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To: Alliance Members

Subject: Tariff Council Hearings on Primary Energy Prices

It has come to our attention that Socar and AIOC will petition the Tariff Council (TC) to increase the prices that they receive for natural gas that is used for electricity demand and other uses, especially in households.

Already, the TC has raised the price to more than AZM 100/kM³ for some users, while others users have seen their prices go up to almost AZM 50/kM³. These prices will inevitably bring hardship to the poor, increasing the cost of winter heating and electricity generation.

Our economic advisor has told us that Azeri Energy will not be able to hold the line on electricity rates with current and projected prices for natural gas. This will mean further difficulties in maintaining the current pricing structure for the poor (free 150 kWh/month).

Therefore, we are asking the TC to add a special fee to industrial electricity tariffs to provide financial support for low income gas and electricity consumers. This proposal should be implemented before the coming Winter season.