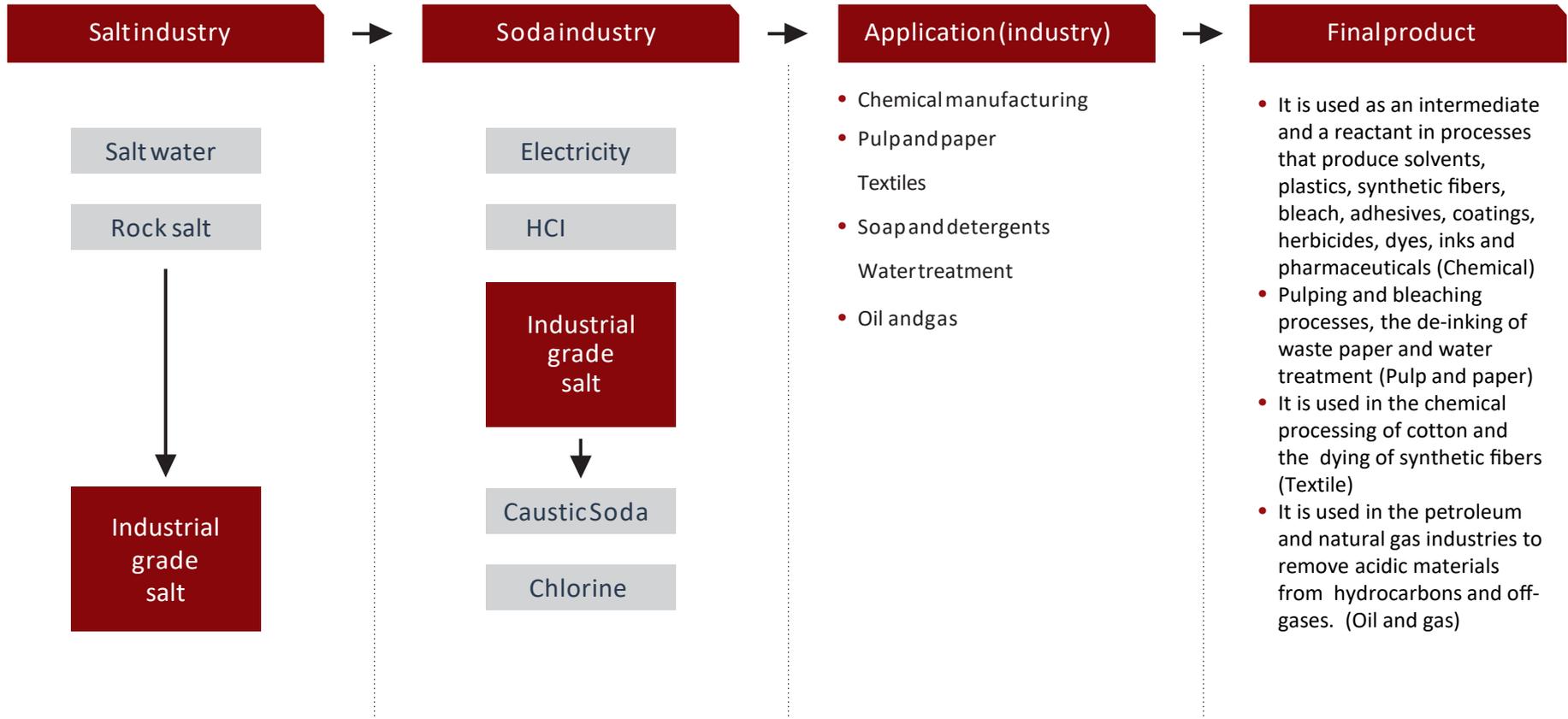
20.3
thousand
tons



RAW MATERIALS AND PRODUCTION PROCESS

The main raw materials of caustic soda (50%) are salt, electricity and hydrogen chloride.

The project anticipates to employ the membrane cell technology, which is considered the best in class and most efficient technology to date. The alternative Mercury based technology is far less efficient and creates serious HSE concerns.



INVESTMENT SUMMARY

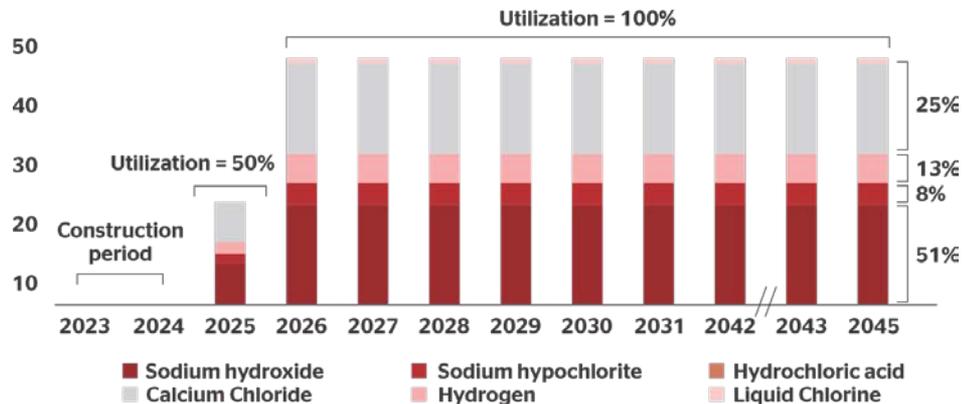
CURRENT STATUS

- Third party feasibility study finalized by PWC; Plant estimated completion is 2025;
- Fully priced tenders for E&P available;
- In house construction estimation complete; Location determined;
- Preliminary financing negotiations carried out.

FINANCIALS

Investment	32,000,000 USD
Financing	70/30 debt-to-equity ratio
Equity IRR	~20%
Payback period	8 years (incl. construction)
NPV	positive
Permanent employment	Up to 100 people

PARTICIPATION IN TOTAL PRODUCTION CAPACITY



CAPEX, USD mln

	2023	2024
Engineering	1.5	1.7
Procurement	8.4	9.2
Construction	4.6	5
Commission	0.8	0.8
Total CAPEX	15.4	16.6

Initial CAPEX