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Nümayəndəliyi**



**Permanent Mission of the
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The Permanent Mission of the Republic of Azerbaijan to the United Nations presents its compliments to the Secretariat of the International Seabed Authority and in reference to the latter's Note Verbal dated 15 May 2025 (No. ISA/OLA/2025/129), concerning the preparations of a report on the status of national legislation relating to deep seabed mining and related matters, has the honor to provide herewith the texts of the Law of the Republic of Azerbaijan on Subsoil and the Rules on Charging Fees for the Use of Subsoil, Seabed Areas and Maritime Zone.

The Permanent Mission of the Republic of Azerbaijan to the United Nations avails itself of the opportunity to renew to the Secretariat of the International Seabed Authority the assurances of its highest consideration.

Enclosure: as stated.



New York, 26 June 2025

Secretariat of the International Seabed Authority
Kingston

Law of the Republic of Azerbaijan on Subsoil

This Law regulates relations related to the study (exploration, prospecting) of the subsoil, its efficient use, protection, and safety of operations within the territory of the Republic of Azerbaijan, including the section of Caspian Sea (lake) belonging to the Republic of Azerbaijan. It ensures the protection of the interests of the state, subsoil users, and citizens in the use of subsoil. It ensures the protection of the interests of the state, subsoil users, and citizens in the use of subsoil.

Chapter I

GENERAL PROVISIONS

Article 1. Basic Terms and Definitions

The basic terms and definitions used in this Law are as follows:

Subsoil – the part of the Earth's crust located beneath the Earth's surface or soil layer, and beneath the bottom of water bodies (reservoirs), consisting of rocks, mineral raw materials, energy carriers (such as oil, gas, etc.), natural and artificial voids, and geological and technogenic formations, extending to depths suitable for study and use.

Subsoil use relations – the relationships arising in connection with the use, study, development, and protection of subsoil.

Minerals – natural mineral formations of the Earth's crust used in material production.

Commonly distributed minerals – widely occurring minerals, either in natural form or slightly altered, used for local economic needs.

Technogenic formations – waste accumulated on the Earth's surface or in the subsoil from mining, processing, and other production sectors, containing mineral substances.

Core – a cylindrical rock sample extracted for the geological study of the subsoil section.

Mining allotment – a defined area of the subsoil allocated for use by legal or natural persons for the extraction of minerals or for the construction of underground structures not related to mineral extraction.

Article 2. Principles of Subsoil Use

Subsoil use shall be based on the following principles:

- Ensuring efficient, integrated, and safe use of subsoil.
- Ensuring environmental protection.
- Expansion and strengthening of the mineral raw material base.
- Conducting subsoil use activities with transparency.
- Creating favorable conditions for attracting investment into subsoil use.
- Ensuring subsoil use is subject to payment.

Article 3. Legislation on Subsoil

3.1. The legislation on subsoil consists of the Constitution of the Republic of Azerbaijan, this Law, other legislative acts of the Republic of Azerbaijan, and international treaties to which the Republic of

Azerbaijan is a party. Subsoil use relations related to energy are regulated by special provisions defined in the relevant legislation of the Republic of Azerbaijan.

3.2. Subsoil use relations within the Alat Free Economic Zone are regulated in accordance with the requirements of the Law of the Republic of Azerbaijan "On the Alat Free Economic Zone".

Article 4. Ownership Rights Over Subsoil

The subsoil in the Republic of Azerbaijan is the property of the Republic of Azerbaijan and shall not infringe upon the rights of any natural or legal persons.

Article 5. Unified State Fund of Subsoil

The subsoil within the territory of the Republic of Azerbaijan constitutes a unified state fund and includes both utilized and non-utilized portions of the subsoil.

Article 6. Responsibilities of State Authorities in Regulating Subsoil Use Relations

The state shall perform the following functions in regulating subsoil use relations:

- Implement the state policy related to subsoil.
- Allocate land plots for subsoil use.
- Establish rules for subsoil use and its protection, as well as for the efficient development of mineral resources; develop relevant standards (norms and regulations), and the classification of mineral reserves and forecast resources.
- Conclude international agreements on the geological study, use, and protection of subsoil; implement a permit system in accordance with this Law and the Law of the Republic of Azerbaijan "On Licenses and Permits".
- Protect the rights of subsoil users and the interests of citizens of the Republic of Azerbaijan related to subsoil use.
- Develop and implement state programs in the field of geological study and development of the mineral raw material base.
- Determine the procedure for payment for subsoil use.
- Establish a state fund for financing the expansion of the mineral resource base and geological study of subsoil.
- Form and regulate the use of the state geological information fund on subsoil.
- Conduct state expertise on geological information evaluating discovered mineral reserves and subsoil characteristics.
- Maintain the state balance of mineral reserves and the state cadastre of mineral deposits and occurrences.
- Define the list of commonly distributed minerals.
- Register geological study activities related to subsoil.
- Register subsoil areas used for mineral extraction and for underground construction not related to mineral extraction.
- Coordinate and register scientific research and experimental design work related to subsoil use.

- Determine the rules for the storage and protection of scientifically valuable core and samples obtained during geological study of subsoil.
- Exercise state control over efficient and safe subsoil use, its protection, and geological study.
- Impose restrictions on subsoil use to ensure state security, and the protection of the population, economic entities, and the environment.

CHAPTER II

BASICS OF SUBSOIL USE

Article 7. Types of Subsoil Use

The types of subsoil use are as follows:

- Geological and geoecological exploration.
- Extraction of mineral resources.
- Use of production waste related to mining operations.
- Construction and operation of underground structures not related to the extraction of mineral resources.
- Establishment of specially protected geological sites of scientific, cultural, aesthetic, and health importance (scientific and educational test sites, geological reserves, sanctuaries, natural monuments, caves, and other underground voids).
- Collection of mineralogical, paleontological, and other geological materials, and conducting archaeological excavations.

Subsoil may be simultaneously allocated for geological exploration (prospecting and exploration) and extraction of mineral resources. In such cases, mineral resources may be extracted both during the geological exploration process and after its completion.

The extraction of radioactive materials and the use of subsoil for disposal of radioactive waste and hazardous substances is regulated by the relevant legislation of the Republic of Azerbaijan.

Article 8. Subsoil Users

Legal and natural persons of the Republic of Azerbaijan and foreign countries may become subsoil users in the Republic of Azerbaijan in accordance with the legislation.

The rights and obligations of subsoil users arise from the moment of obtaining a permit issued in accordance with this Law and the Law of the Republic of Azerbaijan "On Licenses and Permits".

Article 9. Rights and Obligations of Subsoil Users

Subsoil users have the following rights:

To use subsoil within allocated boundaries for the type of activity specified in the permit or license.

To freely choose any form of activity within the subsoil area, provided it complies with legislation and the objectives stated in the permit or license.

To use the results of their activities, including the extracted mineral raw materials, in accordance with the permit or license and the law.

To use production waste related to mining operations, unless otherwise stipulated in the permit.

To carry out geological exploration at their own expense within the mining allocation area without requiring additional permits.

To request a review of permit conditions by the relevant authority if unforeseen circumstances arise that differ from the permit terms.

To be given priority over other applicants when applying for an extension of the permit or license.

Subsoil users are obliged to:

Comply with the laws of the Republic of Azerbaijan and the standards (norms and rules) related to subsoil use, avoiding excessive losses or degradation of mineral quality.

Conduct geological exploration and ensure comprehensive use of mineral resources.

Maintain geological, mine surveying, and other documentation, and ensure the preservation of such records, core samples, and specimens.

Submit geological data to the State Geological Information Fund.

Ensure full utilization of processed products and waste and account for and store temporarily unused production waste containing valuable components.

Provide data to the State Geological Information Fund on discovered, extractable, and remaining mineral reserves, as well as non-extraction-related subsoil uses.

Ensure the safe execution of works related to subsoil use.

Comply with environmental standards regulating the protection of subsoil, air, soil, forests, water bodies, buildings, and structures from the harmful impacts of subsoil use.

Ensure land reclamation during subsoil use.

Preserve exploratory mining drill holes and wells that may be used for mining or other economic purposes.

Conserve or eliminate non-usable mining boreholes and wells in the prescribed manner.

Fulfill conditions outlined in the permit or license and ensure timely and accurate payments for subsoil use.

Article 10. Areas Allocated for Subsoil Use

A permit for extraction of mineral resources or for construction and operation of underground structures unrelated to mineral extraction is issued in the form of a "mining allotment" based on documents defined in this Law and the Law of the Republic of Azerbaijan "On Licenses and Permits".

The initial boundaries of the mining allotment are determined at the time the mining allotment status is granted.

After the technical project for extraction or other related activities is developed and the Environmental Impact Assessment (EIA) document is prepared in accordance with the Law of the Republic of Azerbaijan "On Environmental Impact Assessment" and a positive conclusion of the state environmental expertise is obtained, and after agreement with the designated executive authority, the documents defining the clarified boundaries of the mining allotment (coordinate table, map, and cross-sections) are included as an integral part of the mining allotment status.

The EIA document must also include geological and hydrogeological justification data. If the extraction or other activities comply with environmental requirements regarding environmental impact indicators, the reconstruction of such facilities or replacement of existing equipment does not require a new EIA. However, relevant changes must be reflected in documents issued by the competent authority (e.g.,

permissible waste discharge limit, discharge flow limit, environmental passport), in accordance with normative legal acts and technical regulations on environmental protection.

If the activities do not comply with environmental impact indicators or different technologies are used from those specified in the initial project, a new Environmental Impact Assessment must be conducted. In the case of transboundary impact, relevant matters are resolved in accordance with international treaties to which the Republic of Azerbaijan is a party.

Mining allotment status is not required for areas allocated solely for geological study. These are granted geological allotment status by the competent authority in accordance with this Law and the Law "On Licenses and Permits".

Several subsoil users may operate within a geological allotment area, provided this is done in accordance with regulations. Their mutual relations are determined by the special permit issued for subsoil use.

A state fee, as determined by the Law of the Republic of Azerbaijan "On State Duties", is charged for the issuance of mining and geological allotment status.

Article 11. Restrictions on Subsoil Use

Use of specific subsoil areas may be restricted or prohibited to ensure national security and environmental protection.

If subsoil use in residential areas, suburban zones, or areas with industrial, transport, or communication infrastructure poses a threat to human life, health, or the environment, it may be partially or completely banned.

In specially protected territories, subsoil is used in accordance with their legal status and relevant legislation.

Article 12. Periods of Subsoil Use

Subsoil may be granted for use for a fixed term or on a permanent basis.

- Subsoil is granted for the following periods:
- Up to 5 years for geological exploration.
- Up to 25 years for extraction of mineral resources.
- Up to 30 years if both types of use are combined.
- The term for extraction of mineral resources is determined based on technical and economic justification ensuring efficient use and protection of subsoil.
- Subsoil areas allocated for purposes unrelated to extraction - such as underground construction, establishment of protected sites, and other uses - may be granted for a fixed or indefinite period.
- The use period begins from the date the right is granted.
- If the subsoil user complies with the permit or license conditions, the period may be extended by mutual agreement.

Article 13. Granting Subsoil Use Rights

Subsoil use is granted based on a special permit or license, in accordance with this Law and the Law of the Republic of Azerbaijan "On Licenses and Permits", by the competent authority designated by the relevant executive body.

Subsoil use rights are granted through auction (tender or competition) or direct negotiations. The cases in which subsoil use may be granted through direct negotiations are determined and approved by the competent authority designated by the relevant executive body.

The permit entitles the holder to:

- Conduct geological exploration.
- Develop mineral deposits with reserves confirmed under the relevant procedure.
- Utilize mining and processing waste.
- Use subsoil for purposes unrelated to extraction of mineral resources.
- Establish specially protected geological sites.
- Collect mineralogical, paleontological, and other geological materials.
- Conduct archaeological excavations.

If subsoil use is multi-profiled, a legal or natural person may obtain multiple permits or licenses.

A state fee is charged for the issuance of a special permit, the amount of which is determined by the competent executive authority.

Special permits or licenses are **not required** for the following:

- Geological work conducted under scientific research or state programs.
- Earthquake forecasting.
- Environmental monitoring and its establishment.
- Monitoring groundwater regime and balance.
- Archaeological studies.
- Other activities that do not compromise the integrity of the subsoil.

Work aimed at subsoil study must be registered in the state geological fund.

A permit is issued only after prior consent has been obtained from the landowner or the competent authority designated by the executive authority, regarding the allocation of land for subsoil use. Following the issuance of the subsoil use permit, land is allocated to the user in accordance with the land legislation of the Republic of Azerbaijan.

Article 14. The State Permit (License) System for Subsoil Use and Its Functions

The permit system is a unified procedure for processing and issuing permits related to subsoil use, encompassing informational, scientific-analytical, economic, and legal preparations.

The functions of the permit system include:

- Implementation of the state program for the development of the mining industry and mineral resource base.
- Consideration of the social, economic, environmental, and other interests of all citizens.
- Provision of equal opportunities for legal and natural persons to obtain permits.
- Development of market relations and anti-monopoly policies in the field of subsoil use.

- Guaranteeing necessary protections for permit holders and safeguarding their rights during subsoil use.

Article 15. Anti-Monopoly Requirements in Subsoil Use

The following actions by state authorities or any economic entities (including subsoil users) are **prohibited** or considered **invalid** if undertaken in violation of established rules:

- Restricting the participation of eligible legal or natural persons in auctions or tenders in contradiction with the terms of those processes.
- Refusing to issue a permit to the winner of an auction or tender.
- Replacing the auction or tender process with direct negotiations.
- Discriminating against subsoil users who create competing structures to those holding a dominant market position in subsoil use.
- Denying access to transport and infrastructure to certain subsoil users on discriminatory grounds.
- Contracts concluded in violation of the first paragraph of this Article are deemed invalid.

The competent authority designated by the relevant executive body may determine the size and number of subsoil areas granted for use, as well as the amount of extractable reserves.

Article 16. Allocation of Subsoil for the Development of Commonly Occurring Mineral Deposits

The rules for allocating subsoil for the development of commonly occurring mineral deposits, as well as for the use of subsoil within land plots granted for purposes unrelated to mineral extraction, are determined by the competent authority designated by the relevant executive body.

If there are opportunities to utilize waste from mining and other production areas as an alternative raw material source, subsoil shall not be allocated for the extraction of commonly occurring minerals.

Article 17. Use of Subsoil by Landowners

Landowners, within the boundaries of their land plots, may carry out:

- Extraction of commonly occurring minerals to a depth of up to five meters without blasting.
- Construction of underground structures.
- Drilling and operation of non-pressurized water wells from the first aquifer horizon if no centralized water supply exists - all in accordance with the rules set by the competent authority designated by the relevant executive body.

The use of underground drinking water is regulated by the relevant legislative acts of the Republic of Azerbaijan.

Article 18. Grounds for Suspension and Termination of Subsoil Use Rights

Subsoil use rights shall be **suspended** in the following cases:

1. Violation of the requirements of Article 21 of this Law.
2. Breach of subsoil use procedures by the user within the calendar year.
3. Occurrence of force majeure (natural disasters, military operations, etc.).

4. Failure of the user to commence subsoil use in the expected volume within the time specified in the permit.
5. Cases specified in Article 25.1 of the Law of the Republic of Azerbaijan "On Licenses and Permits".

Subsoil use rights shall be **terminated** in the cases stipulated in Article 26.1 of the same Law.

Article 19. Procedure for Suspension, Termination, and Re-issuance of Subsoil Use Rights

Suspension of subsoil use rights is carried out in accordance with Article 25 of the Law of the Republic of Azerbaijan "On Licenses and Permits".

If subsoil use is suspended under paragraphs 1 or 3 of the first part of Article 18 of this Law, and the user is **not at fault**, the costs related to the conservation or liquidation of facilities used for mineral extraction or underground structures shall be reimbursed by the state.

However, if suspension occurs under paragraph 1 (due to fault of the user), paragraph 2 of Article 18, Article 25.1.2 of the Law "On Licenses and Permits", or upon the user's initiative, then the subsoil user bears those costs.

If the permit holder intends to abandon subsoil use, they must formally notify the competent authority that issued the permit **at least 6 months in advance**.

If the causes of suspension are eliminated, the subsoil use right may be **reinstated** under Article 25.5 of the Law "On Licenses and Permits".

Termination of subsoil use rights is carried out under the procedure defined in Article 26 of the same Law.

If within three months after being notified, the issues listed in paragraph 2 and 4 of Article 18, and Article 25.1.2 of the Law "On Licenses and Permits" are not resolved, a decision is made to terminate the subsoil use right.

Reissuance of subsoil use rights is carried out in accordance with Article 23 of the Law "On Licenses and Permits".

Article 20. Validity of the Permit Granting Subsoil Use Right

Only the holder of the permit may use the subsoil under that permit; it **cannot** be transferred to another person.

The right granted by a subsoil use permit does **not** apply to:

- Legal entities in which the permit holder is a founder or participant.
- Any person acting under a cooperation or partnership agreement with the permit holder.

CHAPTER III

EFFICIENT USE AND PROTECTION OF SUBSOIL

Article 21. Basic Requirements for Efficient Use and Protection of Subsoil

The basic requirements for efficient use and protection of subsoil are as follows:

- Compliance with the procedure for granting subsoil use rights as defined by legislation and prevention of unauthorized subsoil use.
- Ensuring thorough geological study, efficient and comprehensive use, and protection of subsoil.
- Conducting preliminary geological and geoecological works to assess mineral reserves and define the characteristics of subsoil areas allocated for non-extractive purposes.
- Establishing criteria (conditions) for each mineral deposit to ensure geological study and comprehensive use.
- Subjecting mineral reserves and subsoil areas used for non-extractive purposes to state examination and registration.
- Ensuring more complete extraction of minerals and associated components from subsoil.
- Accounting for extracted and remaining mineral reserves and associated components during the development of mineral deposits.
- Protection of mineral deposits from flooding, radiation, fires, and other factors that may reduce the quality, industrial value, or complicate development of the deposits.
- Preventing pollution of subsoil and the environment during subsoil use, as well as during underground storage of oil, gas, other substances, and materials, and burial of hazardous substances and industrial waste.
- Prohibition of waste burial in areas containing mineral layers or where underground operations are carried out if contamination or safety risks arise.
- Observance of rules for the temporary suspension or liquidation of enterprises engaged in mineral extraction and of underground structures used for non-extractive purposes.
- Prevention of unauthorized construction on areas with mineral reserves and compliance with the established procedure for their use for other purposes.
- Prevention of industrial and domestic waste accumulation in outcrops of fractured rocks and aquifers, as well as in groundwater recharge zones used for drinking and household purposes.
- Monitoring of drinking groundwater regimes in areas where there is a risk of contamination from mineralized or non-standard waters.
- Compliance with environmental protection, land reclamation, and conservation or liquidation procedures for mining drill holes.
- Conducting state environmental expert review of construction and reconstruction projects of enterprises, structures, and other facilities that may affect fishery water bodies, in accordance with Article 28 of the Law of the Republic of Azerbaijan "On Fisheries".

If the requirements of this article are violated, the subsoil use right may be restricted, suspended, or revoked by the competent executive authority in accordance with the law.

Article 22. Basic Requirements for Safe Conduct of Subsoil Use Activities

Geological exploration, operation of mineral extraction facilities, and construction and operation of underground structures for various purposes are permitted only if the safety of the population within the impact zone is ensured.

The competent authorities designated by the relevant executive body and subsoil users must ensure compliance with approved safety standards (norms and rules) for subsoil use activities.

The competent authority is responsible for state regulation and oversight of safety in subsoil use operations.

Direct responsibility for ensuring the safety of subsoil-related works lies with the heads of the enterprises carrying out such activities.

The basic safety requirements for subsoil use activities are as follows:

Only persons with specialized qualifications may be employed.

Personnel engaged in drilling and mining works must be provided with special clothing and protective equipment.

Use of machinery, equipment, and materials that meet safety engineering and sanitary requirements.

Proper use, accounting, storage, and handling of radioactive and explosive substances and devices.

Monitoring to ensure compliance with normal technological regimes and predict hazardous situations.

Continuous monitoring of the mine atmosphere, including levels of oxygen, harmful and explosive gases, and dust.

Preparation and implementation of measures to protect the population within the impact zone during normal and emergency conditions of subsoil operations.

Subsoil users must establish or contract with relevant services for mine rescue and control of uncontrolled oil and gas blowouts.

In the event of a direct threat to the life and health of personnel or local residents, the heads and other responsible officials of the enterprise must immediately halt operations, evacuate people to safe locations, and promptly inform the competent authority.

Article 23. Conditions for Construction Activities in Areas with Mineral Reserves

Design and construction of residential settlements, industrial complexes, and other economic facilities, as well as placement of underground structures in areas with mineral reserves, is permitted only by the competent authority, provided that:

The feasibility of mineral extraction.

Economic justification of construction works.

Safety of mining operations; and

Local site conditions are considered.

Even if no mineral reserves are located beneath the construction area, construction may only proceed upon obtaining a permit from the competent authority.

Unauthorized construction in areas with mineral resources must be halted without reimbursement of expenses incurred, including investments and costs for demolition and land reclamation.

Article 24. Liquidation and Conservation of Mineral Extraction Enterprises and Underground Structures Not Related to Extraction

When the right to use subsoil is suspended or terminated, the mineral extraction enterprises and underground structures not related to mineral extraction must be liquidated or placed under conservation.

Until this process is completed, the subsoil user remains responsible under the obligations imposed by this Law.

In case of full or partial liquidation or conservation of a mineral extraction enterprise, all mining excavations and boreholes must be brought to a state that ensures:

The safety of the population,

Protection of the environment, buildings, and facilities, and

Integrity of the deposit and its structures during the conservation period.

During the liquidation or conservation of a mineral extraction enterprise or its subdivisions, as well as underground structures not related to extraction, geological, mine surveying, and other relevant documentation must be preserved in accordance with legislative requirements.

The liquidation or conservation of such facilities enters into force after the competent authority designated by the executive body signs an official act confirming the process.

Article 25. Protection of Subsoil Areas of Special Scientific and Cultural Importance

Rare geological exposures, mineral formations, paleontological objects, and other similar subsoil areas of special scientific and cultural significance may be declared as geological reserves, state sanctuaries, or natural and cultural monuments following the prescribed procedure. Any activity that may harm their integrity is strictly prohibited.

If, during subsoil use, rare geological or mineral formations, meteorites, paleontological, archaeological, or other objects of scientific or cultural interest are discovered, the subsoil user must immediately suspend work in the relevant area and inform the competent authority or obtain a special permit to proceed.

CHAPTER IV

GEOLOGICAL STUDY OF THE SUBSOIL

Article 26. Main Requirements for Geological Study of the Subsoil

The main requirements for the geological study of the subsoil are as follows:

- Scientific justification and efficiency of the geological study of the subsoil.
- Comprehensive study of the geological structure of the subsoil, development of discovered deposits, as well as the mining-technical, hydrogeological, and ecological conditions for the construction and operation of underground structures unrelated to the extraction of mineral resources.
- Accuracy of the quantity and quality of mineral reserves and their components, geological-economic assessment of mineral deposits.
- Compliance with the norms and standards established by legislation in the field of subsoil and environmental protection.
- Conducting the geological study of the subsoil using methods and techniques that prevent unreasonable losses of mineral resources and ensure their required quality.
- Placement of rocks and mineral resources extracted from the subsoil in a manner that does not harm the environment.
- Preservation of exploratory mining excavations and boreholes that may be used for the development of deposits and other economic purposes, and elimination of unusable excavations and boreholes in accordance with established procedures.
- Preservation, in the prescribed manner, of geological and technical documents, core samples, and duplicates of mineral resource samples obtained during the geological study of the subsoil, which may be useful for future subsoil use.

Article 27. State Inventory and State Registration

Geological exploration of the subsoil, extraction of mineral resources, and allocation of subsoil areas for purposes unrelated to mineral extraction, as well as the associated works, shall be included in the state inventory and state registration.

The state inventory and state registration shall be carried out according to a unified system by the competent authority designated by the relevant executive body.

It is prohibited to conduct any subsoil-related activities without state registration.

Article 28. State Geological Exploration of the Subsoil

To ensure the expansion and strengthening of the mineral-resource base of the Republic of Azerbaijan, state geological exploration of the subsoil is carried out regularly throughout its territory.

The main objectives of state geological exploration are to:

Conduct geological research and mapping across the country, including in the Azerbaijani sector of the Caspian Sea (lake).

Search for, evaluate, and explore mineral deposits.

Forecast geological processes occurring in the subsoil.

Collect, systematize, and store information about the mineral-resource base; and

Carry out other related activities.

Article 29. Geological-Economic Assessment of Mineral Deposits

A geological-economic assessment shall be carried out for each deposit to:

Determine the industrial significance of the mineral deposit.

Identify the effective and safe methods for its development, considering mining-geological and other conditions.

Ensure the completeness of subsoil study and comprehensive use.

Standards (conditions) shall be established for mineral resources.

These standards are developed considering the use of both the main mineral resources and valuable components contained within them and serve as the basis for calculating the industrial reserves of the deposit.

Requirements for the quality of commonly occurring mineral resources are determined by standards and technical specifications.

Article 30. State Expert Review of Mineral Reserves

To ensure the efficient and comprehensive development of mineral reserves, determine the payment for subsoil use, and define the boundaries of subsoil areas allocated for use, the standards (conditions) for mineral resources and the reserves of explored deposits must undergo state expert review.

The state expert review may be carried out at all stages of the geological study of the deposit. In such cases, the geological materials submitted for review must allow for an objective assessment of the quantity, quality, industrial significance, mining-technical, hydrogeological, ecological, and other conditions of the mineral reserves.

Geological information about subsoil areas suitable for construction and operation of underground structures unrelated to mineral extraction must also undergo state expert review. Such areas may only be used after completion and approval of the expert review of the geological information.

The procedure for conducting the state expert review of geological information and mineral reserves for subsoil areas allocated for use is determined by the competent authority designated by the relevant executive body.

Article 31. Approval and Write-off of Mineral Reserves

Reserves of discovered mineral deposits, as well as additional mineral reserves discovered during the exploitation of deposits, shall be approved after undergoing state expert review.

When mineral reserves are approved, the industrial significance, reliability, quantity, quality, occurrence conditions, degree of exploration, and readiness for exploitation of the discovered reserves shall be determined.

A decision on the industrial significance of the discovered mineral reserves serves as the basis for registering and recording them in the state balance.

Subsoil areas may only be allocated for mineral extraction after the reserves have been officially approved.

Extracted mineral resources, as well as reserves that lost industrial significance during the extraction process, or those that were not confirmed during subsequent geological studies or development of the deposit, shall be written off in the prescribed manner from the state balance of mineral reserves, at the expense of the operating entity.

Article 32. Geological Information about the Subsoil

Information contained in reports, maps, and other materials regarding the geological structure of the subsoil, available mineral resources, mining conditions, and other properties of the subsoil is the property of the Republic of Azerbaijan.

Ownership rights over geological and other information about the subsoil are protected in accordance with the legislation of the Republic of Azerbaijan.

If the contractor's use of such information for scientific and educational purposes does not contradict the commercial interests of the customer as stipulated in the contract terms, the contractor has the right to use the obtained subsoil information for scientific and educational activities.

Geological and other information obtained at the expense of state funds shall be submitted to the State Geological Information Fund in a prescribed format. This information shall be stored and systematized in the Fund.

The rules and conditions for the use of geological information are determined by the competent authority designated by the relevant executive body, in accordance with the legislation of the Republic of Azerbaijan.

Organizations, enterprises, and individuals who generate geological and other information about the subsoil at their own expense shall submit that information to the State Geological Information Fund and determine the conditions for its use.

At all stages of collection, recording, storage, submission, and use of information, responsible persons must ensure its confidentiality.

A fee shall be charged for the use of geological information about the subsoil. The procedure and amount of the fee are determined by the competent authority designated by the relevant executive body.

Article 33. State Balance of Mineral Reserves, State Cadastre of Mineral Deposits and Occurrences, and Their Maintenance

The state balance of mineral reserves reflects, for industrially significant deposits, data on the quantity, quality, degree of study, occurrence, industrial use rate, extraction, loss of mineral reserves, and the provision of the industry with discovered mineral reserves. It is maintained to account for the condition of the mineral-resource base.

The state cadastre of mineral deposits and occurrences must include, for each deposit:

- Quantitative and qualitative characteristics of main and associated mineral reserves;
- Quantity of components contained in the reserves;
- Mining-technical, hydrogeological, and ecological conditions for deposit development;
- Geological-economic assessment;
- Data on each mineral occurrence.

The state cadastre is maintained for the purpose of ensuring the comprehensive use of mineral deposits, and for efficient development and placement of related infrastructure.

The state balance of mineral reserves and the state cadastre of mineral deposits and occurrences are compiled and maintained by the competent authority designated by the relevant executive body based on reports submitted to the State Geological Information Fund by organizations and enterprises engaged in geological study and exploitation of mineral deposits.

Article 34. Discoverers of Mineral Deposits

Persons who scientifically justify and discover an industrially significant mineral deposit that was previously unknown, or who identify additional mineral reserves or the presence of a new mineral resource that significantly increases the industrial value of a known deposit, shall be considered discoverers.

The procedure for rewarding discoverers is determined by the competent authority designated by the relevant executive body of the Republic of Azerbaijan.

CHAPTER V

STATE REGULATION OF SUBSOIL USE RELATIONS

Article 35. Objectives of State Regulation of Subsoil Use Relations

The main objectives of the state regulation of subsoil use relations are as follows:

Creation of a mineral-resource base, its efficient use, and protection of the subsoil.

Determination of production volumes of major types of mineral resources.

Preparation of subsoil areas for the development of the mineral-resource base and for the construction of underground structures not related to the extraction of mineral resources.

Geological exploration of the subsoil within the territory of the Republic of Azerbaijan, including its sector of the Caspian Sea (lake).

Regulation of mineral-resource exports.

Application of payments related to subsoil use and regulation of prices for key types of mineral resources.

Establishment of standards (norms, rules) in the fields of geological exploration, use and protection of the subsoil, and safe execution of subsoil use operations.

The state regulation of subsoil use relations is carried out through administrative management, issuance of special permits or licenses, accounting, and supervision.

With respect to entrepreneurs, state supervision over subsoil use is conducted in accordance with the requirements of the Law of the Republic of Azerbaijan *"On Regulation of Inspections Conducted in the Entrepreneurial Sphere and Protection of Entrepreneurs' Interests."*

Article 36. State Regulation and Management of Subsoil Use Relations

The state regulation of subsoil use relations is carried out in accordance with this Law and other normative legal acts of the Republic of Azerbaijan.

The management of subsoil use is exercised by the authority designated by the relevant executive body. The extraction of mineral resources falls within the scope of subsoil users' responsibilities.

The authority designated by the relevant executive body that carries out activities related to subsoil use may not perform the economic functions of enterprises engaged in the development of mineral deposits or the construction and operation of underground structures unrelated to extraction.

The authority designated by the relevant executive body is not required to obtain licenses or permits listed in the register approved by the same authority for carrying out works in line with its areas of activity.

Article 37. State Supervision over Efficient Use and Protection of Subsoil

State supervision over the efficient use and protection of subsoil is carried out to ensure that users comply with existing legislation, with standards (norms, rules) established in the fields of geological exploration, use, and protection of subsoil, and with rules of state inventory and reporting.

State supervision over geological exploration, efficient use, and protection of subsoil is conducted by the authorities designated by the relevant executive body.

Article 38. State Supervision over the Safe Conduct of Subsoil Use Operations

State supervision over the safe conduct of subsoil use operations is carried out to ensure that subsoil users comply with current legislation and meet the requirements for the safe execution of works, including the prevention and elimination of adverse effects on the population, the environment, buildings, and structures.

The state supervision of the safe execution of subsoil use operations is carried out by the authority designated by the relevant executive body.

CHAPTER VI

ECONOMIC MECHANISM OF SUBSOIL USE

Article 39. Payment System for Subsoil Use

Subsoil use within the territory of the Republic of Azerbaijan is chargeable, except in cases specified in Article 44 of this Law.

Subsoil users shall make the following payments:

- State fee (charge) for obtaining a special permit.
- Subsoil use fee.

- Mining tax.
- Contributions to the restoration of the mineral-resource base.
- Fee for the use of seabed areas and maritime zones.
- State fee for the issuance of mining allotment and geological allotment status.

Subsoil users are also required to pay other fees and taxes as stipulated by legislation.

Article 40. Payments for Subsoil Use

A subsoil use fee is paid for the activities related to prospecting and exploration of mineral resources. The amount of the fee, calculated as a percentage of the cost of the works, and the payment procedure are determined by legislation. No payment is charged for exploration of mineral resources within the boundaries of a mining allotment granted for extraction.

Payments for mineral extraction are made in accordance with the tax legislation.

Payments for excess losses exceeding the normative limits during extraction are made in the manner and amount determined by legislation.

For non-extractive purposes (e.g., construction and operation of underground structures), the subsoil use fee is determined by legislation based on the size of the allocated subsoil area, its utility, and the level of ecological risk posed during use.

Article 41. Contributions for the Restoration of the Mineral-Resource Base

Contributions for the restoration of the mineral-resource base are collected from subsoil users for the extraction of all types of mineral resources explored at the expense of the state.

Subsoil users who have conducted exploration at their own expense or who have fully reimbursed the state's expenses for the exploration of relevant mineral reserves are exempt from such contributions when operating those deposits.

The contribution rates are established in amounts sufficient to cover the expenses required for restoring the mineral-resource base and are uniform for all users extracting the same type of mineral resource.

The amount of contributions is determined as a percentage of the actual value of the extracted mineral resources.

These contributions are paid into a state fund created to finance the restoration of the mineral-resource base and geological exploration of the subsoil.

Funds from the contributions may be used to encourage initial discovery and exploration of mineral deposits.

The rates, payment procedures, and use of contributions for restoration of the mineral-resource base are determined by legislation.

Article 42. Fee for Use of Seabed Areas and Water Zones

A fee for the use of seabed areas and water zones is paid for the prospecting, exploration, and extraction of mineral resources under marine conditions, as well as for other uses of the seabed subsoil.

The procedure and amount of the fee are determined by legislation based on the location and configuration of the area, the thickness of the water layer, and the purpose of subsoil use beneath the seabed.

Article 43. Forms of Payment for Subsoil Use

Payments for subsoil use, depending on their type, may be made in the following forms:

- Monetary payments.
- A portion of the extracted mineral resources or other products produced by the user.
- Provision of services.

The form of payment is defined in the special permit or license granting subsoil use rights, in accordance with normative legal acts.

It is not permitted to demand commercially confidential information from the user in lieu of subsoil use payments.

Article 44. Exemptions from Subsoil Use Payments

Exemptions from payments for subsoil use in the Republic of Azerbaijan apply in the following cases:

When commonly occurring mineral resources and non-pressurized underground waters are extracted on land owned or leased by legal or natural persons for their own needs in accordance with established procedures;

When geological works are carried out for scientific research or state programs, including earthquake forecasting, engineering-geological studies, geoecological research, monitoring of groundwater regime and balance, and other activities that do not compromise the integrity of the subsoil, as well as for the creation of specially protected geological objects as listed in Article 7, paragraph 1, subparagraph 5 of this Law.

Subsoil users may be partially exempted from payments for subsoil use to encourage the development of:

- deposits located in complex mining-geological conditions or of low quality,
- hard-to-extract, substandard, or previously written-off reserves,
- recovery of valuable components from overburden and waste rocks or from waste generated by mining and processing operations,
- environmentally safe technologies.

Article 45. Benefits for the Operation of Low-Quality and Low-Efficiency Mineral Deposits

Benefits for the operation of low-quality and low-efficiency mineral deposits are granted in the following cases:

- When rare types of mineral resources are extracted under low economic efficiency conditions, provided this does not result from violations in the efficient use of discovered reserves;

- When mineral resources are extracted from low-quality residual reserves, excluding cases where selective development of richer areas leads to deterioration in resource quality.

These benefits are determined by the authority designated by the relevant executive body that issues the special permit or license.

CHAPTER VII

LIABILITY FOR VIOLATION OF THE LAW

Article 46. Liability for Violation of the Law

Legal and natural persons shall bear liability for violations of this Law in the following cases:

If the procedures for subsoil use as defined by legislation are violated.

If subsoil is used without authorization.

If the requirements of safety standards (norms, rules) for the execution of subsoil use operations, or standards for subsoil and environmental protection are violated.

If the subsoil is polluted or mineral deposits are rendered unsuitable for exploitation.

If ownership rights over geological and other information or the confidentiality of such information is violated.

If unauthorized construction works are carried out in areas with mineral resource distribution.

If, during subsoil use, the integrity of buildings and structures, as well as specially protected areas and environmental objects, is not ensured.

If groundwater observation wells, mine surveying, or geodetic marks are destroyed or damaged.

If payment procedures related to subsoil use are regularly violated.

If closed and conserved mining excavations and boreholes are not brought to a condition ensuring the safety of the population and the environment, or if the requirements for protection of mineral deposits, excavations, and boreholes during the conservation period are not followed.

If land plots and other natural objects rendered unusable during subsoil use are not restored to a condition suitable for future use.

If, during subsoil use, objects of scientific or cultural interest are discovered and work is not halted in the relevant area or if the relevant authority is not informed and no special permit is obtained.

Any activity contrary to this Law in the field of subsoil use is prohibited.

Article 47. Resolution of Disputes

Disputes related to subsoil use shall be resolved through administrative procedures or in court.

Article 48. Compensation for Damage

If enterprises, organizations, officials, or individuals are found liable for altering the natural properties of the subsoil or creating conditions that fully or partially eliminate the possibility of subsoil use, the damage caused shall be compensated at their own expense.

If a subsoil user, through selective extraction of rich sections of a mineral deposit or through actions that cause the deposit to become unusable or create conditions that partially or fully eliminate the possibility of subsoil use, causes damage to the state, such damage shall be compensated at the user's expense.

The amount and procedure for compensation shall be determined by the court.

By mutual agreement of the parties, compensation may be substituted by carrying out work aimed at restoring the natural properties of the disturbed subsoil.

Unauthorized subsoil uses and construction work carried out in areas containing mineral deposits shall be stopped without reimbursement of any expenses incurred.

President of the Republic of Azerbaijan
Heydar ALIYEV

Baku, February 13, 1998
№ 439-IQ

RULES

On Charging Fees for the Use of Subsoil, Seabed Areas and Maritime Zone

1. These Rules have been prepared in accordance with the Law of the Republic of Azerbaijan "On Subsoil" and the Presidential Decree No. 701 dated April 27, 1998, "On the Implementation of the Law of the Republic of Azerbaijan on Subsoil", and establish the terms and conditions for charging fees for the use of subsoil, seabed areas and maritime zone, including the amount and criteria for determining such fees.

2. Fees for the use of subsoil, seabed areas and maritime zone include payments for exploration and prospecting of mineral deposits, as well as for the construction and operation of underground facilities not related to mineral extraction. These payments shall be transferred to the State Fund for the Restoration of the Mineral Raw Material Base.

3. Fees for mineral extraction shall be paid in accordance with the Law of the Republic of Azerbaijan "On Mining Tax". No fee shall be charged for exploration of mineral resources within the boundaries of mining allotments granted for mineral extraction.

4. These Rules are mandatory for all subsoil users, regardless of ownership or legal-organizational form.

5. Depending on the type of use, payments may be made in monetary form, in kind (e.g., a share of extracted minerals or other products), or through services. The form of payment shall be determined by the Ministry of Ecology and Natural Resources and the Ministry of Emergency Situations of the Republic of Azerbaijan within their respective authorities.

6. The amount of payment for mineral exploration and evaluation shall constitute 1-2% of the value of the work to be performed, depending on the type of mineral and the economic-geographical conditions of the area, and shall be determined by the Ministry of Ecology and Natural Resources.

7. Payments for exploration and evaluation shall be calculated annually per square kilometer. Annual payments per square kilometer are determined by dividing the general payment norm (1-2% of the total project cost) by the area of the allocated territory and the project duration. If a portion of the area is returned by the subsoil user, no further payments shall be charged for that portion.

8. The conditions for charging fees for mineral prospecting are the same as for exploration. The amount of payment for prospecting shall be 3-5% of the value of the planned work and shall be determined by the Ministry of Ecology and Natural Resources.

9. If the subsoil use period is extended for the completion of exploration and prospecting, the originally set fee amount shall be increased by 1.5 times. After completion of the work, payments are recalculated by the tax authorities based on the actual cost.

10. If mineral extraction is carried out alongside exploration or prospecting, fees for extraction shall be paid in accordance with the Law "On Mining Tax".

11. The amount of payment for the construction and operation of underground facilities not related to mineral extraction shall be 1-3% of the cost of work and services, determined based on the size of the allocated subsoil area, utility, potential environmental risks, and mining-technical conditions. The payment shall be established by the Ministry of Emergency Situations and included in the construction cost.

12. Fees for the use of seabed areas and maritime zone shall be determined according to paragraphs 6–11 of these Rules, considering the location, configuration, water depth, and intended use of the seabed area.

13. Fees for the use of industrial waste from mining operations shall be set at 50% of the corresponding mining tax and shall be issued via a special permit (license) or authorization.

14. Exemptions from subsoil usage fees shall apply in the following cases:

- Extraction of common mineral resources (up to 5 meters deep) and non-pressurized groundwater for personal use on land owned or leased by individuals or legal entities.

- Scientific and state program-based geological research, earthquake forecasting, engineering-geological and geoecological studies, monitoring of groundwater regime and balance, and work that does not compromise the integrity of the subsoil, carried out for the creation of geologically protected objects (scientific and training sites, geological reserves, sanctuaries, natural monuments, caves, and other subsurface voids).

To encourage the use of low-quality or hard-to-extract mineral reserves, including those previously removed from the state balance, the use of overburden and waste rock, as well as the production of primary and associated components and the implementation of environmentally safe technologies, subsoil users may be partially exempted from fees.

15. Fee reductions for the use of subsoil in low-efficiency or low-quality mineral fields may be granted in the following cases:

- If extraction of rare minerals occurs under conditions of low economic efficiency, without violating rational use principles.

- If extraction from low-quality residual reserves takes place, excluding cases of quality deterioration due to selective mining of richer zones.

16. Decisions regarding exemptions and reductions in subsoil usage fees shall be made by the Ministry of Ecology and Natural Resources based on geological-economic, mining-technical, and techno-economic justifications submitted by the subsoil user and upon consideration of the opinion of the Ministry of Emergency Situations and results of state expert review.