

# The Trans-Caspian Knot: Why Does the Pipeline Need Geopolitical Consensus?

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After the collapse of the USSR, Caspian hydrocarbon resources began to be exploited independently by the states along its coasts. The new independent states began to view this issue as a way to strengthen their sovereignty and ensure economic development. An agreement signed 25 years ago between Azerbaijan and international oil companies over the joint development of three Caspian fields, known as the Contract of the Century, as well as the ongoing Southern Gas Corridor, are some of the largest projects in this regard. However, in the same historical period (the early years of independence) there are some initiatives that have been discussed but remain ideas, the most important of which is the Trans-Caspian Pipeline Project. The project envisages laying a pipeline to Azerbaijan to transport Turkmenistan gas to Europe with about 30 billion cubic meters of gas transported per year. The pipeline connecting the east and west coast of the Caspian Sea must be 300 km long. The West, represented by the European Union and the United States, has provided political support to the project and stresses that it could provide financial support. In Europe, the use of nuclear energy and coal is steadily declining, and the need for natural gas is increasing. The European Union, which currently acquires one-third of its natural gas from Russia, does not want to meet its growing demand from the same source, and is looking for alternative sources. Turkmen gas is one of those sources, but Turkmenistan is not able to transport gas to Europe either alone, or together with Azerbaijan.

A brief summary of the situation surrounding the project is as follows: Turkmenistan wants to sell more gas and enter the

European market for that purpose; Azerbaijan, Georgia, and Turkey are ready to participate in this project as transit countries; the European Union supports the project with the intention of diversifying its sources of gas imports and the United States supports it with the hope of weakening Russia's position on the European gas market; the 300-km-long pipeline is considered a short distance for modern ships, and they could quickly lay the pipeline. But despite so many positives, why is it that the Trans-Caspian project has yet to be implemented and the debate around it continues?

### **The Caspian Convention: Both a Solution and an Obstacle**

It is well-known that Russia and Iran have been against the Trans-Caspian pipeline from the very beginning for political reasons, but formally they pointed to the fact that the status of the Caspian had not been determined as the main problem. Finally, as a result of discussions that had been ongoing since 1996, the [Convention on the Legal Status of the Caspian](#) was signed in August 2018 in Aktau by the leaders of the five coastal countries. The first impression both in the region and internationally was that the obstacles to the implementation of the Trans-Caspian project had been overcome. Part 1 of Article 14 of the Convention clearly states that the parties can lay cables and pipelines at the bottom of the sea. US President Donald Trump also emphasized this in his Novruz greeting addressed to the Turkmen president. "I hope that Turkmenistan will be able to seize new opportunities for exporting gas to the West following the recent determination of the legal status of the Caspian Sea."

The [opening](#) of the Trans-Anatolian Natural Gas Pipeline (TANAP) in June 2018, a part of the Southern Gas Corridor, and the [linkage](#) of TANAP with the Trans-Adriatic Pipeline (TAP) in November of the same year, increased the relevance and the likelihood of the Trans-Caspian's implementation. The transportation of Turkmen gas to Europe is planned to be carried out via the Southern Gas Corridor pipeline system

along with Azerbaijani gas. In parallel with these events, at a [meeting](#) with representatives of Turkmenistan in Brussels, EU representatives expressed their readiness to help attract investment in the project. In January 2019, during the visit of a delegation from the European Bank for Reconstruction and Development to Turkmenistan, the parties discussed the [financing](#) of the Trans-Caspian project. At the 5th Session of the Southern Gas Corridor Advisory Council in Baku in February, Turkmen presidential advisor Yashigeldy Kakayev [stated](#) that Turkmenistan was ready to resume talks about Trans-Caspian, which began in 2011 in a trilateral format (Turkmenistan-Azerbaijan-European Union), and to provide energy security for Eastern Europe. The names of European and Chinese companies, which will participate in the project for the first time, were first mentioned this year. At the Caspian Economic Forum in Turkmenistan in July, EU Special Representative for Central Asia Peter Burian officially [announced](#) that talks had been resumed with Turkmenistan to fund the Trans-Caspian project.

These kinds of developments have begun to worry Russia. The protest of Putin's government is not only political in nature, he also claims that there are legal obstacles to the project. For example, if Part 1 of Article 14 of the Convention on the Legal Status of the Caspian permits the construction of pipelines, Part 2 grants the right to contest projects of this type. Part 2 states: "The Parties may lay trunk submarine pipelines on the bed of the Caspian Sea, on the condition that their projects comply with environmental standards and requirements embodied in the international agreements to which they are parties, including the Framework Convention for the Protection of the Marine Environment of the Caspian Sea and its relevant protocols." The Framework Convention for the Protection of the Marine Environment of the Caspian refers to a document signed in Tehran in 2003. It outlines general environmental requirements, the establishment of institutional mechanisms for meeting these requirements, and the commitments

of the parties. On July 20, 2018, the Protocol on Environmental Impact Assessment in a Transboundary Context was [signed](#) in Moscow at a special meeting of the parties to the Tehran Convention. The document aims to ensure compliance with the provisions of the Tehran Convention. The signing of this protocol at a special meeting on the eve of the signing of the Convention on the Legal Status of the Caspian can be viewed as Moscow's attempt to create a legal basis for its right to stop the Trans-Caspian project. It is no accident that, immediately after the signing of the Convention on the Legal Status of the Caspian, the Russian Foreign Ministry's special representative Igor Bratchikov said, citing the Tehran Convention and the Moscow Protocol, that the Trans-Caspian Pipeline must be agreed upon by all Caspian littoral states. According to him, the protocol gives all Caspian countries the right to participate in a comprehensive environmental review of activities that are of transboundary nature and could have an impact on the natural environment of the Caspian: "Thus, when and if there are real plans for the construction of trans-Caspian pipelines, any of the Caspian countries, if it considers it necessary, will be able to join the procedure for assessing the possible consequences of such structures for the ecology of the Caspian, even at the design stage." The same position was expressed by Russian Ambassador to Azerbaijan Mikhail Bocharnikov. He pointed to the parties' commitments to protect the environment and stressed the importance of protecting the Caspian ecosystem.

The [1st Caspian Economic Forum](#) was held in Turkmenistan on August 12-13 and there the project was openly opposed by Russia and Iran. The head of Russia's state apparatus, Sergei Prikhodko, said that the preservation of the Caspian's unique ecosystem takes precedence over any hypothetical project and that the politicization of competition in the gas sector was regrettable. Bahruz Namdari, an official representative of Iran's National Gas Company, [echoed](#) Russia's arguments and said that the pipeline would cause serious damage to the

ecology of the Caspian and the region.

Obviously, Russia does not welcome the emergence of a new player and competitor on the European gas market. Moscow did not put up serious opposition to the TANAP and TAP projects because only 10 billion cubic meters of gas would be transported annually to Europe along the Southern Gas Corridor. This volume does not pose a threat to Russia's interests. However, the addition of Turkmen gas along with Azerbaijani gas may turn the Southern Gas Corridor into a serious alternative. (In addition, America is trying to expand its compressed liquefied natural gas exports to Europe, and for that reason, LNG terminals are being built on the continent.) Apparently, this factor also played a role in Russia's decision to [buy](#) 5.5 billion cubic meters of gas per year from Turkmenistan. Russia has vast natural gas reserves and export potential, and its purchase of gas from Turkmenistan is more of a political move. Having already implemented several offshore pipeline projects, including the second arm of the Nord Stream pipeline to Europe through the Baltic Sea and the TurkStream pipeline to Turkey through the Black Sea, the fact that Russia has remembered the necessity of protecting aquatic ecosystems precisely when the Trans-Caspian project is on the agenda gives reason to doubt the sincerity of their position. The Danish government's refusal to allow Nord Stream 2 to pass through its territorial waters with the same argument, that is, due to environmental concerns, has been met with outrage by Moscow, where it is not considered credible.

Iran is generally opposed to the expansion of the influence of outside forces in the Caspian region. (It was at the insistence of Iran and Russia that a provision banning the military participation of the Caspian countries was included in the Convention on the Legal Status of the Caspian.) On the other hand, as a country with enormous gas reserves, Iran is interested in selling gas to Europe, but due to US sanctions, European companies will not work with them, and as a result,

Iran is unable to obtain the technologies it needs. For example, the French company Total has suspended its participation in the South Pars project in Iran, fearing the sanctions. Under such conditions, the EU's agreement with Turkmenistan and Azerbaijan could sideline Iran, and Tehran is naturally worried. I would also add that Russia and Iran have not yet ratified the Convention on the Legal Status of the Caspian.

### **Azerbaijan's Position**

Azerbaijan's position on the Trans-Caspian project is clear. This issue was discussed during German Chancellor Angela Merkel's visit to Azerbaijan in August 2018. On the eve of the visit, a German government official [stated](#) they were interested in expanding the Southern Gas Corridor. At a press conference in Baku after the discussions with Merkel, the President of Azerbaijan stated that "construction of the Trans-Caspian Pipeline should be more of interest to the gas owner, and transit countries should not take the initiative (...) if the eastern part of the Caspian decides to export its gas through Azerbaijan to the world market, of course, we could look at that with great interest and then make our decision." Making Baku's position explicit, Deputy Foreign Minister of Azerbaijan Khalaf Khalafov said that if proposals are made by Turkmenistan, Azerbaijan is ready to consider those proposals as a country with major transit potential.

The underlying meaning of President Aliyev's statement is that Azerbaijan does not want to participate in a geopolitical struggle for the Trans-Caspian. In general, this position – namely, not to take part in the competition between Russia and the West and not to openly choose sides – is the traditional foreign policy of Azerbaijan. The Azerbaijani government believes that for the Trans-Caspian project to be realized, the seller and the buyer, first and foremost, must try to solve their problems with the project's opponents, as well as the economic and technical aspects of the problem, and find

sources of financing. Azerbaijan, however, has long been ready to participate in the project as a transit point. If the Trans-Caspian project comes to fruition, Azerbaijan's role in Europe's energy supply as both a supplier and a transit country will undoubtedly grow. At the same time, of course, Azerbaijan will also make a profit from transit. In this regard, the Trans-Caspian project fully meets the political and economic interests of Azerbaijan.

In short, the implementation of the Trans-Caspian project requires a geopolitical consensus. This topic has long been politicized and the fate of the project depends on the dialogue between the European Union and Russia (as well as Iran).