

Energy security and the Caucasus region

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The Caucasus is the area of energy resources and transportation routes; it connects the East and the West, the South and the North. The geopolitical and geostrategical interest of this region is significant, because it plays a crucial role in the international energy security. Stability and development is closely linked to security, and particularly to energy security. Since the EU has now become part of the Black Sea region itself, Georgia's active involvement in the region is crucial. It has contributed to the energy security of Eurasia and has accumulated vast experience in implementation of important transnational energy projects.

*“Geography should make the Caucasus rich and happy.
History and politics make it poor and miserable.”
The Economist, 17 August 2000*

Introduction

The Caucasus has always been a crossroads and a buffer zone between Europe and Asia: in the 19th century between Russia, Iran and Turkey, in the 20th century between East and West. Furthermore, it harbours an enormously complex mixture of religions (Christian, Armenian Apostolic, Muslim, Russian Orthodox, Armenian Orthodox, Catholic), nationalities (Georgian, Azeri, Armenian, Russian) and cultures. Tsarist Russia and its successor, the Soviet Union, managed to impose order in the area by way of imperial instruments, ranging from divide-and-rule methods to the use of coercion. Having once been part of a single entity, the countries of the region remain heavily inter-dependent and linked with other former Soviet Republics. Following the collapse of the Soviet Union in 1991, three nation states emerged: Georgia, Armenia and Azerbaijan. The national-ethnic, religious problems, suppressing and managing wrongly for decades had prevented the eruption of ethnic and national hatred. Since then, the area is in the throes of political unrest, inter-ethnic and territorial conflict, and socio-economic degradation.¹

¹ KLÁRA SIPOS KECSKEMETHY: *Regional issues and challenges*, Part One, Module D: Conflict prevention, Study Period D1, NATO Defense College, Rome, 2006. p. 37. Senior Course 108, KLÁRA SIPOS

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There are more than 1,200 kilometres of international borders in the Caucasus. Only the shortest, the 9-km stretch between Azerbaijan and Turkey, is truly friendly. But most borders in the Caucasus divide rather than unite. Roads are bumpy and narrow, railways slow and squalid. The easiest flight connections are via Moscow or Istanbul.

Frozen conflicts in Chechnya, Abkhazia, South Ossetia and Nagorno-Karabakh are of major concern. International terrorism and religious extremism have filtered into the Caucasus from the neighbouring Greater Middle East, and the so-called Islamic factor has acquired an important role in political and social life. Caspian oil and its transportation routes are the objects not only of competition among companies, but also of intense political rivalry between powerful nations. The interests of Russia, the United States, the European Union, and China, neighbouring Turkey and Iran intertwine, intersect and clash in the Caucasus. The EU, the OSCE and NATO have gradually become more important actors in the region. The question at the beginning of the 21st century is this: what impact has the Caucasus's geostrategic position on energy security? The answer to this question has significant impact on the security of Russia, Europe and the United States.²

The North Caucasus, which marks the southern boundary of the Russian Federation, is an area of direct and vital concern to Moscow. The region remains ripe for ethnic strife, in part because of migration, economic deprivation and large-scale unemployment. In addition to the unresolved conflicts, corruption and weak democracy³ remain the major sources of instability in the region and the cause of illegal migration flows.

The South Caucasus is divided by conflicts, blockades and trade restrictions. Armenia has lived under blockade from Azerbaijan and Turkey for more than a decade. Important rail links from Armenia through Georgia to Russia have been blocked since the early 1990s by the failure to resolve Georgia's conflicts. Russia has periodically applied a strict border regime vis-à-vis the South Caucasus, and this has also interrupted oil and trade flow. Despite on-going exploration and the development of its energy resources, the status of the Caspian Sea remains un-determined, and tensions have flared between Azerbaijan and Iran over particular zones of the Sea. The region is crisscrossed with armed conflicts: between the separatist regions of South Ossetia and

KECSKEMETHY: *NATO in transition*, Study Period Module C2, NATO Defense College, Rome, 2004. p. 44. Senior Course 105

² Where worlds collide (history and politics of the Caucasus). *The Economist*, 17 August 2000

³ *Transparency International, the global coalition against corruption*, http://www.transparency.org/policy_research/surveys_indices/cpi , viewed August 23, 2009

Abkhazia and the central Georgian authorities, and between Nagorno-Karabakh and Baku and between Armenia and Azerbaijan⁴.

The cease-fire between Armenia and Azerbaijan is holding, the unrest in multi-ethnic Georgia are more or less under control, and the immediate threats to the stability in the Northern Caucasus have been largely countered by the Russian Federation. Only negotiated settlements and strong governments oriented towards democratic reform, the respect for human rights and the rule of law can bring peace to the region.

Energy routes – energy security

“The Caucasus is the area of energy resources and transportation routes, the gates to Central Asia, Iran’s neighbour, and Russia’s “soft underbelly”. The importance of all this is strengthened by the transit nature of the region, which connects the East and the West, the South and the North. Regional security is undermined by ‘frozen’ conflicts and uncontrolled territories, where the routes of weapons, drugs and human trafficking cross.” as Leila Alieva summarized in her analysis.⁵

Energy security is quickly becoming a growing concern for European Security and Defence Policy as strategic powers China and India rapidly increase their energy consumption without the ability to develop reliable and affordable alternatives to oil and natural gas. Most European allies believe there is a solution to be found in market negotiations. However energy security is also prominently on NATO’s radar with both Georgia and Ukraine aspiring for NATO membership.⁶

In order to strengthen the energy security in Europe and reach the balance between the consumers’ and producers’ interests it is vital to continue further development of major international pipelines to deliver oil and gas from the Caspian region and Central Asia to the European markets. This should remain in the forefront of EU policy planning. Securing of these pipelines and their markets will enhance the conditions needed to bring the more vulnerable Central Asian producers to the table.⁷ The Georgian-South Ossetian conflict during August 2008 immediately changed its dimension, with the Russian

⁴ BAEV, PAVEL: *The South Caucasus: Challenge for the EU*, European Union Institute for Security Studies, Chaillot Paper 65, December 2003, <http://www.iss-eu.org/chaillot/cha65e.pdf>

⁵ ALIEVA, LEILA.: *Integrative processes in the South Caucasus and their security implications*, NDC Occasional Paper, 13, 2006. 70 p. http://www.ndc.nato.int/download/publications/op_13.pdf, viewed August 23, 2009

⁶ *The security implications of Europe’s energy thirst*, In: Security and Defence Agenda, Bibliothèque Solvay, Brussels, May 2009. p. 4.

⁷ CHECHELASHVILI, VALERI: *The Future of Energy Security in Eurasia: The View from Georgia*, http://www.unece.org/energy/se/pp/unece_60/chechelashvili_georgia_270407.pdf, page 2, viewed: August 23, 2009

Federation's armed intervention it has, thus, been transformed into a real war between Russia and Georgia. This further entangled the already complicated picture of the region. But this war wasn't about the fate of South Ossetia. Georgia just served as the location for a big geopolitical game that has been going on between Russia and the USA since the collapse of the Soviet Union, all designed to wield influence over the Caucasus region and the underground oil and gas pipelines. The geopolitical and geostrategical interest of this region is significant, because it plays a crucial role in the international energy security. The Russian Georgian war also highlighted the need for the EU to allocate more political and economic resources to the Caspian region.⁸ The increased need for diversification of the sources of energy supplies and the cooperation in energy transit issues attaches a new relevance and mission to the Black and Caspian Sea regions as an important partner in a new Euro-Atlantic energy security strategy.⁹ The US and the European Union are seeking to establish supply lines across the southern Caucasus, the Black Sea, and Turkey thus avoiding Russian and Iranian territory.

This part of the Black Sea region, (South Caucasus) which is situated on crossroads of the biggest energy consumers and the biggest energy providers – has been called to play a special role in the functioning of the energy security network on the Eurasian continent. The Black Sea has a great potential of becoming a major route of movement of gas and oil from the Middle East and Central Asia to Europe. South Caucasus, in particular, is emerging as key to diversification of energy-transit routes between the energy supplying and energy-consuming countries.¹⁰

Since the EU has now become part of the Black Sea region itself, Georgia's active involvement in Black Sea cooperative efforts offers the chance to tighten relations with the EU, as well as a potentially stable path toward EU integration. The EU's engagement in cooperative efforts around the Black Sea in the areas of infrastructure development (oil and gas pipelines), security and stability (cooperation on border protection, and anti-terrorist, military, legal and conflict resolution issues), scientific projects, educational development, and environmental projects will inevitably allow the region to develop into a "European area of stability, security and justice."^{11, 12}

⁸ SALOME SAMADASHVILI: In: *Security and Defence Agenda*, Bibliothèque Solvay, Brussels, May 2009. p. 4, viewed August 23, 2009.

⁹ LÁSZLÓ SEBŐ: *Russia – Georgia, war in the Caucasus, and the truth behind*, National Conference for Scientific Students' Association, Zrínyi Miklós National Defense University, Hungary, April 2009. Source: Kakha Gogolashvili: The EU and Georgia: The Choice is in the Context in: *Europe in Dialogue*, 1/2009, p.101, www.ceeol.com

¹⁰ CHECHELASHVILI, VALERİ: *op. cit.*

¹¹ Source: *Europe in Dialogue* (Europe in Dialogue), issue: 01/2009, pages: 92–129, www.ceeol.com viewed August 14, 2009

Georgia has contributed to the energy security of Eurasia and has accumulated vast experience in implementation of important transnational energy projects. These are the Baku-Tbilisi-Ceyhan (BTC) oil pipeline and South Caucasus natural gas pipeline (Baku-Tbilisi-Erzurum).¹³

A key economic factor in the region is Caspian oil and gas. According to the US Department of Energy, Caspian oil resources amount to about 200 billion barrels.¹⁴ The opening of the Baku-Tbilisi-Ceyhan (BTC) pipeline – the “Silk Road of the 21st century” – represented a major step forward in transporting oil and gas from the Caspian Sea to the international market. It is able to transport up to one million barrels of crude oil per day to the Turkish port of Ceyhan and serves as Azerbaijan’s “main export pipeline” – augmenting the already functioning Baku-Supsa (via Georgia) and Baku-Novorossiysk (via Russia) pipelines. It is the first land transportation system dedicated to delivering Caspian hydrocarbons directly to Turkey and its deepwater port of Ceyhan thus bypassing the Black Sea region’s strategic checkpoint at the Bosphorus. Kazakhstan – one of the major energy producers in Central Asia, has recently joined the BTC pipeline and this is a very good development. The South Caucasus gas pipeline connects Shaz-Deniz fields of Azerbaijan with Erzurum in Turkey via Georgia.¹⁵

The South Caucasus Pipeline (SCP) originates about 100 km south Baku, Azerbaijan at one of the world’s major gas and condensate fields, Shah Deniz. The SCP is also known as the Yuznho-Kavkaz Pipeline, BTE (Baku-Tbilisi-Erzurum), or the Shah Deniz Pipeline. The pipeline goes from the origin, the Sangachal terminal, and crosses Azerbaijan and Georgia through Tbilisi and ends at the Turkish border at Erzurum.¹⁶ The pipeline, 692 kilometres long, uses the same corridor as the BTC Pipeline in order to minimize environmental and social impacts. It is possible that it could be connected to the Trans-Caspian Gas Pipeline to connect with Turkmen and Kazakh producers.¹⁷ On 21 May 2006, the commissioning gas was pumped to the pipeline from the Sangachal Terminal. First deliveries of gas started around 15 December 2006.¹⁸ (See Figure 1, Table 1)

¹² CHECHELASHVILI, VALERI: *op. cit.*

¹³ CHECHELASHVILI, VALERI: *op. cit.*

¹⁴ BERNARD A. GELB: *Caspian Oil and Gas: Production and Prospects*, Congressional Report Service Report for Congress, September 8, 2006, p. 6. at <http://italy.usembassy.gov/pdf/other/RS21190.pdf> viewed July 27, 2009

¹⁵ CHECHELASHVILI, VALERI: *op. cit.*

¹⁶ <http://www.bicusa.org/en/Project.52.aspx>, viewed August 15, 2009

¹⁷ Lukoil Overseas – South Caucasus Pipeline. <http://www.bicusa.org/en/Project.52.aspx>, viewed August 23, 2009

¹⁸ Source: http://en.wikipedia.org/wiki/South_Caucasus_Pipeline, viewed August 23, 2009

Table 1. Oil and gas pipelines in the Caucasus¹⁹

Pipeline	Length	Capacity
Baku-Supsa Pipeline (Western Route Export Pipeline)	830 km	145,000 bbl/day
Baku-Novorossiysk Pipeline (Northern Route Export Pipeline)	1,330 km	120,000 bbls/day
Baku-Tbilisi-Ceyhan Pipeline South Caucasus Pipeline	1,768 km	10 million bbl/day
(Baku-Tbilisi-Erzurum Pipeline)	692 km	8.8 billion cubic meters (bcm)
Trans-Caspian Gas Pipeline *	1,641 km	30 billion cubic meters (bcm)
Trans-Caspian Oil Pipeline**	700 km	150,000 bbl/day
Nabucco Pipeline ***	3,300 km	4.5 and 13 billion cubic meters
Blue Stream	1,213 km	16 billion cubic meters (bcm)
South Stream****	900 km	63 billion cubic meters

* = Project stalled; negotiations between Turkmenistan and Azerbaijan over pipeline volumes restarted in October 2001.

** = The Trans-Caspian Oil Pipeline is a proposed oil pipeline from the Kazakhstani port of Aktau to Baku in Azerbaijan. A 700 kilometres long pipeline, linked with the Baku-Tbilisi-Ceyhan pipeline in Baku, will allow transporting oil from the major Kazakhstani oilfield at Kashagan to the world market bypassing Russia.

*** = The Nabucco pipeline is a planned natural gas pipeline that will transport natural gas from Turkey to Austria, via Bulgaria, Romania, and Hungary. It will run from Erzurum in Turkey to Baumgarten an der March, a major natural gas hub in Austria. The project is backed by the European Union and the United States. Blue Stream is a major trans-Black Sea gas pipeline that carries natural gas from Russia into Turkey. The pipeline was built with the intent of diversifying Russian gas delivery routes to Turkey and avoiding third countries. Preparations of the pipeline project started in 1997. The construction of the Russian land section took place in 2001–2002 and the offshore section in 2001–2002. Gas flows from Russia to Turkey started in February 2003. The official inauguration ceremony took place only on 17 November 2005.

**** = South Stream is a proposed gas pipeline to transport Russian natural gas to the Black Sea to Bulgaria and further to Italy and Austria. The project would partly replace the planned extension of Blue Stream from Turkey through Bulgaria and Serbia to Hungary and Austria, and is seen as rival to the planned Nabucco pipeline. The completion is due by 2015. The 900 kilometres (560 mi) long offshore section of South Stream would start from the Beregovaya compressor station at Dzhubga on the Russia's Black Sea coast and would run to Bulgaria's city of Varna. Because of the Russia-Ukraine gas disputes, the pipeline is routed through Turkey's waters to avoid the exclusive economic zone of Ukraine. The offshore pipeline is planned to carry 63 billion cubic meters (bcm) of natural gas per year.

In the last few years, several different options for transporting trans-Caspian hydrocarbons to Europe via the South Caucasus region, the Black Sea and Ukraine have also emerged. These projects, while highly interesting for Europe, were at odds with Russia's strategic plans. This was an obvious reason for the EU to abandon its previously homogeneous approach to the former Soviet region, and include some of these countries in the European Neighbourhood Policy (ENP).²⁰

¹⁹ See Energy Information Administration, Official Energy Statistics from the U.S. Government, <http://www.eia.doe.gov/cabs/Caucasus/Background.html>, and BP website

<http://www.bp.com/sectiongenericarticle.do?categoryId=9006670&contentId=7015095> 2009. August 6

²⁰ The European Neighborhood Policy (ENP) was developed in 2004, with the objective of avoiding the emergence of new dividing lines between the enlarged EU and our neighbours and instead strengthening the

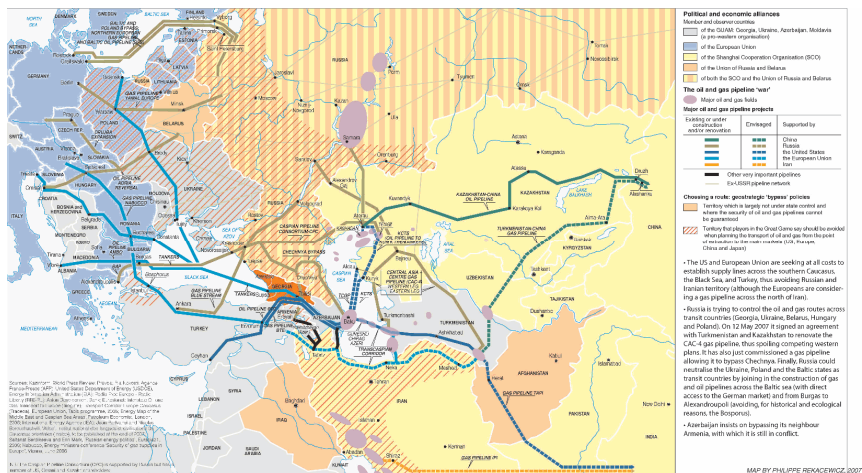


Figure 1. Major pipeline projects in the Caucasus region (Original source: <http://maps.grida.no/go/graphic/major-oil-pipeline-projects>) – edited by LASZLÓ SEBŐ

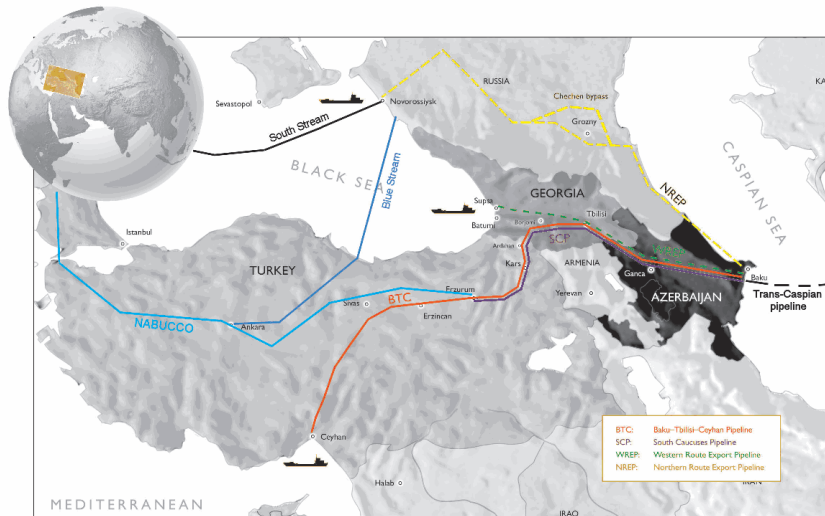


Figure 2. Major pipeline projects in the Georgian region (Original source: http://what-ails-you.com/way_images/Baku_pipeline_small.jpg) – edited by LASZLÓ SEBŐ

prosperity, stability and security of all concerned. In this way, it also addresses the strategic objectives set out in the December 2003 European Security Strategy.

The South Caucasus, as a very important region, appeared to be host two controversial interests on the part of both the EU and Russia. It was thus logical to include all three South Caucasian states in the policy, which allows the EU to develop a special partnership that may ultimately play a crucial role in the EU's energy security.²¹ The European Union has designated in the Trans-European Energy Network (TEN-E)²² programme three of the pipelines as of strategic importance (ITGI, Nabucco and White Stream). Together, the Southern Corridor projects could provide the necessary transportation capacity to deliver the 60 to 120 billion cubic meters per year of Caspian and Central Asian gas that the European Commission aims to bring directly to Europe.

Several future pipeline projects that were to go through Azerbaijan and Georgia had already been developed. These projects include the reinforcement of the South Caucasus gas Pipeline (SCP), the Trans-Caspian gas Pipeline (TCP) connecting Turkmen and Kazakh gas fields with Europe, the Nabucco gas pipeline linking Iranian and Caspian pipeline options, which would diversify supplies in Europe by reaching the Austrian hub of Baumgartner and the White Stream (also known as the Georgia-Ukraine-EU gas pipeline) which would transport natural gas from the Caspian region to Romania and Ukraine with further supplies to Central Europe. The ITGI pipeline is a 206 km Caspian undersea link to bring 8 billion cubic meters Azeri gas via Turkey to Greece and Italy (See Figure 2).²³

The European Union–Georgia relationship

Virtually all existing cooperative projects in the Black Sea area suffer from a lack of political will, thus making it difficult for these projects to embody full-fledged partnerships. As Russia grows increasingly aggressive as an actor by aiming to dominate the foreign-policy orientation of the region's smaller countries, the situation may further destabilize, which would clearly have a negative impact upon the development of cooperation projects.²⁴

The EU's advancement in the region has been strongly welcomed by Georgia. Developing multilateral trade relations by establishing free trade regimes in the Black Sea region is a tangible means of speeding the process of Europeanization in the area. This will primarily take place through the approximation of EU legal and regulatory frameworks on the part of regional governments. Starting with its intermediation in the

²¹ Source: *Europe in Dialogue* (Europe in Dialogue), issue:01/2009, pages: 92–129, www.ceeol.com.

²² http://ec.europa.eu/energy/infrastructure/tent_e/ten_e_en.htm, viewed August 15, 2009

²³ GOGOLASHVILI, KAKHA: The EU and Georgia: The Choice is in the Context In: *Europe in Dialogue*, 1/2009, p. 100, www.ceeol.com

²⁴ GOGOLASHVILI, KAKHA: *op. cit.*

Georgia-Russia conflict, the EU shouldn't abandon the opportunity to become a real actor and mediator of the conflicts in Georgia and in the Wider Black Sea area. By taking on a more active role in the region, the EU will not only improve its image there, but ease a wider acceptance of the values and models of state-building that the EU tends to promote throughout its neighbourhood.²⁵

The EU has long maintained relations with Georgia within the regional South Caucasian context. Georgia has frequently tried to convince the EU to pursue a more individualized relationship, but the primary framework for past relations – the Partnership and Cooperation Agreement, PCA²⁶ – did not facilitate the implementation of policies different than those regarding other South Caucasus nations, despite Georgia's progress or stronger aspirations.

What benefit would Georgia derive if EU policy were to be based on an individualized approach? Certainly, it would acquire a guarantee for a higher level of security, financial investments, trade advantages, modern technologies, institutional development, and higher standards of living. But Georgia's economy is still very weak, which makes it difficult to attract strong EU interest. A regional approach, as with the Black Sea region overall, may improve Georgia's opportunity in reaching higher levels of industrial, agricultural, technical and commercial development. This would in turn allow Georgia to make better progress toward integration with the EU. However, it's also fair to ask what Europe might achieve by establishing closer relations with Georgia. First of all, because Georgia serves as a bridge leading to the Caspian Sea and Central Asia – and perhaps to the Middle East – Georgia could take on a significant role in the architecture of European security as a close partner and ally of the EU.²⁷

Georgia might also acquire an important place in establishing Europe's energy security and become a significant platform for the dissemination of European values in the neighbourhood. All these factors inspire hope for further progress in EU – Georgia relations. The ENP opened the door towards a more individualized approach, and it is probably the new Eastern Partnership (EaP)²⁸ policy which may contribute to a rapid

²⁵ GOGOLASHVILI, KAKHA: *op. cit.*

²⁶ Partnership and Cooperation Agreements (PCAs): The European Union has concluded nine partnership and cooperation agreements with countries of Eastern Europe, the Southern Caucasus and Central Asia. The aim of these agreements is to strengthen their democracies and develop their economies through cooperation in a wide range of areas and through political dialogue. Cooperation Council has been set up to ensure implementation of the agreements.

²⁷ *Europe in Dialogue* (Europe in Dialogue), issue: 01/2009, pages: 92–129, www.ceeol.com.

²⁸ The Eastern Partnership (EaP) is a new framework policy scheme to improve cooperation between the EU and its Eastern partners. Partners of this initiative are the EU and Moldova, Ukraine, Georgia, Armenia, Azerbaijan, and Belarus. http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/107589.pdf Joint Declaration of the Prague Eastern Partnership Summit, Prague, 7 May 2009, p. 11.

Europeanization. The Prague EU Summit of May 2009 officially launched the Eastern Partnership Initiative that could bring Georgia closer to Europe, without generating undue opposition of Russia, because the European Union is an attractive model for both Georgia and Russia.²⁹ No doubt that the dialogue with and outreach towards Russia is important for NATO and the European Union,³⁰ but the Western community is proactive in developing projects to improve the economic situation in the region to make it more stable and secure. It is clear that there can be no security in the region without stability; there can be no stability without democracy; and there can be no democracy without development.

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²⁹ PIERRE RAZOUX: *What future for Georgia?* Research Paper, Research Division, NATO Defense College, Rome – No. 47 – June 2009. p. 8.

³⁰ DEÁK JÁNOS, SZTERNÁK GYÖRGY: Az energia, mint az országok és a szövetségek biztonsági problémája. *Katonai Biztonsági Hivatal Szakmai Szemle*, 2009, 5/1 : 5–26.