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Azerbaycan'ın Yeşil Ekonomiye Geçiş Hazırlığının Değerlendirilmesi: “Yeşil Gümrük” Kavramının Hukuki Analizi

Öz

Önceki yıl Azerbaycan Cumhuriyeti, prestijli uluslararası iklim etkinliği olan COP29'a ev sahipliği yaparken eş zamanlı olarak 2024 yılını “Yeşil Dünya için Dayanışma Yılı” olarak ilan etmiştir. Bu önemli gelişmeler, özellikle ithalata bağımlı ekonomisi çerçevesinde Azerbaycan'ın gümrük uygulamalarının yeşil ekonomiye geçişi kolaylaştırma düzeyine ilişkin kritik bir soruyu gündeme getirmektedir: Azerbaycan'ın gümrük mevzuatı, yeşil ekonomiye geçişi desteklemeye ne ölçüde hazırdır? Bu çalışma, Azerbaycan gümrük otoritelerinin yeşil ekonomi ilkeleriyle uyum sağlama çabalarını incelemektedir. Mevcut çerçevenin avantajları ve sınırlılıkları ele alınarak, Dünya Gümrük Örgütü tarafından geliştirilen Yeşil Gümrükler Eylem Planı kapsamlı bir şekilde değerlendirilecektir. Bu plan, üye ülkeler için metodolojik rehberlik sağlamakta olup, çalışma Azerbaycan'daki mevcut gümrük uygulamalarının bu plana ne ölçüde uyum sağladığını analiz edecektir. Ayrıca, makale Azerbaycan'ın 2030 yılına kadar gerçekleştirmeyi hedeflediği Ulusal Kalkınma Önceliklerini değerlendirmekte ve sürdürülebilir kalkınmayı desteklemek için gümrük otoritelerinin atması gereken adımları ortaya koymaktadır. Son olarak, mevcut Azerbaycan mevzuatı ayrıntılı bir şekilde incelenerek “Yeşil Gümrükler” sürecini ilerletmek için gerekli eylemler belirlenmekte ve bölgesel iş birliği için potansiyel fırsatlar önerilmektedir.

Anahtar Kelimeler: Gümrük, COP29, Yeşil Ekonomi, Çok Taraflı Çevre Anlaşmaları, Yenilenebilir Enerji, Dünya Gümrük Örgütü.

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Assessing Azerbaijan's Preparedness for Transitioning to a Green Economy: A Legal Analysis of the “Green Customs” Concept

Abstract

In the previous year, the Republic of Azerbaijan hosted the prestigious international climate event - COP29 while simultaneously designating 2024 as the “Year of Solidarity for the Green World.” These significant milestones prompt an essential inquiry into the preparedness of Azerbaijan's customs practices, particularly in its import-dependent economy: to what extent are Azerbaijan's customs regulations ready to facilitate a transition towards a “green” economy?

This study examines the efforts made by Azerbaijan's customs authorities to align with green economic principles. It will look at the advantages and limitations of the current framework and conduct a comprehensive review of the Green Customs Action Plan developed by the World Customs Organization. The plan provides methodological guidance to member countries, and this study will scrutinize how well current customs practices in Azerbaijan adhere to this plan.

In addition, the article assesses Azerbaijan's National Development Priorities to be accomplished by 2030 and outlines the steps customs authorities need to take to support sustainable development. Finally, the article thoroughly reviews current Azerbaijani legislation, outlining the necessary actions to progress “Green Customs” and suggesting potential opportunities for regional collaboration.

Keywords: Customs, COP 29, Green Economy, Multilateral Environmental Agreements, Renewable Energy, World Customs Organization.

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Introduction

In many developing countries working to ensure the transition to a "green" economy, it is possible to find the practice of "greening" customs operations, and that is called "Green Customs". What does "Green Customs" mean, and why is it important? "Green Customs" involves integrating environmental protection principles into customs practice to ensure environmental sustainability during customs procedures. The primary objective of Green Customs is to minimize environmental impact during customs operations.

The primary document that officially defines the term "Green Customs" and outlines the most important tasks to be accomplished in this field is the Green Customs Action Plan (after this, "Action Plan") (WCO, 2023, p.1). It was adopted at the 88th Session of the World Customs Committee Policy Commission and the 141st/142nd Session of the Council in 2023 (WCO Council Session, 2023). This document sets a 1-year short-term goal to prepare an Action Plan for implementing green customs practices, along with 3-year long-term goals (WCO, 2023, p.1). At the same time, in that plan, the term "Green Customs" is defined as follows (WCO, 2023, p.2): "Green Customs refers to the measures that Customs administrations can take or develop to reduce their own environmental footprint ("being"), to protect the environment and facilitate green trade ("doing"), and to test transformative ideas towards sustainability excellence ("innovating"), and by doing so drive progress on the related United Nations Sustainable Development Goals."

Here "Being" concerns measures to green the Customs administrations themselves, and "Doing" concerns Customs measures to "green" trade (WCO, 2023, p.2). "Innovating" points out innovative thinking and transformative measures in daily customs operations (WCO, 2023, p.2). Furthermore, generating environmental benefits through digitalization and paperless procedures, enforcing Multilateral Environment Agreements (MEAs) and domestic environment-related regulations, and implementing trade facilitation measures for environmentally friendly goods are considered the most common components of the definition of "Green Customs" (Qin, 2023, p.8).

Following the above, in this article, the work done in the Republic of Azerbaijan in all three directions defined in the Action Plan's "Green Customs"

concept – "Being", "Doing", and "Innovating" will be reviewed in detail, and existing shortcomings will be highlighted. Relevant suggestions about the role of "Green Customs" in the construction of the national environmental policy of the Republic of Azerbaijan, as well as the measures to be taken, will be given. Furthermore, the possibilities of regional cooperation in the "Green Customs" field of Azerbaijan will be explored, and proposals will be made regarding Azerbaijan's membership in relevant initiatives.

1. The Triadic Phases of Green Customs Formulation: An Analytical Framework

1.1. The "Being" Phase in the Formulation of Green Customs

As mentioned in the Introduction, the Action Plan developed by the World Customs Organisation (after this, "WCO") envisages three main phases for the formation of "Green Customs": "Being," "Doing," and "Innovating." The first phase of this plan, "Being," will be discussed in the current part of the article.

"At the national level, customs administrations are now key players in national environmental policy", said the Action Plan (WCO, 2023, p.1). The first step in establishing the discussed policy is to take appropriate measures in this field within the state institutions that must implement that policy. For this reason, "Being", the first phase in the transition to "Green Customs", is considered to be the "greening" of the customs authorities themselves. For this, in the "Being" phase, the measures, such as initiating Key Performance Indicators (KPIs) and tools to measure environmental performance, capacity building to "green" the customs administrations themselves, and familiarizing customs officials with measures such as sound environmental management principles are planned (WCO, 2023, p.3).

Concerning the indicated directions of activity, the most critical work done in the Republic of Azerbaijan from the aspect of "Being" can be considered the "Rules for using the electronic information system of customs authorities" approved by the Decision of the Cabinet of Ministers of the Republic of Azerbaijan (Cabinet of Ministers, 2012). Adopting the mentioned Decision determined that the electronic exchange of documents and

information between the customs authorities and state authorities, authorized economic operators, business entities, and the customs authorities will be carried out (Cabinet of Ministers, 2012, art. 1.1.3). The Single Automated Management System (VAIS), as determined in Article 3.3 of the Decision, is to be created to implement this goal. This system provides document circulation between local customs agencies and electronic staff and manages enterprise resources (Cabinet of Ministers, 2012, art. 3.3). Creating such a system is one of the most critical steps taken to implement paperless technology within the customs administration, one of the main goals of “Green Customs”, that is, to “green” the customs administration itself (State Customs Committee, 2023).

On the other hand, gaps are felt in the measures taken to educate customs employees, considered one of the leading indicators of the “Being” phase. Thus, although some innovative measures such as the “Green Customs Initiative” and meetings with representatives of international organizations and officials of other countries have been held in this field, unfortunately, a legal and practical basis has not been created for increasing the knowledge of customs officials about “Green Customs” (State Customs Committee, 2024; State Customs Committee, 2022). This ignorance can be considered a violation of the requirements defined in the legislation regarding the education of employees by the heads of customs bodies. Thus, under clause 4 of the “Exemplary Internal Disciplinary Rules of Customs Authorities of the Republic of Azerbaijan” approved by order of the Board of the State Customs Committee, the executive officer should take all necessary measures to increase the required professional knowledge of employees under his leadership and for their proper assimilation of the requirements of the legislation (State Customs Committee, 2023). For this reason, it is necessary for the executives of the customs authorities to study the “Green Customs” practice in detail and to take measures for their subordinates to study it as well. The essence of this mechanism can be expressed with the words, “You Can’t Teach What You Don’t Know”, said Katharina Joyce Watson (Watson, 2018).

Another measure envisaged in the “Being” phase is the creation of Key Performance Indicators (KPIs) and tools to measure environmental

performance. According to the current information on the customs practice, although no measures have been taken in this direction other than the mechanism for the electrification of customs transactions, it will be helpful for the State Customs Committee to establish an internal Environmental Management System (EMS) specified in the ISO 14001 series of standards to further “green” its internal activity (Urban Environmental Management, 2015). So, the ISO 14001 voluntary environmental management standards and guidelines are intended to be practical, useful, and usable for companies or organizations of all sizes (Urban Environmental Management, 2015). Also, the implementation of ISO 14001 is cyclical, requiring the development of a comprehensive environmental policy, a planning process to operationalize the policy, its implementation and operation, checking and implementing corrective action if needed, and management review (Urban Environmental Management, 2015).

In countries such as Japan and Sweden, many government agencies and local self-government organizations have established this system in a multifaceted manner at the local level, which helps them adopt sustainable practices (Srinivas, 1999; Alpenberg & Wnuk-Pel, 2022). By following these practices, documenting the activity of the Committee under the requirements specified in the ISO 14001 certification and conducting audits related to EMS compliance within the institution will play a crucial role in the application of the knowledge gained in this field by the employees of the institution and in the transition of the Committee to the “Green Customs” system.

1.2. The “Doing” Phase in the Formulation of Green Customs

The “Being” phase of the Action Plan, which is related to the “greening” of customs authorities and the education of their employees, is followed by the “Doing” phase, which includes the implementation of country-wide measures in this area by the customs authorities who have adopted the “Green Customs” concept. In the Action Plan, that stage is characterized by preparing a package of measures related to “green” trade, establishing cooperation with other state institutions at the regional level, and raising awareness in this field (WCO, 2023, p.3).

The basis for the implementation of the “Doing”

phase can be found in "Azerbaijan 2030: National Priorities for Socio-economic Development" (after this, "National Priorities"), which is a brief overview of the country's "green" economy action plan approved by the Decree of the President of the Republic of Azerbaijan (Decree of the President of the Republic of Azerbaijan, 2021). In that document, one of the five National Priorities intended to be realized for the country's socio-economic development in the next decade is defined as "to be a country of clean environment and "green growth" (Decree of the President of the Republic of Azerbaijan, 2021). General measures such as increasing the share of green areas in the country, bringing unusable land areas into circulation, and meeting the demand for quality water by using water resources effectively have been determined to achieve the National Priority mentioned in paragraph 5 of the Act (Decree of the President of the Republic of Azerbaijan, 2021). As for the goals of "Green Customs", the following purposes related to the formation of an appropriate environment can be considered:

Mitigating Environmental Risks Associated with Economic and Demographic Growth –

After Azerbaijan gained its independence from the USSR, the development of the economy with the expansion of oil and gas exports has led to an increase in the number of import-export operations. Thus, from now on, customs operations are facing various risks due to the massive development of the economy. The concept of risk related to customs procedures has been defined in the Customs Code of the Republic of Azerbaijan: "Risk is the possibility of non-fulfillment of the requirements of the customs legislation" (Customs Code, 2011, art. 1.0.45). These risks can be attributed to the import and export of restricted or prohibited goods, illegal wildlife trade, and economic espionage. As they may massively harm human life, health, the environment, and state interests, customs authorities are taking multi-stage measures, from documentation control to on-site inspections, to prevent them. However, these long and complex customs procedures are considered one of the main obstacles to developing global trade and the "green" economy in modern times. For these reasons, the formation of the customs risk management system has become an essential issue for all countries in ensuring the security of customs operations. In general, customs risk management in the Republic of Azerbaijan is

formed and regulated by the following acts, such as the Kyoto Convention on the Simplification and Harmonization of Customs Procedures, the Customs Code, decisions of the Board of the State Customs Committee of the Republic of Azerbaijan, as well as other normative legal documents. The specific regulation related to risks that may harm the environment can be found in the "Rules and forms of the application of the system of risk management in the system of customs authorities, and the management of general risks in the field of customs work" approved by the Board's decision (State Customs Committee, 2024, Appendix 3). Here, the risks that may harm the environment have been characterized as "significant" and "serious" risks (State Customs Committee, 2024, Appendix 3). It was also emphasized that appropriate measures should be taken immediately if those risks are detected (State Customs Committee, 2024, Appendix 3).

However, no matter how detailed and planned the customs risk management mechanism may seem, appropriate innovations are needed to adapt to the changes in customs operations worldwide, primarily due to the rapid development of trade. In general, if we look at both the text of the Kyoto Convention and the risk management system of the Republic of Azerbaijan, the electrification of the risk management process and the use of Information Technology are among the current trends. Using IT enables more rapid analysis of selectivity criteria than manually. Automation allows customs administrations to establish a national database of information so that all transactions and movements can be updated and used for rapid information sharing and identification of changing risk areas. For a greater integration of information technologies with the country's customs risk management system, several innovations have been introduced to the legislation of the Republic of Azerbaijan in recent years. For example, in 2016, Article 42 of the Customs Code was amended to require customs authorities to develop and use an electronic information system to assess and classify risk evaluation (Customs Code, 2011, art.42). Also, efficient electronic management of customs operations and risks through the Single Automated Management System (VAIS) has led to savings and reduction of environmental pollution. Using the mentioned system helps to electronic the essential areas of customs activity—the

stages of customs clearance, the legislative base of the State Customs Committee, and other activities (Cabinet of Ministers, 2012, art 2.1). In addition, making payments required for customs clearance electronically through banks or mail, as well as with plastic cards (Cabinet of Ministers, 2012, art 2.6), has significantly reduced the use of paper during customs operations by minimizing the submission of additional financial documents.

Although all these advancements are generally successful measures taken against the negative effects of customs risks, seeking better systems for monitoring and reviewing the risk management process should always be a focus in conditions where trade is becoming globalized and customs procedures are becoming increasingly complex. So, the more effective customs risk management is, the less environmental pollution will result from customs risks and the better “Green Customs” formation will be.

Enhancing the proportion of renewable energy sources within primary energy consumption and broadening the deployment of “green” technologies – favorable geographical position and climatic conditions allow the widespread use of ecologically clean renewable energy sources in Azerbaijan, as in the world’s developed countries (Decree of the President of the Republic of Azerbaijan, 2024). For this reason, it is of particular importance to develop and use “green” technology products in the country to obtain renewable energy and, at the same time, to stimulate the export of renewable energy products.

At the moment, the main direction of the energy policy of the Republic of Azerbaijan is to ensure the creation of new energy powers at the expense of renewable energy sources. The first legislative act forming this goal’s basis is the “State Program on the Use of Alternative and Renewable Energy Sources in the Republic of Azerbaijan”, approved by the President’s Decree (Decree of the President of the Republic of Azerbaijan, 2024). Also, in the Table of “Measures on the use of renewable energy sources” of the Program, the State Customs Committee is assigned to implement measures to stimulate the use of renewable energy sources (Decree of the President of the Republic of Azerbaijan, 2024). After the approval of the National Priorities, the work done in the energy field in Azerbaijan entered a new stage, and the “Law on the Use of Renewable Energy Sources

in the Production of Electricity” was adopted (“Law on the Use of Renewable Energy Sources,” 2021). Article 5 of the Law, which is related to the support mechanisms for using renewable energy sources in electricity production, provides for the formation of an appropriate simplified mechanism in this field by the Tax Code of the Republic of Azerbaijan and Laws “On Customs Tariff” (“Law on the Use of Renewable Energy Sources,” 2021). The term “simplified mechanism” practically refers to applying relevant tax benefits and customs exemptions. However, what tax benefits and exemptions from customs duties does the legislation provide to manage renewable energy sources effectively?

From tax concessions, firstly, according to Article 102.1.38 of the Tax Code, persons who have installed power plants to fully or partially supply electricity consumption are exempted from income tax on the income they get from transferring the electricity they produce up to the power limit of 150 kW (including 150 kW) to the electricity supply network. This concession to encourage electricity consumers to use renewable energy significantly impacts the increase in renewable energy production in the domestic market. However, the absence of any tax relief concerning producers of energy sources and consumers of electricity who produced more than 150 kW (including 150 kW) of electric energy harms the increase in the use of renewable energy in the domestic market. In addition, the lack of any provision in the Code on how taxes on the export of those energy sources are calculated and, in general, whether tax incentives are applied or not, creates a significant obstacle to the introduction of renewable energy into the international market and is an area that needs to be urgently regulated.

By custom exemptions, although the “Law on the Use of Renewable Energy Sources in the Production of Electricity” provides for the creation of a mechanism for making concessions in customs regulations and applied tariffs about renewable energy sources, neither the Customs Code nor the Law “On Customs Tariffs” provides a relevant regulation for this. For this reason, making changes in the most critical legislative acts regulating customs processes is one of the crucial steps to take toward implementing the National Priorities. In addition, some of the requirements for customs regulations on renewable energy sources were reflected in the Decision of the Cabinet of

Ministers "On rates of customs duties for export-import operations in the Republic of Azerbaijan" (Cabinet of Ministers, 1998). According to that Decision, importing devices applied in the field of renewable energy and their efficient use as pieces of equipment and accessories for their production have been exempted from customs duties based on the confirming documents of the State Agency for Renewable Energy Sources under the Ministry of Energy of the Republic of Azerbaijan. Thus, the procedure for bringing "green" technologies related to importing and producing renewable energy sources to the Republic of Azerbaijan is greatly simplified. However, as in the case of tax concessions, the Decision did not reflect the regulation on the customs tariffs applied during the export of those energy sources. For this reason, if the "greening" of the country's economy and an increase in budget revenues through the sale of renewable energy sources are aimed, then tax concessions and specialized customs tariffs should also be applied to export those energy sources.

Another important point related to renewable energy sources is the adoption of the Presidential Decree "On measures related to the creation of a "green energy" zone in the liberated territories of the Republic of Azerbaijan" (Decree of the President of the Republic of Azerbaijan, 2021). The order involves hiring a specialized international consulting company to prepare a concept and master plan for the "green energy" zone in the recently liberated areas. With this conception, contrary to the "fossil fuels" economy developed in the east of the country, in the Caspian coastal areas, a "green" economy will be formed in the west of the country.

All of these efforts to transition the economy of the Republic of Azerbaijan from its reliance on non-renewable energy sources such as oil and gas to the export of renewable energy sources are considered a modern and innovative step towards a "green" economy, similar to those taken by developed countries. In addition to the discussed points, to implement the "Doing" phase of the Action Plan, it is necessary to continue taking priority measures to create a "green energy" zone in liberated areas, ensure the creation of such zones in other areas of the Republic, and form a mechanism for the export of produced renewable energy sources.

Promoting the increased adoption of environmentally sustainable vehicles

– It is well-known that vehicles running on fossil fuels such as gasoline and diesel have become very popular and massively consumed worldwide in the last century. However, in recent times, when people, non-governmental organizations, and states have taken into account the actions of environmental protection, we have been introduced to a new concept: Eco-friendly vehicles. These vehicles mainly include vehicles with an electric motor or hybrid (with both fossil fuels and an electric motor). This project, known to the world community for a long time, began gaining importance in the Republic of Azerbaijan after the National Priorities was approved. Thus, after the approval of those National Priorities, the "Road Map for 2022 on the stimulation and promotion of the use of environmentally friendly vehicles, conducting assessments, preparing and implementing proposals" was approved by the Commission on the Business Environment and International Ratings (Commission on the Business Environment and International Ratings, 2023, p.4). The "Road Map" outlines the main objectives of the sub-group led by the State Customs Committee. These objectives include promoting environmentally friendly vehicles, developing the required infrastructure to support their use, and conducting analyses and evaluations in the electric and hybrid vehicle sectors (Commission on the Business Environment and International Ratings, 2023, p.5).

Since the production and export of eco-friendly vehicles are not planned in the Republic of Azerbaijan, implementing the goals indicated in the Road Map is related to applying tax incentives and customs exemptions for importing those vehicles and their spare parts. According to Article 164.1.41 of the Tax Code of the Republic of Azerbaijan, the import of cars with electric motors is exempt from VAT starting from January 1, 2019, and their sale is exempt from January 1, 2022. At the same time, changes were made by Decision No. 411 of the Cabinet of Ministers of the Republic of Azerbaijan, and the import customs duty rate of passenger cars with an electric engine up to 3 years past the factory release date was reduced to 0% (Cabinet of Ministers, 2022). Although the measures taken are innovative and encouraging, the most critical problem in this area is the excise duty rates. As mentioned earlier, electric vehicles are not manufactured in

the Republic of Azerbaijan but imported, so they are considered excise goods, and excise tax is paid upon import. According to Article 190.4.1-3, added to the Tax Code on January 1, 2022, the excise tax calculated on all cars, regardless of their eco-friendliness, was standardized, leading to an increase in the tax amount.

The table illustrates changes that may negatively impact the policy to promote eco-friendly vehicles. The disparity in excise tax rates paid when importing vehicles, particularly for those not subject to Value Added Tax, raises a critical question about the Road Map's effective implementation: how can such sharp variations

Object of taxation	The edition before the amendment to the Tax Code (January 1, 2022).	The edition after the amendment to the Tax Code (January 1, 2022).
When the engine displacement is up to 4,000 cubic centimeters	5600 manat + Per cubic centimeter for engine displacements ranging from 3,001 to 4,000 cubic centimeters - 13 manat	5600 manat + Per cubic centimeter for engine displacements ranging from 3,001 to 4,000 cubic centimeters - 15 manat
When the engine displacement is up to 5,000 cubic centimeters	18600 manat + Per cubic centimeter for engine displacements ranging from 4,001 to 5,000 cubic centimeters - 35 manat	20600 manat + Per cubic centimeter for engine displacements ranging from 4,001 to 5,000 cubic centimeters - 40 manat
When the engine displacement exceeds 5,000 cubic centimeters	53600 manat + Per cubic centimeter for engine displacements exceeding 5,000 cubic centimeters - 70 manat	60600 manat + Per cubic centimeter for engine displacements exceeding 5,000 cubic centimeters - 80 manat

in tax regulations for similar goods effectively encourage the import and production of electric vehicles? In this regard, the gradual increase of the excise tax rates applied to these vehicles should be considered unacceptable, and appropriate concessions in this area are desirable.

2. The “Innovating” Phase in the Development of Green Customs and Regional Cooperation Mechanisms

The last phase of the “Action Plan”, a mechanism prepared by the World Customs Organization, is the “Innovating” phase. Unlike the previous ones, this stage is focused on directing attention and resources to the needs of the (near) future, not on finding everyday solutions for the “greening” of customs processes (WCO, 2023, p.2). Also, this stage includes measures to foster innovative thinking that should be seen as immediate actions with a long-term result or impact (WCO, 2023, p.2). Although the measures envisaged in the Action Plan related to the “Innovating” phase are specific areas of activity that relatively limit the purpose of the phase (like forming cooperation for COP 28), in general, this phase aims to establish information cooperation in the field of green technology and innovative methods, and academic research on issues considered to be key topics in the field of “Green Customs” (WCO, 2023, p.3). It also contains essential regulations about sharing experiences on the impact of implementing mechanisms to reduce carbon leakage on customs (WCO, 2023, p.3).

As for applying innovative measures for enhancing “green” technology in the Republic of Azerbaijan, one of the most important is minimizing the use of paper using electronic systems such as VAIS. These systems, while stimulating the use of paperless technology, are an innovative solution that generally meets the requirements of the National Priorities and serves the purpose of “Green Customs”. At the same time, an innovative measure introduced to address carbon leakage, another important objective of this phase, is imposing a disposal fee within the Republic of Azerbaijan. This fee applies to passenger vehicles imported into the customs territory and are up to four years old from the date of production and release, as stipulated by the 2023 amendment to the Customs Code (Customs Code, 2011, art.233-1). This regulation aligns with the Republic of Azerbaijan’s “Law on Waste”, ensuring that the disposal fee is integrated into the customs clearance (“Law on Waste”, 1998, art. 14-1). The relevant experience is drawn from significant normative frameworks in this domain, specifically the European Parliament and Council Directive 2000/53/EC of 18 September 2000 on end-of-life vehicles, Japan’s Act on “Recycling, etc. of End-of-Life Vehicles” of 12 July 2002 (European Parliament, 2000; Act on Recycling of End-of-Life Vehicles, 2002). However, it is important to note that implementing a disposal fee alone is not sufficient to reduce carbon leakage. So, follow-up measures such as recycling end-of-life vehicles specified in the mentioned documents, and mainly issues of exporting expired cars or spare parts to a third country, should be investigated.

One of the most critical measures that can be taken in the Republic of Azerbaijan regarding the "Innovating" phase implementation for "Green Customs" purposes is to operate "greening" of customs operations. This needs to be based on the results of the 29th session of the Conference of the Parties to the UN Framework Convention on Climate Change (COP 29) held in Baku, which put a special focus on technology transfer concerning climate protection. According to the decision on the "Poznan strategic program on technology transfer" adopted during the conference, technology needs assessments should be conducted in developing countries, national adaptation plans and long-term strategies should be prepared, and regional climate technology transfer should be supported (Decision CP.29, 2024, art. 1-3). Regarding the Chairman of the State Customs Committee, Sahin Bagirov is also a member of the COP 29 Organizing Committee (Decree of the President of the Republic of Azerbaijan, 2024, art.1), enhanced regulation of green technology and import-export operations for customs purposes is vital in developing this "Innovating" phase in the future.

As for the importance of regional cooperation, no matter how many measures are taken by the member countries of the World Customs Organization to "green" customs operations locally, it is impossible to create the necessary environment for "Green Customs" without international and regional cooperation. In general, agreements on cooperation in environmental protection were concluded with the Republic of Azerbaijan and the Kingdom of Morocco, the Republic of Lithuania, and the Government of the State of Israel (Decree of the President of the Republic of Azerbaijan, 2023). Although the relevant agreements envisage cooperation between the parties in areas such as the promotion of environmental technologies, environmental impact assessment, and strategic environmental assessment, there are no provisions for cooperation in the field of customs affairs and the formation of "Green Customs". This case is a severe obstacle to not using regional cooperation in expanding "Green Customs" processes and increasing the scale of progress. For this reason, the relevant bodies should consider directly including the necessary provisions in the context of future multilateral agreements to establish a "Green Customs" system.

Furthermore, in the practice of "greening" customs activities, the Republic of Azerbaijan should also benefit from the experience of the European Union, which has an important place in practices related to environmental protection. In this regard, it is crucial to mention one of the latest changes of the Union called the "Carbon Border Adjustment Mechanism" ("CBAM") (European Commission, 2025). Simply put, this mechanism will apply additional import payments to carbon-intensive goods imported into the European Union to align the carbon prices of imports with the carbon prices for domestic production. Also, EU importers should inform the Union about the amount of embedded carbon emissions through the CBAM Registry, operated by the European Commission (European Commission, 2025). Thus, the Union will reduce the amount of carbon emissions entering its territory and at the same time encourage manufacturers of goods with high carbon leakage (cement, iron and steel, aluminum, fertilizers, electricity, and hydrogen) to use environmentally friendly methods.

At the same time, it is important to mention another innovative European Union customs regulation, the Emission Trading System. The System sets a certain limit on the greenhouse gases that companies can emit and allows companies that fall below the limit to trade their emission allowances ("cap and trade" system) (European Commission, 2024). This system, which includes a complex regulation of environmental, customs, and trade legislation, aims to reduce greenhouse gas emissions without harming business people, and even allowing them to benefit to a certain extent. This in itself makes environmental protection a branch of the economy.

Currently, the Republic of Azerbaijan is implementing a national strategy to reduce carbon emissions by 40 percent by 2050 (World Bank Group, 2023). However, there are no regulations for this purpose in the legislation. Since the Azerbaijani economy is import-based, implementing a similar practice to monitor imported carbon emissions and form emissions trading will play an important role in contributing to the national strategy of customs activities. At the same time, monitoring greenhouse gases entering the country will also serve the objectives of the "Doing" phase, helping to professionalize customs officers in green customs. Finally, reforming Azerbaijani legislation following

European Union practice will create conditions for increasing economic cooperation between the parties.

Given the far-reaching impact of “greening” customs activities on trade, the role of the World Trade Organization in this area should also be explored. In its essence, another essential step that can be taken on behalf of the Republic of Azerbaijan in the field of regional cooperation is to join the Environmental Goods Agreement initiative put forward within the framework of the World Trade Organization (WTO). Before discussing this topic, what Environmental Goods Agreements (EGAs) are should be clarified. These proposed agreements negotiated within the WTO framework aim to reduce or eliminate tariffs on environmental goods and services (Center for Strategic and International Studies, 2021). Intended measures within the scope of these agreements include goods and services that can help achieve environmental and climate protection goals, such as generating clean and renewable energy, improving energy and resource efficiency, controlling air pollution, managing waste, treating wastewater, monitoring the quality of the environment, and combatting noise pollution (WCO, 2014). Looking at history, on July 8, 2014, a group of WTO members launched plurilateral negotiations to establish the EGA, which seeks to promote trade in several key environmental products, such as wind turbines and solar panels (WCO, 2014). Since then, the number of participants has grown, with the current total representing 46 WTO members (WCO, 2014). Currently, the participants in these negotiations account for the majority of global trade in environmental goods. Still, it is not excluded that all members of the Organization will join this Agreement in the future. The Republic of Azerbaijan’s joining of such agreements and initiatives can make it a leader in green energy and green technologies in the Caucasus region in the future.

For Azerbaijan, another way to become a leader in formulating the “Green Customs” throughout the Caucasus region comes through the Garabagh Declaration adopted during the informal summit of The Organization of Turkic States, known as the Shusha Summit in 2024. According to this Declaration, Member States of the Organization need strengthened cooperation in customs operations while streamlining transport operations

and embracing digitalization, a hot topic for “green customs.” (Garabagh Declaration, 2024, par.5). Also, as the Baku-Tbilisi-Kars railway line is a part of the Silk Way and a carotid of transportation in the Caucasus, modernizing this line to make it more environmentally friendly will have a fundamental effect on the whole customs activities in the region (Garabagh Declaration, 2024, par.6). Thus, as the largest country in the Caucasus, Azerbaijan’s approach to “Green Customs” and cooperation strategies with neighboring countries have a vital role in shaping the future customs operations of the region.

For this reason, joining the existing EGAs and initiating these types of multilateral agreements with the regional neighbors, and countries in the Caucasus region (Armenia, Georgia) is an important way to realize Azerbaijan’s long-term green economy goals.

Conclusion

The work done so far in the “Green Customs” field in the Republic of Azerbaijan can be considered “acceptable” in general, considering the existing legislation and international standards. Thus, the rapid transformation of customs activities into electronic processes, state support for renewable energy sources, the development of “green” technology, and the policy of creating “green energy” zones are promising steps for the future. In addition, the measures above impose obligations on the customs authorities, such as making changes following the state policy in their future activities and establishing new strategic cooperation. Taking into account what was mentioned in the article, we can summarize the long-term and short-term goals that the customs authorities should achieve in the field of “Green Customs” construction as follows:

The first measure that should be taken is the establishment of the necessary mechanism for educating the executives of customs institutions about “Green Customs” practices and then transferring the knowledge they have gained to their subordinates;

At the same time, taking into account the requirements specified in the ISO 14001 certification by the State Customs Committee, the establishment of an internal environmental policy, the development of an environmental management system for staff following that policy,

and the adaptation of employees to the system should be ensured;

Customs authorities should identify the risks that may be encountered in customs operations related to the construction of “Green Customs” and develop effective mechanisms against them. They should also constantly monitor the risk management process.

Considering National Priorities, changes should be made in the most essential legislative acts regulating customs processes (Customs Code, Law “On Customs Tariffs” and others). In particular, a legislative mechanism related to the export of renewable energy sources should be developed, and taxes and customs duties to be applied should be determined. At the same time, the application of tax concessions and customs exemptions should be ensured in this area.

“Green energy” zones should first be established in the liberated Karabakh region to stimulate the economy and attract investors and then ensured in other areas of the Republic.

The production of eco-friendly vehicles should be encouraged, and the differences between the tax rates applied during the import of these vehicles should be eliminated. Also, appropriate mechanisms should be established to ensure the recycling of end-of-life vehicles.

The results of COP 29 as The Poznan decision, should be used to develop the measures for import-export operations of “green” technology and “green” energy, and discussions should be ensured within this context.

To expand the “Green Customs” movement, regional cooperation should be established. The Republic of Azerbaijan should join the Environmental Goods Agreements, and then the country should be an initiator in concluding such multilateral agreements in the Caucasus region. At the same time, collaboration with the European Union and the Organization of Turkic States should be developed to facilitate the “customs greening” process.

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