

# Energy policy of the South Caucasus

---

THE MOST IMPORTANT YEAR OF 2008

Sevak Sarukhanyan,  
“Noravank” foundation

# In our presentation we'll try to underline

---

- ❑ The evolution of the domestic policy in the region of the South Caucasus,
  - ❑ The evolution of the energy policy in the region of the South Caucasus,
  - ❑ The new trends of the energy policy in the Caspian and regional states and their possible influence on Caucasian region,
  - ❑ The REVOLUTION in the energy policy of the South Caucasus which we think will become a reality after the last Russian-Georgian conflict.
-

# The evolution of the domestic policy in the South Caucasus

---

- ❑ Georgia reelected M.Saakashvili as a president,
  - ❑ Armenia elected a new president, who suddenly invited his Turkish counterpart to watch Armenia-Turkey soccer match in Yerevan,
  - ❑ Russia elected a new president, who is (was) considered to be an admirer of more freedom and democracy,
  - ❑ Azerbaijan is waiting for its own presidential elections in Autumn.
-

# The evolution of the energy policy in the South Caucasus

---

- ❑ Russia mostly became the main owner of the Armenian energy sector (91%)
  - ❑ Azerbaijan started a new phase in its relations with Ashgabad, and Berdimukhametov's visit to Baku gave a start for discussions on Turkmenistan's connection to the future Transcaspian gas-pipeline and Nabucco via Azerbaijan
  - ❑ Georgia privatized 6 regional gas-pipeline systems, 4 of them were bought by SOCAR-Georgia, no one by Russians,
  - ❑ In the beginning of July Russia's president visited Baku and offered to buy the Azeri gas and pay a European price,
-

# Some new trends of the energy policy in the neighbouring Caspian states,

---

- ❑ Turkmenistan started the year with a gas price conflict with Iran and stopped the gas export,
  - ❑ Turkmenistan became more free from Russia and signed a contract with Pakistan and Afghanistan on gas pipeline construction, continued the partnership with China,
  - ❑ Uzbekistan signed a big gas contract with Russian GAZPROM and Russia became a main actor in Uzbekistan gas sector,
  - ❑ Kazakhstan continued balancing between the West and Russia, partly revised the Kashagan oil-field developing contract, enlarging the state share.
-

# Two most important events and one question

---

- Turkmenistan's independence from Russia and the cooperation with Azerbaijan could be considered the most important event in the Caspian and Caucasus of the first half of 2008,
  - Georgia and Armenia just continued their foreign course – Tbilisi got more free from Russia and became more prowestern, Armenia became more integrated with Russia,
  - **THE QUESTION: What Russia's president expected from Azerbaijan, when he offered I. Aliiev a gas contract.**
-

# The question is more than interesting, taking into consideration, that:

---

- ❑ Azerbaijan and its partners spend billions on Baku-Erzerum gas pipeline construction and considered Georgia to be the main route of Azeri and Caspian gas export,
  - ❑ Azerbaijan perceives the energy cooperation with the West as a part of wider cooperation in economics and politics. So why Baku should give up, even getting a good price from Russia?
  - ❑ The main answer here, to my mind, is: RUSSIAN PRESIDENT KNEW, THAT SOON GEORGIA WILL STOP BE A STABLE ROUTE FOR OIL AND GAS EXPORT TO ANYWHERE,
  - ❑ And one more thing: Russia started in June to negotiate with Turkey over the issue of opening the closed in 1993 Turkish-Armenian border. Armenia – an ally of Russia – mostly depends from Moscow because its problems with Turkey. So why Russia started normalizing Armenian-Turkish relations, when it is clear, that after this kind of normalization dependence of Armenia from Russia may decrease?
  - ❑ It is important to know, why Russians didn't bomb Baku-Ceyhan and who damaged the pipeline in Turkey 5 days before the start of the war.
-

# What we have after the war in South Osetia?

---

- ❑ Georgia has stopped being a stable country – internally and internationally,
  - ❑ Georgia has stopped being a stable communication route,
  - ❑ Baku-Ceyhan and Baku-Erzurum cannot secure energy of the West, because the pipelines themselves must be secured,
  - ❑ Kazakhstan has declared, that the Kazakh oil export through BTC will start not at 2009, but 2011,
  - ❑ Azerbaijan declared a willingness to stop a new oil terminal construction in Georgian Kulevi near port Poti,
  - ❑ Now it is not clear, why Turkmenistan will join the Transcaspian, when the gas-export route through Georgia will be in permanent danger,
  - ❑ Russia is again the main **political and military actor** in the South Caucasus. And now a question: **can one be a main energy actor (I mean EU and US)** in a region, when it has another political and military dominator? I think, NO.
-

Both Moscow and Washington want them be friends, but who wants more?



# The MAIN conclusion

---

- The last year was a revolutionary one in the history of the South Caucasus. Very many things has been changed in the region and these changes will touch the region's main attractiveness – oil and gas production, oil and gas transit. West needs a new policy, a new strategy but, in any case, should stop consider Caspian region as a reliable source for energy supply.
-

# THANK YOU

---

Sorry for being pessimistic

---