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SOUTHERN GAS CORRIDOR IN EU ENERGY POLICY

The article is devoted to the transportation of Caspian energy resources through gas pipelines to European markets that are being constructed now. The authors consider the potential of the southern gas corridor and its prospects in terms of ensuring the energy security of European countries in the future. The authors come to the conclusion that the value of such a corridor will grow with the development of deposits and the expansion of export infrastructure..

Key words: *South Caucasus, EU, energy policy, energy security, Azerbaijan, gas routes, TANAP, TAP.*

In the modern world, the energy direction in international relations acquires a new role. The EU depends on the external hydrocarbon supplies and is trying to diversify both the suppliers and the routes through which fuel is transported. The main Russian budgetary income item is the export of minerals, among which oil and natural gas occupy a leading position. Countries between the EU and Russia play an important role in establishing the “rules of the game”. So, after the Ukrainian crisis, Russia has decided to exclude Ukraine from the list of the countries-intermediaries in the trade of hydrocarbons to the EU. The expansion of the North stream and the construction of the Turkish stream are projects designed to achieve this goal. At the same time, the EU, with 40% of its natural gas imports dependent on Russia, is in search of new suppliers and transporters. The deteriorating situation in Russian-European relations dictates to all parties the necessity to search for new formats of communication and restructuring of the current relationships.

Turkey's geopolitical location plays an important role in determining its foreign policy. The territory of the country connects the regions of the Middle and Front East with Europe. Turkey is a member of NATO and about thirty years it is standing in line for EU membership. The current turn in foreign and domestic policy is directly related to the ideas of President Erdogan, it implies a more independent foreign policy and restructuring of relations with the outside world that have existed over the past fifteen years. There is a serious convergence of interests and views between Russia and Turkey regarding the world order and the role of each country in a multipolar world.

The Southern Gas Corridor is a project initiated by the European Commission and aimed at diversifying both supplier countries and natural gas transportation routes into Europe. The Southern Gas Corridor project was proposed after the abolition of the Nabucco transport project. The starting point of the route is Sangachal terminal near Baku, and the end point is in Italy. The pipeline itself consists of three parts: South Caucasus, TRANS-Anatolian (TANAP) and TRANS-Adriatic (TAP) gas pipelines. This article discusses the impact of the components of the gas pipeline and the supplier countries on the energy security of the European region.

The first part of the Southern Gas Corridor is the South Caucasus gas pipeline (also called the Baku-Tbilisi-Erzurum gas pipeline). This route is used to export Azerbaijani gas from the Shah Deniz field. Deliveries to Georgia via the gas pipeline began at the end of 2006, and to Turkey in July 2007. The throughput capacity is 8 billion m3 per year. The gas pipeline is laid in close proximity to the Baku-Tbilisi-Ceyhan oil pipeline in order to minimize damage to the ecological environment of the region. The shares of the companies in the consortium are distributed as follows: BP (operator) – 28.8%, SOCAR (via AzSCP) – 10.0%, TPAO – 19%, Petronas – 15.5%, Lukoil – 10%, NICO – 10% and SGC Midstream – 6.7%.[1]

It is planned to increase the capacity to 20 billion m3 per year by 2020 by installing two additional compressor stations on the territory of Georgia and Turkey and building a second line in parallel with the existing pipeline. The final investment decision for the Expanded South Caucasus gas pipeline was signed on December 17, 2013 simultaneously with the decision to develop the second phase of the Shah Deniz field.

It should be noted that in the scientific literature there is often confusion in the discussion of the South Caucasus gas pipeline. Thus, the initial project of the gas pipeline and its extended project are often presented as a whole, whereas initially, the Baku-Tbilisi-Erzurum gas pipeline was designed to transport gas from the Shah Deniz field to the final consumers in Georgia and Turkey. The beginning of the development of the Shah Deniz-2 project entailed a discussion of possible gas transportation routes in addition to the above-mentioned coun-

[1] South Caucasus pipeline. – URL: https://www.bp.com/en_az/caspian/operationsprojects/pipelines/SCP.html (accessed 02.03.2018).

tries, also to South-European. As a result, with the participation of the European Commission, it was decided to build an Expanded South Caucasus gas pipeline and include it in the single route of the southern gas corridor. It is worth noting that the Expanded South Caucasus gas pipeline extends to the border of Georgia with Turkey, where it is connected to TANAP, while the original gas pipeline on the border of Georgia with Turkey is connected to the national Turkish gas pipeline network owned by BOTAS.

The second part of the Southern Gas Corridor is the TRANS-Anatolian gas pipeline (TANAP). The idea of the project was proposed at the 3rd Black Sea Energy and Economic Forum held in Istanbul in November 2011.[1] A Memorandum of understanding on the construction of the gas pipeline between the governments of Azerbaijan and Turkey was signed in December 2011. The construction of the 1850-kilometer pipeline began in March of 2015. Initially, the design capacity of the pipeline is 16 billion m3, of which ten are intended for the European market, and six – for the Turkish market. By 2026, it is planned to increase the volume of transported gas to 31 billion m3. The shares held by the companies in the project are as follows: 58% belongs to Azerbaijan SOCAR through Southern Gas Corridor Closed Joint Stock Company, Turkish BOTAS owns 30%, and BP – 12%.[2]

The third line of the Southern Gas Corridor is the TRANS-Adriatic gas pipeline (TAP) project. In 2013, a trilateral intergovernmental agreement was signed between Greece, Italy and Albania, confirming the commitment to the project.[3] Shares held by the companies in this project are distributed as follows: BP – 20%, SOCAR – 20%, and Snam.A. – 20%, Fluxys – 19%, Enagás – 16% and Axpo – 5%.

It is worth noting the activities of the governments of the Balkan countries to support the TRANS-Adriatic pipeline. Memorandums of understanding and cooperation were signed between the governments and the development companies of the TAP and the Ionian-Adriatic gas pipelines participating countries (IAP). On 27 May 2013, the Adriatic and Ionian Initiative Council, represented by the governments of Albania, Bosnia and Herzegovina, Croatia, Greece, Italy, Montenegro, Serbia and Slovenia, signed in Brussels a Declaration of agreement on cooperation for the further development of the TAP and IAP gas pipelines.[4]

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[1] BP-SOCAR duo deliver 'coup de grace' to Nabucco. Mon 19 December 2011. – URL: https://news.az/articles/economy/51212 (accessed 02.03.2018).

[2] Trans Anatolian Natural Gas Pipeline Project. – URL: http://www.tanap.com/tanap-project/why-tanap (accessed 03.03.2018).

[3] Greece, Italy and Albania sign a tri-lateral intergovernmental agreement, demonstrating their full support for TAP. 13 February 2013. – URL: https://www.tap-ag.com/news-and-events/2013/02/13/greece-italy-and-albania-sign-a-tri-lateral-intergovernmental-agreement-demonstrating-their-full-support-for-tap (accessed 03.03.2018).

[4] The Adriatic and Ionian Initiative Council signs a Declaration in support of TAP. 27 May 2013. – URL: https://www.tap-ag.com/news-and-events/2013/05/27/the-adriatic-and-ionian-initiative-council-signs-a-declaration-in-support-of-tap (accessed 03.03.2018).

The main beneficiaries of the transit of Caspian gas along the southern gas corridor are the countries of South-Eastern Europe, for which this project is one of the most important variables in the process of diversification of natural gas suppliers to national markets.

The interest of Bulgaria in the construction of TAP is also noteworthy. In January 2014, a Memorandum of understanding and cooperation was signed between TAP and Interconnector Greece-Bulgaria (IGB) gas pipeline.[1]

Gordon Birell, President of BP Azerbaijan, in an interview in December 2013 said that the main gas supplier for the Southern Gas Corridor is Azerbaijan and pointed to the main fields from which it is planned to extract gas: Shah Deniz-2, Shafag-Asiman and Azeri-Chirag-Guneshli-2.[2]

The second stage of gas production from the Shah Deniz field is one of the largest projects in the world. The volume of gas contained in the field is estimated at 1 trillion. m3. Initially, it is expected to produce 16 billion m3 annually. Natural gas supply to Georgia and Turkey is expected soon. A 28.8% share in the project belongs to BP, which is also the operator of the project. 16.7% are owned by SOCAR, 15.5% – by Statoil, 10% – by Total, 10% – by Lukoil, 10% – by NICO and 9% – by TPAO.[3] The Shah Deniz-2 project is being implemented simultaneously with the Expansion of the South Caucasus Gas Pipeline, the total amount of investments in the two projects is estimated at US$ 28 billion.

BP proved significant amount of natural gas deposits in the Azeri-Chirag-Guneshli-2 field. According to SOCAR, deposits in this field are estimated at 300 billion m3. At the moment, negotiations with BP as an operator are nearing completion. The Contract of the Century concluded in 1994 did not provide for the production of gas from the deposits located under the oil reservoir in the Azeri-Chirag-Guneshli field.

BP also participates in the production sharing agreement on the Shafag-Asiman field. The first drilling operations are planned for 2019. According to SOCAR estimates, this field may contain up to 500 billion m3 of gas. It is assumed that the production of natural gas from the fields of Azeri-Chirag-Guneshli-2 and Shafag-Asiman will begin no earlier than 2024.

In the long term, Turkmenistan appears to be a potential supplier of fuel to fill the Southern Gas Corridor. The country has huge natural gas reserves, and its transportation is facilitated by the fact that the offshore fields are only 100 kilo-

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[1] TAP and Interconnector Greece-Bulgaria sign Memorandum of Understanding on technical cooperation. 26 January 2014. – URL: https://www.tap-ag.com/news-and-events/2014/01/06/tap-and-interconnector-greece-bulgaria-sign-memorandum-of-understanding-on-technical-cooperation (accessed 03.03.2018).

[2] Crunch time. Azerbaijan 2014. Energy. Interview. Gordon Birrell. – URL: https://www.thebusinessyear.com/azerbaijan-2014/crunch-time/interview (accessed 03.03.2018).

[3] Shah Deniz Stage Two, Caspian Sea. – URL: https://www.offshore-technology.com/projects/shah-deniz-stage-2-caspian-sea (accessed 03.03.2018).

meters from the Azerbaijani fields. After the discovery of the Galkanysh field, the world's largest land gas field, Turkmenistan's proven gas reserves amount to 17.5 trillion m3. The level of production today is about 70 billion m3 annually, of which 40 billion m3 are exported. At the moment, the only importer of Turkmen gas is China.

Azerbaijan has clearly expressed its position on the transportation of natural gas from Turkmenistan to Europe and appears to be a reliable partner. Azerbaijan is ready to act as a transit country on the way of Turkmen and Kazakh gas to Turkey and Europe. Turkmenistan and Kazakhstan may also act as short-term gas suppliers to fill the pipeline until the pipeline is filled with Azerbaijani "new wave" gas at the end of the 2020s.

However, today there remains one important issue. The status of the Caspian Sea has not yet been resolved. According to the representatives of Azerbaijan, Turkmenistan and Kazakhstan, the TRANS-Caspian pipeline projects should be considered only by the countries concerned, whereas Russia and Iran, on the contrary, offer a different view of the problem. In their opinion, the TRANS-Caspian pipelines are projects that affect common interests of all countries, respectively, they should be adopted jointly. In this case, the three countries have no choice but to convince Russia that the scale of natural gas exported from the greater Caspian basin is insignificant and does not affect Russia's interests in the European energy market.

The Southern Gas Corridor is presented as one of the longest pipelines existing at the moment. The total length of all three threads, from Sangachal terminal to Italy, is about 3500 km. The main companies involved in the project are BP, SOCAR and BOTAS. The project is on the list of projects of common interest in the EU, which makes it easier for the management companies to receive funding and political support in various circles. The implementation of this project will allow Azerbaijan, Turkmenistan and Kazakhstan to export natural gas to Turkey and Europe. At the same time, the geopolitical importance of this project and Russia's interests in the region and in the EU energy market cannot be written off. As noted by John Roberts, the Southern Gas Corridor is now perceived as a modern Silk Road that unites countries and people from different regions and establishes an adequate framework for increasing trade, scientific and technological exchange.[1]

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