Chapter II
Caspian Energy Reserves, Legal Regime, and Pipelines

Minister of the Iranian King Fathali Shah Qajar (1797-1843): Lord, the Russians desire the Caspian Sea.
The water of this Caspian.
Shah: [Is it sweet or salty? Minister: Salty, my Lord.
Shah: In that case, let them have it

-Mirfendereski (2001:3).

Energy Reserves

Soon after the Soviet Union and as soon as the Western oil companies found their way to the CSR, the area got labeled as ‘strategic’, and even some enthusiasts compared it with the Middle-East in terms of energy deposits. Though initial estimates by different sources of the Caspian region oil and gas reserves differed and varied widely, gradually they came closer. Early differences and inaccurate geological assessment were due to geological and technical difficulties, insufficient scientific survey and exaggerations by some beneficiary institutes and states\(^1\) (Sharma 2007:99). To some analysts early “commercially meaningless” figures and exaggeration were “derived for political purposes and for the US entry into the Trans-Caucasus and Central Asia” (Chenoy 2007:114). According to an early optimistic estimate, proven or recoverable 200 billion barrels of oil are believed to lie under the Sea, though most geologists accepted the figure of 40 to 60 billion barrels as the ultimate reserve base of the Caspian region. However, there is for sure a concord on adequate oil and

\(^1\) Azerbaijan was one of those states. The late Azeri President Heydar Aliyev’s ‘mind-boggling’ presentation of Caspian hydrocarbon deposits in the World Economic Forum in Davos in 2001, was provocative enough to Armenian President Kocharian who retorted: “Is there any water in the Caspian, or it is only oil?” (Sharma 2007: 99).
gas reserve and hydrocarbon potential of the CSR. That’s why billions of dollars either are already invested or will be invested on the energy sector of the CSR.

Though in terms of hydrocarbon reserves some experts ranked the CSR in third place after the Persian Gulf and Siberia, it is an unrealistic comparison if one bears in mind the discovered volumes. The Caspian region can rather be compared with the North Sea. However if EIA’s statistic can be relied on, the CSR clearly stands above the North Sea with 13.4 billion barrels of proven oil reserves\(^2\) (EIA: 2007).

Major Caspian Sea hydrocarbon fields are located in the southern part of the Sea and mostly concentrated in the sectors of Azerbaijan, Turkmenistan and Kazakhstan. Among Caspian littoral states and in terms of oil reserves, Azerbaijan with proven 7 bbl of oil and Kazakhstan with proven 9-40 bbl oil are the richest. Though Iran (with 0.1 bbl) and Russia’s (with 0.3 bbl) oil deposits are said to be negligible, one cannot comment on their Caspian Sea deposits with certainties since their parts of the sea have not been fully studied and explored. Till recent gas discovery in Azerbaijan’s Shah Deniz field, Turkmenistan with proven 2.0 and possible 4.49 Tcm gas reserves was considered a leading country, a status which it still preserves. Uzbekistan’s oil deposit is not considerable but being a gas-rich state its importance lies in its gas export potential and its geographical position on the way of energy export either toward China or South East Asia. However, Uzbekistan’s energy issue is not the focus of this research.

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\(^2\) EIA’s website quotes from *Oil and Gas Journal (OGJ)*, that: “five countries in the North Sea region had 13.4 billion barrels of proven oil reserves in January 2006. Norway contains the bulk of these reserves (57 percent), followed by the UK (30 percent). Norway and the UK are the largest producers, though Denmark is also a net exporter.”
Figure 3. Approximate Locations of Major Oilfields in the Caspian Sea

<table>
<thead>
<tr>
<th>Location</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Kashagan</td>
<td>Neftian ya Kamni (approximate Location)</td>
</tr>
<tr>
<td>2 Kurmangazy</td>
<td>Azi-Aslanova</td>
</tr>
<tr>
<td>3 Khvalynskaya</td>
<td>27th May/ Gueneshli</td>
</tr>
<tr>
<td>4 Apsheron Island</td>
<td>Chirag/</td>
</tr>
<tr>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>6 Apsheron Bank</td>
<td>Kaverochkin/</td>
</tr>
<tr>
<td>7 Darvina Bank</td>
<td>Dostlug</td>
</tr>
<tr>
<td>8 Artem Island/ Pirallakhiki</td>
<td>October Revolution</td>
</tr>
<tr>
<td>9 Gyuryang-Deniz</td>
<td>Zhdanov</td>
</tr>
<tr>
<td>10 Zhiloy Island</td>
<td>Lam Bank</td>
</tr>
<tr>
<td>11 Grayazeyva Sopka/ Palchyg Pilipilas/</td>
<td>Gubkin Bank</td>
</tr>
<tr>
<td>12 Tsentrinoye</td>
<td>Shafag</td>
</tr>
<tr>
<td>13</td>
<td>20</td>
</tr>
<tr>
<td>14 Azi-Aslanova</td>
<td>Livanov</td>
</tr>
<tr>
<td>15 Azeri/26th</td>
<td>Kapaz/</td>
</tr>
<tr>
<td>16 Pricheleken</td>
<td>Promezhutoch/</td>
</tr>
<tr>
<td>17</td>
<td>21</td>
</tr>
<tr>
<td>18 Lam Bank</td>
<td>Garasu</td>
</tr>
<tr>
<td>19 Gubkin Bank</td>
<td>29</td>
</tr>
<tr>
<td>20 Livanov</td>
<td>28</td>
</tr>
<tr>
<td>21 Kapaz/</td>
<td>Lerik</td>
</tr>
<tr>
<td>22 Yuzhnaya</td>
<td>Sharg-Araz;Alborz</td>
</tr>
<tr>
<td>23 Shah-Deniz</td>
<td>27</td>
</tr>
<tr>
<td>24 Bakhar</td>
<td></td>
</tr>
<tr>
<td>25 Kursani</td>
<td>26</td>
</tr>
<tr>
<td>26 Khamandag</td>
<td>Araz (Alov)</td>
</tr>
<tr>
<td>27</td>
<td>25</td>
</tr>
<tr>
<td>28 Lerik</td>
<td></td>
</tr>
<tr>
<td>29 Garasu</td>
<td></td>
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<tr>
<td>30 Shirvan</td>
<td></td>
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<tr>
<td>31 Bulla-Deniz</td>
<td></td>
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<tr>
<td>32 Alyaty-Deniz</td>
<td></td>
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<tr>
<td>33 Bulla Island/Duvanny-Deniz</td>
<td></td>
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<tr>
<td>34 7th March</td>
<td></td>
</tr>
<tr>
<td>35 Lokbatan-More</td>
<td></td>
</tr>
<tr>
<td>36 Gum-Deniz/Peschanyy</td>
<td></td>
</tr>
<tr>
<td>37 More</td>
<td></td>
</tr>
</tbody>
</table>

Table 1. Oil and Gas Reserves of the CSR

<table>
<thead>
<tr>
<th>Country</th>
<th>Proven Oil Reserves (low –high range)(bbl)</th>
<th>Possible Oil Reserves (bbl)</th>
<th>Proven Gas Reserves (Tcm)&lt;sup&gt;^&lt;/sup&gt;</th>
<th>Possible Gas Reserves (Tcm)&lt;sup&gt;^&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Azerbaijan</td>
<td>7 - 7</td>
<td>32</td>
<td>0.84</td>
<td>0.99</td>
</tr>
<tr>
<td>Iran*</td>
<td>0.1</td>
<td>15</td>
<td>0</td>
<td>0.31</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>9 - 40</td>
<td>92</td>
<td>1.83</td>
<td>2.49</td>
</tr>
<tr>
<td>Russia*</td>
<td>0.3</td>
<td>7</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>0.55 - 1.7</td>
<td>38</td>
<td>2.0</td>
<td>4.49</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>0.3 - 0.59</td>
<td>2</td>
<td>1.87</td>
<td>0.99</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17.2 – 49.7</strong></td>
<td><strong>186</strong></td>
<td><strong>6.54</strong></td>
<td><strong>9.27</strong></td>
</tr>
</tbody>
</table>

Sources: Compiled from EIA, “Caspian Sea Region: Survey of Key Oil and Gas Statistics and Forecasts”, July 2006, online at http://www.eia.doe.gov/emeu/cabs/caspian_balances.htm
Notes: ^ Data converted from Cubic feet to cubic meters and calculated by the scholar.
* Only Caspian area, bbl=billion barrels, Tcm= trillion cubic meters

While Soviet experts had estimated the region’s oil reserves to approximately 10 billion barrels, the U.S Department of State announced in May 1997 that the CSR’s potential, including undiscovered and possible reserves, was as high as 200 billion barrels of oil and 8 trillion cubic meters of gas. However, the US Department of Energy’s independent statistical unit, IEA, estimated CSR oil reserves between 17 and 33 billion barrels, a bit less than BP’s 2005 estimation. It must be noticed that IEA’s July 2006 estimation of CSR’s possible oil reserves of 186 bbl is somehow closer to the initial estimation of the US Department of State. At the most, the proved oil reserves of the CSR would be 1.3 - 2.8 % of the world’s total while substantial natural gas reserves can amount to 6 % of the world’s total. This however is no match for instance with Saudi Arabia’s oil reserves which is 22 % of the world’s total or with Russian and Iranian gas deposits, each holding respectively 27 % and 15 % of the world’s total gas reserves (Crandall 2006:10-14). So far and in the absence of reliable statistics and sound data produced by the littoral countries for clear understanding of region’s energy deposits, one has no choice but to rely on three known western sources namely the U.S. Department of Energy(DOE)/ Energy Information Administration (EIA), British Petroleum (BP) and Oil and Gas Journal (OGJ). As it can be seen in following tables, these three sources’ low range oil reserve estimation of the CSR are the same and the
differences are slight. The sudden increase in high range estimation of EIA’s 2006 report is due to new oil field discovery in Kazakhstan. As far as BP and OGJ’s estimations are concerned, the first relied on the high-range while the latter cautiously relied on law-range figures.

The quality of CSR oil is likely to compete with Middle-East OPEC crude. It is comparatively of higher quality and cleaner than the Siberian crude. Azerbaijani crude oil is high, light and sweet while Kazakh crude oil is light but at the same time high in sulfide and in mercaptans which are mostly being removed before export (Kohl 2000: 139).

<table>
<thead>
<tr>
<th>Sources</th>
<th>Azerbaijan</th>
<th>Kazakhstan</th>
<th>Turkmenistan</th>
<th>Uzbekistan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>BP 2007</td>
<td>7.0</td>
<td>39.8</td>
<td>0.5</td>
<td>0.6</td>
<td>47.9</td>
</tr>
<tr>
<td>EIA 7/2006</td>
<td>7 - 7</td>
<td>9 - 40</td>
<td>0.55 - 1.7</td>
<td>0.3 - 0.59</td>
<td>16.85 - 49.29</td>
</tr>
<tr>
<td>EIA 8/2003</td>
<td>7 - 12.5</td>
<td>9 - 17.6</td>
<td>0.5 - 1.7</td>
<td>0.3 - 0.6</td>
<td>17.2 - 32.8</td>
</tr>
<tr>
<td>OIJ 12/2005</td>
<td>7.0</td>
<td>9.0</td>
<td>0.5</td>
<td>0.6</td>
<td>17.1</td>
</tr>
</tbody>
</table>


When it comes for proven gas reserves of the CSR and similarly to proven oil reserves, the BP’s total estimation is the most optimistic one, while EIA and OGJ’s data are matching from 2003 onward. In BP’s 2007 ‘Statistical Review of World Energy’ report one can see a major change. Kazakhstan’s proven gas reserve is mentioned as high as 3.0 Tcm. According to BP, it is now Kazakhstan which is leading over the four other littoral states both in terms of oil and gas reserves. Even Turkmenistan, though known for its immense gas reserves with 2.86 Tcm, is lagging behind Kazakhstan.
Table 3. Estimated Proven Gas Reserves in the CSR (Trillion Cubic meters)

<table>
<thead>
<tr>
<th>Sources</th>
<th>Azerbaijan</th>
<th>Kazakhstan</th>
<th>Turkmenistan</th>
<th>Uzbekistan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>BP 2007</td>
<td>1.37</td>
<td>3.0</td>
<td>2.86</td>
<td>1.87</td>
<td>9.1</td>
</tr>
<tr>
<td>EIA 7/2006 *</td>
<td>0.84</td>
<td>1.83</td>
<td>2.0</td>
<td>1.87</td>
<td>6.54</td>
</tr>
<tr>
<td>EIA 8/2003 *</td>
<td>0.84</td>
<td>1.82</td>
<td>2.0</td>
<td>1.8</td>
<td>6.5</td>
</tr>
<tr>
<td>OGI 12/2005</td>
<td>0.84</td>
<td>1.82</td>
<td>2.0</td>
<td>1.9</td>
<td>6.56</td>
</tr>
</tbody>
</table>


Note: * Data converted from Cubic feet to cubic meters

Since their independence and taking into account the quantity of proven energy reserves, littoral republics of the Caspian Sea have made progress towards developing their hydrocarbon resources, though further exploration and development of the region’s energy sector is yet to be done. While multinational oil companies have initiated numerous large-scale projects in Kazakhstan and Azerbaijan, Turkmenistan has achieved only smaller-scale deals. Oil and gas development in the Russian sector have been similarly less important and in Iranian part of the Sea almost nonexistent. Yet, despite the high cost of energy exploration and transportation, legal and environmental problems, and uncertainties of the surrounding governments, oil and gas companies are competing in the CSR to sign contracts, especially in Kazakhstan and Azerbaijan. (Crandall 2006: 54).

Several complicated issues prevented maximum hydrocarbon exploitation of the CSR. Though oil companies are eagerly signing contracts and are involved in the extraction business thoroughly, full extraction of oil and gas reserve have not yet been realized. Technical, economic, logistical, geopolitical and social issues have led to the exploitation of only few of the major oil fields and have forced some other key contracts and pipeline projects to remain on the paper. Several obstacles should be tackled first in order to maximize the energy extract of the CSR and its export to the world markets (Jaffe 2000: 150-151). The hanging legal regime problem still remains one of the major problems.
Legal Regime of the Caspian Sea

The final status of the Sea remains to be agreed by the states concerned. To decide whether it’s going to be recognized as ‘a Sea or a Lake’, or going to be fully divided among littoral states on whatever method, would facilitate the energy extraction on a larger scale. Though three littoral states out of five have virtually divided their own sections of the sea, the Caspian Sea’s full energy exploitation won’t happen unless and until an overall agreement is reached. Unclear and uncertain status of the Sea will simply lead to discord and conflicting plans on energy routes and direction of pipelines among littoral and non-littoral states. Investment of huge capital is also a necessity for extraction and transportation of region’s oil and gas reserves to the world market. Since extraction cost of a barrel of oil in landlocked Caspian Sea is as high as $ 5(extraction cost in Persian Gulf is around $1) and high technology for deep water is required, such investment is inevitable. Littoral states alone certainly cannot afford such investment as they neither possess the needed technology nor have sufficient capital to invest. Consequently the only financial investment could come from foreign international companies or banks which won’t invest readily and quickly if security concerns are not tackled and if oil or gas fields are disputed. Security concerns are indeed one of the major obstacles in energy exploitation and export in the CSR.

The Caspian Sea is a landlocked sea and is not connected to the world’s high seas or oceans ‘naturally’. It is connected to the Black Sea via man-made artificial Volga-Don Canal through the Volga and Don Rivers. Being the biggest body of water on land it is called Sea but not lake. Being 1200-km long with an average width of 250-km (in 1977) five states now all together share 6500-km coast of the Sea: Kazakhstan 2000-km, Turkmenistan 1700-km (including the shores of the Kara-Bogaz Gol), Azerbaijan 800-km, Russia 1100-km (of which 300 km belong to the Astrakhan region, 600-km to the autonomous entity of Dagestan and 200- km to Kalmykia), and Iran 900-km.
Three Periods in the History of the Caspian Sea’s Status

Since the 18th century onward, the Caspian Sea has seen three major changes in terms of the rights of the littoral countries to the Sea. These three periods can be divided into:

1. Rise of the Russian empire (1813 and 1828 treaties)
2. Fall of the Russian empire and the rise of Bolsheviks (1921 and 1940 treaties)
3. Fall of the Soviet Union

During initial reign of Nader Shah Afshar (1736-1747) who first launched the first Iranian gunship in 1742 in the Caspian Sea, Persia, yet not facing the full might of Russia had equal right to the Sea and the relation between the two countries including shipping and
trade was relatively normal and equal. This was to change a century later with Russia under Peter the Great and his southward expansion and aspiration to find a way toward warm water of the Persian Gulf.

In the 19th century, while Persian power under the Qajar dynasty was declining, that of Russia was rising under the Tsar and soon had to confront Britain in the Great Game. Russians southward expansion to confront Britain brought it to the gates of Persia in Caucasus and Central Asia. Confronting Persia twice and emerging as a victor in Caucasian wars (1804-1812 and 1826-1828) Russia imposed two peace treaties on Persia, known as the Gulistan (12th October 1813) and the Turkmenchai (22nd February 1828) treaties. The fifth Article of the first and the eighth Article of the latter dealt with navigation and commerce in the Caspian Sea. Not referring to any maritime border issue, these two treaties allowed equal trade and shipping rights for both countries but preserved the right of keeping fleet of warships only for Russia.

Russian dominance of the Caspian Sea legally got abrogated by Bolsheviks. Toppling Tsar in 1917, Communists aimed to 'free all nations from capitalism' not only in Russia but universally. To do so, the Soviet Union cancelled all previous 'imperialistic' agreements of the Tsar and signed the 1921 and the 1940 treaties. Article 11 of 26th February 1921 Persia and Russia Friendship treaty considered equal right for both Russia and Persia in terms of shipping and keeping warships. From now onward, the Sea was referred to as the Russo-Iran Sea. Article 11 read: 'The two high contracting parties shall enjoy equal rights of free navigation on the sea, under their own flags, as from the date of signing of the present treaty' (Hurewitz 1956: 92). Note 4 of Article 12 of the 1940 treaty stated 10 nautical miles from each coast as the exclusive fishing zone of each country but nowhere the treaties mentioned the issue of territorial zones of the two countries (Namazi and Farzin 2004: 231-2, Akiner 2000: 71).

With the disintegration of the Soviet Union in 1991, the 1921 agreement between Russia and Persia and 1940 agreement between Soviet Union and Iran related to navigation and commerce in the Caspian Sea became redundant. The collapse of the Soviet Union brought into existence three more republics that shared the Sea along with Iran and Russia. As they claimed their share, the Caspian turned to a disputed Sea and has remained so till
today. The debate was focused on whether these new republics should be considered as the successors of the Soviet Union by observing its treaties, or as independent republics by no means obliged to do so.

‘Clean State Doctrine’ theory states that since these new counties had not been involved in the decision-making process, they are not obliged to remain loyal to the commitments made by another country. On the contrary, the theory of ‘State Succession’ states that since new countries are just successors, they must inherit the commitments of the previous country/government. Though newly independent republics assured Russia and Iran in 21th December 1991 Alma-Ata Declaration of establishment of the Commonwealth of Independent States (CIS), that they would observe the USSR’s international treaties and agreements, it soon appeared that they wouldn’t sacrifice their independencies, national interests and territorial rights for sake of loyalty to the Soviet agreements.

So far and for two main reasons, the Caspian Sea has remained a disputed body of water. First, there is no concrete international legal regime applicable to the division of the sea. Second, there exists no treaty among littoral states accepted to all. These two facts have driven littoral states to interpret the ‘legal concepts’ according to their own interests. As yet, all littoral states of the Caspian Sea have not come to an overall agreement on the final status of the Sea.

**Question of Being a Sea or a Lake and Division Methods**

The opening discourse on the Caspian legal regime was the question whether Caspian basin should be recognized as a sea or as a lake. Though the question of Caspian being ‘a lake or a sea’ is nowadays pale, each side had nonetheless grounds for their argument. Favoring a lake-status and demanding a joint management for the Caspian, Russian and Iran argued that condominium method will prevent fast development of the hydrocarbon deposits by littoral states thereby protecting the ecosystem of the sea. Moreover, referring to historic treaties, Russia and Iran argued that none of the treaties signed between Soviet Union and Iran ‘contained any provision for formal delimitation of the Caspian’ except the 1940 treaty’s 10 Nautical Mile (nm) fishing Zone. The same treaty asserted that the “parties hold the Caspian to belong to Iran and to the Soviet Union” and no
third state had any right in the Sea, including the right of navigation3 (Gregory 2000: 30).

On the other hand those in favor of a sea-status for Caspian -with Azerbaijan as the leading republic- refer to Part IX of the 1982 United Nations Convention on the Law of the Sea and argue that article 122 could define the Caspian as an enclosed or semi-enclosed sea: “A gulf, basin or sea surrounded by two or more states and connected to another sea or the ocean by a narrow outlet or consisting entirely or primarily of the territorial seas and exclusive economic zones of two or more coastal states” (Annick de Marffy-Mantuano : 1995). However, despite Azerbaijan’s position, there is no reason to prevent the Caspian to be treated as an inland lake and managed jointly. There are cases which had similar situation than Caspian such as; Lake Victoria (among Kenya, Tanzania, and Uganda), Lake Malawi (between Malawi and Mozambique), the Great lakes of North America (between Canada and the United States), Lake Titicaca (between Bolivia and Peru), and Lake Geneva (between France and Switzerland) (Schofield and Pratt 1996: 78).

According to Dekmejian and Simonian, “Should the Caspian be considered as a sea and become subject to the 1982 Convention on the Law of the Sea, its delimitation would follow the universal rules that apply to open seas, as the Convention did not establish any specific delimitation regime for enclosed seas. In accordance with these rules, the riparian stats of the Caspian Basin would be entitled to extend their sovereignty over the internal waters and territorial sea, up to a distance of 12 nautical miles (nm) from the coast. Their rights beyond the 12 nm, known as the contiguous zone, which runs up to 24 nm from the coast, would be limited to police, customs, fiscal, immigration or sanitary function, which would help them prevent or repress violation of their laws within their territory and territorial sea. They would then have sovereign rights- but not absolute sovereignty – over an area of up to 200 nm of the continental shelf, and even up to 350 nm depending on the physical configuration of the continental shelf, and over the exclusive economic zones of up to 200 nm as well. Given that the Caspian’s width is far less than 400 nautical miles, no part of its expanse would be considered as High Seas, and the littoral states’ exclusive economic zones and continental shelf will fall short of the 200 nautical miles limit...If the median line

3 None of the 1921 and 1940 agreements addressed the issues ownership and utilization of underground resources.
method is adapted, the border lines of the exclusive economic zones and of the portions of the continental shelf would be identical, but other delimitation rules could be applied, resulting in different boundary lines for each zones.” Should the Caspian be considered as a land-locked body of water or as a lake the “the riparian countries could turn to state practice, which in most cases has subjected frontier lakes to delimitation, but they would remain free to choose the status known as joint sovereignty or condominium, or to opt in favour of a sui generis status possibly combining national sectors with an area held in common” (Dekmejian and Simonian 2003: 21-22).

Figure 5. Maritime Zones

Source: Maritime Zones (in Schofield, 2003:18, after Prescott), available online at http://madeandi.staff.ugm.ac.id/images/mz.JPG

Thus, if the Caspian basin was recognized as a sea, as Azerbaijan, Kazakhstan and Turkmenistan4 requested, according to the 1982 UN Convention on Law of the Sea, it would be then divided into territorial zones or national sectors, which would leave less share to Russia and Iran.5 If it was going to be known as a lake, as Russia and Iran were

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4 Turkmenistan’s stance has changed several times. But it seems that as its national interest prescribes Ashgabat would finally favor the division of the Sea into national sectors.
5 Azerbaijan and Kazakhstan initially argued that the Caspian Sea should be treated under Article 122 of the 1982 UN Convention on the Law of the Sea which defines a semi-enclosed or enclosed sea as “a gulf, basin or
demanding, then it would have been the common property of all the littoral states. In this case, all the resources of the Caspian would belong to all and its regime would be defined by the agreement of all the littoral states.\(^6\) Russia was strongly in favor of a status of lake for the Caspian Sea. Nevertheless, after discovering oil and gas fields in its own part of the Sea and knowing that these parts hold adequate oil reserves, Russia arranged bilateral arrangements with Kazakhstan and Azerbaijan and signed agreements which divided the Caspian into national sectors. Since the 1982 UN Convention on the Law of the Sea is applicable to its members only (to which only Russia and Iran are signatories) and since the convention in itself is not transparent enough and lacks a clear method of delimitation, it is up to the littoral states only to resolve the delimitation and division of the sea by themselves.

According to experts, “International law provides precedents for dealing with undersea property rights and associated legal issue, but the eventual application to the Caspian of international legal conventions for oceans, sea and lakes depends upon the economic and political interests of participating countries. “International law can provide a convenient starting-point, but it will not resolve what are basically political and economic issues” (Gregory 2000: 29). So far four division methods have been suggested known and discussed but none have been accepted by all littoral states so far.

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\(^6\) A sea surrounded by two or more states and connected to another sea or ocean by a narrow outlet or consisting entirely or primarily of the territorial seas and exclusive economic zones of two or more coastal states.

\(^6\) This is not favored by Azerbaijan, Kazakhstan and Turkmenistan as they hold the rich reserves in their national sectors.
1. **Dividing the Caspian Sea into equal parts**: This proposed method which considers equal 20 percent share for each littoral state is already out of question as it reduces the share of Azerbaijan, Kazakhstan and Turkmenistan, all having sizable off-shore oil and gas reserves in proximity of water to their coastlines. Initially based on what they argued as their historical rights, Iran and Russia favored such division. Nonetheless it was objected to by three other littoral states.

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7 Despite the useful figures, it is obvious that O'lear has misunderstood the Russian and Iranian stances on 'sea' and 'lake' status. He writes in page 170 that: "...both Russia and Iran promoted the view of the Caspian as a Sea" which is not true as Iran and Russia favored a lake status., and adds: "if determined to be a lake, the Caspian could be divided into national sectors or zones ..." which again is not true as, if lake then it could be shared by all littoral states (condominium). Therefore the original title of the figure is changed here by replacing the 'Lake' with 'Sea'. O'lear, Shannon., “Resources and Conflicts in the Caspian Sea”, in Le Billon, Philippe, (ed.), *The Geopolitics of Resource Wars: Resource Dependence, Governance and Violence*, Routledge, UK, 2004, pp.171-2.
2. Dividing the Caspian Sea based on the hypothetical line of Astara-Hassanqoli and interior border-lines of former USSR republics: mostly favored by Azerbaijan, this method is to draw a line from Azerbaijan’s Astara to Turkmen’s Hassanqoli mostly to clear Iran’s share. Arguing that the water of the Caspian Sea had already been divided between the former Soviet Republics, there should be no further division of the Caspian Sea. Vyachesslave Gizzatove, Kazakhstan’s Ambassador in Iran stated in 15th June 1999 in Tehran that “the soviet part of the Caspian Sea was divided in 1970 to sectors between Azerbaijan, Kazakhstan, Russia and Turkmenistan on the basis of median line. According to this division the national sector of Kazakhstan is 113 thousand sq.km., i.e. 29.7%; Turkmenistan, 80 thousand sq.km., i.e. 21%; Azerbaijan, 78 thousand sq.km., i.e. 20.5%; Russia, 65 thousand sq.km., i.e. 17.1% . The remain 44 thousands sq.km, i.e. 11.5% of the Caspian Sea area of water situated to the south of Astara- Hassanqoli line [is Iran’s share of the Caspian Sea]” (Aghai-Diba 2003: 52). This method which is dividing the Sea according the length of the coastline of the states leaves Iran not more than 11 % of the share. Iran strongly considers the hypothetical line of Astara-Hassanqoli void and opposes such method, arguing that the Sea was Russo-Iranian and was not to be demarcated.

3. Dividing the Caspian Sea according the Median Line: An ideal method to divide water between two states but lacking clarity to divide water shared by several states, this method considers shares of the states based on median line and equal distance from both opposite shores. If the Sea was going to be divided on the bases of a Median Line (ML) then Russia would be getting almost 19%, Azerbaijan 21 %, Kazakhstan 28.4%, Turkmenistan 18% and Iran almost 13.6%. Rejecting ML formula, Iran favored condominium (joint management, exploration and exploitation of the Caspian Sea) for common administration of the Sea but when left alone Iran insisted that the Caspian Sea must be divided into 20% shares among the littoral states (Namazi and Farzin 2004: 240-241). If the rules of the 1982 UN Convention on the Law of the Sea was to be applied to the Caspian Sea, Russia feared that the Volga-Don and Volga-Baltic sea channels might be recognized as international waterways. This could have opened the Caspian Sea to the other states (Aghai-Diba 2003:

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8 In some texts spelled incorrectly as Gasankuli or Gasan-Kuli.
56). To eliminate such unwanted claims Russia came up with Modified Median Line (MML) formula.

4. Dividing the Sea according the Modified Median Line (MML) and bilateral or multilateral agreements: As none of the above methods worked, Russia went ahead with MML formula and bilateral agreements first with Kazakhstan in 1998 and then with Azerbaijan in 2001. By dividing the Sea bed according to the MML and making the surface for common use and navigation method worked in Northern Caspian Sea but due to disputes over hydrocarbon reserves between Azerbaijan, Iran and Turkmenistan, such method has not yet ended with the division of the Southern Caspian Sea. Moreover, if Iran accepts the MML formula, Tehran will then end up with only 13% of the Caspian seabed and disputed oil field of Alborz/Alov will fall into Azerbaijan’s territory but not Iran’s. Disputed Serdar/Kapaz field will go to Turkmenistan but not to Azerbaijan. According to the MML formula, Russia would be getting almost 19.6%, Azerbaijan 21 %, Kazakhstan 28.4%, and Turkmenistan 18% (Aghai-Diba 2003: 137).

Russia Changes the Course of the Dispute

From initiation of the dispute over the Caspian Sea division in 1991 to escalation of the disagreements in 1994-5 and to its climax in 1997-8, Russia became the only littoral state which made a major shift in its policies of Caspian Sea’s legal regime. From 1991 to 1998, Russia and Iran were in one camp claiming the status of the lake for Caspian water while Azerbaijan, Kazakhstan and Turkmenistan were in opposite camp claiming the status of a Sea. However, this coalition was to change later.

The fierce dispute was between Russia and Azerbaijan. While powerful Russia was Iran’s voice too, the most outspoken Azerbaijan was the voice of Kazakhstan and Turkmenistan. Baku has opted for cutting its dependency from Russia and adamantly denied Russian influence and re-entry in its domestic policies. Meanwhile Almaty and Ashgabat could oppose Iran but could not disappoint Russia to the extreme, as both were and still are dependent on Russia in several ways. Turkmenistan and Kazakhstan rather opted for a combination of ‘oppose–appease’ approach vis-a-vis Russia.

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9 Kazakh Capital Almaty moved to Astana in 1998.
Emphasizing on 1921 and 1940 treaties, Russia and Iran claimed that the Sea had already been divided between two of them and that the three other littoral republics, inheritors of Soviet Union must abide the international norms by not demanding a share of the Caspian, a Sea of which mineral resources, fishery and navigation had been an integral part of their lives for many years. Russian and Iranian approach initially was an attempt to compel other three littoral states to accept a status of a lake for Caspian at the most, or a considerable share of the Sea, at the least. At a time Iran went even further stating that it must receive 50% of the sea. According to former foreign minister of Turkmenistan, Boris Shikhmuradov (who left the government in November 2001), "it would make the most sense to split the sea according to the original ‘50/50’ model along the old Iranian and Soviet boundaries, and then to split the old Soviet half equally among the four former Soviet states that border the Caspian."¹⁰ (Shikhmuradov: 3 May 2001) In return and favoring a status of sea for Caspian basin, republics of Azerbaijan, Kazakhstan and Turkmenistan were arguing that those treaties are void and that their sovereignty entitles them not only to share the Caspian but also to divide it into national sectors. Moreover they claimed that both 1921 and 1940 Soviet-Iranian treaties regulated navigation and fishery but not seabed’s hydrocarbon reserves. Indeed both treaties were silent on mineral resources and exploration of the seabed.

In July 1998 a bilateral agreement between Russia and Kazakhstan marked the beginning of resolving the Caspian legal dispute. According to this agreement both states divided the seabed and agreed on joint control of seawater and sea’s surface. Yet on January 2001 Russia made another bilateral agreement with Azerbaijan demarcating the seabed zones between themselves. The agreement was finally signed by Aliyev and Putin in Moscow on 23th September 2002. By these two bilateral agreements the Northern and central Caspian seabed got demarcated and the legal status of hydrocarbon reserves of three states became clear (Croissant and Aras 1999: 35).

"On the eve of negotiation on the issue between Kazakhstan and Russia on 9-10 February 1998, Russian foreign Ministry Special Envoy Feliks Kovalev made the surprising announcement while in Baku that Russia was ready to carry out ‘a fair division on the

¹⁰ Boris Shikhmuradov was former foreign minister of Turkmenistan who left the government in November 2001. While in exile he became one of the main leaders of the country’s opposition movement condemning the country’s authoritarian President Saparmurat Niyazov.
Caspian (sea)bed'. Moscow's apparent shift made a breakthrough possible, and by July an agreement was signed by the presidents of Kazakhstan and Russia to divide the seabed- and thus the mineral resources- of the northern Caspian between the two countries, while leaving the water surface under joint control. The measure met qualified approval in Baku, but was rejected by Iran. Possibly, to appease Iran, Moscow quickly downplayed the significance of the accord. During a visit to Tehran on 21 July, Russian First Deputy Foreign Minister Boris Pastukov told the Iranian side that the agreement "does not infringe on the right of other Caspian Sea states, including Iran, and does not create a special status for the northern part of the Caspian Sea; neither does it contradict the Soviet-Iranian treaties of 1921-1940." Moreover, Pastukov stressed that Russian-Kazak measure was not intended to serve as the final agreement on a legal regime for the Caspian, but that such an agreement can be reached only via consensus of all five littoral states. In this connection, Russia announced on 29 July that the agreement on the northern Caspian would enter into effect only after the five states sign a convention on the Caspian's status." (Croissant and Aras 1999:35).

Iran, losing Russia - its influential partner on the legal regime of the sea - was left alone with Turkmenistan, a republic with 'vague policies'. Turkmenistan favors Iran as a potential transport route for its energy export and appreciates Iranian pressure on Azerbaijan with which both Iran and Turkmenistan are disputing ownership of oil fields.

There are four views on Russian change of policy and drastic shift on it Caspian Sea's legal regime. The first is to view it as an internal factor and pressure of domestic oil and gas companies on Russian foreign ministry and on executive administrations, mainly the President. The second view states that reduction of oil production in Russian Siberia was the main reason for this sudden tilt of position. Some Russian experts believe that out of 300 million ton of Russian oil production 100 million ton is not economical as it is not covering even the production cost. The third view on Russian bilateral agreements on division of the sea into the national sectors holds that discovering new oil fields in the Russian section of the sea convinced Russia to change its position. And the last view sees political and economical pressure of the West as the main reason (Zare'I 1385:29). However, the major changes in Russia's position could be seen in reconciliation of different views between Russian Energy and Fuel and Foreign Ministries. While the first Ministry's aim was...
economic gain, the latter’s concern was security and a matter of pride as the ‘Cold War’ was not yet an old memory. Since after its disintegration Russia economically collapsed and was not ordered and organized, it was consequently not in the position to oppose Western and especially American companies’ participation in the energy development of the Sea. Moreover, Russia was not in the position to challenge all its former republics’ new ambitions and their desire for the West’s financial aid and support. So, to exploit the situation for its own interest, Russia not only could not and did not impede the Western commercial interests in the Caspian region but also took part in their projects. It became a party to the ‘Contract of the Century’\textsuperscript{11} in 1994, and hoped to transit export pipelines passing through its territories to further enhance its geostrategic influence and economic gain.

Iran’s Final Stance on the legal Regime of the Caspian Sea

Unlike some experts who consider economic factor as the main reason for Iranian involvement in the CSR and especially its stance on the issue of legal regime of the Sea in the first place (Hart’s Exploration and Production Daily 2000), others believe that the active Iranian Caspian Sea involvement is mostly due to its historical rights and memories, geostrategic and security calculations as well as to domestic and foreign policies, but not necessarily and solely because of its economic or pipeline aspirations.

Iranian history textbooks starting from secondary school onward remind and refresh the bitter loss of northern territories to Russia which is still alive in Iranian memory. The

\textsuperscript{11} On 20th September 1994, after three and a half years of arduous negotiations, Azerbaijan and a Consortium of foreign oil companies signed a production sharing contract in Baku's Gulistan Palace to develop Azerbaijan's Caspian oil reserves. This agreement called for a total $7.4 billion investment over 30 years in three offshore oil fields of Guneshli (82 km offshore in the section which is deeper than 200 meters), Chirag (94 km) and Azeri (113 km). This contract signed between SOCAR and the Western Consortium and in the presence of UK energy minister, US ambassador to Baku, President Heydar Aliyev, US energy deputy secretary, Russian ministry of fuel and energy, etc., came to be known as the Contract of the century. The division of stakes and expenses among the eleven final multinational signatories was as follows: SOCAR (Azerbaijan) 20\%, British Petroleum (UK) 17.127\%, Amoco (USA) 17.01\%, Lukoil (Russia) 10\%, Pennzoil (USA) 9.82\%, Unocal (USA) 9.52\%, Statoil (Norway) 8.563\%, McDermott International (USA) 2.45\%, Ramco (Scotland) 2.08\%, Turkish State Oil Company (Turkey) 1.75\%, Delta-Nimir (Saudi Arabia) 1.68\%. In addition to the $300 million bonus that Azeri government was to receive from the Consortium for signing the agreement, John Browne of BP on behalf of all the Consortium members, presented a $5 million gift to President Aliyev to be used upon Parliament’s ratification of the Contract for the rejuvenation and refurbishing of a hospital in Baku.
illustrated pictures of 19th century Persia show a weakened country ruled by weak and unable kings and princes, mainly concern with their throne rather than with the country’s territorial integrity. Under 19th century Qajar dynasty, Persia lost Baku and Ganja which was followed by the loss of Armenia and all of Azerbaijan to the Russia (The History: Text Book for 9th Grade 1382, Iranian Calendar / 2003: 34-35).

What makes Iran as adamant as Azerbaijan on the division of the Caspian Sea can be analyzed from both national and international aspects. Internally, the Iranian regime is under domestic psychological pressure from public, media, and various national or other groups not to opt for any sort of compromising policies on the division of the Sea. Same and even stronger pressure does exist for Tunbe-Kochak, Bozorg and Abu’musa in the Persian Gulf, three islands that the UAE is claiming with Arab support. Iran’s nationalistic memory is fresh and sour with the fall of Persian Empire to the Arabs in 7th century, let alone the loss of northern territories to Russians in the 19th century. Shrinking throughout centuries, Persia got its final shape in the first half of the 19th century and remains so till today. Preventing its further shrinking and preserving its total integrity will gain credibility for any regime governing Iran. (Immediate and unconditional deletion of ‘Arabian Gulf from Google Earth: 2008) 12. Failing to protect and to safeguard Persian Gulf islands or Caspian Sea water and resources will undoubtedly put the credibility and legitimacy of Iranian regime under question, and will pave the way for reformists or nationalists to raise their voices. It could even lead to the uprising and the mobilization of the nation to seize the power. Though such uprising is not probable under present Iranian regime which is stable and suppressive enough, nationalists under Mossadegh (favouring nationalizing the Oil industry) and reformists under President Khatami (on quest for more liberty) had challenged Reza Shah and supreme Leader Ayatollah Khamanei. With concession on Caspian water these two events may be repeated again.

12 Since ancient times almost all foreigners referred to the entire country as Persia until 21 March 1935, when Reza Shah Pahlavi issued a decree asking foreign delegates to use the term Iran instead of Persia in formal correspondence, a name that the people of Persia, themselves, used to refer to their country since the Sassanid period. "Iran" means "Land of Aryans". In 1959, some Persian scholars protested to the government that the name change had separated the country from its ancient civilization. Therefore, the late King Mohammad Reza Shah Pahlavi announced that both Persia and Iran can be used in Western languages.
Other Iranian major concerns vis-à-vis the Caspian legal regime are geostrategic and security related. To some Iranian experts, Iran’s stance on rejecting the division of the Sea according the MML formula or to the national sectors is not baseless as such divisions will leave the surface of the sea for common use of littoral states. This means that there will be no border or buffer zone between Iran and Russia, which holds the strongest naval might. According to this view, the disintegration of the Soviet Union and the creation of new republics were historical momentums as it took mighty northern Russia away from Iranian borders. If there will be no free Caspian navigation regime and if Caspian Sea water is going to be demarcated by international norms, it will be for Iran’s interest as it will keep the northern threat away. From 18th century onward, Iran’s security has been directly influenced by bordering mighty Russia, both on land and in the Caspian Sea.

At the international level, Tehran believes that the West and particularly Washington are the main threat to its total integrity since they back the Persian Gulf Arabs, the UAE or Caspian Sea republics. So for time being, fearing public opinion and opposition and to counter increasing influence of the USA in the region, Iranian regime will opt for uncompromising policies in both the Persian Gulf and the Caspian Sea.

According to an Iranian international law-expert, Iran must take the following measures in order to preserve its Caspian Sea legal rights. Since ‘the median line and equidistance method are well known methods but no country is obliged to use it exclusively’ then Iran must ‘continue to reject the bilateral treaties between the littoral states of the Caspian Sea as null and void’. This can be fruitful if the case would be presented to the International Court of Justice (ICJ) in The Hague. At the same time indicating on its “historical rights” and the “size of its population” whilst improving relations with the USA, Iran may take the case to the United Nations as Mossadegh did during the nationalization of Iranian oil industry and dispute with the United Kingdom. And the most important of all, in the ‘the last defense line’, Iran has not many option but to “try to use the Turkmenistan card” by offering “some material assistance” to Ashgabat (Aghai-Diba 2003: 179-182).

To sum up, Iran’s initial stance was a joint management and exploitation of the Caspian sea-bed resources and surface-water. Being abandoned by Russia in 1998, Iran was left alone with Turkmenistan, a country which holds relatively closer views to Tehran than
to other littoral states. After the division of the northern Caspian Iran’s Foreign Minister Kamal Kharrazi announced on 29th May 1998 that though Iran still favors a joint exploitation and management of the sea, it was ready to accept the division of the sea under ‘certain conditions’. The ‘conditions’ from Iranian view were ownership of the Sea till 45-mile from coastline and joint management of the rest by all littoral states. Since other states did not respond positively with the exception of Turkmenistan, Iran opted for its last choice, claiming 20% of the Caspian Sea. So, Iranian initial position insisting on exploitation of the Caspian Sea by all (condominium) changed into division of the sea into equal share. Iran still insists that it should be given 20% of the Sea but its position is weakened and Iran is likely to lose the legal battle. It seems that the “pattern of bilateral agreements for the Northern zone of the Caspian will eventually extend to the Southern Caspian, where Azerbaijan, Turkmenistan and Iran must eventually reach agreement on national zones.”

Iran’s stand on legal regime and on the complete division of the Sea into the national sectors could soften if a Major Export Pipeline would pass through its territory (Gregory 2000:50).

**Pipelines: Politics and Routes**

Oil “will not be produced if it cannot be moved to market” (Eble 2000:2-3). Oil transportation has undergone great changes since its industrial beginning in late 19th century. From its initial carriage in leather bags to its move to the markets in wooden barrels by horses or mule-pulled carts, and finally its massive worldwide transportation by ships and pipelines, the history of oil transportation has been an important part of the oil business. However, the first steel pipeline that ever got constructed was in CSR in 1877. It was laid between Balakhan oil field to the refinery in Black town (both in present Azerbaijan), where oil workers lived. In 1889, Nobel built the second pipeline along the rail route which was reaching to Suram and seventeen years later in 1906, Russians built a 560-mile, 8-inch pipeline between Baku and Batumi, at that time the longest in the world (Eble 2000: 2-3). In our time unlike at the beginning, the pipelines are not merely commercial means but rather political instruments.

Major reliable oil-pipelines and more secure routes are yet to be built or introduced as none of the existing pipelines are out of harm. All of the existing pipelines are passing
either through or at the proximity of at least one unresolved conflict zone. Indeed, the potential for new instability exists (Ruseckas 2000:20). In present situation, southern routes via Iran or eastern routes toward China are the safest but the US policy of “anything without Iran” and China’s great distance to the Caspian energy reserves are main obstacles to the realization and construction of multiple major south and eastward pipelines (Kemp 2000: 69) 13.

All directly or indirectly involved states in the energy and pipeline politics of the CSR could be categorized into three groups as follow.

**Littoral States:**
- Azerbaijan, Kazakhstan and Turkmenistan: all three possess the main oil and gas fields in the Caspian Sea.
- Russia is a militarily very powerful and politically very influential country which possesses the major energy export routes in the CSR.
- Iran: is a regional power and potentially remains as an unutilized, safe, short and economic route for Caspian energy export.

**Non-Littoral Regional States:**
- Turkey: is a potential consuming energy market and a strategic corridor on the way of energy transport from Caspian region to the West and to the rest of the world.
- Armenia: is a possible shorter transport route and an ally of Russia. However, its conflict with Azerbaijan is a source of regional instability which also threatens pipelines security.
- Georgia: adapting pro-US policies as its national interests has clashed with Russia’s hegemonic influences costing its semi-disintegration. It is an inevitable pass on the energy transit of the Caspian Sea to the West.

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13 For Kazakhstan, Turkmenistan and even Azerbaijan, the shortest, quickest and cheapest way for oil export is via Iran.
- Uzbekistan: though its hydrocarbon deposits are not considerable compared with littoral states of the Caspian Sea, it is on the transit route of energy to the East and Southeast.
- Afghanistan is on the transit route of energy from the Caspian Sea to Pakistan and India.

Non-Littoral Non-Regional States
Starting with the USA, this list can include EU China, India, Pakistan, Afghanistan and several more countries. Named countries' interests and role in the Caspian region is not only economic but also strategic.
Figure 7. Geopolitical Players in the CSR

Non-Littoral Non-Regional States
- USA

Non-Littoral Regional States
- Georgia

Littoral States
- Russia
- Azerbaijan
- Caspian Sea
- Kazakhstan
- Turkmenistan
- Iran
- Afghanistan
- Pakistan
- India
- Turkey
- Uzbekistan
- China
- EU

Non-Littoral Non-Regional States
Pipeline Politics

If in 19th century construction of railway network changed the geopolitics and fate of the CSR, in 21st century it is the construction of oil and gas pipelines which are playing the same role. Pipelines have the capability of changing the geopolitical balance of a region. Cross-border pipelines have already changed the overall scenario of the CSR and are going to cause yet further changes and developments. Oil and gas will keep on to flow to the world markets particularly to the West and in opposite eastward direction will continue the advent of new packages. If in earlier times Imperial Russia and then Soviet command economy and socialist values pushed and forced into the region through the railway net, in our time Western capitalism, market economy and liberalism will keep running into the region via pipelines.

From its early stages of development oil industry has become highly politicized. When it comes for laying a trans-border pipeline, it’s even more politicized, as the succession of a multi-billion-dollar pipeline project requires the strong political support from the states involved (Ruseckas 2000:16). Oil and gas reserves and transport have not developed solely on economic basis but rather on politics. For instance, BTC pipeline alone proved that rational economic justifications and interests can lose ground to the states’ rational (and in several cases irrational) political interests. In BTC case, oil companies had to follow the politicians and ignore their economic interests by not choosing the most economic route (Caspian Sea- Iran- Persian Gulf) but more costly, lengthy, and less secure route of Baku-Tbilisi-Ceyhan. However, for realization of multiple energy routes from the CSR to the market, economy should prevail over politics for integration rather than for containment. As it has been rightly observed: “The favored strategy should be a composite, tackling pipeline routing and related issues as wholesome, not in piecemeal. Whether it is technical or technological, geopolitical or geographical, economical or commercial, political or geopolitical, all shall constitute bits and parts of a

14 The Baku-Tbilisi-Ceyhan (BTC) pipeline was long considered unrealistic and opposed by BP and Exxon Mobil, arguing it would be more cost-effective to strike deals with Iran or Russia to export Azerbaijani oil. It took continued US pressure to change this. The BTC pipeline was completed and put into operation in May 2005. (Jaffe 2000 and Barnes 1998).
grand plan. Pipelines are constructed in partnership, geographically, politically, commercially and economically and cannot be routed in isolation by a single state or a company. A partnership between producer and consumer and the transit state, if there is one. A partnership between multinational and national companies that is a consortium, which builds the pipeline. The grand strategy shall not be a grand geopolitical design that excludes some nations and includes others. The marbles cannot be safely taken away unilaterally; the windfalls have to be shared. Competition may have a hint of cooperation. Otherwise pipelines are pipedreams rather geopolitical nightmares, seducing "wars on resources" or "wars on riches". Geopolitics of pipelines, absent of cooperation, is retrogressive. Hence pipelines shall not be upheld as cogs in state machinery of national grandeur and prowess. Pipelines shall be viewed an economic and commercial infrastructure, primarily, and geopolitical prefecture, secondarily, as economics cannot be separated from politics. Pipelines therefore shall be regarded as means of integration, not instruments of containment or encirclement" (Pant 2007: 25-26). On the other hand, Pant is considering a soft ‘competitive regime’ but not a ‘heated competition’ as a useful means for the energy and political development of the region by observing that “[a] competitive regime with diverse stakeholders offer the best possible deal that is indeed in the interests of the local government, not only in financial terms but also to build a regional balance of power, contributing toward the autonomy and stability of the region. However, a heated competition could escalate the tension and might even prove to be a source of conflict, thus affecting the stability of the region adversely” (Pant 2007: 30).

Likewise, Stephen Blank observes Kazakhstan as an example. “In gaining China as a customer for its energy, Kazakhstan not only opens the door for other avenues of bilateral trade, Astana also obtains a card that it can potentially play against Russia, or even the United States, in the Central Asia’s high-stakes energy game. Chinese-Kazakhstani energy cooperation makes it easier for Astana to resist Russian pressure to control Kazakhstani energy flows, and, more recently, to establish a Moscow-dominated gas cartel of former Soviet producers. Having China as a customer also allows Astana to drive a harder bargain in negotiations concerning potential Kazakhstani participation in the Baku-Tbilisi-Ceyhan
pipeline” (Blank: 11 August 2004). It is significant that both experts perceive positively the Sino-Kazakh pipeline as an eastern route against the western route, BTC.

As the American oil magnate John Rockefeller (1839–1937) stressed: “He, who controls oil transport, has his hands over both extraction and refining of oil” (Larsson 2007:27). Control over pipelines and routes is a geostrategic gain which potentially affects geopolitics and geo-economics of any state involved in energy business and game. In fact the predominant gain in the CSR is not the ownership of the oil or gas fields but the ownership and control of the pipelines. And to a large extent it is not the legal regime of the Caspian Sea or oil and gas reserves but the pipeline routes and directions that is shaping the geopolitical concerns and strategies of the states involved in the region's energy politic. Obviously the regional littoral states are not deciding the direction of pipelines alone. Those are rather influenced by the interests and actions of multinational companies and none-regional powers and players. Nonetheless the role of the littoral states cannot be denied. The main foreign influential player, USA, attempts to bypass the two major powers of the Caspian Sea, Russia, and Iran in the transportation of Caspian energy. Former U.S. Energy Secretary, Federico Pena's statement underlies U.S. preferences clearly. Pena had said Azerbaijan oil could be exported in “any direction” as long as it’s not going through a Russian or Iranian pipeline. (Dadwal 1998:751-760)

Indeed major events of 1994 which would be considered here as the climax of CSR’s energy politics, shaped and influenced the events of the following years. 1994 was the year of great fight for the control of CSR’s energy transport routes. Political developments of 1994 revealed the overall standings and foreign policies of the states toward the CSR, particularly toward oil and transport routes. What is referred to here as ‘diplomatic battle’ over Caspian oil, intensified in 1994. In this year, it came to be known who is with whom. To be precise it was ‘battle’ on pipeline routes. Intensified and remained so for a year, the diplomatic battle ended by the end of 1995. From 1994 onward, conflicts did not vanish but states opted for more cooperation than confrontation. Three main parties involved in this battle were Turkey, USA and Russia. Others such as Iran, Azerbaijan, Kazakhstan and Turkmenistan had to side either one or two of the above three (Turkey, USA, and Russia) at initial stage of the battle. Close to the end of 1995 bandwagoning took its final form through
carrot or stick policy or through geopolitical, geostrategic and economical concerns and interests of the littoral and none-littoral states.

The Soviet Union as a system was running on Marxist-Leninism philosophy of socialism and 'Sovitized nationalism'. With the union's collapse, the back-bone (a uniting socialistic identity) of the union by now divided into several independent republics had gone. Post-collapse Russia and republics had to fill the ideological vacuum by introducing a new ideology. Both Russia and the newly independent republics were doomed to accept new democratic, capitalist and liberal values. While the latters had to welcome a new set of Western values and copy them as a new system and remedy, Russia had not only to welcome and copy Cold war rival's system but also had to be ready to challenge it if needed. The only reliable means left to Russia to challenge its rival were its energy namely oil and gas and its military. Present day Russia, unlike the USA, doesn’t have any powerful allies more capable and reliable than its own military and energy. In the Caspian region context, it is through military might that Russia is maintaining its peacekeeping role and presence in Georgia, Armenia, Kazakhstan, Uzbekistan, Turkmenistan or even Tajikistan and Kyrgyzstan. It is via energy (either electricity export to Georgia and gas export to neighboring republics or exporting those republics' oil and gas through its pipeline networks) that Russia is maintaining its influence upon the CSR republics. All Caspian oil pipelines –except the Baku-Supsa and the BTC- pass through Russia, and all Caspian gas pipelines – except a short pipeline from Turkmenistan to Iran- are controlled by Russia (Crandall 2006:23).

Thus, Western and particularly American energy interests in the Caspian region is a challenging threat to the Russian energy interests. For Russia, such challenges are interpreted as an undeclared war over Russian immediate interest. As mentioned earlier, events, bandwagoning and political developments of 1994-5 were the climax of clashing energy-interests of Russia with those of the West. Three years after the Soviet Union collapsed, absence of harmony between Russian Foreign Ministry and oil industry faction over the CSR and its hydrocarbon reserves was evident. However, even during those chaotic diplomatic years, Russian message was clear; no compromise on Russian’s near abroad and on the Caspian oil. Though a few years later (in 1997) Russian Ministries and oil and gas
industry faction coordinated and unified their Caspian politics, their efforts were soon challenged by the US, pro-US Georgia and Azerbaijan and USA’s key ally, Turkey. 

Though economic incapability left both Russia and Iran much more behind the West and the USA, Russia to a large extent and its regional ally, Iran, to a lesser extent uphold capability and capacity of spoiling the West’s or USA’s Caspian policies and deals. Without Moscow’s green light and affirmative signal reflecting its energy interest, any oil or gas deal hardly can be realized and energy development in the region is difficult to imagine.

Turkey, enjoying the US backing and Azeris’ ‘brotherhood’ played the Bosporus card efficiently and actively favored Caspian energy transport via construction of a pipeline through its territory. An oil-pipeline stretching from the Caspian Sea through Turkish soil to Ceyhan was benefiting Turkey not only from transit fee income but was also bringing American support and consequently a great geostrategic gain. The construction of such a mega project (BTC) was securing Turkey from Russian hegemonic influence and was reformulating geopolitics in the region. Energy transit politics were so strategic and crucial for Ankara that Tansu Ciller,

![Figure 8. Turkey’s Bosporus Strait](source: Turkish Straits Vessel Management Service and INTERTANKO, available at http://www.eia.doe.gov/)

Turkey’s Prime Minister of the time, stressing on importance of building a pipeline through Turkey stated that “not a drop of oil will pass through the Bosporus” (Crozine, 13
September 1995). By playing Straits card Turkey was ‘killing two birds with one stone’. It was firstly achieving its rightful claims for safety of its straits by limiting oil tanker transits, thereby preventing the disasters that surroundings of Straits could experience. Secondly, Ankara was sowing the seeds of its main aspiration, namely to become a major US ally in energy transport.15

The Montreux convention on regulation of the Turkish Straits signed in 1936 announced the opening of those Straits for navigation of all nations’ ships. However, the argument is that the number of ships passing annually through Straits increased from a few hundred to thousands. Tonnages of the ships have increased compared with those of the 1930s. Nowadays approximately 45,000 ships are annually passing through the Turkish Bosporus Straits which divides Istanbul into eastern and western parts. With this heavy traffic in the Bosporus, a difficult Strait for navigation with an area around it which is densely populated, accidents are inevitable. However, the main reason for Turkey’s adoption of a new regulation (limiting tanker traffic in Bosporus, 1994) was neither for environmental issues nor to prevent an average 16.7 accidents (1983-1993) in the Bosporus Straits. Though Turkey’s environmental and safety concerns in and around the Bosporus Straits was/is understandable and justified, the nature of Turkey’s objection for heavy oil tankers traffic was in reality for geostrategic calculations and to gain US support in pipeline-politics of the Caspian region (Aras and Foster 1999: 234).

UN International Maritime Organization refused Turkey’s new restrictions and ban on larger tankers trafficking through Bosporus but reserved the right for Turkey to limit the access of tankers to the Straits. In return and in response to Turkey’s statements and allowance of Green Peace activists to Bosporus, Russia allowed Parliament in Exile of PKK16 to hold their annual session in a building of Russian Parliament( on 1st November

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15 Only half a mile wide at its narrowest point, the Turkish Straits are one of the world's most difficult waterways to navigate. With 50,000 vessels including 5,500 oil tankers passing through the straits annually, it is one of the world’s busiest chokepoints. In 1994 accident a Greece - Cyprus owned tanker, Nassia, hit a ship in which 30 sailors got killed and 20000 ton oil flowed into the Straits. In 29 December 1999 incident Russian Volgoneft tanker, which was carrying 4300 ton oil, hit the Southwest shore of Istanbul and got torn to two parts. In this incident 800 ton oil entered into the Marmara Sea.

16 The Parti Karkerani Kurdistan in Kurdish and Kurdistan Workers’ Party in English, best known as PKK founded and led by Abdullah Öcalan in the late 1970s. It is a separatist militant organization. Its ideology is founded on revolutionary Marxism-Leninism and Kurdish nationalism. The PKK's goal has been to create an
1995) and lowered transit fees on its pipelines (Nurani 1995: 1).

**Azerbaijan** as one of the most war-torn of post-Soviet republics had to take a decision; either to upset Russians by not/less using of their pipelines or to turn to the USA and Turkey for new export route. Azeris opted for none. Former President Heydar Aliyev had to safeguard Azeri interest especially during these years of war with Armenia over Nagorno-Karabakh. He chose to cooperate with all parties by involving them in his country’s energy projects. Azerbaijan International Operating Company (AIOC)’s 1995 decision to use Russian route not only calmed Moscow but also paved the way for the construction of the BTC pipeline.

While all newly independent republics looked to the West and particularly to the USA seeking support for their independent statehood, Washington beside recognition of their independence did not involve itself in the post-Soviet political developments for quite a few years. In initial years, America had not opted for any concrete policy and active engagement in the CSR. With emerging American energy interests, the US focus and interest grew in the region since the mid-1990s which eventually changed the balance of power, especially after September 11, 2001. After their independence, the Former Soviet Republics (FSRs) remained under direct Russian influence for years. Being under Tsars, and then under communists for more than a century and half had made it an uneasy task for FSRs to break away from new Russia. Economic interdependence of republics on each other and with Russia was indeed a main reason. Steps towards more independent policies began when these republics succeeded to split their economies from Russia’s even if relatively. Despite strong voices of nationalism, freeing themselves from Russia’s psychological, political and military pressure could not have happened over night. Russian dominance on FSRs has been reduced but has not faded away. During initial post-Soviet years none of the

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independent, socialist Kurdish state in Kurdistan, a geographical region that comprises parts of southeastern Turkey, northeastern Iraq, northeastern Syria and northwestern Iran, where the Kurdish population is the majority. This goal has now been moderated to claiming cultural and political rights for the ethnic Kurdish population in Turkey. PKK is recognized as a terrorist party by the EU and USA. PKK’s leader Abdullah Öcalan got captured in Kenya on February 15, 1999 in an operation by the Turkish National Intelligence Agency (MIT), allegedly with the US help. He then got flown back to Turkey for trial. Currently as the only prisoner on the İmralı Island in the Turkish Sea of Marmara he is spending his life-long imprisonment.
littoral and regional republics of Kazakhstan, Turkmenistan, Armenia, Georgia and even the most assertive of all, Azerbaijan, could break away from Russia’s influence easily. Any attempt faced Moscow’s displeasure and warnings. Though sovereign, these republics still have many years ahead to be completely free from Russian pressure, if it is ever going to happen.

**Kazakhstan** is believed to have the richest hydrocarbon reserves among Caspian Sea littoral states but was not in position to upset Moscow by choosing any pipeline other than Russian, though it was the first littoral state which signed an oil contract with Western companies. Large Russian population (38% in 1989) in Kazakhstan (slightly less than native Kazakhs) and a very long border with Russia are two main reasons for Kazakhstan’s feeling of insecurity vis-à-vis Russia.

Since the CPC operation in 2001, most of Kazakh oil from Tengiz field runs through Russian territory till Novorossiysk in the Black Sea. However, Kazaks are considering alternative routes for their hug oil export. They continue to sign energy deals with Western companies or of other countries without daring to upset Russia. In the vast Kazakhstan’s territory there is still today no oil-pipeline connecting west of the country (where major oil deposits are situated) to the east (where is most populated and major refinery facilities constructed). Consequently Kazakhstan imports oil from Russian Siberia (Tyumen) for refining it in Pavlodar in northeast and Chimkent in southeast. In return, Kazakhstan exports oil to the Russian refineries of Orsk and Bashkortostan in the Urals. Mutual energy dependencies for domestic use have bound Kazakhstan and Russia, though the latter is in the position of influencing the former. Even though an economic burden, it is a necessity for Kazak government to construct a pipeline connecting oil fields in the west to its most populated northeast and south east areas where major Kazak refineries are built. With completion of the third phase of Kazakhstan-China pipeline (scheduled to begin in 2011) Kazakhstan could reduce its dependency on Russian oil and export pipelines to a large extend.

17 December 1993, Kazakhstan formed Kaspishelf [KCS] with a western consortium consisting of seven oil companies for the period of three years.
The behavior of none of the littoral states to the Caspian Sea has been as vague as that of Turkmenistan. Under Niyazov’s presidency Turkmenistan changed its Caspian politics several times. Unlike Kazakhstan or Azerbaijan, Turkmenistan is richer in gas than in oil. About 85% of its hard currency comes from gas export and, till today it is dependent on Russian Gazprom owned pipeline for mainly westward gas export targeting East European markets. Every project such as the proposed Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas-pipeline have so far remained on paper only, at the exception of an ongoing swap deal with Iran.

Though Turkmenistan is not facing the same insecurity as Kazakhstan, it cannot benefit from its gas reserves without Russian pipeline. Enjoying this dependency, Russia has manipulated Turkmenistan whenever it has wished to. This dependency plus the dispute over an oilfield with Azerbaijan had put Turkmenistan in a triangular framework of Moscow-Tehran-Ashgabat.

Iran is easily defined by experts and maps as the best route for energy transport in the landlocked CSR. However what Iran is advertising as an economic, short and safe pipeline route is one side of the coin and what the regional geopolitical realities reveal are the other side of the coin. 1994 debates and deals (especially ‘contract of the century’) proved that neither experts nor oil companies can draw the final map of any pipeline but politicians and statesmen can.

Exclusion from the ‘contract of the century’ and cancelation of its 5% share from an Azeri oil project prevented Iran from becoming a major influential energy player in the Caspian region. Despite its geostrategic location, Iran could not take advantage of the ongoing geopolitics. Under direct US pressure Baku had no choice but to cancel Iran’s 5% share in BTC project. Probably from this time (April 1995) onward, Iran’s role was not only marginalized in pipeline politics but also weakened in the legal Caspian Sea regime. Left alone, Iran came up with a swap plan which sounded fascinating for Kazakhstan and especially Turkmenistan, both desperate for any alternative export route other than Russian.

Georgia and Armenia are not oil producers but are both potential transport corridors. Armenia’s war with Azerbaijan and conflict with Turkey have so far left it less favored as oil transit corridor compare with Georgia which doesn’t have such problems with
either Azerbaijan or Turkey.

Caspian Region’s Cross-border Pipelines, Rail Transport and Swap Deals

Generally, geographical and geopolitical realities, insufficient capital and lack of infrastructures are main obstacles on the way of regional states for developing their respective energy sections. Ethnic conflicts and competition among Western companies and regional states for transit of pipelines are three other issues in the realization of any energy or pipeline project.

What mainly handicapped the littoral states of the Caspian Sea is the geographical factor. Any pipe line stretching from Azerbaijan, Kazakhstan and Turkmenistan to the world’s seas and markets has to pass through at least one other and even across three other countries. On the other hand, none of the littoral and regional states have sufficient financial means to carry out huge oil and gas projects on their own. Even the regional super and local powers, Russia and Iran, need foreign investment for their energy development projects, even though both are oil producers for more than a century and possess sophisticated refineries, infrastructures and export pipeline networks.

Moreover, the CSR as one of the world’s most ethnically dense and divided region is innately a fertile ground for ethnic conflicts and clashes. One of the main reason (especially here in the context of threat to energy export) for regional ethnic clashes is uneven-distribution of national wealth of the states within their own regions and among ethnic-groups. There is indeed a huge gap between the living standard, income and infrastructures of areas populated by the minorities compared with the areas populated by ruling majorities. This phenomenon provides a base not only for ethnic dissatisfaction, protest, uprising and even separatist movements but also an opportunity for none-regional and none-littoral states’ involvement and interference in the region. Imbalanced intra-state distribution of state’s budget especially to the minorities located in and around pipeline routes is endangering the safety of the pipelines. In a volatile region known for ethnic clashes and historical revenges - still fresh in the memories- cornered and marginalized minorities are posing the major threat to the security of the oil or gas pipelines.

When it comes for new pipeline construction linking the CSR to the world market,
Russia lacking sufficient funds or strong economy of the Soviet era remains unable to manipulate the littoral states economically. Instead, Russia uses its political pressure and powerful military presence. On the other hand, the USA and Western companies use first their economic resources and potentials and if needed their political or military might. Russia, using its political, military and even its economic capabilities has warned FSRs in particular Azerbaijan, Georgia and Uzbekistan, not to split from Moscow. Russian message to these republics has always been clear: ‘don’t go away farther’. 50 years ideological differences still shape the US-Russia’s relationship, despite post September 11 cooperation. A different approach to the world politics and the replacement of ‘Cold war’ with ‘Cold peace’ can especially be seen in the increasing adoption of more independent policies by Moscow. Moscow is still viewing itself as the only power able to contain and challenge Washington’s hegemonic attitude and policies. Though not yet clearly re-emerged as a superpower because of its economic decline, Russia nonetheless remains a big power.

Presently, Caspian republics mainly rely on Russia to export their oil. Though several pipelines are either already constructed or under consideration, the existing Novorossiysk and Baku-T’bilisi-Ceyhan are still the two main routes to carry oil from the CSR via the Black Sea and the Mediterranean Sea to the world market. However in case of full oil extraction, existing pipelines won’t have the required capacity to carry Caspian region’s oil to the world market. To exploit the region’s oil and gas reserves, constructing several pipelines seems inevitable.

Caspian Region’s oil and gas can run into any direction. However, if geographically simplified, the main routes would include the northern route, which starts from Azerbaijan and Kazakhstan and ends in the Russian port of Novorossiysk. The Western route originates from Baku and bypassing Russia and Iran terminates at the Georgian port of Supsa. Baku-T’bilisi-Ceyhan is the second main Western route. All Western routes are strongly backed by the United States. Southern routes have to pass through Iran and terminate in the Persian Gulf. Eastern routes are projected to extend to China and beyond in order to meet the energy demands of China and East Asian countries such as Japan, South Korea. The proposed southeastern routes are intended to carry mainly Turkmenistan’s gas through Afghanistan to Pakistan and India. The only way for the land-locked CSR to export oil and gas on a
massive and economic scale is to use pipelines into four directions. Here are the main operating, underway, or proposed cross-border oil and natural gas pipelines.

Cross-border Oil pipelines

1. Baku-Grozny-Novorossiysk, known as the ‘northern route’: running on 1,411-km from Baku/Azerbaijan and passing through Chechnya/Russia, this pipeline ends in Novorossiysk, a Russian port in the Black Sea. Its capacity is 40,000 bbl/d.

Since 153km of this pipeline was passing through Chechnya it was not effectively usable during and after war, as many punched holes in the trunk pipeline were used to steal the oil for processing in crude underground refineries. Despite this, Russian oil company Transneft managed to keep the line operable throughout the war. But Russians got convinced that they have to change the course of this pipeline. Russian First Deputy Prime Minister, Boris Nemtsov announced in 1997 that “Trasneft would built a 311-km bypass pipeline that would continue northward through Dagestan to Tikhoretsk, rather than forking westward through Chechnya” (Delay1999: 49-51). This bypass was completed in 1999-2000. Meanwhile Moscow promised Chechens that both old and bypass pipelines will be used to transport oil. Novorossiysk’s port is closed for about two months a year due to ice pack which prevents tanker loadings (Crandall 2006: 27).

As during the Soviet era, a huge amount of oil is still exported through this pipeline. Till the operation of BTC pipeline on May 2005, Baku-Novorossiysk was the main oil export route for Azerbaijan. Existence of this route enabled Baku to keep on exporting oil right after its independence. Disadvantages for Azeris are several, the most important being Russian leverage. Russia has played this ‘leverage card’ several times against Azerbaijan. Moreover this pipeline needs renovation as it is an old pipeline. And since the Black Sea around Novorossiysk is frozen in the winter and navigation is not possible, the route is consequently not operational throughout the year. Adding Turkey’s complains and restrictions on its congested Bosporus Straits, this route limits the Azeri’s oil export. Finally this route passes through north of Azerbaijan to Chechnya. While Chechnya threat is

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18 In this section, I have heavily relied on EIA. The source for all pipelines should be regarded as that of EIA (www.eia.doe.gov). If needed, other sources have been added to EIA’s data and have been brought in the footnote.
continuous and evident, the real threat comes from northern Azerbaijani soil where the Lezgin ethnic group is predominant. The Azeri government has identified Lezgin and several Armenian groups that “have used terrorism to pressure the Azerbaijani government”. The Lezgin ethnic group threatened the pipeline if Azeri government did not share the income generated by oil export with them. (Cornell, Svante E. and Ismailzade, Fariz 2005: 73)

2. Baku-Supsa, known as ‘western early oil pipeline’: running on 700-km from Baku/Azerbaijan and crossing Georgian territory, this pipeline ends in Georgian Black Sea port, Supsa. Its Capacity is 155,000 bbl/d. Operational since April 1999, the Baku-Supsa pipeline is free from direct Russian influence as it is not touching Russian soil. But it indirectly still remains under Russian leverage as it is threatened by Abkhazian and South Ossetian Separatists, who are free from central Georgian government’s command and are under Russian influence. Adding to this danger the Nagorno-Karabakh conflict zone from where the pipeline is away only by 25 km, which puts Baku-Supsa pipeline at constant risk. Moreover this pipeline terminates within the boundaries of Adjaria whose leader Aslan Abashidze is known for playing with Tbilisi by not fully undertaking its rule and authority.
Proposed pipeline
Active (2000) gasline proposals
CPC Caspian Pipeline Consortium

1 Baku-Grozny-Novorossiysk, known as ‘Northern route’, is used by AIOC.
2 Baku-Supsa, known as ‘western early oil pipeline used by AIOC, is operational since March 1999.
3 Baku-Tbilisi-Ceyhan (BTC)
4 Baku-Iran (possibly Tabriz).
5 Caspian Pipeline Consortium (CPC) operational since October 2001.
6 Atyrau-Samara-Druzhba line.
7 Kazakhstan-China, the last phase of this line is scheduled to be completed by 2011.
8 Turkmenistan-Afghanistan-Pakistan-India (TAPI).
9 Tengiz/Uzen-Kharg.
10 Trans-Caspian-Oil Pipeline (TCP)
11 Trans-Caspian Gas.
12 Blue Stream Russia-Turkey gas line.
13 Neka-Tehran; if constructed then could constitute major element in swaps/pipeline export system from the CSR to the Persian Gulf.
14 Turkmenistan-Iran, operational since 1997, Turkmenistan’s only current export line that does not transit Russia.
15 Tabriz-Erzerum gas connector; Iranian section completed by end of 1999.
16 Baku-Turkey gas pipeline; new 16 bcm/y line involving the linkage of existing lines in Azerbaijan and Georgia with a new line in Eastern Turkey.

No change has been applied to the map itself but the text is been updated by the scholar; titles of the pipelines have simplified and some data (operational and completion status) have been added to the original version of Vilemas, Jurgis., “Russia’s Energy Policy” in Bugajski, Janusz., Toward an Understanding of Russia: New European Perspectives, Council on Foreign Relations, Inc., 2002, p.55.
3. Baku-Tbilisi-Ceyhan (BTC): originating from Baku in Azerbaijan, this pipeline connects the Caspian region via Georgia to Ceyhan on Turkey's Mediterranean coast. The project is to transport Azerbaijan’s Chirag and Guneshli oil as well as Kazakhstan’s Tengiz oil. Turkemani oil can also be transferred via this pipeline. The importance of this route for the United States is such that then US President George W. Bush wrote in a letter to BTC’s inauguration ceremony calling BTC a “monumental achievement” and a pipeline which “opens a new era in the Caspian Basin’s development.” The letter read by Secretary U.S. Secretary of Energy Samuel Bodman at the ceremony, President Bush had said: “The United States has consistently supported (the pipeline) because we believe in the project’s ability to bolster energy security, strengthen participating countries’ energy diversity, enhance regional cooperation and expand international investment opportunities,” the letter from the U.S. President said. (Embassy of Kazakhstan in Israel: 15 June 2005) The greatest advantage for Caspian republics is the US backing. From the negotiation process in 1994 till its completion on May 25, 2005, the BTC project shaped the balance of power and exposed the objectives and final stance of the involved states. The maximum capacity of the pipeline is 1 million bbl/d which far exceeds Azeri oil capacities. Therefore, it needs to be fed by Kazakhi oil via an underwater pipeline planned to transport oil from Kazakhi oilfields. Moreover, it bypasses crowded Bosporus and Dardanelles Straits. The BTC was designed to end Russian monopoly over Caspian region’s oil exports routes. Its only disadvantage is the territories it is crossing through. Separatists in Georgia and Kurds in Turkey are posing serious threat to the security of the BTC, though the pipeline was fully buried under ground from Baku to Ceyhan.

Since its initial planning in early 1990s’ BTC was regarded as a project dramatically affecting and upholding the economy of the Caspian littoral republics. The BTC remains a vital oil export route for Azerbaijan, a crucial income source through transit fee for Georgia and a tool which Turkey will use to keep playing an integral role in the energy politics of the CSR. From a geostrategic point of view BTC did not benefit Baku as it did Ankara. It was a great loss for Russia and Iran and a big win for the USA and Turkey. The 1,750-km long BTC pipeline’s construction began in September 2002 by the State Oil Company of the Azerbaijan Republic (SOCAR) and a consortium of international oil companies led by BP. This 4 billion dollar project got labeled as the ‘contract of the century’.

Share-holders are: APO (Turkey), BP and Ramco (UK), Exxon, McDermott, Unocal, Pennzoil and Amoco (USA). Delta-Nimir (Saudi Arabia), Lucille (Russia) and Statoil (Norway).
4. Caspian Pipeline Consortium (CPC): stretching on 1,580-km the CPC goes from Kazakh oil fields in Tengiz to the Russian Black Sea port on Novorossisk after crossing Astrakhan. CPC network is equipped to transport 565,000 bbl/d which could be increased to 1.34 million bbl/d by 2009 (Joshi 2004: 240). The CPC is planned to be connected to Baku-Novorossisk pipeline (northern route) at Tikhoretsk. The CPC project was initiated by Kazakhstan and Oman in 1992 and joined later on by Russia and other international oil companies, which formed a consortium. On 15th October 2001, oil began to run through CPC. The project officially opened on 27th November 2001.

Presently and due to Russia and Iran’s objection to the construction of an underwater pipeline from Tengiz to Baku (to get connected to BTC) which could be the shortest and safest export route for Kazakh oil, the CPC at present remains the best option for Kazakhstan’s oil export. As a part of the CPC project, Russia’s continuous effort is to preserve its leverage over the existing pipelines and transit routes. By raising environmental issues and objecting to the underwater-TCP (Trans-Caspian-Pipeline) construction, Russia keeps its grasp on the export routes. Russia, which could not prevent the realization of BTC, prefers other mega project to bypass its territory. Moscow sees the TCP and any other such pipeline designed not to touch Russian soil as an attempt to hamper Russian interests. For that reason, the main disadvantage of the CPC for Kazakhstan is Russian leverage.

5. Kazakhstan-China pipeline: Designed to be built in three stages within Kazakhstan, this pipeline will connect oil rich western region to eastern Kazakhstan with the aim of exporting oil to China. Only 270-km of this pipeline are in China while the rest, 2,818-km, are in Kazakhstan. Stretching on more than 3,000-km this pipeline would connect Kazakhstan’s Caspian oil fields to Alashankou in east and would eventually cross into Xinjiang/China. Two of three phases are already built and the third phase is under construction.

The first phase, 448-km long, all in Kazakhstan, connecting Kenkijak/Aktobe region to Atyrau, a Kazakh port in Caspian Sea, was completed in March 2003. The second phase, the construction of a 988-km long pipeline began on September 2004 and was completed by 2006. Connecting Atasu in Kazakhstan to Alataw in China, it enabled oil to reach China on July of the same year. However, the project will not be fully in service until the completion of the 1,340-km long middle part (phase three) by 2011. Linking Kenkiyak to Kumkol this
phase will connect parts one and two, thereby making it not only the first pipeline to connect western-Kazakhstan to eastern-Kazakhstan internally, but also an international pipeline reaching China. Nevertheless, the quantity of crude oil export through this pipeline to China will be small i.e. less than 5% of China’s expected demand (Huasheng 2007:135-6).

6. **Kazakhstan-Russia (Atyrau-Samara) pipeline**: This pipeline runs from Atyrau/Kazakhstan to Samara/Russia and is presently the second major pipeline for Kazakhstan’s oil export. It is linked to the Russian oil distribution system and has the capacity of 600,000 bbl/d. After construction of the CPC, the Atyrau-Samara pipeline lost its importance. Almost all Kazakh oil was exported through this route before the completion of the CPC.

7. **Baku-Batumi Rail Tank-Car**: beginning from AZpetrol rail tank-car terminal in Azerbaijan and ending in Batumi/Black Sea port of Georgia, this route has the capacity of transporting 120,000 bbl/d. Starting from June 2005, Exxon Mobil promised to export 70 million bbl of Azeri oil over five years.

8. **Turkmenistan-Iran Swap Deal**: the deal is in place since 1998. Dragonoil of the UAE signed an agreement in April 2000 to carry on oil swapping between Turkmenistan and Iran for ten years. By swapping Turkmenistan delivers oil via tankers to Neka, an Iranian port at the Caspian Sea, and in return Iran is releasing the same received amount of oil from its Kharg island in Persian Gulf to the world market.

### Major Proposed Oil-Pipelines

1. **Central Asian Oil-Pipeline (CAOP)**: four involved countries - Uzbekistan, Turkmenistan, Afghanistan and Pakistan- have signed an MOU to built CAOP which will be carrying Uzbeki and Turkmeni oil to Gwadar on Pakistan’s Arabian Sea coast.

### Cross-border Gas-pipelines

1. **Blue Stream**: this 750-mile long gas-pipeline runs from Russia and crossing 246-mile underwater the Black Sea reaches Sumsun and eventually ends in Ankara/Turkey. With 565 Bcf per year capacity and being completed in December 2002 Blue Stream delivered 71 Bcf natural gas a year later.

2. **Russia-Turkey**: this pipeline is another major gas export from Russia to Turkey, also
known as western overland route. It passes through Moldova, Ukraine, Romania and Bulgaria.

3. Iran-Turkey: inaugurated in January 2002, this 750-mile long gas-pipeline starts from Tabriz/Iran and ends in Turkish capital Ankara. Its maximum capacity is 495 Bcf per year. It witnessed a sabotage attack by Kurdistan Workers’ Party (PKK) inside Turkish territory in August 2006.

4. Tashkent-Bishkek-Almaty: this pipeline is the main gas export route for Uzbek gas that runs from Tashkent into northern Kyrgyzstan and stretches a bit farther into southern Kazakhstan.

5. Central Asia-Center Pipeline (CAC): built in 1974, the CAC has two branches. The Western branch starts from Turkmenistan and moves toward northern Central Asia. The Eastern branch carries both Turkmen and Uzbek gas into northwest Central Asia. With 3.53-Tcf combined capacity, both branches meet in western Kazakhstan from where it enters the Russian natural gas pipeline system.

6. Turkmenistan-Iran: being completed in 1997 with $ 195 million, this 200-km pipeline starts in Korpezhe/Turkmenistan and reaches Kurt Kui/Iran where it gets connected to the east-west Iranian gas pipeline. With 8 billion cubic meter capacity per year, it is the first regional gas-pipeline bypassing Russia. Due to its geopolitical importance, Iran funded 85% of this project with the understanding that Turkmenistan will fulfill its share by “an undetermined volume of free natural gas to Iran for three years” (Entessar 1999:172).

7. South Caucasus Pipeline (SCP): also known as Baku-Tbilisi-Erzurum (BTE), this under-construction pipeline was proposed following the gas discovery in Azerbaijan’s Shah Deniz field. It is designed to run on 690-km parallel to the BTC oil-pipeline. Costing $ 1.3 billion, its construction began in late 2004 and was supposed to be completed in 2007. With maximum capacity of 700 Bcf per year it’ll be the second gas-pipeline (after Turkmenistan-Iran gas-pipeline) bypassing Russia (Crandall 2006:29).

8. Azerbaijan-Iran Swap Deal: according to this deal, Azerbaijan exports gas to Astara/Iran for local consumption and in return Iran is exporting the same to geographically separated Azeri enclave, Nakhchivan, through a 30-mile long pipeline.

9. North European Gas Pipeline (NEGP): to overcome the problem of transiting through
several countries like Ukraine and Poland, Russia worked out this pipeline with Germany. This 1,200-km pipeline with a capacity of 55 billion cubic meters per year will connect Vyborg near S. Petersburg in the Russian Baltic Sea to Greifswald on the northeastern coast of Germany. NEGP is set to be completed by 2010 (Gidadhubli 2007: 40).

**Major Proposed Gas-Pipelines**

1. **Trans-Caspian-Pipeline (TCP):** The agreement on the 1050 mile -long TCP’s construction was signed in May 1999. The TCP was proposed to carry Turkmenistan’s gas via underwater Caspian Sea through Azerbaijan to Turkey. However TCP project can be assumed as a dead agreement owing to the gas discovery in Shah Deniz field in Azerbaijan. Moreover, the pricing disagreement between Turkmenistan and the consortium and the disagreement between Azerbaijan and Turkmenistan over their gas export quota, added to the Russian-Iranian objections, putting an end to realization of the TCP. Turkish President Demirel’s visit to Ashgabat and offer of a 22-year agreement to buy 16 bcm/y of Turkmen gas could not save the project.

2. **Iran-Pakistan-India (IPI):** the most controversial gas pipeline in the region, IPI would run from Assaluyeh/South Pars gas field of Iran in the Persian Gulf, cross Pakistan and end in Gujarat/India. 2.700 km long and $7 billion worth IPI project would deliver 60 million cubic meters gas per day which will be split equally between Pakistan and India. IPI project will enjoy Russian support and giant Gazprom’s participation. However, US opposition to the project and its political influence so far has prevented the realization of this gas-pipeline. India’s security concerns vis-à-vis its traditional foe, Pakistan, and disagreement on prices are other two main obstacles yet to be tackled. The IPI could shape regional security and enhance regional peace.

3. **Turkmenistan-Afghanistan-Pakistan-India (TAPI)**\(^{21}\): TAPI gas-pipeline would run from Dulatabad/Turkmenistan. Crossing Heart and Kandahar of Afghanistan, it would reach Quetta and Multan in Pakistan from where it would touch Indian soil at Fazilka. This 1.680-km long pipeline would require $ 3.3-4 billion for its construction. It is planned to deliver 3.2 billion Cubic feet gas to be shared by both Pakistan and India.

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\(^{21}\) Some experts are wrongly referring to TAPI as Trans-Afghan Pipeline (TAP), taking P for pipeline.
Being shorter and less costly in comparison with the IPI, enjoying the financial aid of Asian Development Bank and World Bank and the US backing, this pipeline is politically easier to implement. However, security concerns in Afghanistan and Pakistan are main challenges for the realization of the TAPI gas-pipeline. It is not in Russian interest to support TAPI. If realized, Russia would lose access to cheap Turkmenistan and Uzbekistan gas. Secondly, any major gas pipeline directed from the CSR southward to the huge subcontinent market would deprive Russia of transit revenue.

4. Nabucco: it was designed to carry the CSR and possibly Middle East gas via Turkey to Austria, crossing Bulgaria, Romania, and Hungary by 2012 (year of its completion). Passing 3,300-km (2,050-miles) with a cost of $ 5.8 billion, Nabucco is supposed to be connected to South-Caucasus Pipelinen(SCP), Iran-Turkey, and Trans-Caspian-Pipeline (TCP). By 2011, its capacity would be 280-460 Bcf per year which would rise to 1,100 Bcf per year by 2020.22

To sum up, undoubtedly and compared to the North Sea, CSR’s hydrocarbon reserves is as rich as its centuries-old oil and gas history. It was in Azerbaijan that the first modern oil well was drilled near Baku by Fyodor Semyonov in 1846. Iran’s first oil well was drilled in 1908, almost half a century later. However, the proven or possible reserves of Iran’s Caspian shore is not known. Further seismic surveillance and investigations are needed to determine if Iran’s section of the Sea is rich in hydrocarbon reserves or not, which if positive it will enhance Iran’s CSR politics and would provide more favorable ground for Iran’s exercising of its regional interests and politics.

On the legal issue of the Sea, though the North and mid-Caspian are already divided between Russia, Kazakhstan and Azerbaijan, it remains a disputed water, as Azerbaijan, Turkmenistan and Iran have not come to an agreement on division of their sections of the Sea. Considering Iran’s position in present regional geopolitics and its international status, it is less probable that Iran would obtain more than 13% of the Caspian Sea. Same scenario is applicable to Iran’s CSR pipeline politics.

22 The project is developed by the Nabucco Gas Pipeline International GmbH, established in 2004 in Vienna. The shareholders (each 20%) of the company are: OMV (Austria), MOL (Hungary), Transgaz (Romania), Bulgargaz (Bulgaria), BOTAS (Turkey), RWE (Germany), in http://en.wikipedia.org/wiki/Nabucco_Pipeline
CSR’s pipeline politics is the real manifestation and play ground of the ongoing “New Great Game”. In other word, if there is a visible and clear revealer of the said “Game” and clashes of the interests of both regional and non-regional players, it is pipeline politics in the Caspian region and its neighborhood. Unlike the bilateral pipeline projects like Sino-Kazakh and Iran-Turkmenistan, almost all other multilateral pipeline projects have been highly politicized. Despite strong need for cooperation in the energy sector, CSR’s pipeline politics has not been moving toward integrating the interests of the states. Rather, as of today it has divided the involved states into several groupings.