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GEOPOLITICS AND ENERGY SECURITY IN THE CASPIAN REGION

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Abstract. The collapse of the Soviet Union and the end of the Cold War led to a significant change in the configuration of Eurasian geopolitics. Such a reality created a "power vacuum" in the Caspian region as an area of influence by neighboring states and a distant players. Some analysts describe the geopolitical rivalry in the region as a "neo-Cold War" or "Great Game" with the United States, China and Russia being the main actors. In the second half of the 1990s, the global public grew aware of the energy potential of the post-Soviet Caspian republics. Not only countries but also a large number of international corporations invested in energy projects in the region. Newly independent states in Central Asia and the Caucasus hoped that their oil and gas resources would help them secure economic growth and political independence.
This article surveys the geopolitical position of the Caspian region as an area of competition between the global powers and specifies its energy potential. It will also analyze the region's pipeline politics to show the interdependence between energy market participants reflected in the geopolitical thinking in the region.

Key words: geopolitics, energy security, Caspian region, pipeline policy

INTRODUCTION

One can safely assume, that because of its geopolitical position in the center of Eurasia, the Caspian region is becoming significant in global international relations both politically and economically. According to the Halford Mackinder, it is a part of the Eurasian Heartland – "the geographical pivot of history"[1]. The control of this area formed the basis for the domination of the Eurasian landmass, and even the whole globe. After the collapse of the Soviet Union, the Caspian region became an area of rivalry and competition of foreign powers interested in developing energy resources in the newly independent post-Soviet states. Taking into consideration the fact that there is a deficit in the global energy market, we can anticipate that foreign investors and transnational companies will be more active in the Caspian region. The Caspian's future production will may well contribute to the diversification of oil and gas supplies and to the global energy security.

[1] S. Dalby, *American Security Discourse:Tthe Persistence of Geopolitics*, "Political Geography Quarterly" 1990, No. 9(2), pp. 171–188.

Multiple export routes for Caspian oil and gas would increase energy security not only for consumers, but also for producers and transit states. In many cases, the decision to choose the most convenient transit route reflects a competition between geopolitical interests of the participating states and their economic benefits. The capacity and availability of these pipelines will depend on the political, economic and ecological stability in the region. Most pipelines are built and operated by international corporations, illustrating the prominence of non-state actors in the contemporary late-Westphalian system.

CASPIAN REGION AS AN AREA OF GEOPOLITICAL RIVALRY

Geographically, the Caspian basin is a salt lake covering about 375,000 square kilometers, bordered by Elburz Mountains of Iran to the south and the Caucasus to the northwest (map 1). It is more than four times larger than Lake Superior, the largest of the Great Lakes of North America. Lacking any direct connection with the ocean, the Caspian is linked to the Black and Baltic Seas through the Volga River and a series of canals and smaller rivers[2]. The Volga River flows into it from the north forming a large delta near Astrakhan[3]. The south Caspian is the deepest part and contains the most productive oil and gas fields.

Map 1. The Caspian region

Source: http://louisadheen.wordpress.com/tag/caspian-sea/

[2] K. Mehdiyoun, *International Law and the Dispute over Ownership of Oil and Gas Resources in the Caspian Sea*, "The American Journal of International Law" 2000, Vol. 94, No. 1, p. 3.

[3] S. Newman, *The Final Energy Crisis*, London 2008, p. 93.

The end of the Cold War and the breakup of the Soviet Union radically changed the geopolitical situation in the Caspian region. The new game had started, but its rules were not known yet. Newly independent states appeared on the wreckage of the Soviet Union in the Caucasus and Central Asia. It opened the doors for external actors to engage in the region. The "Caspian region is becoming internationalized to an extent not seen before, and a major reconfiguration of power and influence is taking place"[4]. Nowadays, five states share the Caspian Basin: Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan. Their common aim is to explore and develop the region's hydrocarbon resources[5]. The prospects for oil and gas exploration have raised the stakes of external actors[6]. The Caspian states, assisted by foreign actors, tried to limit their dependence on Russian-dominated infrastructure at the heart of Caspian geopolitics[7]. The tensions in the region following from the larger international engagement have been interpreted as a consequence of a geopolitical situation characterized mainly in terms of strategic rivalry between powers[8].

The new geopolitical situation in the Caspian region can be characterized by:

1) increased involvement by external actors (both state and non-state);

2) energy security as a key issue determining the future strategic setting of the Caspian region;

3) increased competition between Russia and external actors, especially the US[9].

The energy sector is vital not only to economic development but also to the future geopolitical order of the region. The rivalry between different pipeline options will probably determine not only the foreign policy orientation and cooperation in the region but also the influence and position of regional and external players[10]. The exploitation of energy resources and the future routes of pipelines from the oil and gas fields in the Caspian basin will also determine the future development of the Caspian region economically and politically[11].

The security of the region is very vulnerable. The USSR drew the borders of the Central Asian and Caucasus republics arbitrarily and artificially. This explains why the newly independent states are ethnically heterogeneous. While this policy ensured unity for the Soviet Union, it made the republics ethnically fractious[12]. After the communist era, there was a visible rise in national aware-

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[4] G.I. Chufrin, *The Security of the Caspian Sea Region*, Oxford 2001, p. 11.

[5] G. Bahgat, *Energy Security: the Caspian Sea*, "Minerals & Energy" 2005, Vol. 20, No. 2, p. 3.

[6] G.I. Chufrin, *The Security of the Caspian … op. cit.,* p. 11.

[7] J. McCarthy, *The Geopolitics of Caspian Oil*, "Jane's Intelligence Review", July 2000, p. 21.

[8] G.I. Chufrin, *The Security of the Caspian … op. cit*., p. 11.

[9] *Ibidem*, p.11.

[10] *Ibidem*, p. 12.

[11] *Ibidem*, p. 12.

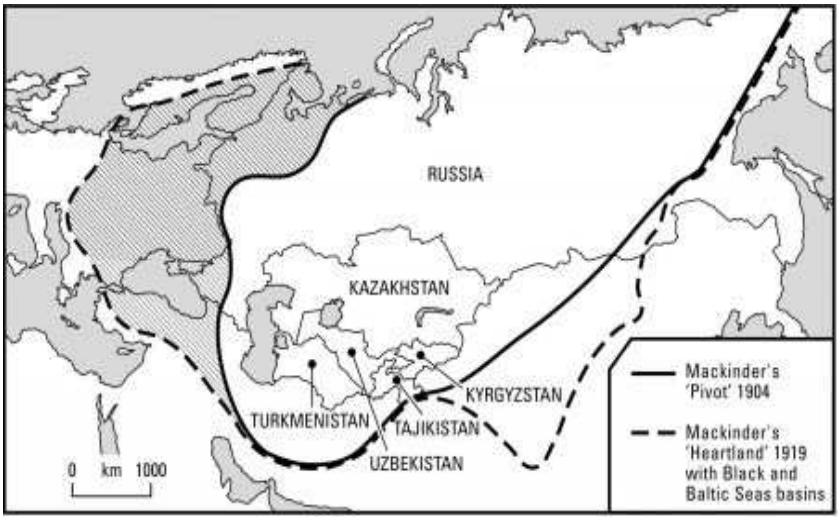
[12] G. Gungormus, *The Social, Political and Economic Problems Central Asian Republics Face and the Role of Turkey in the Central Asian Region*, "Turkish Review of Eurasian Studies"2006, No. 6, p. 188.

ness and nationalist feelings in the region. It was connected with the state-building process. There was also a lack of clearly defined mechanisms for preventing regional conflicts, instability within the new states, and tensions among them. It created a serious risk of international military clashes and widespread civil war in the heart of Eurasia. That is why Zbigniew Brzeziński called it the "Eurasian Balkans"[13]. The question how the security of the Caspian region can be guaranteed is as important as the energy issue[14]. The arrangements for security cooperation will determine not only the future stability in the region but also the position and influence of regional powers. Thus, the energy and security issues are closely interconnected[15].

According to Sir Halford Mackinder, the Caspian region and its hinterland, can be called the Eurasian Heartland (map 2)[16]. Mackinder summed up his ideas with the following words: "who rules East Europe commands the Heartland: Who rules the Heartland commands the World-Island (Europe, Arab Peninsula, Africa, South and East Asia), who rules the World-Island commands the World"[17]. The Heartland theory provided the intellectual groundwork for the US Cold War strategy. Mackinder's geopolitical thesis enjoyed a renaissance in the 1990s after the collapse of the Soviet Union and especially after the September 11, 2001 attacks on United States[18]. Central Asia and the Caucasus became much more important in the global scale as a "pivot of the pivot"[19].

The Caspian region's geostrategic value for the United States is not restricted to energy security issues only, but it has implications for the US "grand strategy" in the twenty-first century. The United States is not dependent on hydrocarbons from the Caspian region, but its interests go beyond the country's domestic energy needs. In that regard, the US not only aims to control regional energy sectors upstream and downstream, but also compete with potential geopolitical challengers to its grand strategy such as China and Russia[20]. Its political objective is to ensure the flow of regional energy resources to US-led inter-

[13] Z. Brzeziński, *The Grand Cheeseboard*: *American Primacy and its Geostrategic*, New York 1997, p. 124.
[14] G.I. Chufrin, *The Security of the Caspian …*, *op .cit*., p. 12.
[15] *Ibidem*, p. 12.
[16] E. Iseri, *The US Grand Strategy and the Eurasian Heartland in the Twenty-First Century*, "Geopolitics" 2009, No. 14, p. 26.
[17] Cit. for: *ibidem*, p. 33.
[18] M. Labban, *The Struggle for the Heartland: Hybrid Geopolitics in the Transcaspian*, "Geopolitics" 2009, No. 14, p. 2.
[19] *Ibidem,* p. 2.
[20] E. Iseri, *The US Grand Strategy …*, *op. cit*., p. 26.



Map 2. The Heartland theory

Source: http://politicspeaksvalleys.wordpress.com/2009/01/13/washingtons-eye-turns-to-afghanistan/mackinders-pivot/

national oil markets without any interruptions[21]. According to the National Security Strategy Document (1998): "a stable and prosperous Caucasus and Central Asia will help promote stability and security from the Mediterranean to China and facilitate rapid development and transport to international markets of the large Caspian oil and gas resources, with substantial US commercial participation"[22]. American objectives and policies in the Caspian region are part of a larger strategy to strengthen US regional hegemony there as a security and stability umbrella[23]. "Oil and gas are not just commodities traded on international markets. The control over a territory and its resources are strategic assets"[24]. This is particularly the case for the Caspian region, which is situated at the centre of the Eurasian Heartland, and whose potential oil and gas resources have made it a playground for strategic rivalries[25]. According to Z. Brzeziński "what happens with the distribution of power on the Eurasian landmass will be of decisive importance to America's global primacy and historical legacy"[26].

[21] *Ibidem*, p. 35.
[22] Cit. for: *ibidem*, p. 35.
[23] *Ibidem*, p. 35.
[24] M.P. Amineh, H. Houweling, *Caspian Energy: Oil and Gas Resources and the Global Market*, in: *Central Eurasia in Global Politics: Conflict, Security and Development,* M.P. Amineh, H. Housweling (eds),
Leiden 2004, p. 82.
[25] E. Iseri, *The US Grand Strategy …*, *op. cit*., p. 37.
[26] Z. Brzeziński, *The Grand Cheeseboard…*, *op. cit.,* p. 223.

Russia has also been playing a vital role in the Caspian region. It is the largest trading partner of the newly independent states. So far, Russia has dominated the energy sector in the Caspian region as the principal export route for regional energy resources[27]. Russia's policy in the post-Soviet area is mostly defensive – a "policy of obstruction" – preventing the expansion of external powers that may undermine Russia's political and economic domination[28].

Russian strategy in the Caspian region could be interpreted taking into consideration three dimensions:

1) competitive relations with the US, which activate the international relations in the region;

2) relations with former Soviet republics or its so-called "near abroad" doctrine;

3) policy toward its own domestic energy sector.

Nowadays, Russia expands its influence through a set of multilateral and cooperative economic agreements that ensure the expansion and dominance of its state owned oil and gas companies, like Lukoil, Gazprom, and Transneft. They are often used as tools of Russian foreign policy, which has ambitious plans to increase its pipeline network around the Caspian. The Central Asian states have been providing Russia with cheap gas which has enabled Gazprom to export Russian gas to Europe at a much higher price. The monopoly position as exporter of Caspian energy resources would lead Russia to gain political leverage not only over European countries with their increasing energy needs, but also restore its political dominance over the newly independent countries[29].

The Caspian states gained further strategic importance in the "war on terror" announced by the G.W. Bush after 2001[30]. Since then, they became major recipients of US assistance, especially in the field of security. This was also a time of better relations between US and Russia, which shifted to alliance against international terror. Nevertheless, the war on terror did not prevent the Bush administration from treating Russia as an opponent to be contained[31]. At the same time, Russia treated the US as a useful partner in constricting the spread of Islamic movement across the Central Asia and the Caucasus. Russia's pragmatic turn to the West did not prevent it from developing economic and security ties with China and Iran to counter US "global hegemony"[32].

China, with its rapidly expanding economy, is the second largest energy consumer in the world. Energy security, and the availability of oil in particular, has become an increasingly important concern for this state since 1990s. China has given the Caspian region increasing geopolitical importance. Hence, China

[27] E. Iseri, *The US Grand Strategy …*, *op. cit*., p. 39.
[28] M. Labban, *The Struggle for the Heartland…*, *op. cit*., p. 7.
[29] E. Iseri, *The US Grand Strategy …*, *op. cit*., p. 40.
[30] M. Labban, *The Struggle for the Heartland…*, *op. cit*., p. 9.
[31] *Ibidem*, p. 8.
[32] *Ibidem*, p. 17.

has been looking for ways to build pipeline infrastructure to export Caspian oil reserves eastwards, competing with the United States which is looking to export Caspian energy westwards[33]. "As the US established a military presence in Central Asia and (…) carried out preventive military activities against China in East and South Asia by strengthening the US-Japan alliance, deploying more strategic submarines and other deterrent weapons, and ingratiating with the Indians to counterbalance China's rising power, China's leadership has faced tougher geopolitical competition over Central Asia"[34]. China's interests in the Caspian region are part of its overall Silk Road strategy to diversify energy dependence on the unstable Gulf region and build overland routes to hedge against maritime supply disruptions from the Gulf.

China, Russia, and the U.S. are the key geopolitical powers in the Caspian region, but it is important to mention that there are more players, e.g., Turkey and the European Union. The new international situation made Turkey far more active and pragmatic[35]. The country's location between the two continents allows it to play a special role as a corridor for transferring resources from Central Asia to Europe. This location undoubtedly influences the process of Turkey's integration with the EU. The new post-Cold War situation in Central Asia and the Caucasus was a serious challenge for both Turkey and Europe. Moreover, Kazakhstan and Turkmenistan were referred to as "Turkic republics"[36], because Turkey shares historic, cultural and linguistic ties with them and wants to be their political and economic leader.

The EU is one of the world's fastest growing energy markets and the biggest importer of energy resources. Europe's energy dependence will probably increase for the foreseeable future. The most important element of the European strategy in the Caspian region is the need for diversification of energy sources. Growing energy needs have given the European Union a strong interest in developing ties with energy – producing states in the Caspian region to build the necessary pipeline infrastructure.

It is estimated that world energy consumption will grow by 72% between 2003 and 2030[37]. Thereby, the New Great Game in the Caspian region reflects

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[33] *Ibidem*, p. 42.

[34] G. Xuetang, *The Energy Security in Central Eurasia: The Geopolitical Implications to China's Energy Strategy*, "China and Eurasia Forum Quarterly" 2006, Vol. 4, No. 4, p. 123.

[35] I. O. Lesser, *Mediterranean Security: New Perspectives and Implications for U.S. Policy*, in*: RAND Report, Air Force Project*, Santa Monica 1992, pp. 86–103.

[36] I. Bal, *Turkey's Relations with the West and the Turkic Republics: The Rise and Fall of the "Turkish Model",* Hampshire 2000, p. 43.

[37] *BP Statistical World Review of Energy*, June 2009, http://www.bp.com/liveassets/bp_internet/globalbp/globalbp_uk_english/reports_and_publications/statistical_energy_review_2008/STAGING/local_assets/2009_downloads/statistical_review_of_world_energy_full_report_2009.pdf (12.04.2010).

competition for influence, power, hegemony and profits[38]. The world's oil and gas production is mostly concentrated in politically unstable regions, that is why major energy consumers will have to follow more aggressive policies to satisfy their energy needs and military interventions to secure oil and gas production or transportation will become more probable[39]. Such a situation could sharpen the competition between the global players and make the geopolitical dimension of the international relations in the Caspian region much more important.

ENERGY POTENTIAL OF THE CASPIAN REGION

It is important to mention that energy security is an inherent element of the economic development of every state. To ensure energy security, every consumer state should diversify sources of supplies, because being tied to only one energy producer makes it vulnerable to political pressure. Thereby, energy security incorporates a foreign policy dimension in terms of maintaining good relations with various energy producing states. In such a context, geopolitical rivalry in the Caspian region between the United States, Russia or China is often interpreted as the competition for the access to the oil and gas reserves in Azerbaijan, Kazakhstan, and Turkmenistan. However, their strategic interest in the region is the integration of the hydrocarbon rich economies of the newly independent states (and Russia), into the global energy market and opening it for competing investment capital from the west and the east[40].

The Caspian states' energy security strategy is strongly connected with their hydrocarbon potential and the need to diversify export routes and create an encouraging investment climate in the state energy market. The benefits from energy production and trade are the most important elements of their security and prosperity.

Early oil activities in the Caspian region were concentrated on the Absheron Peninsula of Azerbaijan, around the town of Baku. The Baku region accounted for half of the world's oil production in 1900[41]. The oil companies had been interested in Baku since XIX century. The Noble brothers, the Rothschilds and the Royal Dutch Shell helped Russia in developing Caspian energy resources[42]. Oil

[38] M. Edwards, *The New Great Game and the new great gamers: disciples of Kipling and Mackinder*, "Central Asian Survey" 2003, No. 22(1), p. 83.

[39] M.T. Klare, *Energy Security*, in: *Security Studies: an Introduction*, S.D. Williams (ed), London, New York 2008, p. 486; M. P. Amineh, H. Houweling, *Global Energy Security and its Geopolitical Impediments – the case of the Caspian Region*, "Perspectives on Global Development and Technology" 2007, No. 6, p. 388.

[40] M. Labban, *The Struggle for the Heartland…*, *op. cit*., p. 5.

[41] M. Ghafouri, *The Caspian Sea: Rivalry and Cooperation*, "Middle East Policy" 2008, Vol. 15, No 2, p. 81.

[42] G. Bahgat, *Energy Security…, op. cit*., p. 3.

had also a strategic value in both world wars. The German army sought unsuccessfully to capture the Baku region. Failure to do so was the main reason for its defeat in 1918 and 1945[43]. After Russia discovered big oil reserves in Siberia and Ural regions in the 1950s, investments and production in the Caspian region decreased[44].

The Caspian basin is estimated to be the world's third largest source of oil and natural gas after the Persian Gulf and Russia[45]. The United States Department of State estimated that Caspian oil potential is over 30 billion tons, which is very similar to the potential of Saudi Arabia[46]. Such an optimistic projection was a consequence of the political requirement and lack of knowledge about the Caspian energy reservoir. It is difficult to give exact data about the Caspian's energy potential, because there are many sources, from the Soviets, local authorities or international organizations and companies. Is the Caspian basin an alternative source of energy after the Persian Gulf ? – it is still the open question.

According to the British Petroleum Statistical Review of World Energy, Caspian oil potential (without Russian and Iranian resources) represents about three percent of world oil production, and Caspian gas potential is over five percent of the world's production (see also Table 1)[47]. According to International Energy Agency (IEA), it is the world's largest undiscovered reservoir of energy resources[48]. The World Energy Outlook estimated that Caspian oil production will grow from 2,9 million barrels per day (mb/d) in 2009 to 5,4 mb/d between 2025 and 2030[49]. Caspian natural gas production is also projected to grow, from an estimated 159 billion cubic meters (bcm) in 2009 to nearly 260 bcm by 2020 and over 310 bcm in 2035[50]. There are also some potential barriers to the development of the energy resources in the region. The complexities of financing and constructing pipeline infrastructure passing through several states and uncertain investment climate and export demand could effectively constrain the expansion of the Caspian energy market[51].

There is an important role for transnational companies in developing Caspian energy resources. BP and Statoil took a pioneering role in development of Azeri, Chirag and Guneshli oil fields. BP also participated in finding the Shah

[43] *Ibidem*, p. 3.
[44] *Ibidem*, p. 3.
[45] M. Ghafouri, *The Caspian Sea…*, *op. cit.,* p. 81.
[46] A. Rasizade, *The mystery of the Caspian oil boom. Part one*, "Contemporary Review" 2004, No. 1664, pp. 129–135.
[47] *BP Statistical Review of World Energy*, http://www.bp.com/sectionbodycopy.do?categoryId=7500&contentId=7068481 (12. 02. 2011).
[48] *Caspian Oil & Gas*, http://www.iea.org/textbase/nppdf/free/1990/caspian_oil_gas98.pdf, (12.02.2011).
[49] *World Energy Outlook 2010 IEA,* http://www.worldenergyoutlook.org/docs/weo2010/WEO-2010_ES_English.pdf, (12.02.2011).
[50] *Ibidem.*
[51] *Ibidem.*

Deniz gas fields in Azerbaijan. Kazakhstan also attracted serious interest. The American Chevron Texaco company together with ExxonMobil agreed to develop the Tengiz oil field[52]. Kashagan is another source of oil, has the potential to become the world's largest oil field. That is why corporations such as BP, Statoil, Agip, British Gas, and Total Fina Elf were interested in investments there[53].

Table 1. Oil and gas proved reserves in Caspian littoral states (2010)

	Oil proved reserves (billion barrels)	Oil proved reserves share of total	Oil production (thousand b/d)	Oil production share of total	Gas proved reserves (trillion cubic meters)	Gas proved reserves share of total	Gas production (billion cubic meters)	Gas production share of total
Azerbaijan	7,0	(0,5%)	10,37	(1,3%)	1,3	(0,7%)	15,1	(0,5%)
Kazakhstan	39,8	(2,9%)	1757	(2,1%)	1,8	(1,0%)	33,6	(1,1%)
Turkmenistan	0,6	?	216	(0,3%)	8,0	(4,3%)	42,4	(1,3%)
Russia	77,4	(5,6%)	10270	(12,9%)	44,8	(23,9%)	588,9	(18,4%)
Iran	137,0	(9,9%)	4245	(5,2%)	29,6	(15,8%)	138,5	(4,3%)

Source: BP Statistical Review of World Energy June 2011, http://www.bp.com/sectionbodycopy.do?categoryId=7500&contentId=7068481, (13.09. 2011).

The lack of consensus on the legal status of the Caspian basin is the main obstacle for energy market development in the region. It is also a risk that investors have to consider in doing business in the region. The problem with boundaries in the Caspian basin appeared with the dissolution of the Soviet Union in 1991[54]. The largest hydrocarbon resources are situated in the Azeri and Kazak sectors and to a lesser extent in the Turkmen sector of the Caspian. Russia and Iran are estimated to have fewer deposits[55]. Developing energy resources is considered crucial to the economic and political survival of the newly independent states[56]. Thereby, there is a heated debate on the legal status of the Caspian basin. The question is whether it is a sea or a lake and how to divide it. Despite the absence of a formal resolution, an informal regime based on existing practices has begun to emerge. The has not prevented the five states from developing Caspian hydrocarbon resources. Because of the political instability in the region, the US contemporary strategy in the Caspian shifted from a "focus on oil to questions of security"[57].

[52] S. Newman, *The Final Energy Crisis*…, *op. cit*., p. 96.
[53] *Ibidem*, p. 97.
[54] A. Rasizade, *The Great Game of Caspian Energy: Ambitious and Realities*, "Journal of Southern Europe and the Balkans" 2005, Vol. 7, No. 1, p. 14.
[55] G. Bahgat, *American Oil Diplomacy in the Persian Gulf and the Caspian Sea*, Gainesville 2003, p. 164.
[56] *Idem*, *Energy Security*…, *op. cit*., p. 8.
[57] *Ibidem*, p. 6.

MAIN PIPELINE INFRASTRUCTURE PROJECTS

There are many options for transporting Caspian resources onto the world energy market. Because the Caspian basin is landlocked, a fundamental question is how many pipelines will become operational in near future and which direction will be the most convenient transit option for Caspian oil and gas. The natural route is through Iran, but this is unacceptable for the United States, because of the Iranian nuclear program. Expanding pipelines through Russian territory will give the Russians critical control in the Caspian region. China, with its growing dependence on imports, entered the Caspian energy game with a proposal for a pipeline in eastern direction.

The western route through Azerbaijan, Georgia and Turkey to EU was often referred to as the "Silk Road of the 21st Century"[58]. The key project there is the 1768 km long Baku – Tbilisi – Ceyhan (BTC) pipeline (map 3). It is a very expensive venture economically and politically for Turkey, European Union, United States and Caspian states rich in oil and gas. In April 1998, Presidents of Turkey, Georgia and Azerbaijan declared official support for the BTC project[59]. Moreover, Turkey signed an agreement simultaneously with Turkmenistan about the transportation of gas[60]. The construction of this pipeline started in 2002, the cost of this venture was about 4 billion USD[61]. Officially, the pipeline has operated since 13 July 2006[62]. It can transport up to 1 million barrels per day (approximately 1,5% of the world's oil supply) and is the second longest pipeline in the world[63]. On 16 June 2006, Kazakhstan has officially joined the BTC oil pipeline project. According to the agreement between Presidents of Azerbaijan and Kazakhstan, Kazakh crude oil will be shipped to Baku across the Caspian Sea, and then pumped through the BTC pipeline to Ceyhan (Aktau – BTC Project)[64].

The BTC came into being because of the cooperation of many companies within Baku-Tbilisi-Ceyhan Pipeline Company (BTC Co.): BP (Great Britain); SOCAR (Azerbaijan); TPAO (Turkey); Statoil (Norway); Unocal (US); Itochu (Japan); INPEX (Japan) and ConocoPhillips (US). The BTC Company got sup-

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[58] *Turkey's Energy Strategy*, http://ec.europa.eu/enlargement/pdf/european_energy_policy/turkeys_energy_strategy_en.pdf (12.04.2010).

[59] B. Sasley, *Turkey's Energy Politics in the post-Cold War Era*, "Middle East Review of International Affairs" 1998, No. 4, p. 4.

[60] I. Bal, *Turkey's Relations ... op. cit*., p. 85.

[61] D. Fink, *Assessing Turkey's Future as an Energy Transit Country,* "Research Notes" 2006, No 11, p. 1.

[62] "Turkish Daily News" 2006, 14 July.

[63] *Turkey's Energy Strategy…*, *op. cit*.

[64] *Ibidem*.

port also from the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) [65]

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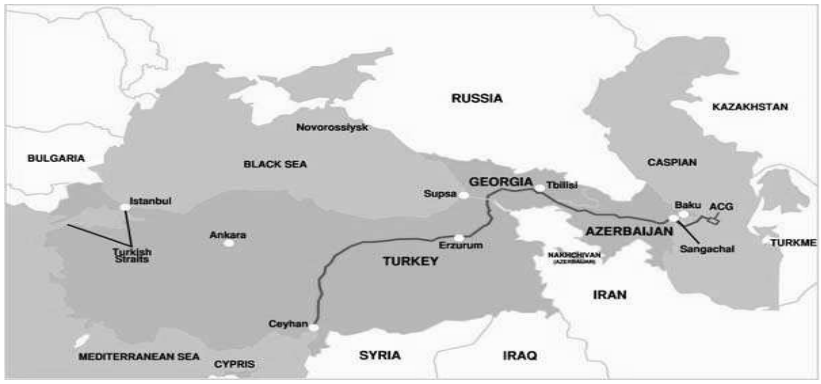

Map 3. BTC pipeline

Source: http://www.oilfund.az/pub/tiny_upload/map.jpg (02.04.2011).

Another prospective project is the Transcaspian Natural Gas Pipeline Project. Its aim is to transport gas from Turkmenistan via the Caspian basin to Europe. In accordance with the agreement signed on 29th of October 1998, 30 billion cubic meters of gas should be transported to Turkey, 16 billion cubic meters for Turkish domestic consumption and the rest will go to Europe[66]. This project has not been realized because of the problematic status of the Caspian basin and the misunderstandings between Azerbaijan and Turkmenistan relating to the right to the Caspian energy resources[67].

Other ventures are the Baku-Tbilisi-Erzurum (BTE) gas pipeline built parallel to BTC and the Turkey-Greece-Italy Interconnector gas pipeline project (map 4)[68]. The gas is extracted from the Shah Deniz field in Azerbaijan, crosses Turkish territory to Greece, and from there it is to be extended toward Italy via an underground pipeline under the Adriatic Sea. The future extension opening was scheduled for 2012[69]. The capacity of the pipeline is approximately 250 million cubic meters per year[70].

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[65] *Baku-Tbilisi-Ceyhan (BTC) Pipeline Project*, http://www.bicusa.org/en/Project.3.aspx (12.08.09).

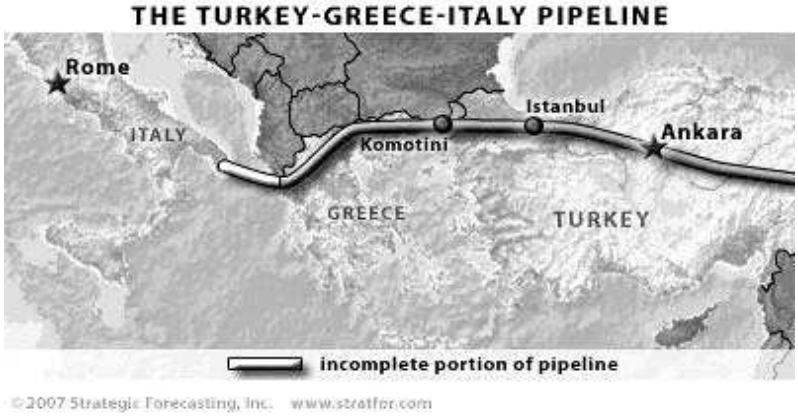
[66] *BOTAS, Petroleum Pipeline Corporation*, http://www.botap.gov.tr/index.asp (15.03.2010).

[67] G. Winrow, *Possible Consequences of a New Geopolitical Game in Eurasia on Turkey as an Emerging Energy Transport Hub*, "Turkish Policy Quarterly" 2006, Vol. 5, No. 2, p. 58.

[68] D. Rogojanu, *The Role of Turkey in the Energy Security Environment of the European Union*, "Philobiblon" 2009, Vol. 14, p. 629.

[69] *Ibidem*, p. 629.

[70] *Ibidem*, p. 629.



Map 4. TGI Pipeline

Source: http://cambridgeforecast.wordpress.com/2008/02/10/turkey-greece-italy-gas-pipeline/ (02.03.2011).

The European Union has been exploring various options for accessing Central Asian and Caspian energy without relying on Russia. The Turkey-Greece--Italy Interconnector is the first step. But the project that could make a bigger contribution to Europe's energy security and to Turkey's role as an energy hub is Nabucco (map 5). The Presidents of Turkey, Austria, Bulgaria, Hungary and Romania signed an agreement about the construction of the Nabucco gas pipeline on 13th July 2009. According to this decision, the gas from Central Asia, the Caucasus and the Middle East will be transported to Europe via Turkey. The main aim of the pipeline is to secure the gas deliveries to the European Union without Russian participation. The 3300 km long, Nabucco pipeline will go from Azerbaijan (Shah Deniz field), Egypt, Iraq and Turkmenistan through Turkey, Bulgaria, Romania and Hungary to Austria. The project has support from the United States and the European Union[71]. There are many companies which are also interested in building the pipeline, for example, BOTAŞ (Turkey), BulgarGas (Bulgaria), Transgas (Romania), MOL (Hungary), OMV (Austria) and RWE (Germany)[72]. The intergovernmental agreement assumed that the construction of Nabucco would be realized in 2014 with an estimated cost of about 8 billion euros[73]. The main planned gas source for Nabucco pipeline is Shah Deniz field in Azerbaijan. It will produce enough gas to feed the new Turkey-Greece--Italy Interconnector. Some experts say that Nabucco will have to wait until Shah Deniz goes into its second phase of development, expected in 2013[74]. The

[71] "Best OSW" 2009, No. 25, p. 2.

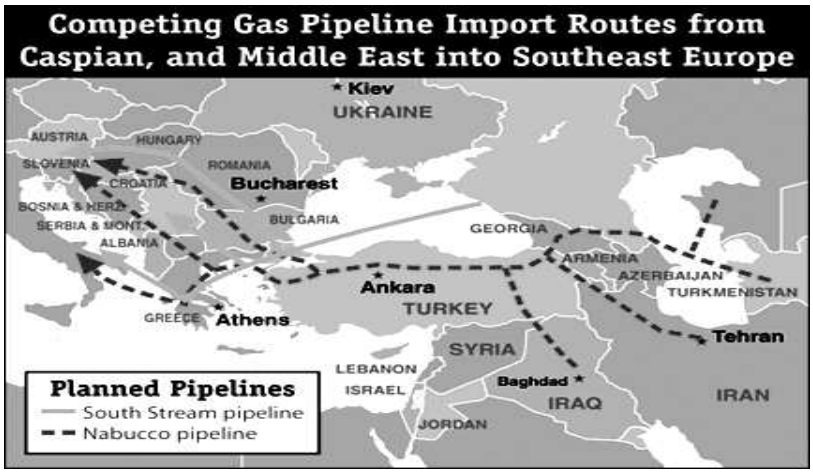
[72] N. Pamir, *Energy Issues*, "Foreign Policy" 2008, No 3–4, p. 105.

[73] "Best OSW" 2009, No. 25, p. 2.

[74] K. Barysch, *Turkey's Role in European Energy Security*, http://www.cer.org.uk/pdf/essay_turkey_energy_12dec07.pdf (12.05.2010).

companies involved in the Nabucco project are confident that Azerbaijan will produce enough gas to make Nabucco viable, but some independent energy analysts warn that other sources would be needed to fill Nabucco in the long term[75]. There was a plan to include Iran in the Nabucco pipeline, because it has the world second largest gas resources (estimated for 16% of world's resources). Iran was also interested in participating in the project, but nowadays it is impossible, because of strong US opposition caused by the Iranian nuclear program[76]. In such circumstances, Turkmenistan becomes a much more important supplier with its 4,3% world gas resources[77].

Russia is the most significant player in the Caspian region. On 15th of May 2009 in Sochi, Gasprom and its counterparts from Serbia, Bulgaria, Greece and Italy signed a series of agreements regarded the realization of South Stream gas pipeline project (map 5). The pipeline will run under the Black Sea from the Russian coast (Beregovaya) to the Bulgarian coast. It is an element of the gas pipeline competition in Europe and bipolar energy policy in the EU. Some European states supported both Russian and Nabucco projects[78].



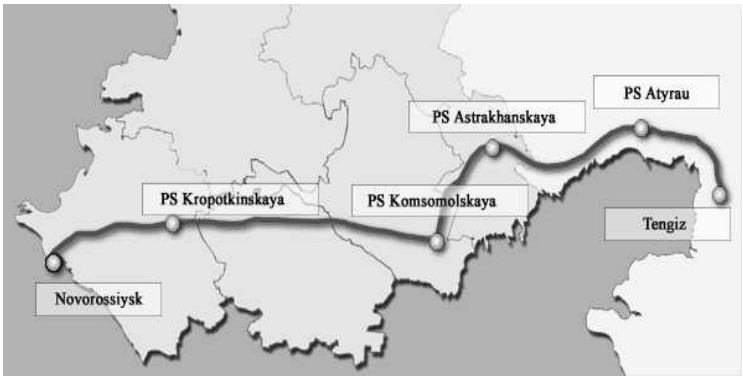
Map 5. Nabucco and South Stream pipeline projects

Source: http://www.energytribune.com/articles.cfm/590/Russias-Gas-Power-Play (11.11.2011).

Until recently, the existing pipelines in the Caspian Region were designed to link the former USSR internally and were routed though Russian territory[79]. The port of Novorossiysk is the most important Black Sea terminal, from which

[75] *Ibidem*.
[76] "Best OSW" 2009, No, 25, p. 2.
[77] „Gazeta Wyborcza" 2007, May 8.
[78] "Best OSW" 2009, No 19, p. 4.
[79] G. Bahgat, *American Oil Diplomacy…, op. cit.*, p. 166.

Caspian oil and gas are transported in tankers to European markets. The key Russian energy transit project is the Caspian Pipeline Consortium (map 6) that connects the Tengiz oil fields in western Kazakhstan with the new Black Sea Marine Terminal in Russia. In October 2001, CPC for the first time loaded crude oil at its Marine Terminal Yuzhnaya Ozerevka, near the Russian city of Novorossiysk on the Black Sea[80]. In April 2003 the first phase of the CPC pipeline system was introduced into regular operations, but it has not yet reached its full capacity..[81] This pipeline is 1,460 km long with planned capacity 1,3 mln b/d[82]. The CPC project reflects cooperation between Russia and transnational corporations[83]. Russia will probably continue to be the main outlet for oil shipments from Kazakhstan in the future[84].



Map 6. CPC pipeline

Source: CPC, http://www.cpc.ru/portal/alias!press/lang!en-us/tabID!3357/DesktopDefault.aspx (02.02.2011).

Another transit option for energy resources through Russian territory is the Baku-Novorossiysk oil pipeline, known as the Northern Corridor (map 7). It started to pump oil in 1997. The pipeline goes from Baku port in Azerbaijan to Novorossiysk, from where tankers with oil move from the Black Sea through the Turkish Straits to the ports of the Mediterranean Sea. It has a potential of exporting 5 million tons of oil per year[85]. This energy corridor has some negative elements. First of all, the oil from Novorossiysk is transported in tankers through the Turkish Straits, creating an ecological risk for Instanbul and its ten million people. In addition, the Baku-Novorossiysk pipeline is not an economi-

[80] *CPC*, http://www.cpc.ru/portal/alias!press/lang!en-us/tabID!3357/DesktopDefault.aspx (02.03.2011).
[81] *Ibidem*.
[82] A.L. Griffiths, *Global Perspectives on Oil and Security*, Dalhousie 2006, p. 327.
[83] G. Bahgat, *Central Asia and Energy Security*, "Asian Affairs" 2006, Vol. 37, No. 1, p. 8.
[84] *Ibidem*, p. 9.
[85] R. Ibrahimov, *Azerbaijan: Happiness is the Availability of Export Corridors*, http://www.usak.org.tr-/EN/makale.asp?id=552 (04.04.2011).

cally advantageous transit route compared with the Baku-Tbilisi-Ceyhan pipeline[86]. This led to the stoppage of pumping oil through the Baku-Novorossiysk pipeline after April 2008.

Map 7. Baku-Novorossiysk pipeline

Source: http://www.socar-germany.de/eng/socar/scp.html (04.04.2011).

China is a main importer of hydrocarbon resources and is becoming a much more active player in the Caspian energy market. Satisfying its energy needs is the country's number one energy security issue. Since 1980, energy consumption in China has increased by approximately 250%[87]. The Chinese government directed its oil companies to acquire interests abroad[88]. Over the past few years, China has poured investments into Kazakhstan and Turkmenistan with two main projects: the Kazakhstan-China oil pipeline and the Turkmenistan-China gas pipeline (also known as Central Asia-China gas pipeline)[89].

The key infrastructure project, the Kazakhstan-China pipeline (map 8), was built by a joint venture between the China National Petroleum Corporation (CNPC) and KazMunaiGaz. The pipeline's annual capacity is 10 million tons, which will be doubled in the future[90]. In June 2010, CNPC signed an agreement with KazMunaiGaz to build the second phase of the Kazakhstan-China Gas Pipeline in a bid to tap gas reserves in Kazakhstan[91]. "The pipeline will be implemented in five stages with the final stage scheduled for completion by 2013",

[86] *Ibidem*.

[87] G. Hall, T. Grant, *Russia, China and the Energy – Security Politics of the Caspian Sea Region after the Cold War*, "Mediterranean Quarterly" 2009, No 2, p. 124.

[88] *Ibidem*, p. 124.

[89] C. Lin, *The Caspian Sea: China's Silk Road Strategy Converges with Damascus*, "China Brief" 2010, Vol.10, No 17, p. 9.

[90] *Global Times*, http://business.globaltimes.cn/industries/2009-07/447413.html (02.02.2011).

[91] C. Lin, *The Caspian Sea…, op. cit*., p. 9.

said Sauat Mynbayev, Kazakhstan's energy minister[92]. It will reach a full capacity of 40 bcm by 2013, when the final stage is completed[93]. This transit route is part of a larger project to build pipelines connecting China with Central Asia's natural gas reserves. It will stretch from Turkmenistan, through Uzbekistan and Kazakhstan, and enter China's northwestern Xinjiang region[94]. This project is a part of China's attempts to secure more energy sources worldwide.

Map 8. Kazakhstan-China pipeline

Source: http://www.stratfor.com/memberships/106573/analysis/china_kazakhstan_pipelines_and_balance_power (02.02.2011).

China also cooperates with Turkmenistan in the energy field. Beijing's main economic interest is gaining access to natural gas in the Caspian's largest gas producer. On 3rd April 2006, China and Turkmenistan signed an agreement on pipeline construction and a long-term gas supply. According to the bilateral agreement, Turkmenistan will supply China with 30 bcm of natural gas annually, beginning from 2009[95]. Turkmenistan also granted a license to the China National Petroleum Corporation to develop the Bagtiyarlyk fields, situated near the Uzbek border[96]. The pipeline from Turkmenistan to China is the first leg of a wider

[92] *Kazakhstan Starts Building Gas Pipeline to China* http://uk.reuters.com/article/2008/07/09/kazakhstan-china-pipeline-idUKL0939802620080709 (02.02.2011).

[93] *Construction of Kazakhstan-China Gas Pipeline Started* http://silkroadintelligencer.com/2008/07/09/construction-of-kazakhstan-china-gas-pipeline-started/ (02.02.2011).

[94] *Ibidem*.

[95] R. Kandiyoti, *What price access to the open seas? The geopolitics of oil and gas transmission from the trans-Caspian republics*, "Central Asian Survey" 2008, Vol. 27, No 1, p. 88.

[96] *Ibidem*, p. 88.

system, gathering gas from Uzbekistan and also from Kazakhstan[97]. The Central Asia-China Gas Pipeline, linking gas fields South Yolotan in Turkmenistan to Xinjiang region was inaugurated in December 2009. The 1,833 km pipeline is expected to reach full annual capacity for 40 bcm by 2012–2013[98]. In June 2010, Turkmen President Gurbanguly Berdimuhamedov announced a trans-Turkmen pipeline project to connect the Central Asia-China pipeline east of Turkmenistan to the country's western resources[99]. China appears to have three main goals in the Caspian region: to provide security in the region, gain access to natural resources, and to use the Shanghai Cooperation Organization to consolidate political influence and become a regional power[100].

Another possible transit option for the Caspian resources is Iran. It has a strategic location between the Caspian Basin and the Persian Gulf. Iran could be a cheap and natural corridor for the oil and gas to the world markets. Most Iranian oil fields are situated in the south, while the northern part of the country is much more populous. Therefore, Teheran prefers to deliver Caspian crude to its refineries in the north to save the transportation costs[101]. It is difficult to realize this plan without necessary investments that are limited because of the US sanctions. An existing 337 km pipeline from Iran's Caspian port of Neka to Tehran refinery is dependent on Azeri oil deliveries to Neka on Iranian frontier. Its capacity is 175 b/pd[102].

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The Caspian region has a special geopolitical position on the map in the center of Eurasia and as part of the world's biggest trade route. That is why it is becoming significant in the global relations. After the collapse of the Soviet Union, the Caspian newly-independent states became open to foreign investments[103]. The Caspian region probably contains some of the largest undeveloped oil and gas reserves in the world. Given that there is a deficit of the energy resources in the global market, the Caspian's growing production will undoubtedly contribute to the diversification of fossil fuels supplies and to global energy security. Because of the rising instability of the Middle East energy supplies, the Caspian Basin has come into prominence as an alternative for the world's growing energy consumers. Rising energy prices will also have a strong impact on economy security in the Caspian region. In light of these facts, we can anticipate, that the foreign investors and transnational companies will be more active there.

[97] *Ibidem*, p. 88.
[98] C. Lin, *The Caspian Sea…, op. cit*., p. 9.
[99] A. Petersen, *Did China just win the Caspian gas war?,* "Foreign Policy" 2010, July 7.
[100] G. Xuetang, *Energy Security in Central Eurasia*…, *op. cit*., p. 130.
[101] G. Bahgat, *Central Asia and Energy Security*…, *op. cit*., p. 9.
[102] A.L. Griffiths, *Global Perspectives on Oil and Security*…, *op. cit*., p. 327.
[103] G. Bahgat, *American Oil Diplomacy*…, *op. cit*., p. 142.

The Caspian region is not only an underexploited reservoir of hydrocarbons, but also a strategic "chessboard" with many internal and external players. We can conclude, that there are two conflicting scenarios about the future situation in the Caspian region. According to the optimistic one, geopolitical rivalry could be replaced by more benign forms of geo-economic competition and multilateral and cooperative relations between state and non-state actors. The second scenario is pessimistic and reminiscent of the Cold War: the Caspian region will become a region of very aggressive great power politics, because of their contradictory interests and increasing global energy demand.

GEOPOLITYKA I BEZPIECZEŃSTWO ENERGETYCZNE W REGIONIE KASPIJSKIM

Streszczenie. Zakończenie zimnej wojny oraz rozpad Związku Radzieckiego zmieniły sytuację geopolityczną w całej Eurazji. Z uwagi na specyficzne położenie geopolityczne, na styku największych światowych szlaków handlowych, region kaspijski zyskuje na znaczeniu zarówno w wymiarze politycznym, jak i gospodarczym we współczesnych stosunkach międzynarodowych. Po upadku Związku Radzieckiego nowo powstałe państwa Azji Centralnej i Kaukazu otworzyły się dla zagranicznych inwestycji. Stały się znaczącymi graczami na światowych rynkach energetycznych i polem rywalizacji zarówno państw, jak i korporacji międzynarodowych z uwagi na potencjalne zasoby ropy i gazu. Niektórzy analitycy określają pozimnowojenną sytuację w tym regionie jako geopolityczną „wielką grę" między światowymi mocarstwami, takimi jak USA, Rosja i Chiny. Niniejsze opracowanie uwzględnia analizę pozycji geopolitycznej regionu kaspijskiego w kontekście jego potencjału energetycznego oraz współzależności na rynku energetycznym w tym regionie.

Słowa kluczowe: geopolityka, bezpieczeństwo energetyczne, region kaspijski, infrastruktura rurociągowa