

Opinion

Azerbaijan's Geo-strategic Role in the EU's Energy Security

By Elkhan Nuriyev, Baku

Abstract

The author provides an Azerbaijani view on the energy politics of the South Caucasus region. He stresses the importance of Azerbaijan in Europe's efforts to develop non-Russian sources of oil and gas and as a bridge to countries further east.

New Geo-Economic Importance

Azerbaijan's perceived willingness to cooperate closely with the enlarged European Union has attracted an unprecedented level of international attention for this rapidly developing, young democracy with the fastest growing economy in the world. To date, the Azerbaijani leadership has implemented a number of strategically vital projects which already have become important milestones in ensuring the country's participation in global integration initiatives. The Baku-Tbilisi-Ceyhan, Baku-Supsa and Baku-Novorossiysk oil pipelines, as well as the Baku-Tbilisi-Erzurum gas pipeline and the recent purchase of the Kulevi oil terminal on the Black Sea coast have enhanced Azerbaijan's geo-strategic role in the establishment of the South Caucasus-Caspian-EU corridor for energy and transportation linkages. The main concept at the center of President Ilham Aliyev's contemporary strategic agenda is the desire of the national political elite to ensure the competitiveness of Azerbaijan in regional processes and the consolidation of economic leadership in the South Caucasus.

Being a pivotal country with the largest population in the South Caucasus, Azerbaijan has close contact with the Islamic world, while it is simultaneously influenced by neighboring Christian countries oriented towards Western culture. Its position at the junction of East and West has enabled Azerbaijan to develop a synthesis of the values of both cultures. Consequently, Azerbaijan acts as a bridge which can unite not only different cultures and civilizations, but also the major economic systems of Europe and Asia. In the contemporary world, the economy is closely linked to geopolitics. Relying upon the country's favorable geographical location, Azerbaijan attempts to effectively use its economic potential while adhering to its own national interests in regional and international projects. In the framework of restoring the Great Silk Road, the realization of the geo-strategically important Baku-Tbilisi-Kars railway project, a major Eurasian transportation link, will foster regional economic cooperation, thus creating new possibilities for developing extensive coopera-

tion between North and South. Still, given that energy resources are presently the most important aspect of good neighborly relations between states, it is essential to take into account the interests of all the geopolitical actors so as to form a stable architecture of regional and global security.

Promoting Azerbaijan as a Global Energy Player

Quite obviously, the transnational infrastructure projects successfully implemented during the past several years have created a new geo-economic situation in the South Caucasus, contributed to regional cooperation and accelerated the integration of the wider Black Sea-Caspian basin with the Euro-Atlantic community. For the first time in the history of the world, Caspian energy sources are reaching the Western markets by alternative routes. As a result, Azerbaijan has become a significant geopolitical actor within and beyond the region. At the same time, the oil and gas pipelines have enabled Azerbaijani authorities not only to diversify the supply routes, but also meet economic and social needs as well as conduct effective economic and political reforms in the country. In other words, Azerbaijan's energy policy has opened doors to new possibilities for developing the national economy. The ruling elite in Baku has taken steps to diversify the economy so that it is less dependent on the price of oil and the energy sector. Due to the well-conceived policy implemented in the fields of diversification and support for private ownership, the authorities have succeeded in reducing the country's dependence on energy.

Furthermore, the increasing importance of energy security as a global issue has highlighted Azerbaijan's geo-strategic significance. Even without that Azerbaijan remains a pivotal country in the corridor connecting Europe to Asia and Russia to the Middle East. Staying on the path of modernizing and diversifying its economy, Azerbaijan has great potential to become a rising star in the strategic Eurasian region. For this reason, safeguarding Azerbaijan's role as a global energy player

at a time when energy security is a major international issue is rapidly emerging as one of the main priorities of Azerbaijani foreign policy. Azerbaijan is now positioning itself not only as an important energy supplier, but is also using its geographic location to promote itself as an important energy transit hub, offering the resource-rich countries of Central Asia an alternative route for moving their products to world markets.

Contributing to European Energy Security

Currently, energy security is gaining prominence on the EU agenda and it is most likely to guide the EU's relations with Azerbaijan in the coming years. Recently implemented investment projects in the Black Sea-Caspian basin have proved that Azerbaijan could play a much greater role in Europe's energy security. Azerbaijan has earned an image of a very reliable partner for the international community. Due to its own rich oil and gas resources, as well as its interest in assisting the transit of Central Asian resources, Azerbaijan has become a critical new energy supplier for the EU, helping European countries to diversify energy sources and routes. However, the diversification is important not only for the consumers, but for the suppliers as well. Right from the start of the global financial crisis, most international analysts focused attention on the problem of the consumers. Despite the fact that Azerbaijan's economy has not been badly damaged by the current global crisis, Azerbaijan, as a supplier country, also needs secure and reliable routes, which allow it to transport energy sources in different directions. But the question arises about the additional volume required for European energy security.

In reality, Azerbaijan thoroughly explores new energy opportunities, thus participating actively in the discussions on the Turkish-Greek-Italian, Nabucco and Trans-Adriatic pipeline projects. The transportation capacity of the existing pipelines does not meet the export potential of the country's energy resources. In the future, Azerbaijan may produce twice as much gas as it currently does. There are at least 2 trillion cubic meters of confirmed gas resources in Azerbaijan and, according to estimates, this energy wealth will be sufficient for the next decades. While Azerbaijan will produce more than 20 billion cubic meters of natural gas in 2009, the country's exports are still restricted to the regional market. Yet the new pipeline projects, such as Nabucco, create opportunities for diversification and long-term reliable supply mechanisms. The Azerbaijani government fully supports Nabucco's construction and has publicly stated that the country has sufficient gas production poten-

tial to supply the first phase of the pipeline. However, there are several important issues that must be addressed before the Nabucco project can proceed.

Most importantly, the funding for Nabucco's construction needs to be clarified. The EU lacks solidarity regarding its external energy policy, and given that the Nabucco project unites only several Central European countries rather than the entire EU membership, there are mixed opinions about the viability of the project. As a consequence, the question of how important a role the EU can play in realizing the Nabucco project remains open. This means that despite Nabucco's importance to Europe's energy security and despite official support from Brussels, the future of the project remains uncertain.

So far, however, Nabucco is a critical part of Europe's energy diversification strategy. The pipeline is categorized as an EU 'priority project' and has the full support of the United States. If the EU pushes for the development of the Caspian-EU gas corridor, Azerbaijan, Kazakhstan and Turkmenistan might play a more significant geo-economic role in the system of global energy security. Clearly, the Caspian-EU gas corridor is in the interests of European consumers, producers in the Caspian basin (Azerbaijan, Turkmenistan and Kazakhstan), and the transit countries (Turkey and Georgia). For this reason, the Nabucco pipeline project has a good chance to be realized, but it will take some additional time and consistent effort of all the participants – suppliers, transit countries and consumers.

Interestingly, although more committed to European energy security than are European leaders themselves, President Ilham Aliyev certainly cannot push much harder for either Nabucco or the Transcaspian pipeline than the Europeans, the projects' beneficiaries, are ready to push themselves. It seems that European governments should move ahead and offer a deal. Certainly, as a first step, it is necessary to make arrangements with transit countries so that Azerbaijan can begin natural gas production and have direct access to the European market. European companies need to take ownership of the gas projects. Likewise, most importantly, the EU should be prepared to stand up to Russia. This is something which the Azerbaijani leadership has done on several occasions for a simple reason: it does not perceive the transnational pipeline projects as anti-Russian, but rather as a strategically vital direct connection from the Caspian basin to European markets.

The Russian-Ukrainian gas crisis affected European energy policy and gave an additional impetus to the EU to diversify gas supplies. This means that the

EU will have to take more intensive measures to open direct access to Caspian oil and gas fields via transnational pipelines. Azerbaijan will benefit from its two-fold role, serving as a producer and energy transit country. Azerbaijan may become a key country not only for ensuring implementation of projects such as Nabucco or the Turkey-Greece-Italy or Baku-Tbilisi-Erzurum gas pipelines, but also as a transit country for Turkmen and Kazakh oil and gas. Such a favorable situation strengthens Azerbaijan's geo-economic position in the Caspian basin and consolidates the diplomatic stance of the country in expanding political and economic relations with the European community of nations. Azerbaijan's philosophy on energy policy is simple – energy issues should unite the interests of the suppliers, transit countries and consumers on the basis of mutually beneficial cooperation.

Conclusions

Being a pivotal resource-rich country in the South Caucasus, Azerbaijan has the opportunity to influence economic and political trends not only in Central Asia and the Caspian basin, but also in the Middle East. Large investments made by major European energy companies and the growing presence of some EU member states demonstrate that Azerbaijan is seen today as a reliable partner with which the EU is trying to culti-

vate trade and economic relations. In practice, Azerbaijan has already taken a lead in developing the East-West energy and transportation corridor, the most ambitious initiative in the Black Sea-Caspian basin to date. Moreover, it was a regional approach that determined Azerbaijan's strong push for major transnational energy projects, such as BTC and BTE, which have underscored not only the closer relationships among Azerbaijan, Georgia and Turkey, but also have highlighted the activation of EU involvement in the wider Black Sea area. All of these factors are necessary elements of any successful EU strategy for the wider Black Sea-Caspian basin. To ensure that the EU strategy is indeed successful, Brussels should formulate an integrated energy policy on the basis of a new comprehensive strategic vision.

Given today's debate on the future of the Caucasus-Caspian region, the success of the Azeri-Georgian-Turkish alliance in building reliable partnerships with the EU member states and in advancing European strategic interests in the wider Black Sea region is quite remarkable. Both the EU and Azerbaijan are keenly interested in the development of the Caspian-EU energy corridor. The resulting infrastructure and transportation linkages will not only satisfy the needs of the producers, transit states and consumers, but they will also assist in promoting better strategic relations and more security in the entire region.

About the author:

Dr. Elkhan Nuriyev is Director of the Center for Strategic Studies under the President of the Republic of Azerbaijan.

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