

A South Energy Corridor from the Caspian Region to Europe.

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The diversification of natural gas supply recently became a priority task in European energy policy. This results from the vulnerability of the dependence on a single supplier, soothe realisation of a new gas pipeline projects is a challenge nowadays which could lesser this dependence and shortage. Nabucco is the current project which serves this aim. But this tremendous project is faced with political and economical, impediments which delay its realisation.

Key words: Natural gas, Supply, Nabucco pipeline, Turkey

INTRODUCTION

The demand for energy resources, especially natural gas, has increased dramatically over the last two decades. This has depended on many circumstances, like the development of the economy, the diversifying of the energy resources, etc. The increase of natural gas consumption also influenced the switch to gas in the power generation sector from other fossil fuels like coal. This switch is driven by the increasing cost associated with CO₂ emissions. This switch also relies on the Kyoto protocol accepted by the European Commission. The Protocol was initially adopted on the 11th December, 1997 in Kyoto, Japan and entered into force on the 16th February, 2005.[13] Another indicator of the increased demand for gas is the developing economy of the main European members. These countries are in a way of progress so the sufficient energy resources are vital for them to make their economies competitive. Therefore, the demand and consumption of natural gas in Europe is increasing. So according to the IEA, Europe's gas consumption yearly will increase with 2.9% until 2015. The increase of the gas faced in Europe with a poor indigenous reserves of gas, so currently more than 60% of the gas is imported to Europe mostly from Russia, Norway, Algeria and other countries. Further, in the next 25 years gas imports will increase and rates are going to reach up to 80%. To face such huge demand challenge in the EU should be formulated as the definite Energy policy related the energy. Energy policy in the EU involves three main components. First, we can determine the basic aims of energy policy such as: low supply cost, security supply, environmental considerations. Security of supply is often the most important reason why the EU tries to be as independent as possible with regard to the supply of their energy requirements. The explanation of this is based on the idea that dependence on imported energy resources might become a strategic (geopolitical) disadvantage in time of war or that such an economic vulnerability could be used as a weapon in trade conflicts. [5]

Because of the political concern about the security of Russian gas supplies, for the European policy makers diversification of supply has become recently an important priority. The potential regions from which substantial supplies could be available are North Africa, the Middle East and the Caspian Region. At the "EU energy security and solidarity action plan" 2008 we can find the proposal of the Commission to the parliament about the six priority infrastructure actions which the Community could accept. This clearly indicates that a southern gas corridor must be developed for the supply of gas from Caspian and Middle Eastern sources, which could potentially supply a significant part of the EU's future needs. This is one of the EU's highest energy security priorities. For the EU Member States it is important to work with the countries that are concerned about it, notably with partners such as Azerbaijan and Turkmenistan, Iraq and Maghreb countries amongst others. The joint objective of rapidly securing firm commitments to the supply of gas and the construction of the pipelines are necessary for all stages of its development. [5]

The potential to diversify supply by origin is more limited for gas, for example: oil. Firstly the supply routes for the gas are much more rigid, as most gas is transported to

specific pipelines. [4] The diversification of a supply from the inland countries means the construction of a new pipeline which links the supplier and consumer.

This paper aims to assess the supply potential of a south energy corridor connecting the broader Caspian Region with the EU consumption centres through Turkey. The paper also describes the progress related to the project Nabucco and the obstacles it has faced over the last years. In addition I would like to emphasize that the realisation of the project Nabucco depends on many factors, but the role of Turkey in the realisation of this intention is very high and vital.

1. Nabucco as an alternative way of gas supply to Europe.

The South energy corridor in reality means the possibility of the gas flow through Turkey to Europe. The Caspian region plays a crucial role in energy security of the European Union, because it constitutes the only potential supplier capable of serving as a key producer for an alternative source of European gas deliveries. The Europeans have been exploring various options for accessing Central Asian and Caspian energy without relying on Russia. The project that could make a bigger difference to Europe's energy security is the Nabucco project. This 3,300 kilometre pipeline would run from eastern Turkey via Bulgaria, Romania and Hungary into Austria. Once it reaches full capacity, it could transport 31 billion cubic metres of gas to the EU yearly.

The setbacks and delays of the Nabucco project is that the consumers should be sure that enough gas will flow from the pipeline over the years, because the pipeline projects is costly and in this case a long-term agreement is appropriate for the consumers and suppliers. But it is still unclear who will be the suppliers. Only Azerbaijan frequently emphasizes readiness to fill this pipeline in order to support the European Union in energy security vulnerability.

Nabucco's gas would come from Azerbaijan, and possibly Turkmenistan, and maybe one day Iran and Iraq too. Nabucco's gas would initially come from Azerbaijan, namely from the giant Shah Deniz field in the Caspian Sea. But a lively game of political and pipeline poker around this project has aggravated existing doubts about potential supply from Azerbaijan. As you know, the intention of Russia related to the European gas supply policy is great. Therefore, Russia until now use any leverage to impede the realisation of different pipeline projects to Europe bypassing this country.

The European Union should fulfil a plan of actions in order to break through the hurdles of this politicized project. Mostly, the work should undergo secure supply and keep the imported natural gas price in an appropriate rate.

In reality, Russia makes no actions against Nabucco because it does not pass through its territory. As an alternative, it is promoting the South Stream gas pipeline, which would go under the Black Sea to Bulgaria, before branching off one line to Greece and Italy, the other to Romania, Serbia, Hungary (or Croatia), Slovenia and Austria, with a total capacity of 63 billion cubic metres a year.

The variety of political steps was implemented by Russia to accomplish the suffocation of the European Union with an energy demand such as keeping the flow of gas in control and use it as leverage in further negotiations with the European Union. This is a real intention of Russia to make Europe dependant totally on this country. Therefore, Russia is still interested in encircling the EU and uniting all suppliers with basic contracts. With a contract signed by Sonatrach Algeria Russia tried to realise the union prototype to the oil countries bond OPEC. The other privilege of Russia is the possibility to undertake negotiations with a country regulated gas companies of the European Union countries one by one. It is easy for Russia to dictate terms to them, because most of the Eastern European countries totally or partly depend on the Russian gas supply.

The Russian offer to buy the gas extracted in Azerbaijan at a European price should be accepted as the direct intention to mitigate the willingness of the supplied countries to -

keep aside from Nabucco. By this political act Russia gained what it wanted; as a result of it, Azerbaijan signed a deal to sell 500 million cubic meters of natural gas annually to Russia's Gazprom starting in 2010. According to the words of some western political scientists this symbolic agreement was like an alarm to the West that, Azerbaijan always has alternative markets to exports its gas. The Azerbaijanis could be saying to the West and Turkey, that if you are not supportive to us on Nagorno-Karabakh problem, we will choose South Stream over Nabucco [12]. I would like to recall that this happens after an endeavour of re-established relation between Turkey and Armenia. As is known, as a result of an unfair war Armenia occupied the Nagorno Karabakh region and seven adjacent regions of Azerbaijan, which makes 20% of its territories [14]. The importance of Azerbaijan as a supplier country for the European Union was revealed when the EU parliament accepted the resolution on 20th of May, 2010 which covers the withdrawal of Armenian troops from the occupied territories that belong to the Azerbaijan Republic [15]. This resolution was for the public but it was as a call of attraction, to get sympathy of Azerbaijan. Attractive action should be realised to involve the other prosperous supply countries such as Iran and Iraq.

The involvement of Iran with the Nabucco project also has been considered by the consortium. But a strong negative attitude of the US until now makes it unreal. Iran has huge reserves of natural gas more than 29 tcm and the participation of this country in supply could accelerate the realisation of the project. [3] The Iranians also expressed willingness to realise the gas in the European market through Turkey. The European Union in cooperation with Turkey should attempt to involve Iran with the Nabucco project because Iran is a country with gas reserves that will be very precious for Europe in 20 years.

The European Union should actively get involved in the negotiation process in order to attract Iran and Iraq as supplier countries. Currently, Turkey as a connector country wishes to negotiate with both countries in order to get the contracts of a long term supply. Turkey has its own interests. For the last years the most challengeable has been a conversion of this country to the energy hub power.

2. Turkey as an energy hub country

With its strategic location, Turkey plays a crucial role as a natural "Energy Bridge" to transport Caspian and Middle Eastern energy resources to Europe. Turkey has its unique geographic position at the crossroads between Europe and Asia. The Nabucco project is a test case for EU's emerging energy policy; an important ingredient in Turkey's plan to expand its role as a Eurasian energy hub; and a priceless opportunity for the EU and Turkey to prove that co-operation and integration are good for both sides. Turkey realised that the time comes when the role of Turkey in the energy security of the European continent will be crucial. This valuable position for Turkey is like a guarantee for further negotiations with the European Union regarding its membership.

There was a time, when problems arose from the Turkish side. At that time, Turkey did not allow foreign companies to use Botas' pipeline network. With regard to Nabucco this means that Turkey would buy gas from Azerbaijan (and Iran and Turkmenistan), transport it across its territory and resell it on at the border with Bulgaria. [1] This issue was unacceptable cause for Europe when Turkey is seen as a transit country but not a reseller of the natural gas. The energy demand of Turkey is growing by 8% annually, one of the highest rates in the world. Turkey has no large oil and natural gas reserves. Turkey's demand for natural gas has grown more than three-fold in the last decade. [9] Turkey is as usually not giving position easily. As a country with a rapidly developing economy the demand for energy resources here is very high. Therefore, Turkey as the cause in the agreements requires the part of the transited gas.

We can come to the conclusion that the stuck of the Nabucco project occurs often because of the political Turkish games. This time a problem was in a dispute between Azerbaijan and Turkey related to the price for the exported gas from Azerbaijan. Turkey already buys around 6 bcm of gas from the Shah Deniz I field, for a very good price, nearly 120 dollars per cubic meter. It sells half of that gas on to Greece at a much higher price via the Greek-Turkey interconnector. Baku insists that the old pricing formula needs to be revised. Turkey disagrees. This shows the pokers of Turkey that in reality impede the realisation of this project. In spite of the obstacles and misunderstanding, on the 7th of June, 2010 the negotiation between both sides ended with a signed agreement. Turkey signed three new agreements with the regional ally Azerbaijan for the sale of the latter's natural gas and its transportation to the European markets via Turkish soil. [10] As an addition to it, the 4th March, 2010 treaty ratification by Turkish parliament enables the construction of the Nabucco pipeline that could be measured as a project support from the Turkish side. Turkey is the fifth and final transit country to ratify the intergovernmental agreement on the Nabucco pipeline. [11] The EU should get ready to give Nabucco a bit of a political push once the Turkey-Azerbaijan dispute is resolved. Europeans have been ready enough to dismiss Nabucco as a pipe dream. [2]

CONCLUSION

The energy security issue and its demand is a challenge for most regions in the world and Europe is not an exception. To successfully realize the situation and implement the expected vitally important action the European countries should put force together in order to face the last decade's problem of the energy resources scarcity. With the help of resolutions and papers accepted by the European countries the Commission should resolve the issues related to the energy security, especially in negotiation with supplier and transit countries. Diversifying should be the only way to lesser the dependence on a single supplier, such as Russia. The possibility of alternative natural gas supply to Europe which is not controlled by Russia could be used as a trump card in further negotiations between the European Union and Russia. Therefore, there is no option for Europe either to realise the Nabucco project or not. The issue should be in how to construct it and under which terms. In order to gain the acquisition of this pipeline Europe should put more force to work with Turkey and its supply countries, and at the same way to make the project more popular in order to attract its investment.

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