

SOCIAL AND ECONOMIC ASPECTS OF ENERGY CORRIDOR CONNECTING THE CASPIAN REGION WITH EUROPE

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The beginning of XXI century has been marked in the world by significant growth of power resources consumption, and first of all, of oil and gas. This growth will continue in the future, as well. According to estimations of experts, till 2020 the consumption of energy resources will increase for 50 %, and besides Europe and the USA, a strong influence on this growth will be rendered by rapidly developing economic giants - China with prospective growth of consumption up to 150 %, and India.

In such conditions providing of availability of energy resources on a world economy scale in 15 years will demand trebling of investments, their support and development. These and other factors explain crucial importance of the Caspian region, which is included in the number of the world energy centers, in diversification of deliveries of the basic power resources to the international markets.

Being situated on the Great Silk Way and transport corridors East - West and North - South, Azerbaijan as an independent country starts to play more and more active role in the international and regional questions. In some cases Azerbaijan acts as an initiator of large-scale programs of regional development in such sectors, as energy and transport.

Azerbaijan is satisfied with its efforts applied for opening of the Caspian region to foreign investors. Signing in 1994 of the project of full-scale development of "Azeri-Chirag-Guneshli" block of oil fields and gas deposits, which was subsequently named by the national leader of Azerbaijan Heydar Aliyev "the Contract of the Century", Azerbaijan has established the long-term cooperation with the leading oil companies of the world in the field of investigation and development of oil and gas deposits, located in the Azerbaijani sector of the Caspian Sea.

It should be noted, that for today Azerbaijan has signed 26 contracts with 33 oil companies of the world. The policy of “open doors” carried out by Azerbaijan, has attracted foreign investors, and as a result, there has been invested more than 20 billion US dollars in economy of the country during the last years. At present, the energy resources of the Azerbaijani sector of the Caspian Sea have already been delivered to the European and the world markets by different routes. Today there have been functioning the following pipelines, transporting the crude oil from Azerbaijan in three directions: Baku - Novorossiysk, Baku - Supsa and Baku-Tbilisi-Ceyhan. The terminals accepting this oil are located in Russia, Georgia and Turkey. In a little while there will be commissioned the Southern - Caucasian gas pipeline “Baku-Tbilisi-Erzurum”, laid in one corridor with the Main Export Pipeline “Baku-Tbilisi-Ceyhan”.

In 2008 there will be daily pumped over up to 1 million barrels or 50 million tons of oil per year by “Baku-Tbilisi-Ceyhan” oil pipeline. These volumes may increase due to transportation of hydrocarbons from the Eastern coast of the Caspian Sea, in compliance with the interstate contract with Kazakhstan, signed this year. Russia also on behalf of the president of Open Joint-Stock Society “Lukoil” Vahit Alekperov, has mentioned about possible export of its oil in future by means of “Baku-Tbilisi-Ceyhan” pipeline. It is supported by the fact that “Lukoil” Company has discovered large oil deposits in the Russian sector of the Caspian Sea, where the expected volume of production is up to 20 million tons per year.

Baku-Tbilisi-Ceyhan route has been chosen out of many other variants as the most commercially favorable and safe within the framework of profitability on capital expenses and bypassing the Turkish straits, distinguished by the menacing increase of cargo transportation. Calculations of experts have proved the efficiency of “Baku-Tbilisi-Ceyhan” oil pipeline, which even at reduction of prices for crude oil in the world market up to 15 dollars for barrel, would remain all the same commercially profitable. All this evidently testifies not only to expediency, but even to urgent necessity of construction of Baku-Tbilisi-Ceyhan, without which the further development of oil-and-gas deposits of the Caspian Sea would become simply inconceivable. According to experts’ calculations, by 2020 the participants of “the Contract of the Century” will pay back the project, and afterward the most part of the profit will go to the Azerbaijan state budget, which will get up to 140 billion US dollars of cumulative profit.

The multivector policy in the field of pipelines is very important factor for Azerbaijan in development of regional cooperation. The cooperation established by Azerbaijan with the companies of the countries, joined to our projects, creates conditions for achievement of necessary results in power sector, in the field of safety, in such spheres, as cooperation in struggle against terrorism, political reforms, democratization of a society, and policy of good neighborhood. In this sense the policy of development of oil and gas deposits of the Azerbaijani sector of

the Caspian Sea means for Azerbaijan not simply process of production and transportation of hydrocarbons to the world markets, but creation of completely new environment in the region. Thus, the Caspian region comes nearer to the Balkan region and to the whole Europe even more.

Today the borders of the European Union come more and more nearer to region of Azerbaijan, which is included in “the new neighborhood policy” of the European Union. Consequently criteria which are undertaken as a basis in the Azerbaijan region, become very similar to the criteria existing in the European Union. Quite active energy dialogue is carried on between the Azerbaijan Republic and the European Union. In this aspect transportation opportunities of the pipelines handed over in operation, create new situation in the region.

Interest of the European Community to the Caspian region and its energy carriers is revealed in numerous visits of statesmen from the European countries to Azerbaijan. So, on April, 22, 2002 the Minister of Energy of Greece Akis Tsokhadzopolos has made two-day visit to Baku. During meetings with the Azerbaijani colleagues the basic theme of negotiations was the coordination of technical details of cooperation between both countries in energy sphere. In particular, there have been discussed concrete forms of co-operation for transportation of the Azerbaijani gas from “Shahdeniz” deposit to the countries of the European Community, for what it was planned to create the power corridor connecting Europe with the Caspian region, by transit via Turkey and Greece.

On July, 26, 2002 the Ambassador of Greece to Azerbaijan Mercourious Karafotias speaking for mass media, has emphasized, that the best variant for transit of the Azerbaijani gas from “Shahdeniz” field, and furthermore from all new gas deposits of Azerbaijan is the route Turkey – Greece – Italy – France. At such direction Azerbaijan will have an opportunity to enter the markets of the highly developed countries, having high and constantly growing consumption level of gas and high purchasing capacity.

Such markets can be considered optimum when the question is long-term export plans. Further M.Karafotias noted, that Greece has prepared all necessary conditions, if needed to provide its own part of a gas-transport network for export of the Azerbaijani gas. He also has noted, that the agreement on connection of gas pipelines of the two countries had been signed between Greece and Turkey. It will need construction of only 280 km of a site Alexandropoulos-Ankara, 80 km of which are on the Greek site. In conclusion M.Karafotias’s has added: “Turkmenistan sooner or later will want as well, to join already well-established way of export of gas to Europe. So, it will not do without Azerbaijan. Thus, export of gas to Europe can promote the settling of many problematical questions”.

On December, 8, 2002 by the invitation of “DEPA” State Company of Greece the delegation of State Oil Company of Azerbaijan Republic, headed by the then

president of SOCAR Natig Aliyev (who is at present Minister of Energy and Industry of Azerbaijan), has visited Athens with the purpose of discussion issues on export of natural gas from “Shahdeniz” field to Europe. During negotiations the government of Greece has expressed its readiness to undertake crediting of construction of a gas pipeline between Turkey and Greece. On September, 20, 2003 the General Director of “DEPA” Gas Company of Greece Vasilios Tsompapulos on results of the held negotiations in Baku has declared, that the construction of a gas pipeline between Turkey and Greece, by which it is supposed to transport gas from “Shahdeniz” field to Europe, will cost 250 million US dollars.

At the first stage there will be exported up to 1 billion cubic meters of gas to Greece, but as a whole the demand of Greece for raw material reaches 3-3,5 billion cubic meters per year. He had also noted: “Greece is going to export the Azerbaijani gas to Italy, France, and the Western Balkans. With this purpose it is supposed to construct two lines of a gas pipeline, connecting Greece with these countries”.

In December, 2003 Turkey and Greece have signed the Agreement on construction of a gas pipeline, which will allow carrying out direct deliveries of gas from Azerbaijan and other countries of the Caspian region. 285 km long gas pipeline will be stretched from the city of Karachabey in north-east of Turkey through the Sea of Marmara up to the territory of Greece. The 209-kilometer site (17 km in the bottom of Sea of Marmara in area to the south of Istanbul) will be laid in Turkish territory. Civil work were entrusted to Greek company “DEPA” and Turkish company BOTAS. At the first stage the gas will be transported from Turkey to Greece, and at the second – from Greece to Italy, and furthermore to Europe. Throughput capacity of the gas pipeline between Turkey and Greece will make 8 billion cubic meters of gas per year.

On March, 30, 2005, during his visit to Poland, the President of the Azerbaijan Republic Ilham Aliyev spoke about using in future of the European infrastructure, in particular, infrastructures of Poland, for transportation of energy carriers. The President ascertained that Azerbaijan always rendered political support to the pipelaying of “Odessa – Brody – Gdansk” pipeline, taking into account the economic and trading part of the project. Discussions of bilateral economic cooperation, and also opportunities of realization of joint projects in energy sphere, in a context of diversification and deliveries of energy carriers to the markets of Poland and Europe passed on October, 3, 2005 during visit to Baku of the governmental delegation, led by Peter Rutkovski, Deputy Minister of economy and labor of Poland.

On March, 1, 2006 Presidents of Ukraine and Poland Victor Yushchenko and Lech Kachinski have signed the Joint Declaration of the two states in the field of cooperation in energy sphere. Making comments on this Declaration, Lech

Kachinski has noted, that “the document is based on earlier signed contracts and covers some questions among which is the question of “Odessa – Brody – Plotsk” oil pipeline, which is already discussed at the level of the European Community and now the feasibility report is being prepared.

On 16 April, 2006 the government of Greece started negotiations with the Azerbaijan party about buying of additional volumes of natural gas from “Shahdeniz” deposit. Today the opportunity of participation of Kazakhstan in projects “Odessa – Brody – Plotsk” and “Burgas – Alexandroupoulos” is studied, as well.

On August, 27-29, 2006 the President of the Azerbaijan Republic Ilham Aliyev paid an official visit to Slovenia, where he has taken part in the international economic forum “Caspian Sea – 2008”. The forum has been devoted to the questions of deliveries of energy resources from the Caspian region to the Western Europe. At the forum the President Ilham Aliyev has declared, that Azerbaijan turns into a big exporter of oil and gas.

All above-mentioned proves that Azerbaijan has already joined the European “new neighborhood policy” and is successfully participating in it. Integration into the West, into the European Union is one of mainstreams of foreign policy of Azerbaijan Republic. Azerbaijan has become a new, extremely important energy source for the European consumers.

Thank you for your kind attention.