



T.C.

ALTINBAS UNIVERSITY

Institute of Graduate Studies

Politics and International Relations

**COMPARISON BETWEEN BAKU-TBILISI-CEYHAN PIPELINE
(BTC) AND TRANS-ANATOLIAN NATURAL GAS PIPELINE
PROJECT (TANAP): HOW THESE PIPELINES CHANGED THE
INTERNATIONAL ROLE OF AZERBAIJAN IN EUROPE?**

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Master of Science

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Istanbul, 2021

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ROLE OF AZERBAIJAN IN EUROPE?**

by

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The thesis titled “COMPARISON BETWEEN BAKU-TBILISI-CEYHAN PIPELINE (BTC) AND TRANS-ANATOLIAN NATURAL GAS PIPELINE PROJECT (TANAP): HOW THESE PIPELINES CHANGED THE INTERNATIONAL ROLE OF AZERBAIJAN IN EUROPE?” prepared and presented by Tuğba KOÇ was accepted as a Master of Science Thesis in Political Science and International Relations.

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DEDICATION

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ABSTRACT

Comparison Between Baku-Tbilisi-Ceyhan Pipeline (BTC) and Trans-Anatolian Natural Gas Pipeline Project (TANAP) : How These Pipelines Changed the International Role of Azerbaijan In Europe?

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The aim of the thesis is to state that in European energy politics, Azerbaijan has a new role with the projects like BTC and TANAP by supplying both energy sources and sustaining energy security for the countries with safe and secure transit routes. The resources of energy, oil and gas are relevant to the activities of humankind and important for the states to run their industries. One of these regions that need to import energy resources is Europe. Although there has been a long term dependence on Russia about the energy resources, the EU countries agreed on a new alternative route like Caspian Region to supply their energy needs. After the regaining of their independence, with the vision of Heydar Aliyev, Azerbaijan became the new alternative for oil and gas for Europe and gained a new role in European energy politics. Energy security is also important for the business to run without interruption. Therefore, Azerbaijan, with its rich resources, infrastructure, and capacity to provide the needed energy is a good alternative for Europe and a strong player in international energy politics.

Keywords: Energy, Azerbaijan, Energy security, Europe

ÖZET

Azerbaycan'ın Avrupa'da Uluslararası Rolünün Değişmesinde Boru Hatları Projelerinin Rolü : Bakü-Tiflis-Ceyhan Boru Hattı (BTC) ve Trans-Anadolu Doğalgaz Boru Hattı (TANAP) Projelerinin Karşılaştırılması

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Bu tezin amacı Azerbaycan'ın BTC ve TANAP gibi projeler ile hem enerji kaynağı hem güvenli ve tehlikesiz geçiş rotaları sağlayarak Avrupa enerji politikasında edindiği yeni rolü vurgulamaktır. Enerji, petrol ve doğalgaz kaynakları insani faaliyetler ile bağlantılıdır ve ülkelerin sanayilerinin devamı için önem teşkil etmektedir. Bu bölgelerden biri de Avrupa'dır. Enerji kaynakları konusunda uzun süreli bir Rus bağımlılığı olmasına rağmen, AB ülkeleri enerji ihtiyaçlarını karşılamak için Hazar Bölgesi gibi yeni bir alternative hususunda görüş birliğine varmıştır. Bağımsızlığını tekrar elde ettikten sonar, Haydar Aliyev'in de vizyonu ile, Azerbaycan Avrupa için yeni bir petrol ve doğalgaz kaynağı alternatifi haline gelmiş ve Avrupa enerji politikasında yeni bir rol üstlenmiştir. Bunun yanısıra enerji güvenliği de iş sektörünün kesintisiz devamı için önemlidir. Dolayısıyla, Azerbaycan zengin kaynakları, altyapısı ve Avrupa'da ihtiyaç duyulan enerjinin sağlanması için iyi bir alternatiftir ve uluslararası enerji politikasında güçlü bir oyuncudur.

Anahtar Kelimeler: Enerji, Azerbaycan, Enerji güvenliği, Avrupa

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LIST OF ABBREVIATIONS

ACG	:	Azeri-Chirag-Guneshli
AIOC	:	Azerbaijan International Operating Company
BCM	:	Billion Cubic Metres of Natural Gas
BIL	:	BOTAS International
BOTAS	:	Petroleum Pipeline Corporation
BP	:	The British Petroleum Company
BTC CO	:	Baku- Tbilisi – Ceyhan Pipeline Company
BTC	:	Baku- Tbilisi – Ceyhan Pipeline
BTE	:	Baku–Tbilisi–Erzurum Pipeline
CIS	:	The Commonwealth of Independent States
CPC	:	Caspian Pipeline Consortium
ECSC	:	European Coal and Steel Community
ENI	:	Ente Nazionale Idrocarburi
EU	:	European Union
IAP	:	Ionian- Adriatic Adriatic Pipeline
IEA	:	International Energy Agency
IGB	:	Interconnector Greece – Bulgaria
IR	:	International Relations
LR 2	:	Lounge Race 2
NATO	:	The North Atlantic Treaty Organization

NICO : Naftiran Intertrade Company limited

OAO : Gazprom

OMV : Austrian Mineral Oil Administration Stock Company

OPEC : Organization of the Petroleum Exporting Countries

SCP : South Caucasus Pipeline

SOCAR : State Oil Company of Azerbaijan Republic

TANAP : Trans – Anatolian Gas Pipeline

TAP : Trans Adriatic Pipeline

TPAO : Turkish Petroleum Corporation

TR : Turkey

US : United States

USA : United States of America

USSR : Union of Soviet Socialist Republics

WWI (1) : World War I

WWII (2) : World War II

INTRODUCTION

As the energy politics have vital importance in international relations, one of the major hubs for natural gas and petroleum, Azerbaijan, is studied in this master thesis to indicate the importance of the country as an alternative energy supplier for Europe who have been looking for alternatives in order not to experience the scarcity they lived throughout the history. Besides, this thesis aims to analyse the changing international role of Azerbaijan in Europe by comparing the two main mega projects of Baku-Ceyhan-Tbilisi (BTC) pipeline and Trans-Anatolian Natural Gas (TANAP) pipeline. After the collapse of the Soviet Union, Azerbaijan gained an importance with the abundance of resources on oil and gas in the Caspian region.

The conflicts in Middle East region, where there is the world's highest amount and quality of oil is located, caused turmoil and raised questions of energy supply and security in Europe. After the regainance of their independence, Azerbaijan decided to open its resources to the world market. Following this decision, the projects of BTC and TANAP provided the country the chance to manage its role in international energy politics. From this respect, this study argues that energy sources are important tools to direct a country's role in international politics and Azerbaijan's aim in managing its international role in Europe takes its basis from its strategies of energy politics.

The energy sources in the world are not abundant in every country. While some regions are hubs for energy, some of them need to import energy to meet their energy needs. Europe is one of these regions in need of energy import, mainly from Russia. In fact, the term of the energy today is related to chaos and turmoil in a comprehensive framework. After the collapse of the Soviet Union, Russia has created the monopoly of the energy, especially for Europe and the crisis like the one in Ukraine drove the continent to look for alternatives and routes in the other regions of the world. Thus, Azerbaijan seemed to be a good alternative with its location and abundance of the resources. Azerbaijan is also important for Europe for the energy security that is sustained with the transition routes of the energy projects. The petroleum pipeline of Baku-Ceyhan-Tbilisi (BTC) and Trans Anatolian Natural Gas Pipeline (TANAP) were the projects that Azerbaijan supplied oil and gas to Europe as an alternative and sustained her a strong position in the international relations and energy politics.

The research questions that were carried during the process of this thesis were based on the necessity of the pipelines, the way these pipelines helped Azerbaijan to gain a new role in Europe in terms of international politics and how these pipelines changed from each other in conceptual terms. These research questions helped this thesis to analyse the contents of the BTC and TANAP projects and the way they contributed both the energy security of Europe and the new role of Azerbaijan in international energy politics. The research is conducted by comparing the projects and their aftermath, the historical background of the resources, analyse of books, articles, news and different master thesis and dissertations related to the topic of this thesis. By scanning the past and the future of the energy politics in the Caspian region, this thesis gives the outline of the future of the energy politics for both Europe and Azerbaijan. The advantages of an energy alternative and hub for Europe bring forward the future investments and broader projects into the agenda to keep sustaining energy security.

1.1 HISTORICAL BACKGROUND

The research topic of this thesis is to understand the new role of Azerbaijan in Europe by comparing the two main energy projects, the BTC and TANAP in terms of international energy politics. As a young Republic, Azerbaijan is needed to be studied as to evaluate her importance as a Caspian Region member to get stronger in the European energy industry and politics. Starting from the discovery of oil in the world, it has been analysed that the chaos and turmoil which even caused the two world wars in the history, had taken its basis from the scarcity of the energy sources in some parts of the world. While some regions had an abundance, the growing industry made the states to search for new sources around the world and the Caspian region was a good alternative with the geographical location and the richness of the resources. After the regainance of the independence in 1991, Azerbaijan has conducted a successful foreign energy policy in Europe who imports natural gas and petroleum. As an alternative for Russian gas, the energy sources that Azerbaijan would ensure was vital for the region. The research topic of this thesis starts from here with the historical decision of Azerbaijan to coordinate and sign the Contract of the Century, which opened the way for BTC pipeline. After the process, the TANAP project sustained the natural gas for Europe with a guarantee of energy security. The main aspects of the projects are discussed

throughout the thesis and the advantages of the projects are presented on behalf of both Europe and Azerbaijan.

1.2 CONCEPTUAL FRAMEWORK

The study covers the process of Baku-Tbilisi-Ceyhan Pipeline(BTC) and Trans-Anatolian Natural Gas Pipeline Project(TANAP) construction history and economic contributions and analyzes the impacts of process, biases, economical and political over the international energy negotiations. The primary objective of this thesis is to explore and describe how international energy negotiations are determined by the interaction with different actors. And also, it emphasizes the comparison between Baku-Tbilisi-Ceyhan Pipeline(BTC) and Trans-Anatolian Natural Gas Pipeline Project(TANAP) and the substantial role of Trans-Anatolian over the World and the reason why there is a need of Trans-Anatolian Natural Gas Pipeline Project(TANAP). In this respect, the thesis seeks to investigate two different cases in which different types of factors are dominant. According to the fact that the key factors are influential in the process of international energy negotiations when the efficient factors are changed will tried to be explored.

More especially, the research question of this thesis is: does Trans-Anatolian Natural Gas Pipeline Project(TANAP) change and the take over the role of Baku-Tbilisi-Ceyhan Pipeline(BTC) over the World. This question brings the research in a very substantial position which leads the Trans-Anatolian Natural Gas Pipeline Project(TANAP) in a possible potential opponent over the other existing natural gas resources. As it is stated, the process analysis of this thesis is formed according to the steps of descriptive research analysis and comparative research method. The former of these theories, includes descriptions of the topics, shows or summarizes data points in a constructive way such that patterns may emerge that implement every condition of the data. Descriptive analysis method also involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection. It often uses visual aids such as graphs and charts to aid the reader in understanding the data distribution. Because the human mind can not extract the full import of a large mass of raw data, descriptive statistics are very important in reducing the data to manageable form. When in-depth, narrative descriptions of small numbers of cases are involved, the research uses description as a tool to organize data into patterns that emerge during analysis.

Those patterns aid the mind in comprehending a qualitative study and its implications. Sufficient figures and tables are shown and given in details in this research. Especially, the construction forms of the pipelines, the statistical series of analysis and government reports are also provided. In fact, descriptive research does not fit neatly into the definition of either quantitative or qualitative research methodologies, but instead it can utilize elements of both, often within the same study. The term descriptive research refers to the type of research question, design, and data analysis that will be applied to a given topic. But when considered in a wholistic view of way, this research analysis is formed in this direction.

The latter has gained considerable ground in recent years. On the one hand, this can be defined as a sign of communication science maturing as a research discipline. On the other hand, both in terms of quantity and quality, comparative communication research is lagging behind compared to neighboring disciplines, such as political science and sociology. In a review, specifically of comparative political communication research, Pippa Norris (2009) identifies several reasons for this, including shortage of comparative frameworks due to an overly strong focus on the United States, a lack of standardized measurement instruments, and the limited availability of large archival datasets. We expect that the unfamiliarity with the possibilities and challenges of comparative research among communication scholars also contributes to the paucity of solid comparative studies, and thus, we hope this entry fills part of this void. According to these aspects, it is can directly be understood that the solely concept of measuring and comparing researches can be missing. On the contrary, this notion has deeply been replaced with new emerging researches day by day.

The argument of this thesis is that Azerbaijan, which inevitably has a strong say in Europe with the construction of the Baku-Ceyhan-Tbilisi oil line, has completed the Trans-Anatolian Natural Gas Pipeline(TANAP) Project, which reached Greece and Italy via Turkey, in order to strengthen its position and transfer its natural gas to Europe. After the completion of this Project Azerbaijan became an energy alternative to Russia for Europe and as a matter of fact Azerbaijan supplied the energy security to the customers of Europe.

The conceptual framework of the thesis is mainly based on this chapter with analyzing the different literatures and effects on energy sector. The process itself as a significant variable and the impact of the energy sector, economy and politics and bias to the process are examined. Additionally, the importance of the energy production and providing phase is also analyzed since turning points concept can also refer to such phases of preparation in oil and gas sectors as well. Moreover the comparative research method of this thesis will be further strengthened in the upcoming chapters with introducing 2 basic energy projects of Azerbaijan and the impacts and results of these projects to the energy world and naturally, the comparison of the world energy situation before & after the construction of the BTC and TANAP projects.

1.3 RESEARCH METHODOLOGY

The methodology of this study depends on descriptive analysis and comparative research method, which are very important two basic structures of forming professional research theses and dissertations. Descriptive analysis which is one of a sub analysis of quantitative analysis explains the characteristics of measurement and includes an explanation of the types of categories of statistics employed in the research. Descriptive analysis provides guidance on how to design and conduct large-sample research forming. It is utilized for providing the background information in this thesis for the political, energy security, economic and strategic aspects of the gas pipeline projects and the roles of the leading countries of natural gas and petroleum and the detailed discussions have been conducted within these descriptive analysis. Therefore, within these scope, journal, magazine and newspaper articles, books, dissertations and theses, reports by the governments, fact sheets, audiovisual media speeches and the articles of news websites are used to provide a perspective for the topics discussed in this thesis and it is presented that both the defending and the opposing arguments concerning the thesis statement to show an objective view as much as possible.

Apart from this, this research also contains very current topics such as the construction and the necessity of Trans Adriatic Pipeline (TAP) and the natural gas pipeline which lines from Baku through Turkey to Greece started to provide natural gas in around the second half of 2020. In addition to this, trustworthy newspaper, magazine articles and credible website information are

also benefited in order to provide a very up-to-date thesis content with the latest developments. Furthermore, in this research, comparative research method is engaged which enables to find solutions to the sub problems of the hypothesis and involves negotiation and compromise and a sound knowledge of different perspectives. This research method also analyzes the process of comparing situations, groups, cultures, or whatever, which are similar and yet which differ in known ways. This method is mainly employed to bring an explanation to comparing the two or more researches to identify, analyze and explain similarities and differences across the findings. By applying these methods to this research thesis, the main object is to reach a sensible and viable solution and compare with other studies by using literature reviews.

1.4 THESIS OUTLINE

The structure of this thesis is divided into five main chapters. The introduction of this thesis is the importance of oil and gas and a general evaluation of the main idea of the thesis. Chapter 2 starts with an introduction of the discovery of oil and gas. As energy sources represent a huge part of the continuity of both life on earth and business, they are relevant to the activities of humankind. Azerbaijan, with rich resources of energy and geographical location, is a good alternative for Europe despite the fact that Russia has a role of monopoly in the region. In this situation, the vision of Heydar Aliyev and the importance of the Contract of the Century have proven themselves as vital to the role of Azerbaijan in Europe as the Contract of the Century opened the way for BTC and TANAP. The chapter continues with the conflicts between Russia and Ukraine and the energy security issues as the scarcity of the resources caused turmoil in some parts of the history.

The main aim of the thesis is studied in the third chapter as the new role of Azerbaijan in Europe with the projects of BTC and TANAP are analysed in detail. The projects are compared in many ways with the outcomes but the main idea that is gained from the study is that Azerbaijan became a new alternative in energy resources and has proven their new role in international politics in Europe. The comparative research method and descriptive research analysis are studied in chapter four and in chapter five, the results that it reached at the end of the study is stated in detail. Azerbaijan seems to have more roles in Europe with the energy security they ensure for Europe

and the new investments. In conclusion and future research, with the help of the other studies on the similar topics, it is studied that Azerbaijan has proven themselves as an important player in international energy politics and specifically in Europe.



CHAPTER II

OIL AND GAS SECTOR

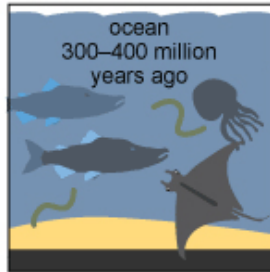
2.1 DISCOVERY AND HISTORY

Before stating the utmost importance of the petroleum and gas for the energy industry in the world, the history of the discovery of these materials should be analyzed for a better understanding. “Millions to hundreds of millions of years ago and over long periods of time, the remains of plants and animals (such as diatoms) built up in thick layers on the earth’s surface and ocean floors, sometimes mixed with sand, silt, and calcium carbonate. Over time, these layers were buried under sand, silt, and rock. Pressure and heat changed some of this carbon and hydrogen-rich material into coal, some into oil (petroleum), and some into natural gas.” (Anonymous, 2020, p.1)

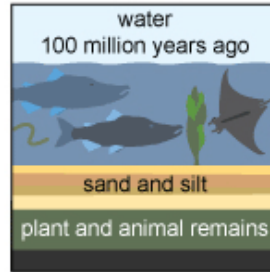
This formation of the materials through centuries are shown in Figure 2.1 and 2.2. In addition to this, the modern history of oil is supposed to be started in 1840s. “The late 18th century and the early 19th century marked the creation of major oil companies that still dominate the oil and gas industry today. John D. Rockefeller founded the Standard Oil Company in 1865, becoming the world’s first oil baron. Standard Oil quickly became the most profitable in Ohio, controlling about 90% of America’s refining capacity and a number of its gathering systems and pipelines. ExxonMobil, one of Standard’s successors after it dissolved in 1911, is the world’s ninth largest company by revenue today.” (Ali, 2019, p.2)

Petroleum and natural gas formation

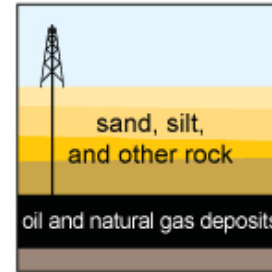
Tiny marine plants and animals died and were buried on the ocean floor. Over time, the marine plants and animals were covered by layers of silt and sand.



Over millions of years, the remains were buried deeper and deeper. The enormous heat and pressure turned the remains into oil and natural gas.



Today, we drill down through layers of sand, silt, and rock to reach the rock formations that contain oil and natural gas deposits.



Source: Adapted from National Energy Education Development Project (public domain)

Figure 2.1 Petroleum And Natural Gas Consumption

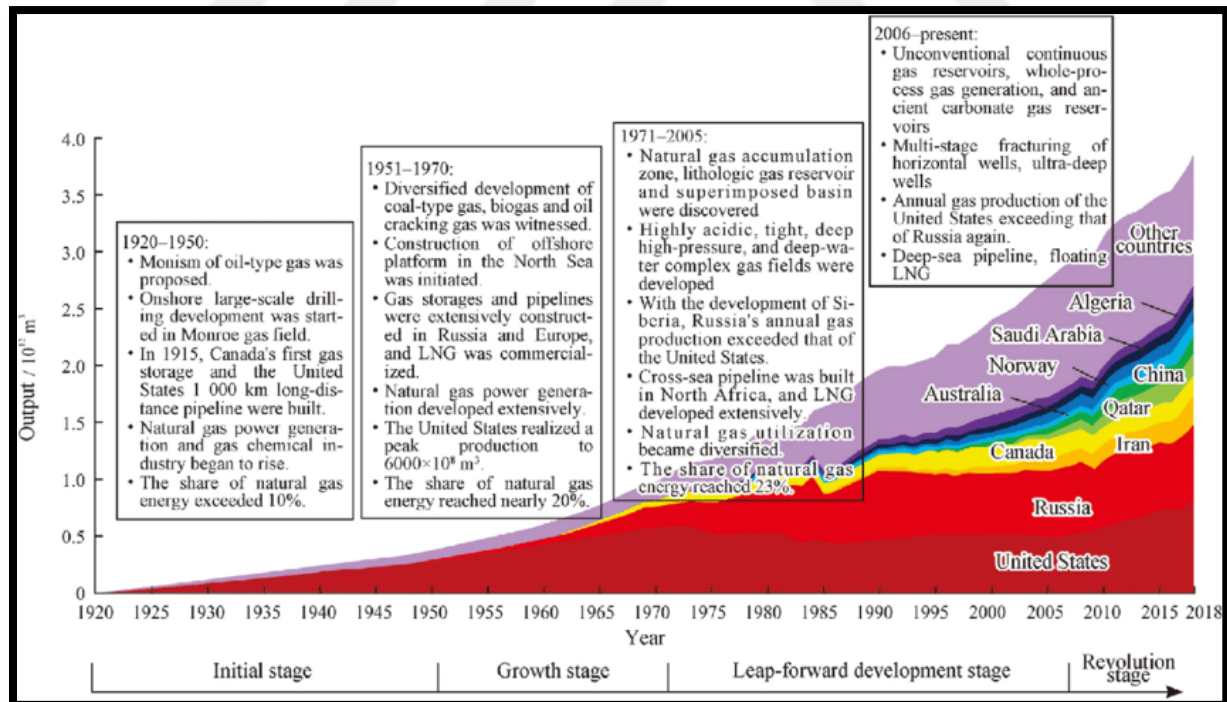


Figure 2.2. The Formation Of Petroleum And Natural Gas

The importance of oil and gas energy to human activities, as well as their enormous impact on the economies of both oil producing and oil importing countries, cannot be overstated. Oil and gas have a huge impact on the politics of the each country in the world. (Hassan, 2013, p.123). “As global economies and infrastructure continue to rely significantly on petroleum-based products, the world's dependence on oil and gas is growing. Even in the face of a weakening global economy and dwindling oil supplies, discussions on when the world’s oil and gas output would peak seem to be on the fringes. The oil and gas business continues to have enormous clout in international economics and politics, particularly when it comes to employment levels, with the US oil and gas sector providing at least 10 million jobs. (Muspratt, 2019, p.2)

One of the best examples of these international economies, the USA, with its population and changing life style, was forced to make use of petroleum more than any other country in the world. “The 19th century was a period of great change and rapid industrialization. The iron and steel industry spawned new construction materials, the railroads connected the country and the discovery of oil provided a new source of fuel. The discovery of the Spindletop geyser in 1901 drove huge growth in the oil industry. Within a year, more than 1,500 oil companies had been chartered, and oil became the dominant fuel of the 20th century and an integral part of the American economy.” (Anonymous, 2018, p.1)

The importance of oil for the most powerful states brought a search of unity to balance the production and distribution of oil with the prices. One of these unity organizations was the Organization of the Petroleum Exporting Countries (OPEC). OPEC, which was founded by several countries, “is a permanent, intergovernmental Organization, created at the Baghdad Conference on September 10–14, 1960, by Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. The five Founding Members were later joined by: Qatar (1961) – terminated its membership in January 2019; Indonesia (1962) – suspended its membership in January 2009, reactivated it in January 2016, but decided to suspend it again in November 2016; Libya (1962); United Arab Emirates (1967); Algeria (1969); Nigeria (1971); Ecuador (1973) – suspended its membership in December 1992, reactivated it in October 2007, but decided to withdraw its membership effective 1 January 2020; Angola (2007); Gabon (1975) - terminated its membership in January 1995 but rejoined in July 2016; Equatorial Guinea (2017); and Congo (2018). OPEC had its headquarters in Geneva,

Switzerland, in the first five years of its existence.” (Anonymous, 2020, p.1) The adjustments made by the OPEC were deeply related to the political and economic conditions of the regions rich in crude oil. These conditions caused in energy conflicts and even wars as the oil became an important part of the daily life and the states that do not have the abundance started to look for alternatives. In Figure 2.3, it can be seen that the prices of crude oil was very related to the politics from 1800s to the present and in Figure 2.4, the production map of the oil and gas in the world is indicated in detail.

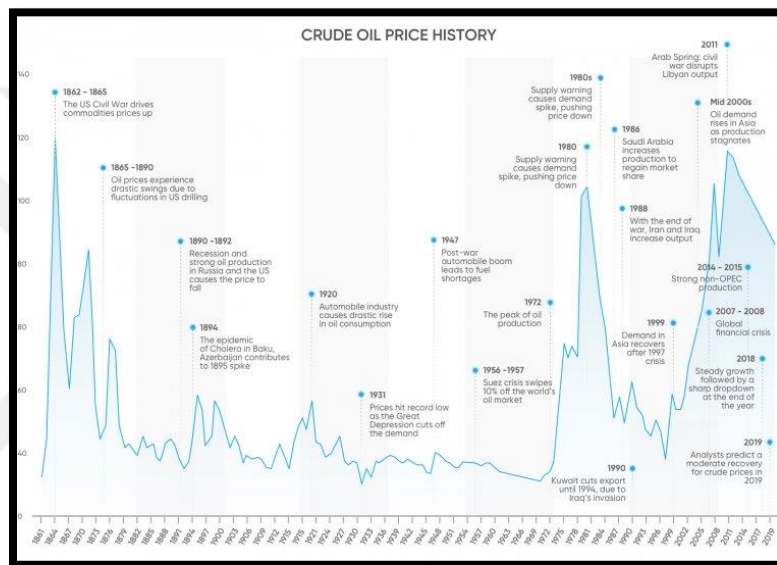


Figure 2.3. Crude Oil Price History

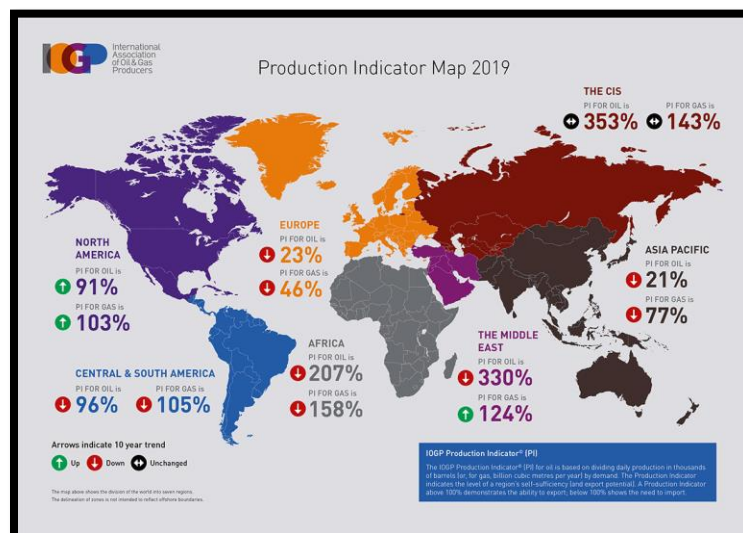


Figure 2.4. Production Map Of Oil And Gas In The World

2.2 THE EFFECTS OF ENERGY RESOURCES ON WORLD POLITICS

In today's world, energy and information are the backbones of any economy, as well as a critical component of economic growth and success. Energy is regarded as a critical component economic development, a key driver of society and civilization, and a key enabler of social progress. Industry, transportation, residential, and service sectors all demand energy, which is why humanity uses a variety of energy sources to suit its needs. (Kosowski, 2021, p.1) It is a reality that fossil fuel resources are important tools for international politics and became determinant for the foreign policies of the states. "One important characteristic of primary energy resources is their asymmetrical geographical distribution, i.e. in relative terms resources are abundant locally, but scarce globally. This affects incentives for actors, such as states, to accumulate and control resources over time and space. Low production costs, in relation to the market price, enable excessive resource rents. It is primarily a problem for non-renewable resources. However, local scarcity of renewable resources, caused by environmental degradation, can result in conflict if it induces stress in a society beyond its coping capacity." (Månsson, 2014, p.27)

2.2.1 Aftermath of World Wars

The scarcity caused the great world wars and invasions in history as the locations with abundance were living in political turmoil mostly because of their large sources of oil and natural gas. Figure 2.5 shows the rate of production from 1900-2009 as an example of the change for production around the world.

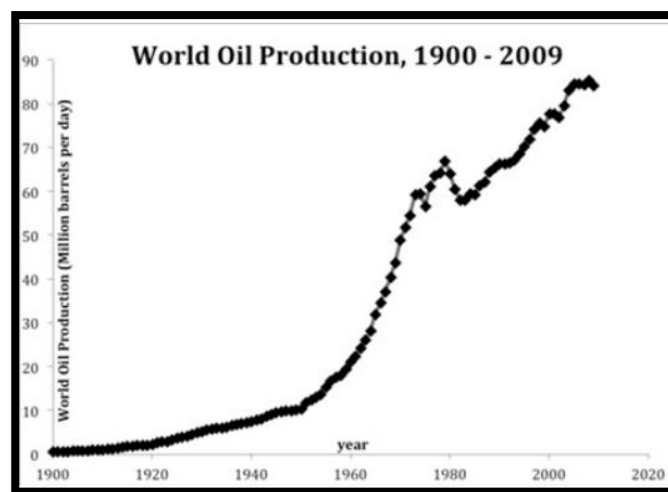


Figure 2.5. World Oil Production, 1900-2009

One of the examples that the source of energy caused chaos between the states was the 9/11 tragedy in the US history. The 9/11 attacks in the USA was seen as a terrorist attack made by the Al-Qaida members who hijacked aircrafts and caused hundreds of people to die in 2001. The deadliest terrorist attack recorded in the history would give the US government the right to gain their self-defense as President Bush declared at that time “America has stood down enemies before, and we will do so this time. None of us will ever forget this day, yet we go forward to defend freedom and all that is good and just in our world.” (Bush, 2001, p.3) Actually, that was the answer for the question of how USA became the number one producer of oil in the world without having the enough petroleum reserves to gain this position. Right after the 9/11 attacks, the USA declared a war on terror and invaded Afghanistan as they blamed Osama bin Laden for the 9/11 attacks. In fact, Afghanistan was needed to be stabilized as Europe was in search for an alternative oil and gas way to reduce their dependency on Russia and the US was also in search for alternatives as “this need for energy resources became apparent in 1943, when the US shifted from net exporter to net importer of oil. By the end of 1943 the US Navy and State had deemed the country’s interests in the Middle East of the highest importance and recommended the countries further involvement in order to preserve the strategic reserves of the west.” (Stoyanov, 2013, p.4) “When President Bush was talking about a new ‘crusade’ maybe he was dropping a brick in terms of international relations and diplomacy, but he was reflecting the realistic mood in the USA and Europe.” (Ritter, 2002, p.7)

By effectively controlling the “global oil spigot,” the US has strengthened its strategically powerful position in the Middle East. This is also an efficient strategy to keep any competition for the top spot in this inter-state hierarchy at bay, as all of the US’s competitors-particularly China-are heavily reliant on Middle East oil. (Gökay, 2016, p.2) However, controlling the abundant Middle Eastern oil endowment has been one of the key goals of the project for a new American century, whose members are the true architects of the Iraq War. (Jhaveri, 2004, p.3) The war between Iraq and Iran was another important stage for energy wars in the history. “The Iraqi strategy of interrupting Iran’s export supply line dated back to February 1984, when Iraq attacked tankers shuttling between Khark and Sirri islands. The terminal and cargo handling jetties on Khark Island were hit, reducing the island’s export capacity from 6.5 million bpd to 2.5 million bpd within 3 months. This new tactic did not halt Iranian oil exports, but it did decrease them. As a consequence of lower export

earnings, the new budgets showed deficits in fiscal years 1985 and 1986. (US Library of Congress, n.d. p.1.)

As it can be understood in Figure 2.6, “energy has been one of the main root causes of global conflicts. This tenet was again recently showcased in the downfall of Iraq and Libya, and in the relentless Western haranguing of Iran and Syria.” (Shihab, 2020, p.1) The impact of the first oil crisis in the 1970s has been linked to the present spike in discourse about energy security and its significance in international strategy and politics. In truth, it has a more complex and diverse set of origins. The structure of the energy market, the nature of energy security and the difficulties it faces, and the geopolitical context have all changed since the 1970s. (Proninska, 2006, p.1) “The post-World War II era saw the share of oil in energy consumption rapidly increase with abundant supplies of oil products seen as key in underpinning the so-called ‘golden age’ of economic development. The ‘golden age’ constitutes a sustained period of stable economic growth, increased prosperity, and the rise of mass consumption in North America and Europe, lasting until the oil crisis of 1973.” (Johnstone, 2020, p.1)

Figure 2.7 the regions with abundance of oil are shown in detail.

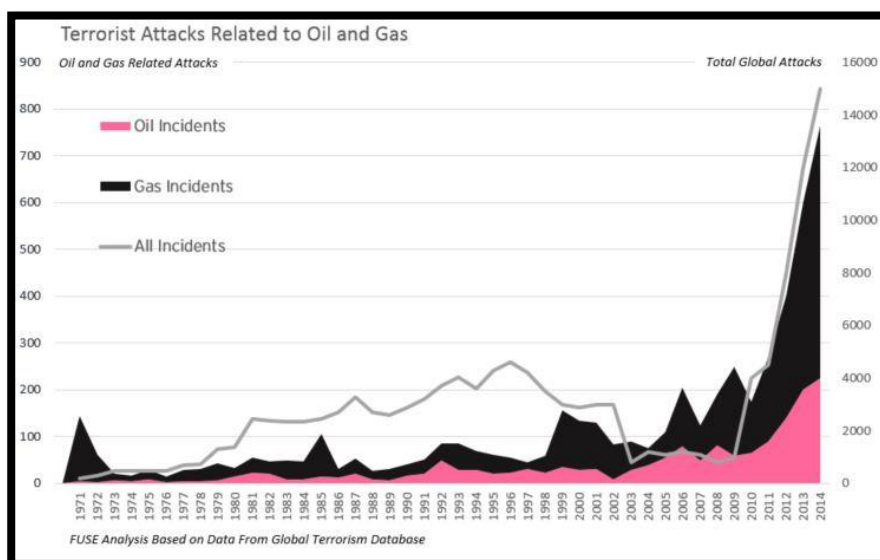
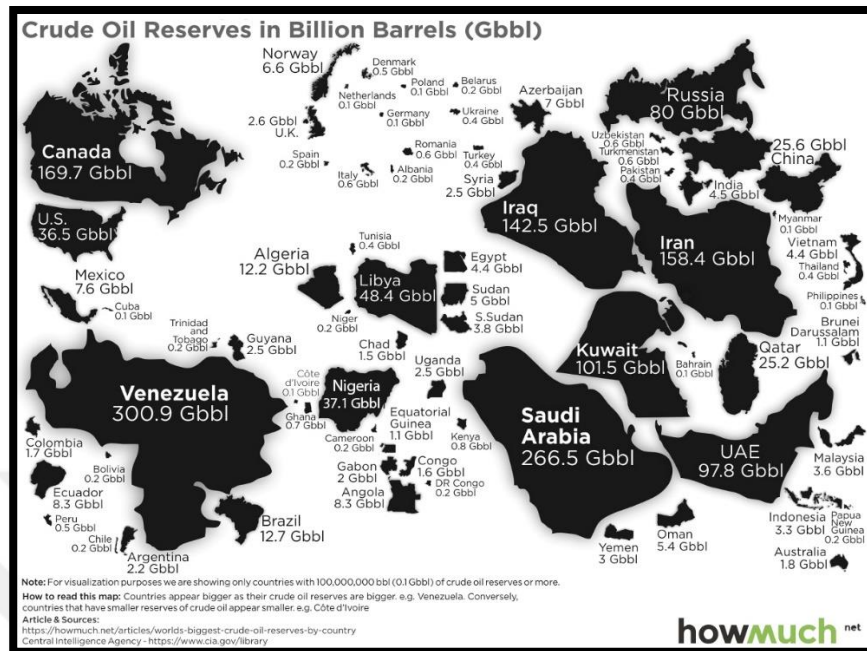


Figure 2.6. Terrorist Attacks Related To Oil And Gas



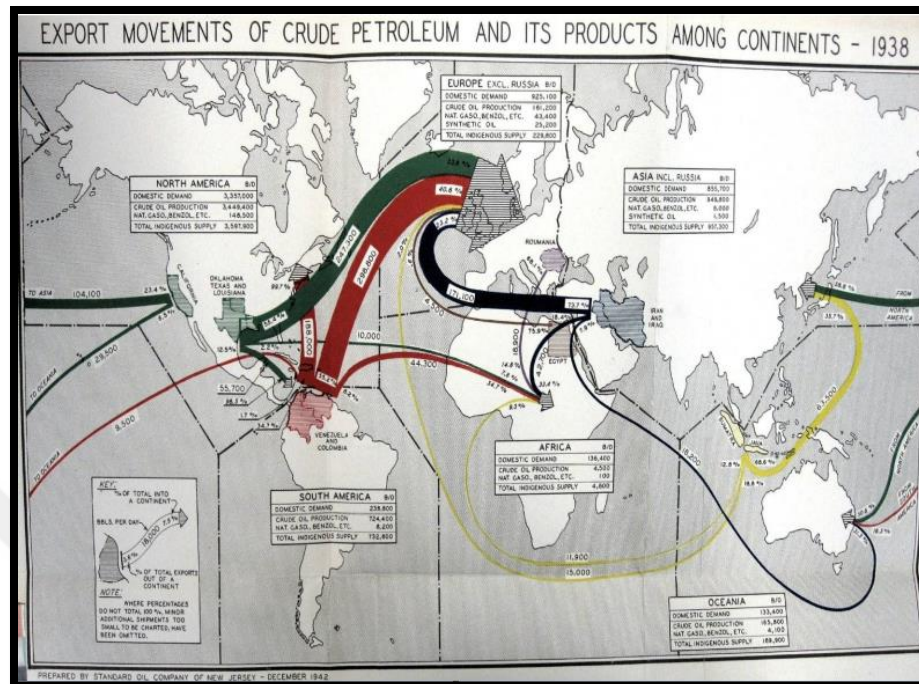


Figure 2.8. Export Movements Of Crude Petroleum And Its Products Among Continents 1938

Following the World War 1, World War 2 was also a significant historical period in which the machines that needed oil like aircrafts and giant army tanks were in use. For some scholars the war was even called the “war of machines.” During the war, Hitler was dedicated to reach the regions which were rich in oil because of the scarcity that Europe was living at that time. Even trying synthetic coal to produce oil to empower his army during the war, Hitler also planned to reach Baku, who were producing 11 million tons of oil per year, to weaken Stalin in the region. Besides, Japan was one of the countries trying to gain oil for military needs. “Actually, the Japanese had begun research on synthetic fuel in the 1920s, only a few years after other countries, such as Germany and Britain that lacked sources of natural petroleum.

They did excellent laboratory research on the coal hydrogenation and Fischer-Tropsch conversion processes, but in their haste to construct large synthetic fuel plants they bypassed the intermediated pilot-plant stage and failed to make a successful transition from small- to large-scale production. Unable to synthesize liquid fuels from coal, they instead derived significant quantities from the technologically simpler coal carbonization and shale oil distillation processes.” (Stranges, 2006, p.1)

Correspondingly, “although the threat of ‘resource wars’ over possession of oil reserves is often exaggerated, the sum total of the political effects generated by the oil industry makes oil a leading cause of war. Between one-quarter and one-half of interstate wars since 1973 have been connected to one or more oil-related causal mechanisms. No other commodity has had such an impact on international security.” (Colgan, 2013, p.1) However, “the wars on petroleum in 20. and 21. Century might be pale in comparison with the ones that will happen in the future. In a 20 or 30 years’ time, the world will witness that the need for the petroleum resources will grow bigger as the industrial demands of China and Southeastern Asian countries increase in the same way. In the near future, drilling the oil will become much more expensive. As the resources decrease and the prices increase, the USA, Europe and Japan will be in a race with China, India and other nations for these resources.” (Stern, 2007, p.273)

All these historical events brings the idea of search for new alternative sources of energy around the world basically for the sake of energy security. Not only the World Wars 1 and 2, but also the historical events like US embargo on Japan about oil import which caused the Pearl Harbour in 1941, the Suez Canal Crisis, Iranian Revolution, Iran-Iraq War, Iraq’ Invasion of Kuwait were based on the conflicts on petroleum and energy policies of the states. Accordingly, “the history of the European oil and gas industry reflects local and global political events, economic constraints, and the personal endeavours of individual petroleum geoscientists, as much as it does the development of technologies and the underlying geology of the region. Europe and Europeans played a disproportionately large role in the development of the modern global oil and gas industry.” (Craig, 2018, p.1)

In conclusion, Europe needs safe and secure energy alternatives other than Russia who has been a long time partner on energy. Therefore, Azerbaijan becomes the best alternative with her plenty of resources on petroleum and gas with the transit countries supplying a secure way of energy import for the continent. In a similar vein, “unlike the rest of the EU's eastern neighborhood, Azerbaijan has plenty of oil and gas of its own. The country is set to become a major gas exporter to Europe, thanks to the South Caucasus, Trans Anatolian and Trans-Adriatic Pipelines (SCP/TANAP/TAP) which together make up part of the Southern Gas Corridor connecting the Caspian region to Europe.” (Russell, 2020, p.18) Even in 1997s, it was noted that “Caspian region is probably the

last crude oil region that is not processed and researched yet and after the decision of permitting the international companies to search for this region created an excitement. The Western companies turned their attention to West Siberia in 1991 and 1992, to Kazakhstan in 1993 and 1994, to Azerbaijan in 1995 and 1997 and Turkmenistan in 1997 and 1999.” (Raşid, 2007, p.201) The effect of the Russia on the energy sector should be analyzed in detail in order to understand the importance of Azerbaijan as an alternative for Europe in terms of energy supply and security.

2.3 THE NEW ALTERNATIVE FOR ENERGY SECTOR: THE REPUBLIC OF AZERBAIJAN

“Azerbaijan’s name comes from the Persian words, *azer*, which means “fire” and *baygan*, which means “protector.” The name was first applied in ancient times to the area around Baku, Azerbaijan’s current capital. Here, rich deposits of natural gas and oil resting close to the surface meant that, in places, the soil was actually flammable. A temple was built to honor what the people considered to be the powerful forces at play and many came on pilgrimages to see the wonders the site offered.” (Anonymous, 2015, p.1) Many Greek and Roman sources from the last century BC and the early centuries of the Christian era mention the region. Until the ninth century, Azerbaijanis in this northern realm were Persian vassals. The kingdom saw numerous waves of nomadic Turkish tribes, including the Huns and Khazars, migrate through it for much of this time. Both the Turkish nomads and the Albanians are considered forefathers by the Azerbaijani Turks today. (Anonymous, 2012, p.2.)

With a population of just under 10 million people, Azerbaijan is a small country with the same size as Austria or the US state of South Carolina. It gained independence from the former Soviet Republic in 1991. Sat on the western shore of the Caspian Sea, it borders Iran to the south and Armenia to the west. (Heinrich, 2018, p.1) During this time of the independence, “there were two processes experienced in Azerbaijan and Central Asia at the same time. The communist system and the Russian colonial empire were both collapsing. With the collapse of the communist system, like the East European countries, there seemed a start for the democratization and liberation.” (Şimşir, 2011, p.257) “Azerbaijan gradually embarked on the course of dynamic development.

Baku's tumultuous and riotous years of 1991-1995 were left behind. Construction and landscaping works started in Baku. The appearance of the city gradually improved.” (Anonymous, 2019, p.3)

Azerbaijan is one of the few places on the planet where oil has been mined and used for more than a thousand years. Charles Marvin wrote in 1877 that there was solid evidence that oil was exported from the Apsheron peninsula, where Baku is located, to Iran, Iraq, India, and other places 2500 years ago. Prisk of Pontus (fifth century), Abu-Istakhri (eighth century), Ahmed Balazuri (ninth century), Masudi (tenth century), Marco Polo (thirteenth-fourteenth centuries), and O'Learius (thirteenth-fourteenth centuries) all mentioned this (seventeenth century).

The Apsheron peninsula, according to Marco Polo, was dotted with oil wells, and the oil collected was used for illumination and fodder. (Bagirov, 1996, p.1) It was obvious that the region was rich in energy sources. “It was clear in 1860s that Azerbaijan would become one of the biggest centers of petroleum in the world. Russian scientist of chemistry, D.I. Mendeleyev claimed that the country had rich oil fields that would make the production of oil possible in big volumes since ancient times and Russia could cover the loses they experienced in the last years. However, he thought that the reasons that were preventing the oil production were not applying the new technology, non-existence of the rail roads and the farming system that was monopolizing the petroleum production and trade.” (Karagür, 2007, p.32) Figure 2.9 shows the location of Azerbaijan on the world map to indicate this importance of geographical position.



Figure 2.9. World Map

In the middle of the twentieth century, a precrisis scenario developed in the Soviet Society's economic, political, and spiritual life. The rate of output growth, as well as worker productivity, has been steadily declining. The public's faith in communist doctrine has dwindled. In order to save the country from bankruptcy in 1985, the Communist Party proposed the "concept of acceleration" and "the reconstruction line has been determined." (Ismailov, 2017, p.331) Following that, "On Aug. 30, 1991, the Azerbaijani parliament, Ali Sovet (Supreme Council), adopted the Declaration on the State Independence of the Republic of Azerbaijan. This constitutional act was approved and adopted by the Supreme Council on Oct. 18, 1991. On Dec. 29, independence was affirmed by a nationwide referendum, when the Soviet Union officially ceased to exist." (Aliyev, 2020, p.1)

Later through the decades, it would be understood that Azerbaijan would become one of the safest places for energy security with the projects like Baku-Tbilisi-Ceyhan Pipeline (BTC) and Trans Anatolian Natural Gas Pipeline Project (TANAP) which opened new eras for the Republic of

Azerbaijan in terms of international politics. As the importance of gas grows in the energy sector, its production and transportation has become an increasingly essential component of geopolitics. Russia, Turkmenistan, Azerbaijan, and Iran are Eurasia's leading gas exporters. On the other hand, practically all European countries are gas consumers, and the majority of them are gas importers. In the early 2000s, the countries concerned increasingly reliant on Russia for energy. What can they do if the gas does not come from Russia because of a conflict or disagreement? (Yalçınkaya, n.d. p.1) Accordingly, the alternatives that Azerbaijan would present for European energy and energy security would be very crucial for the future of Europe and European strategies of Azerbaijan Republic in the future of Europe.

2.3.1 The Oil Industry in Azerbaijan

“After the Russian revolution of 1917, Soviet power was established in Baku. In 1918, following a decision taken by the Bolshevik government in Moscow, 165 independent oil companies were nationalized in Azerbaijan. In the same year, after the declaration of the independent Azerbaijani Republic (1918-1920), the Azeri government issued a decree denationalizing the oil industry and returning the enterprises to their owners. In 1920 the Russian Red Army invaded Azerbaijan and the oil industry was nationalized once again.” (Bagirov, 1996, p.3) The evolution of Azerbaijan's oil sector can be classified into four stages: The first stage-in 1846, oil was extracted by industrial method for the first time in the world from a well placed 21 meters deep in the Bibiehat oil field.

The oil sector in Azerbaijan began to expand in the same year. Baku built the world's first oil refinery in 1859. Djavad Melikov developed the kerosene plant in Baku in 1863, and for the first time in the world, refrigerators were employed in oil refining. In 1867, there were 15 oil refineries in operation. The advancement of well-drilling technology resulted in the discovery of a number of oil wells (Binegedi, Pirallahi, Surakhany, and others), as well as an increase in the number of oil wells. (Anonymous, 2020, p.1) Figure 2.10 shows the crude oil production of the country in detail.

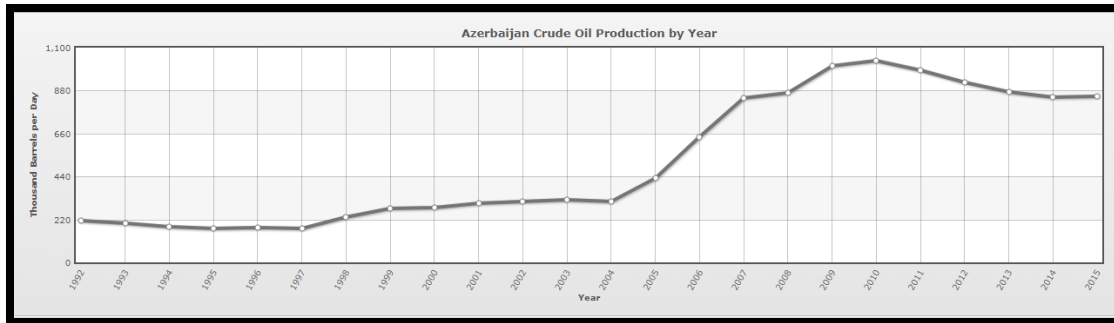


Figure 2.10. Azerbaijan Crude Oil Production By Year

Azerbaijan is one of the world's oldest oil producers, and Baku and the Absheron Peninsula have long been regarded as oil-producing historic locations. At 1847, a rudimentary percussion drilling technique was used to drill the world's first oil well in Absheron, Bibiheybat. Baku also saw the construction of the first oil refinery in 1878. This refinery was linked to the Balakhani oil fields by a 12-kilometer pipeline that was recently built. Baku had become a global hub for industrial investment by the end of the nineteenth century. (Ciarreta, 2010,p.2.) The important question here is how the oil industry helped the rise of the welfare and the economic growth of the Republic of Azerbaijan as “during the early years of Independence the problems such as war between Azerbaijan and Armenia , Russian embargo on transportation and stopping usage of 2 major oil pipelines due to the war in Chechnya, administrative weakness, disruption in the legal layout, separation in the ethnic formation led to the period of economic crisis. After independence, 1991-1994 was the period of problems and social, political, economic issues entered a period of crisis. GDP has reduced 30% in 1994 in compare with 1990. Fast increasing inflation reached its highest level 1764% in 1994.” (Suleymanov, 2013, p.80)

These developments led the foundation of the first state oil company of Azerbaijan. “Azerbaijan State Oil Company (SOCAR) is responsible from oil and natural gas production in Azerbaijan, management of country’s refineries, establishment of natural pipeline system, management of oil and natural gas energy export and import. In Azerbaijan, Ministry of Industry and Energy is responsible from the agreements that would be made with foreign countries about transport and production of energy. SOCAR also joins to international consortiums for the development of oil and natural gas projects. The share of SOCAR is around 20% in the total oil production of Azerbaijan. 80% of the total production is made by Azerbaijan International Operating Company

(AIOC) managed by BP” (Yesevi, 2015, p.32) The company is also important for Turkey in terms of the investments they have made and the relations between Turkey and Azerbaijan. The value of Azerbaijan’s investments in Turkey has reached 15.3 billion dollars, while Turkey’s investments in Azerbaijan have reached 12 billion dollars so far. In Azerbaijan, there are now 3,400 Turkish businesses and many of these routinely engage in the government of Azerbaijan’s tenders. SOCAR, the Azerbaijan Republic’s State Oil Company, not only contributes significantly to the long-term viability and development of economic relations between the two countries, but also takes steps to ensure the energy security of both Turkey and Europe. (Gahramanov, 2019, p.1)

2.3.2 The Time of the Independence and the Aliyev Period

“In the early morning hours of May 26th 1908, it was the first big petroleum find in the Middle East, but certainly not the last. Oil would soon transform the region’s economies, enrich its ruling families and attract more foreign influence. A century later another big change is coming, as countries around the world adopt cleaner sources of energy. But peak demand for oil may still be years away.” (Standage, 2020, p. 10) After decades, in the year of 1991 when the Republic of Azerbaijan gained independence, Middle East was passing through a traumatic period because of the start of the first Gulf War. The USA was punishing Saddam Hussein for the invasion of Kuwait. However, the only problem for the region was not the Kuwait only. From the North Yemen War that started in 1966 , seeing the cases like Iran-Iraq War, to the Yemen Civil War in 2009, the Middle East was at the center of wars and uprisings. Figure 9 shows the huge difference through the years of these chaotic period. For example, “oil production in Iraq decreased from 2.8 billion barrels in 2000 to 1.5 billion barrels in 2003 due to war. However, Iraq has since increased its oil production almost twofold to 4.4 billion barrels. Despite the increase, this production was below the expectations of the Iraqi government.” (Yorulmaz, 2020, p.38.)

In addition, “The Iranian Islamic revolution of 1979 and the subsequent outbreak of the Iran-Iraq War in 1980 pushed up world oil prices dramatically from \$14.95 per barrel in 1978 to \$37.42 per barrel in 1980. Owing to the sharp rise in oil prices, the world economy suffered output stagnation, higher inflation, and higher interest rates” (Estrada,2020,p.3) Besides, “Two weeks before the invasion of Kuwait by Iraq, they accused Kuwait for stealing oil from the border, exceeding the OPEC quota and lowering the oil prices. However, the main aim of Saddam in his invasion of

Kuwait was to increase the barrel of oil to 25 dollars” (Stern, 2011, p. 208.) In figure 2.11, this price trend can be seen in detail.

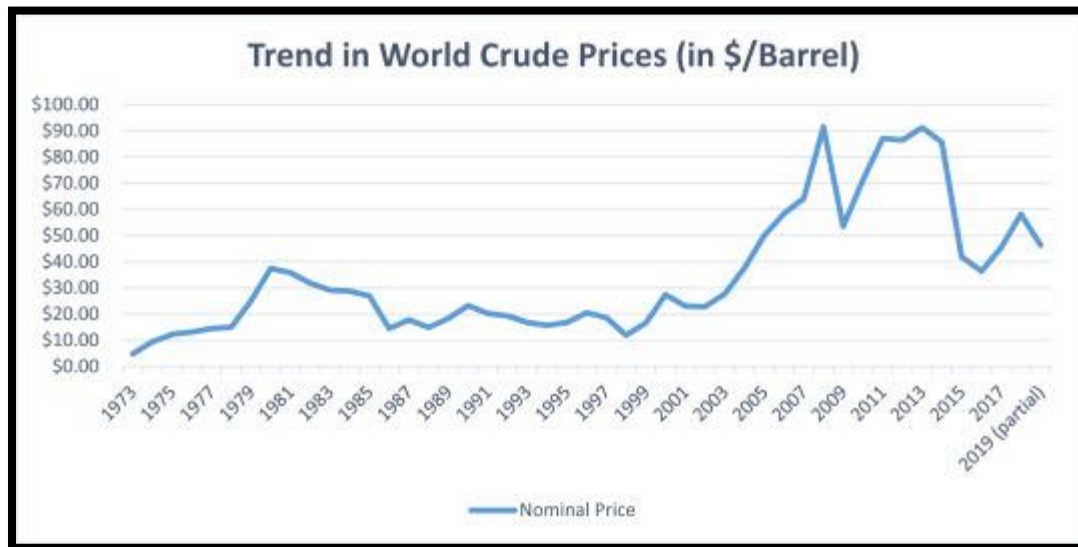


Figure 2.11. Trend In World Crude Prices (In \$/Barrel)

“After the invasion of Kuwait by Iraq, there occurred motion of censures from Western statesmen. According to them, there could be no World Order to be mentioned if such a small country was invaded by a big neighbour. If the world could not be like one fist against regional tyranny, the efforts that were maintained for half of a century would go in waste.” (Heykel, 1993, p.41) The conflict in the Middle East was an advantage for the West as they were seeking the most valuable crude oil in the world. The more independence is gained in the Middle East, the more precautions were taken by the West as they became uncomfortable with the idea of a free Middle East. Heretofore, Arabs were not consulted when the Western countries were dominating the Middle East oil during the First World War There needed to have some precautions to get the best of the petroleum in the region. The establishment of the OPEC (The Organization of Petroleum Exporting Countries) was one of these precautions. Figure 2.12 shows the changing variations of the oil price in this time.

During the historical period that shahs and dictators were supported by the West to take advantage of the oil in the region, Soviet Union was collapsing at the same time. The provocation of the Iranian revolution resulted in a reaction in Sunni world and this reaction caused radicalization

finally. The never ending war of Iran-Iraq was even resulted in the use of chemical weapons. While the Arab world besides France, Germany, China was supporting Iraq, USA was backing Saddam with weapons. However, in 1991, the Shi'a were rebelling against Saddam, USA was forcing Saddam to get him out of Kuwait and naming him the dictator in the Middle East.

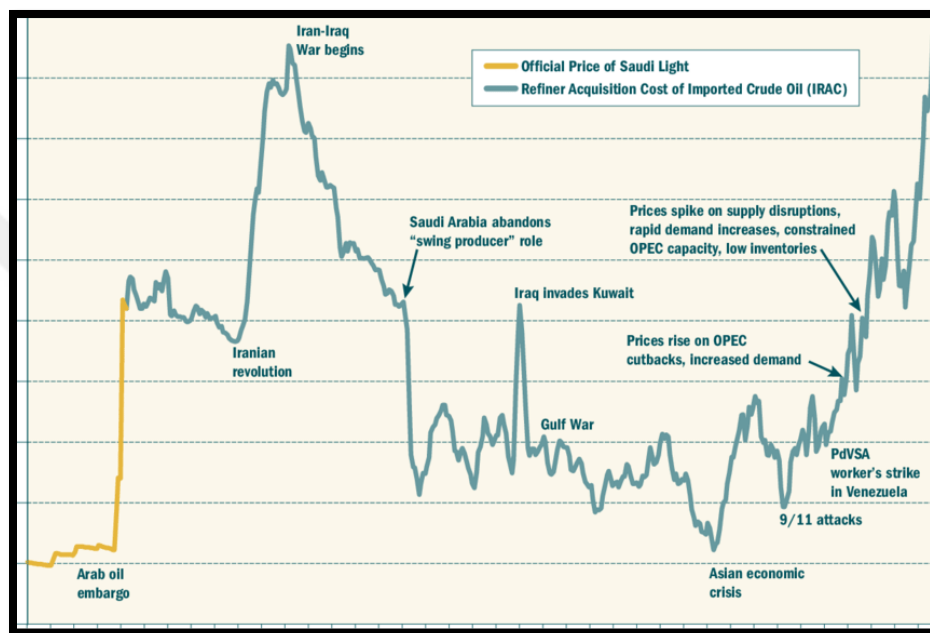


Figure 2.12. Variations Of Oil Price

As previously stated, the Middle East has always been a crucial and difficult location for international oil firms and imperial powers. While the region is rich in petroleum, they were also unable to process it. Also, the region had so many petroleum corporations that the benefits granted to local demand were generating havoc in neighboring countries. (Mitchell, 2020, p.329) “For decades, Arab oil producers have been caught in a quandary. When prices fall, they pledge to wean their economies off the black stuff. However, low prices mean they cannot afford costly reforms. Then output falls, demand climbs and prices begin their inevitable rebound.”(Carlstrom, 2020, p.68) The foundation of the Republic of Azerbaijan has vital importance here because of the unbalanced policies conducted in Middle East which were distressing Europe in terms of energy security.

After the regaining of independence in 1991, Heydar Aliyev was elected the President of the young republic. “Following the elections of the national leader of the Azerbaijani people, Heydar

Aliyev as the leader of Azerbaijan in 1969 deep changes occurred in the socio-economic as well as other spheres of life. Beginning from 1969 the national economy of Azerbaijan was characterized by the dynamic growth of the oil and gas industry. At that period a new stage started in the history of Azeri oil and gas industry development.” (Anonymous, 2018, p.1) Actually, there happened some vital changes in Azerbaijan when Aliyev was elected as the president.(Şahin, 2020, p.11) As far as the Azerbaijan developed, the macro economy and the foreign indebtment diminished as it can be observed in 2010. The Baku-Tbilisi-Ceyhan pipeline is the first project of the young Republic of Azerbaijan. It was a vital importance for Azerbaijan to transfer the petroleum in Azeri-Gunashli oil field to the world market in which Turkey was the best alternative to make this transfer from Ceyhan to the international distribution as it can be seen in Figure 2.13.

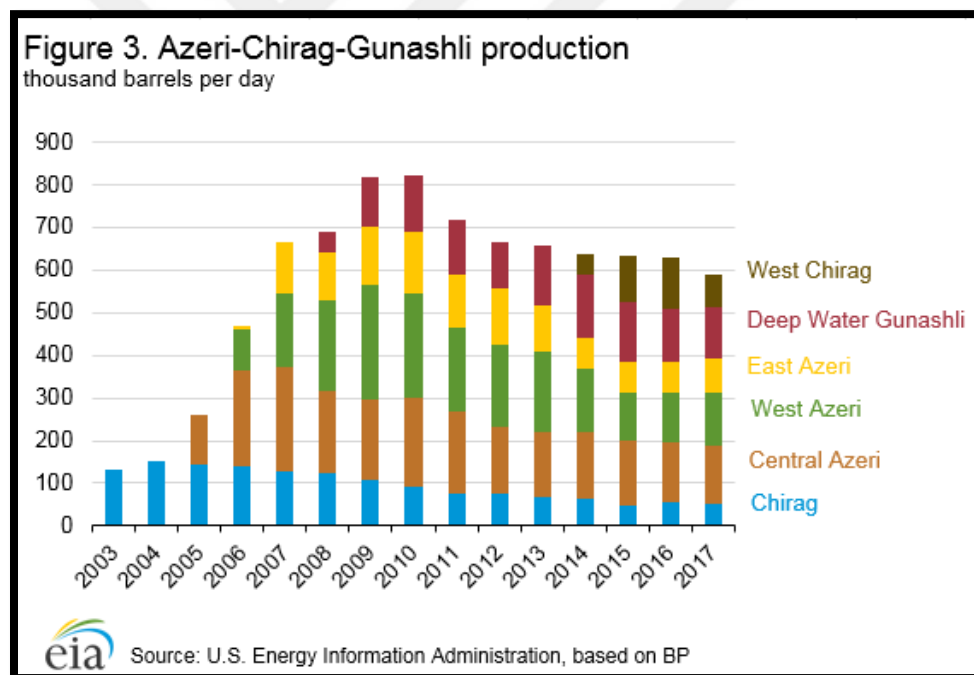


Figure 2.13. Azeri- Chirag – Gunashli Production

Heydar Aliyev was the national president of the republic of Azerbaijan who had a great influence on the young republic with his vision. “Heydar Aliyev has done unparalleled works for his nation during his tenure as the First Deputy Chairman of the Cabinet of Ministers of the USSR. After the collapse of the USSR his invaluable achievements enabled the young state to stand on feet and to enter into the 21st century as an independent country.” (Abdullayev, 2021, p.1) Another factor that shaped Aliyev's administration was the inability of previous presidents to exhibit strong leadership

in the face of the country's issues. As a result of this circumstance, there are high expectations for the rulership to be sustained under the protection of a strong presidential regime. The president's dominance over domestic and global events, as well as his or her ability to manage these changes with a strong attitude, became key facts in terms of sufficiency and legitimacy. (Alkan, 2010, p.64) Despite the fact that Azerbaijan declared restoration of its independence in 1991, the political crisis, emergence of separatist tendencies in different regions, and severe socio-economic situation put the country face-to-face with a threat of civil war. The situation was further exacerbated by Armenia's aggression and occupation of Azerbaijan's lands.” (Abdullayev, 2021,p.1)

After the political stability that was attained in Aliyev period, the economy grew as a result of official policies and economic changes, as well as the operation of the Baku-Tbilisi-Ceyhan pipeline. During the transition period, the economy of Azerbaijan outperformed that of the other former Soviet republics. Foreign investors were drawn in by the abundance of natural resources. One of the most crucial variables determining economic growth was foreign investment. (Suleymanov, 2017, p.25.) “One of the main components of the genius of National Leader Heydar Aliyev was that his policy always targeted strategic goals and prioritized national interests. Built by Heydar Aliyev in the 1970-1980s, the economic potential ensured Azerbaijan`s independent existence in the wake of tumultuous global processes in the late 1990s when Azerbaijan achieved liberty.” (Mammadov, 2019,p.2)

2.3.3 The Role of Russia on Energy Sector

In NATO Security Conference in 2007, Vladimir Putin made a speech which he ended by saying that Russians would make their own world. The speech was found devastating by many country representatives. However, it gave the future perspective of the country on many issues, particularly economy. The monopoly of Russia on energy is tried to be broken by USA many times by challenging the dominance of the country especially in European gas industry. This is because of the reason that “Russia has been one of the leading world energy suppliers for many years. No doubt that Russia’s resources significantly influence foreign policy strategies and contribute to its economic and social development” (Alekseev, 2019, p.1) In other words, Russia is a major oil and natural gas producer and exporter. Given its significant oil and natural gas production, Russia's economy is fueled by energy exports. Revenues from oil and natural gas accounted for 36% of

Russia's state budget in 2016. (Anonymous, 2017, p.1) It possesses the largest share of fossil energy resources in the world. Because the country's richness of resources protected it from global energy crises, inhabitants never had to worry about preserving energy during the Soviet era, and plenty was squandered. (Millhone, 2010, p.7) Figure 2.14 shows the main routes of energy on the Caspian region to state the dominance of Russia on the sector.

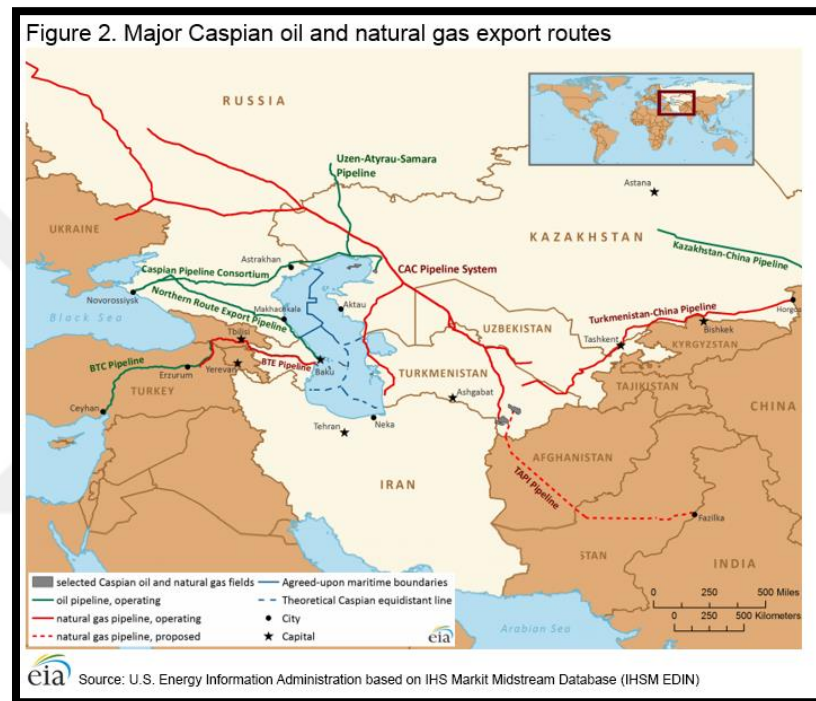


Figure 2.14. Major Caspian Oil And Natural Gas Export Routes

“Once Putin stated that the separation of Soviet Union is the biggest geopolitical disaster of the century. This situation turned into a real tragedy for Russians. Millions of our compatriots and citizens found themselves out of the country. Moreover, the separation epidemic effected the Russia itself.” (Eslen, 2017, p.77) Moreover, “most Russians lament the loss of Russia's superpower status, with the collapse of the Soviet Union. This is not only an elite phenomenon, but also the view of the average Russian citizen. Reflecting this sense of loss, Putin came to power determined to restore Russia's great power status. That energy was a component of Putin's strategy became clear when, within one month of becoming president, the Russian president discussed the role of energy companies in Caspian oil and natural gas politics.” (Saivetz, 2007, p.1) Because of the huge impact that the country makes on energy politics, it is vital to analyze these policies to

have a better vision of the grand projects like BTC and TANAP. EU also has an important effect while determining a true vision and the dependence of EU to energy sources cannot be ignored. However, this situation brought conflicts with itself during the flow of EU-Russia relations. “The problem is that the dependence on Russian energy is increasingly seen as negative dependence in many EU circles. Moscow has already demonstrated its readiness to halt gas supplies to countries like Ukraine and Belarus in order to achieve their economic and political goals. Many experts argue that energy gives Russia leverage to be seen as a great power.

With Vladimir Putin becoming the President in 2000, new age of energy power politics has come to characterize EU-Russian relations. Boris Yeltsin’s 1990s and an easy access to Russian energy wealth were over, much to EU’s dismay.” (Sulejmanovic, 2014, p.1) Russian energy control is an old problem for several new EU member states, such as Poland, Latvia, and Lithuania, and for emerging democracies, such as Ukraine, Georgia, and Moldova. Attempts by Central Europeans to raise this matter in Western capitals have been brushed aside until lately. The EU Commission's hasty approval of the Russian-German undersea gas pipeline project in 2005 was a catastrophic blunder that calls into doubt Europe's ability to pursue an united foreign and security policy. The Central Europeans' concerns should have been thoroughly investigated both in Brussels and in European cities. More focus should have been on the agreement's consequences for Europe's long-term energy security, as well as the new EU members' ability to oppose Moscow's political and economic dominance in Central Europe. (Smith, 2006, p.3) Leaving nuclear missiles aside, Russia's most powerful weapons today are natural gas and petroleum, not guns, army, or air force. Russia, the world's second-largest producer of natural gas and petroleum behind the United States, uses its position to its advantage. Finland, which has a better deal than the Baltic countries, pays less for electricity because of its close connections with Russia. This aggressive system has such an impact on Europe's energy needs that efforts to mitigate its impacts have been fruitless. Many European countries have attempted to recoup this dependency by building gas pipelines rather than dealing with the less aggressive. (Marshall, 2020, p.39) “An important point is that this includes not only crude oil and natural gas but also refined petroleum products (gasoline, diesel, jet fuel, etc.), which are exported to Europe and Asia. Russia has been the leading exporter in this key category for nearly a decade and supplies more than all of OPEC combined (only the U.S. comes close, due to its shale oil expansion).” (Montgomery, 2016, p.1)

2.3.4 The Two Powers of Russian Gas: The Gazprom and Rosneft

Gasprom and Rosneft are the two giant petroleum and gas companies centered in Russia to sell mainly natural gas to foreign countries. At the start of the 1990s, Gazprom, with its founder V. Chernomyrdin, had complete control over Russia's natural gas production (800 billion m³ per year), transmission (60,000 km of gas pipes), processing, and storage. Although Gazprom lost part of its assets in the former SU republics, including over 25% of total compressor stations, over 30% of pipeline networks, and 30% of underground gas storage capabilities, the gas business fared better than other fuel-energy industries after the collapse of the Soviet Union. The CIS countries began to dominate the key pipelines that go from Russia to Europe. (Kosowska, 2015, p.1) Besides, “the creation of Rosneft’ was, in many ways, a by-product of the consensus that was gradually forged among key representatives of state agencies, the oil industry and the non-oil sectors regarding the necessity of creating a holding company in the early 1990s.” (Sim, 2008, p.99) In figure 2.15, Russian gas production rate can be seen in detail to understand the Russian gas industry and companies better.

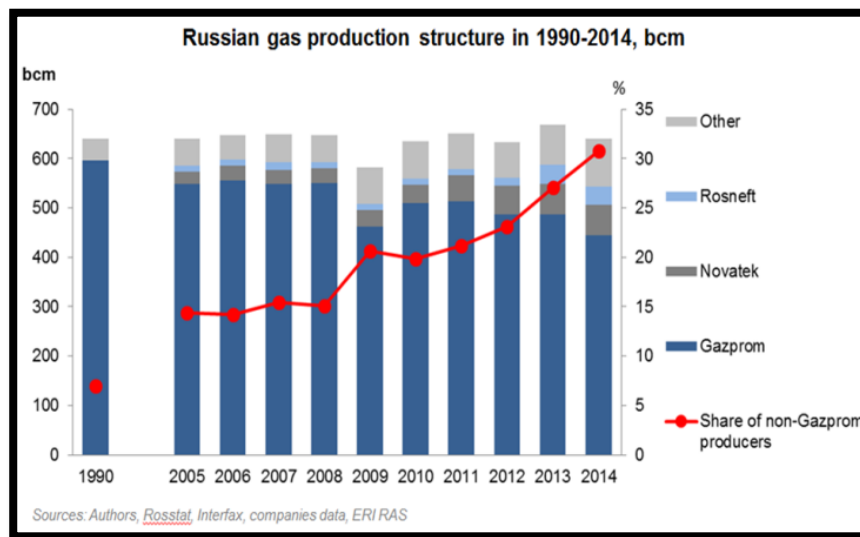


Figure 2.15. Russian Gas Production Structure In 1990-2014, Bcm

Russia has the world's greatest proven natural gas reserves and alternates as the world's top oil producer with Saudi Arabia. The country already supplies a third of Europe's oil and natural gas, and is beginning to expand its exports to the energy-hungry East Asian markets. For more than a century, Russia's energy sector has been far more than a commercial asset; it has been one of the

pillars of the country's stabilization and expanding strength. The Kremlin has declared energy security to be the most important issue for Russia's national security, particularly in light of recent developments in global and domestic trends that have thrown doubt on the energy sector's long-term viability. (Goodrich,2013,p.1) Russia holds about a quarter of the world's proven natural gas reserves and generates roughly 18% of global output, second only to the United States (BP, 2010, IEA, 2012). In the 1990s and early 2000s, the majority of Russia's gas production came from the West Siberian area of Nadym-Pur-Taz, which supplied about 85% of the country's output. Today, the three biggest fields in the region—Urengoykoe, Yamburgskoe, and Medvezhe—are all in decline. Nonetheless, Russia's official Energy Strategy predicts that between 2010 and 2030, Russian consumption would rise from around 450 to 600 BCM, and demand for Russian exports will rise by 40%. (Lunden, 2013,p.1)

“Gazprom and Rosneft command priority attention from the Russian state due to their enormous size and their great roles in both the domestic and global economies. In 2019, Gazprom produced 68 percent of Russia’s and 11 percent of the world’s natural gas, earning \$118.3 billion in revenue and a net profit of \$19.6 billion. Rosneft produced 41 percent of Russia’s and 6 percent of the world’s oil, and earned \$134.0 billion in revenue for a net profit of \$12.4 billion that year.” (Aslund, 2020, p.3) Many international oil corporations with controlling shares in oil or gas exploration have been compelled to leave the country or cut their stakes to below 25% in an effort to limit interdependencies politically. The expropriation of Yukos (one of the largest non-state oil corporations in the world) stands out as the most obvious example of arbitrary official action that benefits only a small elite. Meanwhile, the oil and gas sector has deinstitutionalized as a result of the increased reliance on state firms, which is now predominantly handled in accordance with »state interests,« i.e., the vested interests of the federal politico-economic elite in rent capture and political control. (Gratz, 2009, p.66)

2.3.5 The Relations between Russia and EU

“Energy trade is a long-standing pillar of European Union (EU)-Russia relations. Russia is the main provider of oil, gas, and solid fuels to the EU. The EU’s demand for reliable energy supplies from abroad and Russia’s desire to capitalize on its vast fossil fuels resources have led to strong

interdependence in the energy sector. However, within the EU, assessments of the energy relationship with Russia have become more controversial since the late 2000s, and particularly after the Ukraine crisis.” (Siddi, 2020, p.1) Actually, the geopolitical conflicts between Russia and the West have always been fueled by energy. Gazprom, the Russian state-owned gas company, delivers almost 40% of Europe's gas through a dozen pipelines that stretch through Eastern Europe and the Baltic Sea (Nord Stream). This has sparked concerns on the continent about an over-reliance on gas from a country whose relations with the West may be as icy as its winter weather. Russia has proven a readiness to threaten—and carry out, as it did in 2006 and again in 2009 – supply cuts to Europe in reaction to conflicts, often with Ukraine, which carries around 80% of Russian gas supplied in Europe. (Anonymous, 2018, p.2)

In early January 2006, Russia's energy behemoth Gazprom cut off gas supplies to Ukraine while attempting to impose a massive price hike on natural gas consumed by Russia's southern neighbor. This triggered debate across Europe about the security of Russian gas deliveries. The conflict was resolved through an ambiguous agreement between Russia and Ukraine, which is unlikely to survive long. (Thumann, 2006, p.5) The concern of the European people was based on the unbalanced gas prices. About these concerns and the dispute among some European countries and Russia on energy policies, the project Gazprom should be analyzed at this point. As stated above, the increasing demand for natural gas in Europe created a dependence on Russian gas for a long time. The alternative resources and the security that the transit countries provided made a huge difference in the energy sector. In terms of Barry Buzan's regional security complex's theory, the energy security issue can be explained as “energy complex consists of more than two countries, including the EU's 28 member states, as well as Russia. The energy complex in this case is geographically coherent and heterogeneous, especially, the EU countries, and the lack of direct geographical connection to Russia can be overlooked due to the presence of a large number of natural gas and oil pipelines through Ukrainian and Turkish territories. The pattern of energy security in EU–Russia regional energy complex is deep and vital in economic and energy in particular.” (Elbassoussy, 2019, p.4)

As the energy sources is an important instrument for Russia to direct on the energy security of Europe, European Union had to take some precautions to sustain their security on supplying

energy, in order not for Russia to cut the transportation. This concern had even become clearer when Vladimir Putin said in 2008 that “the era of cheap gas has come to an end. Accordingly, the European Commission’s Director General for External Relations, Eneko Landaburu declared that ‘Europe’s will is to depend less on Russia for our gas and oil consumption and we therefore have a diversification strategy.’” (Müftüler, 2011, p.362) Figure 2.16 shows the details on Russia’s oil and gas control.



Figure 2.16. Russia’s Oil And Gas Control Map

2.3.6 The Conflict between Russia – Ukraine - USA: The Gas Wars

The protests during the Sochi Olympics in 2014 in Ukraine were commented as the aim of approaching the West by the American government and a sign of rebellion by Moscow. But why did the Ukrainian crisis matter for Russia and the USA and how was it related to the energy politics of Europe? Relations between Russia and Ukraine are currently unpleasant, but they are not at war. On the front lines, there are sporadic confrontations. Russian military have intervened in hostilities in numerous areas of the former Soviet Union since the collapse of communism in 1991, most notably in Chechnya and other parts of the Caucasus. Pro-Russian separatists seized a broad swath of eastern Ukraine’s Donetsk and Luhansk regions in April 2014, shortly after Russia’s annexation of Crimea. (Peter, 2021, p.2) After years, Russia would also state the unrest because of the militarist declarations of Ukraine and warn the third countries involved in crisis, like Turkey. The geopolitical location of Ukraine is shown in figure 2.17.



Figure 2.17. Map Of Ukraine

After the fall of the government in Kiev in 2014, Crimea was annexed by Russian government. However, the protests and the conflicts kept on and resulted in nearly 13,000 people to die. The membership of NATO and European Union of Ukraine were not welcomed by Moscow after the other countries like Bulgaria and Poland who were separated from Soviet Union before. “The Ukraine crisis is a power struggle between factions within Ukraine; one wants to align with the European Union and the other with Russia. As one of the founding states of the Soviet Union, Ukraine had been an important contributor to the Soviet Union’s economy between 1920–1991. In March of 2014, the current crisis erupted when Russian special forces occupied Ukraine’s Crimean peninsula, claiming it was protecting its port access to the Black Sea. Ukraine had planned to develop Crimea’s natural gas reserves in two years in a partnership with U.S. companies.” (Amadeo,2020,p.1)

“Aftermath of the 1970s, the energy security issue has gained importance in security policies. In this context, the natural gas crises between Russia and Ukraine, which started in the 2000s, have shown that regional countries should invest their energy security policies again. These conflicts

have triggered the conflicts between regional countries' approach to energy supply security.” (Sarıkaya,2017,p.34) The tension had its backgrounds before the protests that began in Maidan. However, Vladimir Putin was disturbed with the idea that USA was backing the protests as US diplomats who were seen in Maidan and they were making statements on their support on democracy and freedom in Ukraine. “Russian and the West became increasingly estranged from one another even before the events of Maidan. Each saw their interests in the region infringed with the object of their interest led off into the sphere of the other, and each became more radical and reckless in the methods adopted to prevent the other winning out.” (Kent, 2016,p.1)

“In April, Russian President Vladimir Putin declared in an open letter to European leaders that Europe faces an increasing risk of a new gas supply crisis. Moscow threatened to cut gas supplies to Ukraine (for the third time since 2006) if Russia receives no energy prepayment from Ukraine. More than 86 billion cubic meters (bcm) of the gas exported to Europe by Gazprom passed through Ukraine's pipeline network in 2013 – about half of the total.” (Umbach, 2014, p.1) The Russian monopoly on energy sources and the conflicts it caused were on the agenda of European countries one more time. The strategic ally of the European Union, the USA, was looking for a solution to end the problem on energy supply. Ukraine, like most other post-Soviet countries, is heavily reliant on Russian energy. This includes the great bulk of its natural gas and oil, both of which Ukraine consumes in huge quantities. Furthermore, Ukraine's nuclear sector is reliant on Russia for both fuel rods and waste reprocessing for its nuclear power plants. (Oliker, 2000, p.3)

After the collapse of the Soviet Union, Germany had corporation of the energy politics with Russia. Russian energy sources were vital for the European Union. According to the US Energy Information Administration, Russia supplies one-third of Europe's natural gas demand. Other nations, such as Finland and those in southeast Europe, acquire nearly all of their natural gas from Russia, according to the report. Gazprom, the state-controlled Russian energy behemoth, has raised its natural gas exports to Europe by 6.2 percent, according to a press statement, stressing that the Nord Stream 2 pipeline will improve supply reliability as well as the European Union's overall economy. (Silverstein, 2019, p.2)

Germany had a role on the solution of the conflict in the name of Europe. The natural gas diplomacy kept on its route between Berlin and Moscow even after the Crimea case. “Merkel immediately reacted by condemning the annexation as illegal, later even qualifying it as “criminal.” While calling for a strategic rethink of Germany’s and the EU’s energy dependence upon Russia and favoring further sanctions (and thus risking to alienate her support base among the German industry), she also insisted on dialogue and cooperation.” (Koeth, 2018, p.33) In spite of the fact that they have problems with the way Russia acts, Germany has continued to support the Nord Stream 2 gas pipeline project, which has been denounced by the US and certain European countries. (Siebold, 2019, p.2)

2.3.7 EU and Russia Crisis and the Planning of the Projects

It is known that EU is very concerned about the energy supply and mainly energy security especially after the Ukrainian crisis. “Europeans since 2000 could not have avoided focusing on the intensifying problems of the EU’s energy supply security. This situation gained more weight after the two Ukrainian and Russian gas pricing disputes that occurred between 2006 and 2008 and which resulted in disruptions of gas supplies to Europe.” (Güney, 2014, p.17) The EU's expanding reliance on natural gas, as well as the region's heavy reliance on Russian gas, are important issues for gas supply security. Furthermore, the "gas crises" between Russia and Ukraine have pushed the question of gas security to the forefront of European energy policy debates. (Fernandez ,2020, p.1) Figure 2.18 shows the pattern of the energy sources in the region.

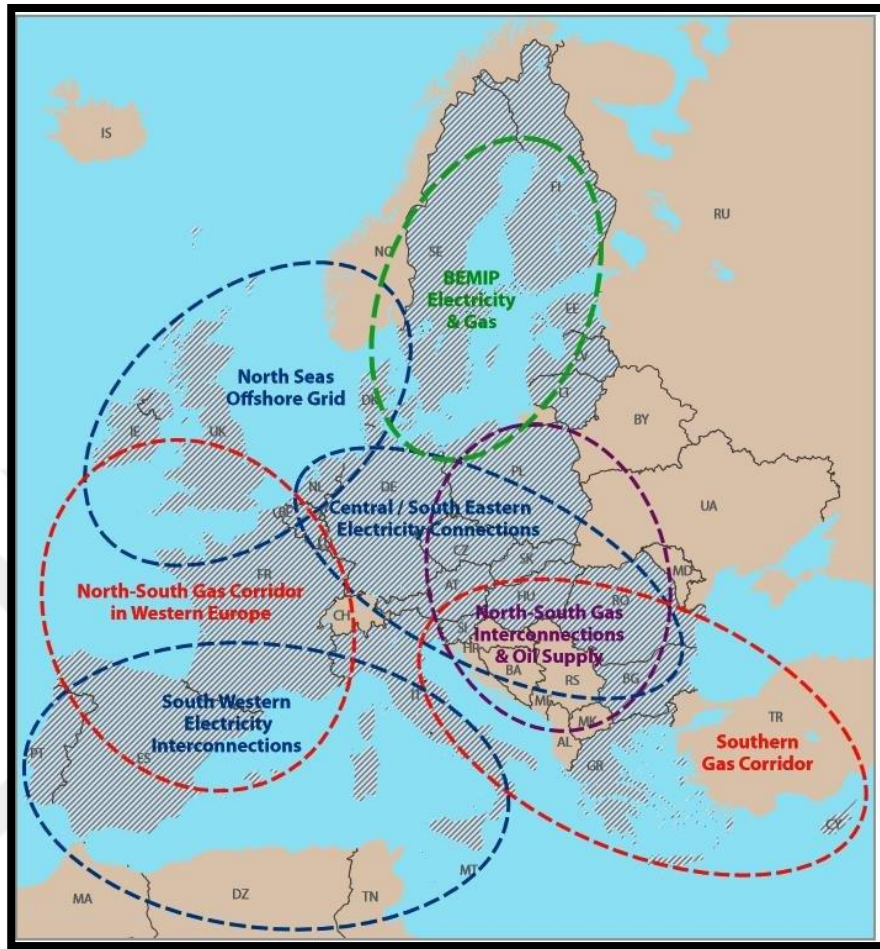


Figure 2.18. Energy Sources In Russia And Beyond

Energy has played a significant part in the European Union's history. The Treaty of Paris, signed in 1951, established the European Coal and Steel Community, which was the first fuel to be exploited. Energy was once again the backbone of European integration with the signing of the Euratom Treaty in 1957 to promote nuclear power. The Treaty of Rome, which created the European Economic Community, the forerunner of today's EU, strengthened the economic foundation of energy cooperation even more. (Primova, 2018, p.1)

“While the current EU energy policy is forward thinking in its targets for renewable energy, economizing, and emission reduction, it falls short in its failure to recognize the security threat of the increasing dependence on Russian hydrocarbons – in particular, natural gas.” (Anderson, 2008, p.1) Only three external producers - Russia, Norway, and Algeria – provide the majority of the EU's natural gas. Russia is by far the continent's largest gas supplier, accounting for 37.7% of the

EU 27's total gas imports in 2005. In general, the further east one travels in Europe, the more reliant on Russian gas imports one becomes, to the point that seven former Warsaw Pact and Soviet Union European countries rely on Russia for over 99 percent of their natural gas. Almost all Central and Eastern European countries rely on Russian natural gas for the majority of their needs. (Anderson, 2008,p.3) Figure 2.19 shows the details on EU imports of crude oil.

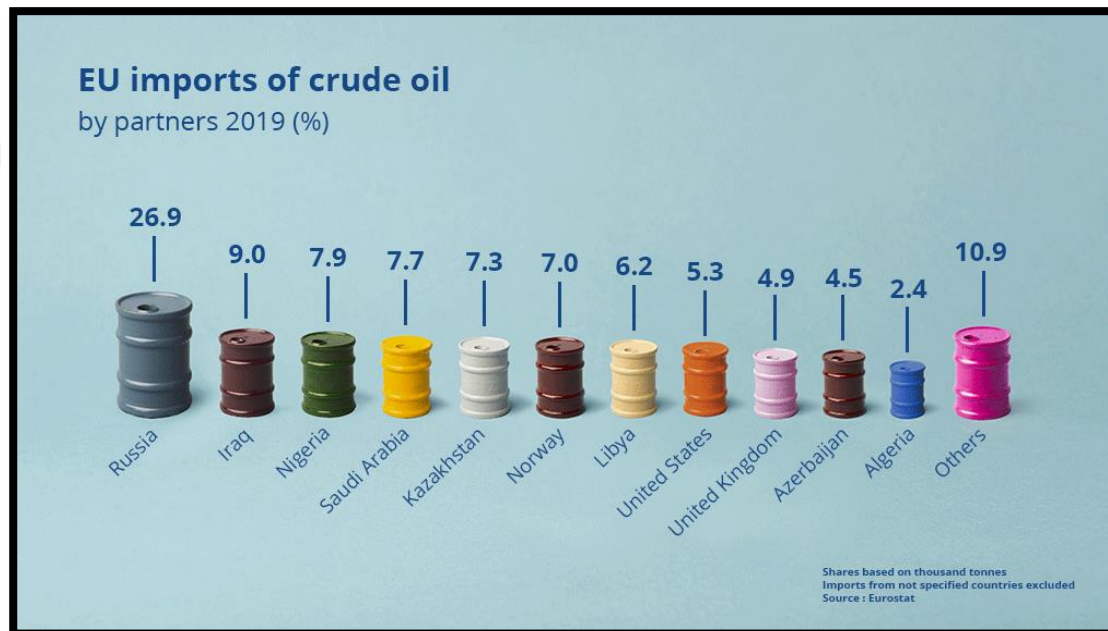


Figure 2.19. EU Imports Of Crude Oil

“The European Union now imports nearly 40% of its natural gas from Russia. For decades, national-security specialists have recommended that Europeans reduce their dependence on these imports at any cost. Most recently, a fierce debate over Nord Stream 2 — a second Russian pipeline across the Baltic Sea to Germany — has led US congress people to threaten sanctions.” (Moravcsik, 2019, p.1) For Europe's import-dependent economy, stable and predictable gas supplies from exporters are critical. However, Russia has recently taken actions that have cast doubt on its status as a dependable natural gas supplier to the European Union. The Russian-Ukrainian gas price war in January 2006 disrupted gas supplies to portions of Europe for several days. A similar gas price dispute between Russia and Belarus momentarily disrupted Russian oil supply to various EU nations in January 2007. (Tsygankova, 2007, p.1)

“Europe needs gas from Russia less than Russia needs to sell it. After Russia’s aggression against Ukraine, Europe and some neighbors started reconfiguring the gas network so that Europe’s East could be supplied from the West, obviating the need for Russian gas.” (Dempsey, 2017, p.5)

Five years ago, Russia seized Crimea unlawfully, prompting fears in Europe that gas supplies through Ukraine might be blocked, as they had been in 2006 and 2009. The European Commission responded by urging the industry to diversify its sources, suppliers, and supply channels, which included a "southern corridor" through Turkey, gas from the eastern Mediterranean and the Black Sea, and strategic gas interconnectors. (Sondland, 2019, p.1) However, “Despite the decrease in its share, Russia is the largest exporter of natural gas to Europe. A disruption of gas supply from Russia can cause huge damage to the European economy, especially Eastern and South-Eastern Europe and Finland. The 2009 Ukrainian gas crisis showed that such disruption is possible.

It is one of the main arguments of European politicians for decreasing the role of Russia in the EU gas market.” (Protasov, 2010, p.27) “But the conventional wisdom is wrong: Europe’s gas supply is not dominated by Russia, or, for that matter, by any other exporter. Since 1980, and particularly since 1995, Europe has considerably diversified its sources of gas imports. Today, for the EU as a whole, gas supply diversity is not a pressing problem.” (Anonymous, 2008, p.1) A comparison between the Russian export of gas and the alternative of Turkey for Europe can be seen below figures of 2.20 and 2.21.

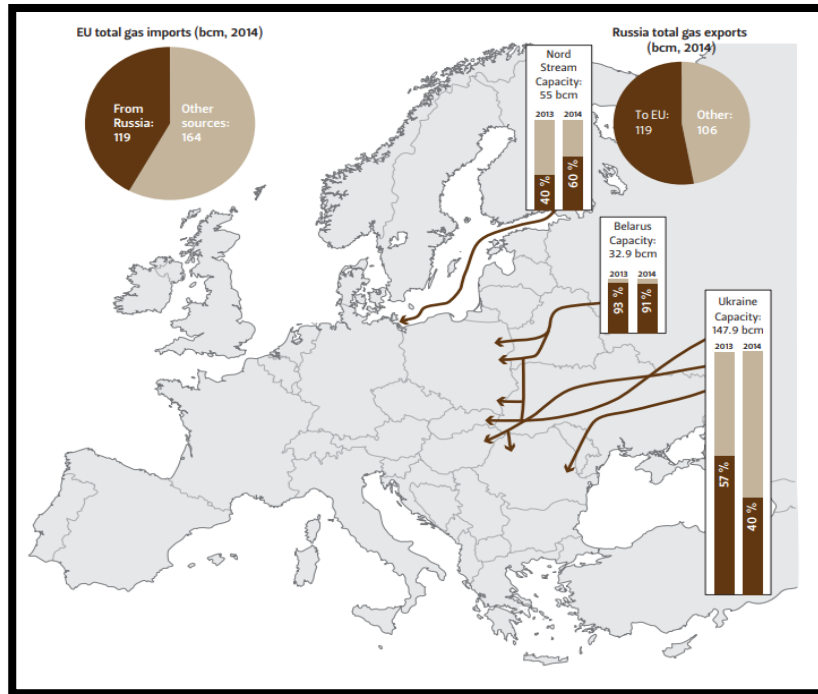


Figure 2.20. EU Total Gas Imports (Bcm,2014)

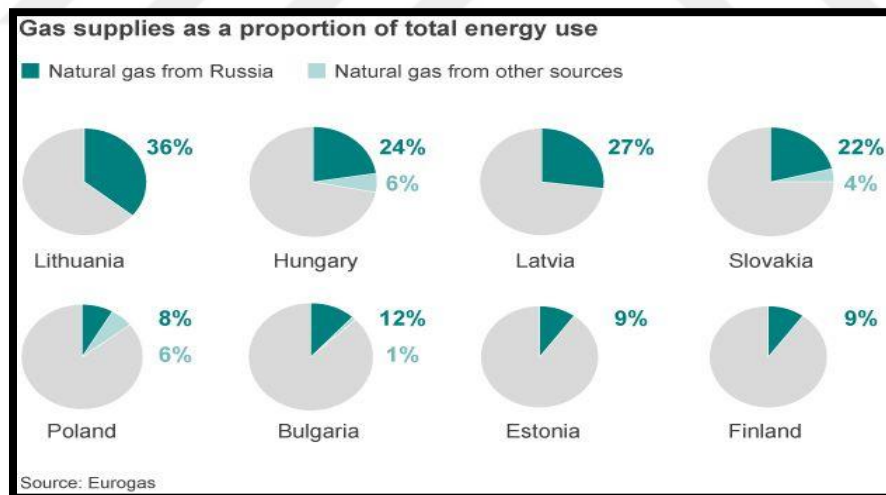


Figure 2.21. Gas Supplies As A Proportion Of Total Energy Use

“The EU’s energy policy in general is to address three key concerns. First is the question of the impact of energy use on the competitiveness of the EU’s economy. Second is the question of the sustainability of energy production and use. Last is the question of security of supply, which is understandable in the case of a player that has to import 53% of energy to cover its own energy needs. It is evident that, in the case of the ongoing crisis, the question of energy availability—

especially of gas—is central, but other elements of the EU’s energy security may also be affected.” (Godzimirski,2014,p.2) Since the 2014 Crimean crisis, the European Union has been increasingly concerned about Russia's reliability as an energy supplier. It brought up memories of the gas tensions between Russia and Ukraine in the 2000s and early 2010s. Ukraine, like most post-Soviet countries, relies on Russia for the majority of its energy needs. This gives the latter considerable political clout at the negotiating table. Russia demanded that Ukraine repay its energy debts in 2014, and when it failed to do so, Russia cut off Ukraine's gas supplies. (Popovic, 2020, p.3)

In addition to this, “the failure of Russia to diversify its economy and the failure of the Russian energy sector to diversify its consumer base have resulted in the Russian federal government being highly dependent on energy exports. Additionally, with nearly 80 percent of Russian energy exports flowing to the EU this means that the Russian federal government is highly dependent on energy exports to members of the EU. If interdependence is defined as two states being dependent on one another for trade then Russia and the EU share interdependence in the energy market.” (Patterson, 2013, p.1) “There are several traditional approaches- liberal, institutionalist and cultural- which try to explain the conflict emergence and development between the EU-Russia. Prozorov argues that the main disadvantage of these approaches is that “rather than explaining the descent and development of conflict between two parties, they are frequently themselves complicit in the articulation of conflict discourses and thus function more in a modality of the explanandum rather than the explanans.” (Skurbaty, 2007, p.12)

2.3.8 The Conflict on Energy Resources and the New Role of Azerbaijan

“The struggle over energy resources has been a conspicuous factor in many recent conflicts, including the Iran-Iraq War of 1980-1988, the Gulf War of 1990-1991, and the Sudanese Civil War of 1983-2005. On first glance, the fossil-fuel factor in the most recent outbreaks of tension and fighting may seem less evident.” (Klare,2014,p.2) Accordingly, the reason that causes this conflict is the energy wars between the states. Countries battled 180 times between 1912 and 2010 over territory that contained—or were thought to contain—oil or natural gas resources. These disputes varied from minor border crossings, such as Turkish jets flying into Greek airspace, to two global wars. Many of these confrontations have been classified as archetypal oil wars, such as World War II, Iraq's invasion of Kuwait (1990), the US invasion of Iraq (2003), the Iran-Iraq War

(1980-1988), the Falklands War (1982), and the Chaco War between Bolivia and Paraguay (1932-1935). (Meierding, 2020, p.1)

As stated in the energy wars section, one of the most important crisis on energy was experienced in Ukraine. “On 2 November 2015, due to the increased hostilities between Ukrainian security forces and Russian-backed separatists, Royal Dutch Shell abandoned its exploration for extractable shale gas in the Kharkov and Donetsk regions of Ukraine. The project had resulted from a 50-year agreement to explore the Yuzivska Field, located near areas of heavy fighting. Shell’s withdrawal was perceived as a silent victory for Russia, which has experienced significant problems with Ukraine over the transportation of natural gas to the European markets.” (Akça, 2020, p.1) The crisis between Russia and Ukraine was Yamal-Europe, Blue Stream, and Nord Stream are three of the pipelines that have been successfully placed into operation. However, not all of Russia's initiatives to bypass Ukraine were successful. For example, the South Stream (with a capacity of 63 billion cubic meters, or bcm) was canceled when Russia took Crimea and initiated military intervention in the Ukrainian Donbas, for a variety of reasons and work on Nord Stream 2 (55 bcm), which was designed to transport gas largely to Germany, was halted as a result of US sanctions. If these two lines are ever placed into service, Ukraine's role as a gas transit country to Europe will be greatly reduced, and the country will lose a key tool in its multifaceted fight with Russia. (Prokip, 2020, p.1)

Furthermore, “Ukraine has become the epicenter of a new cold – and possibly hot – war. The role of energy – both Ukraine’s reliance on Russia and its position as a conduit to the West – is critical among the causes of the crisis, although energy dependency has also helped dampen any East or West impulse for escalation. Just as Ukraine and Europe are reliant on Russian gas, Russia is reliant on revenues.” (Jones, 2014, p.1) “The Russia-Ukraine conflict, the issue of the Nord Stream 2 pipeline and tensions in the Mediterranean over offshore reserves near Cyprus, have put natural gas center stage at a time when governments are ever more preoccupied with the environment. Natural gas may not be a renewable but is less polluting than oil and especially coal, is cheap as fuel for generating electricity, and has become easier to transport.” (Reymond, 2021, p.1) In short, in the gas sphere, long after other economic and political links have faded, Russia and Ukraine are nonetheless linked by Soviet-era infrastructure. Ukraine's pipelines carry four-fifths of Gazprom's

exports to Europe, which are its main source of revenue. Ukraine's businesses, heating networks, and houses, which were all intended to use cheap Soviet gas at the time, are still highly reliant on Turkmen supplies given by Gazprom 20 years later. (Pirani,2009,p.2) Figure 2.22 shows the importance of Ukraine on natural gas industry and figure 2.23 shows the details on Russian natural gas exports to Europe through Ukraine.

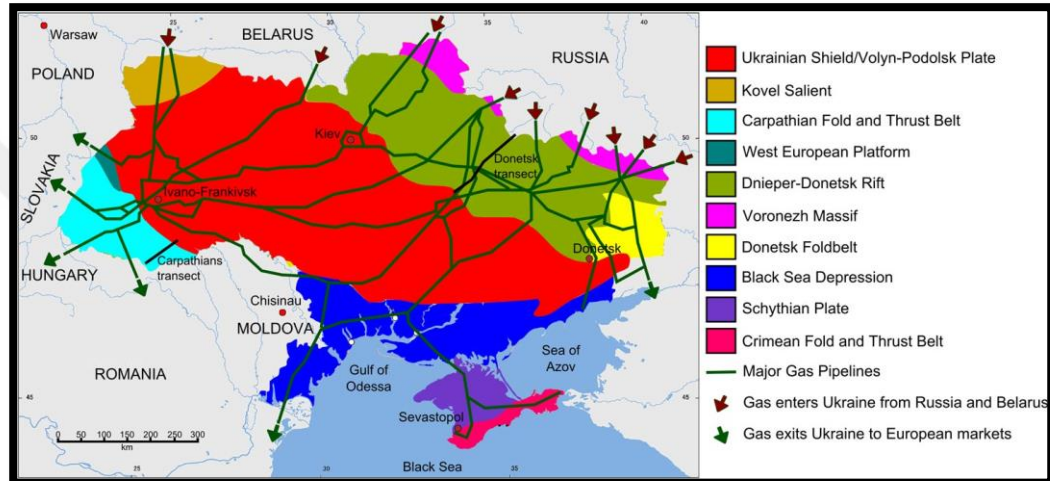


Figure 2.22. Natural Gas Industry In Ukraine

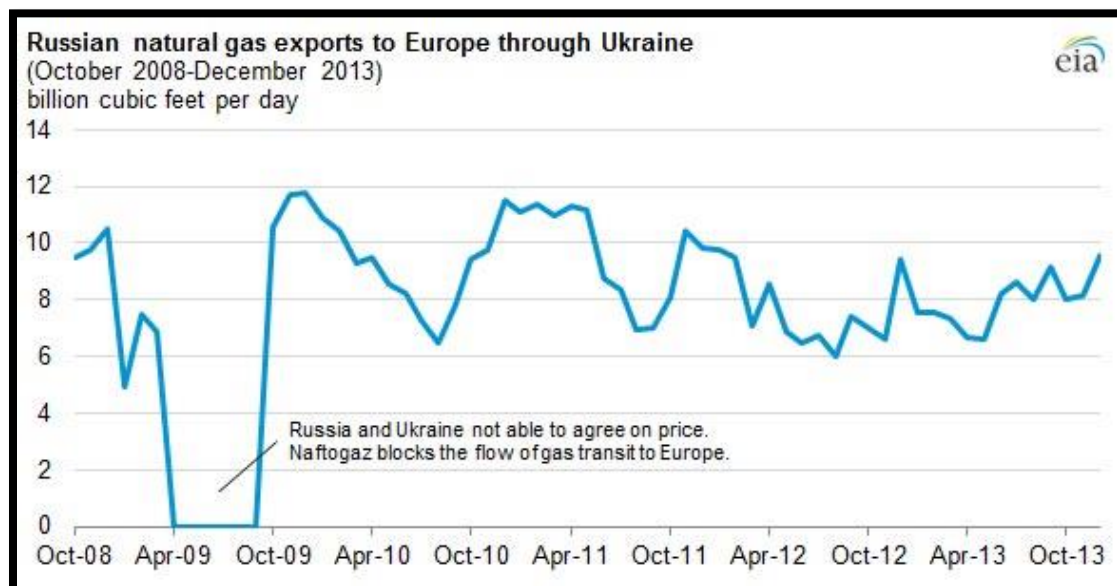


Figure 2.23. Russian Natural Gas Exports To Europe Through Ukraine

Another important period in energy conflicts was the one in Syria. “In 2009, Syrian President Bashar al-Assad refused to sign an agreement allowing Qatar to transport natural gas from its North Field to Europe via pipelines passing through several countries, including Syria. This agreement presented an opportunity for the diversification of natural gas suppliers, thus undermining Russia’s position as the major supplier of natural gas to Europe. Instead, the following year, Assad signed an agreement with Iran to build pipelines across Iran, Iraq, and Syria” (Akça, 2020, p.1) “Syrian oil fields are in the northeast of the country, while gas fields are concentrated in the center, with expectations of a large reserve in territorial waters overlooking the Mediterranean. Syria’s oil reserves are estimated at 2.6 billion barrels, but the production had fallen below 400,000 bpd before 2011.” (Shaban, 2019, p.1) Figure 2.24 shows the details on Syrian oil production.

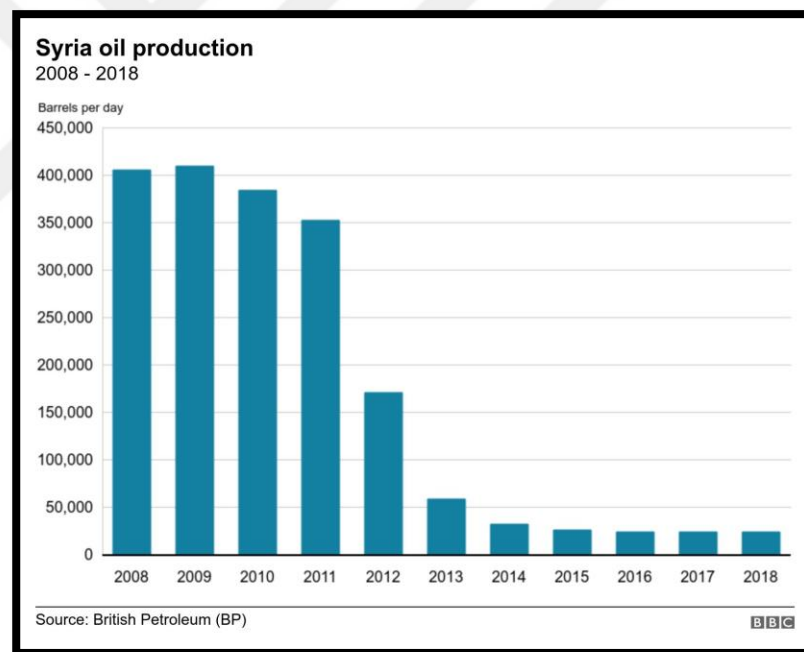


Figure 2.24. Syria Oil Production

“Syria’s oil and gas resources are too small to be considered a prize in the struggle over the country’s destiny, but energy issues still play an important part in the conflict.” (Butter,2014,p.1) “In international terms, Syria plays a small role as an oil producer but has strong potential as an energy transit hub. Syria has pipeline connections to Egypt, Jordan, Lebanon, and Iraq; additional pipeline projects have been stalled due to the conflict. Analysts have argued that regional competition over access to pipeline routes and international energy markets has been a factor

shaping foreign involvement in the Syrian conflict.” (Anonymous, 2011, p.1) However, “the ongoing war has taken a heavy toll on the oil and gas industry in Syria given that this sector contributed to 20 percent of the total budget. Before the war, approximately ninety percent of Syrian oil was exported to the EU market while the remainder was exported to Turkey.” (Merdan, 2017, p.2) Before the war, oil and gas were key to the country’s economy. In 2010, they contributed about 35% of export earnings and 20% of state revenue, the Syria Report economic publication says. After war broke out in 2011, production plummeted as fighting and bombardment destroyed infrastructure, and the government lost control of its largest fields. International oil companies suspended activities, including to comply with Western sanctions on the regime.” (Husseini, 2019, p.1)

The countries and regions, which have the rich resources of petroleum with quality have a geopolitical and economical power. Azerbaijan is one of these countries with petroleum and gas resources carried with pipelines and the refinery processes. The country ensured political security with the help of the energy security they provided for the other countries receiving these resources. Naturally, the importance of the petroleum and natural gas resources for European countries is that they are foreign-dependent and import these resources from other countries. In fact, “according to observers, the EU’s Central Asia strategy “explicitly acknowledges the significance of energy security and regional water cooperation for regional stability and global security”. Concretely, the EU intends activities in the investigation of oil, gas and hydro-power resources, long-term investments in the energy infrastructure putting a special focus on the development of the energy market in Central Asia and on fostering the process of sustainable development in the energy sector.” (Mantel, 2015, p.2)

2.3.9 The Energy Security and Importance of Azerbaijan

“Energy security in its widest definition “means security of everything: resources, production plants, transportation networks, distribution outlets and even consumption patterns; everywhere: oilfields, pipelines, power plants, natural gas stations, homes; against everything: resource depletion, global warming, terrorism, ‘them’ and ourselves” (Hasanov,2020,p.4) Energy security is aimed by many countries to ensure that their economies run smoothly and that their citizens have access to adequate, reliable, and cheap modern and clean energy supply. It is an urgent

concern since energy demand is rising rapidly as a result of strong economic growth, population increase, new energy uses, and rising incomes, but the energy resources required to meet these demands are finite and, in most cases, non-renewable. (Ayoo, 2019, p.1) Energy security's significance in politics and national agendas is a contentious issue. Hard security issues dominate the national and international agendas in the realist paradigm, meaning that issues relating to energy resources are more of a soft power item emanating from liberalism. However, today's shifting dynamics of the international system, as well as the rising interdependence among actors, have had an impact on both the concept of "security" and the role of energy in it. (Yılmaz, 2016, p.107). Figure 2.25 shows the details on the number of occurrence of energy security dimensions.

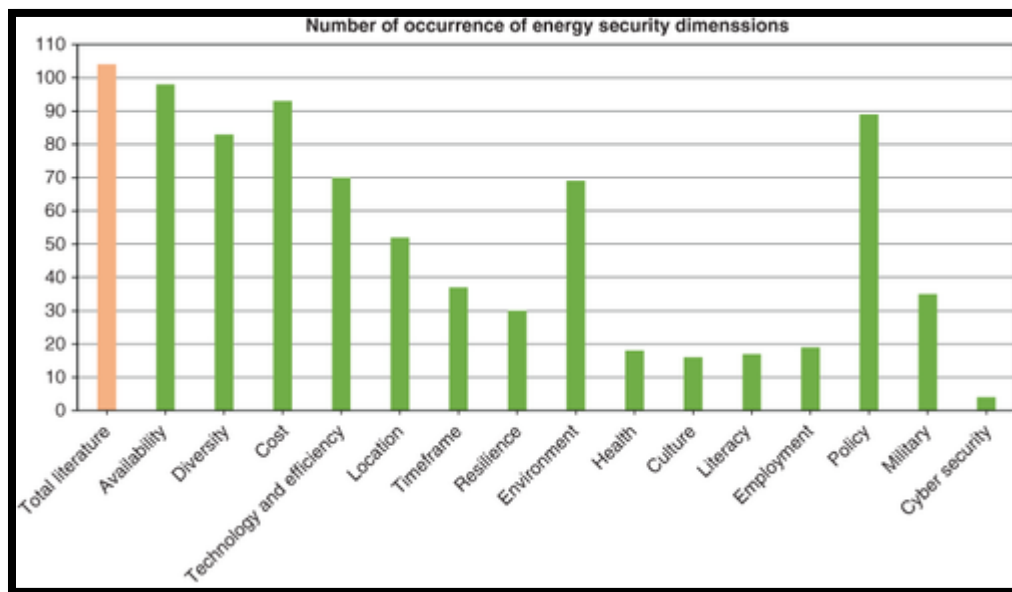


Figure 2.25. Number Of Occurence Of Energy Security Dimensions

An activity meant to weaken the profitability of rival current pipeline routes and make them riskier for investors is one technique that appeals to governments placed astride alternative pipeline routes. Destabilizing alternative routes by backing terrorist or rebel organizations that operate in transit corridors is a typical strategy because investors will be prevented from financing developments in uncertain and insecure regions. (Anonymous, 2008, p.1) Baku- Ceyhan-Tbilisi pipeline attacks are one of the examples to show this destabilizing aims. Besides the attacks before last year, in 2020, Armenian side kept on attacking the pipeline. “Azerbaijan described the attack as a "terrorist act" and highlighted the pipeline's important role in Europe's energy security.

Ongoing clashes began Sept. 27, when Armenian forces targeted civilian Azerbaijani settlements and military positions in the region, leading to casualties.” (Rehimov, 2020.p.1) Thus, “energy plays a key role in the national security of any given country because without energy there is no economy, and without an economy there is no progress within society. Major oil exporters today play a vital role in global energy security. Many powerful countries are looking for long-term solutions to increase energy security by reducing dependence on foreign oil import. This has not only resulted in the growth of domestic renewable energy resources but also in different measures aimed to improve energy efficiency and energy conservation.” (Srivastava, 2016, p.60)

“Taking into consideration these four dimensions, energy security could be defined as “the availability of usable energy supplies, at the point of final consumption, at economic price levels and in sufficient quantities and timeliness so that, given due regard to encouraging energy efficiency, the economic and social development of a country is not materially constrained”. Clearly, this is but one of a number of possible definitions that could be put forward, however it does have the merit of capturing the multidimensional nature of energy security.” (Kowalski, 2008, p.77) There are a number of threats that can be counted as dangerous for energy sources. The first is an increase in the number of threats and actors aimed at utilities, including nation-state actors looking to disrupt security and the economy, cybercriminals who recognize the economic value represented by this sector, and hacktivists looking to publicly register their opposition to utilities' projects or broad agendas. The second risk is utilities' vast and growing attack surface, which stems from their geographic and organizational complexity, as well as the decentralized style of many companies' cybersecurity leadership. (Biley, 2020, p.1) Figure 2.26 shows this geographical and organizational complexity chart.

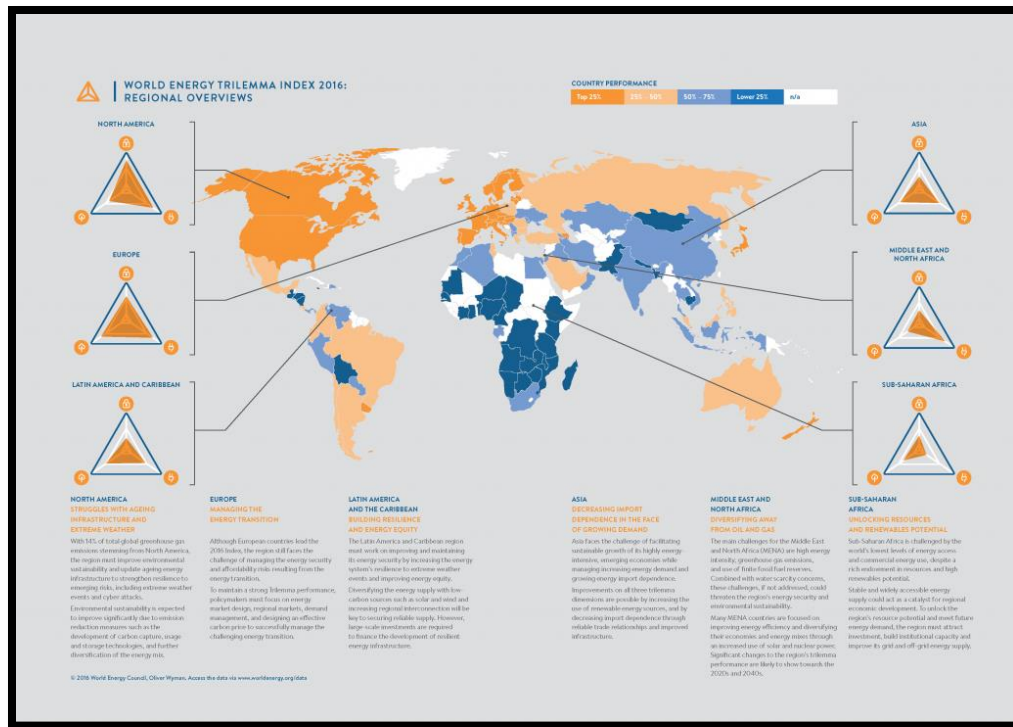


Figure 2.26. World Energy Trilemma Index 2016

The term of diversification on energy resources and routes is very important for energy security. Azerbaijan is one of the South Caucasus's energy-rich countries, with extensive energy infrastructure, fossil-fuel deposits, and an energy system that provides the country with much-needed capacity. In July 2006, the Baku Tbilisi Ceyhan oil pipeline became operational, establishing energy ties between Azerbaijan and the European Union. The key market for Azerbaijan's energy export plan is Europe. In Brussel, on November 7, 2006, Azerbaijan and the European Union signed an agreement on the energy sector and strategic partnerships. (Jamalov, 2015, p.2) Not only providing the security of the energy supply to Europe but also ensuring the security of the pipelines is important for the countries. As an important oil and gas supplier and having an advantageous geopolitical situation in Caspian region, Azerbaijan is preferable for the European Union as both the producer and the transit gate. The welfare that the abundance of energy sources and their security the country presented is also crucial for Azerbaijan to have a strong position in the international arena.

CHAPTER III

PROJECTS OF BAKU-CEYHAN-TBILISI AND TRANS-ANATOLIAN NATURAL GAS PIPELINE (BTC & TANAP)

3.1 CONTRACT OF THE CENTURY

“President Aliyev knew that the country needed a major export route for the transportation of Caspian oil from the landlocked Azerbaijani to European markets. The existing Baku-Novorossiysk route to the Russian port on the Black sea was neither politically trustworthy nor economically efficient. Routes through Armenia and Iran were not an option due to the war and American objections, respectively. Thus, by 1996-1997 the Azerbaijani political leadership decided on the Georgian-Turkish option, a very pragmatic, but also ideologically driven decision. Connecting Azerbaijan with Turkey was the main goal of this pipeline. Building a pipeline from Baku to the Turkish port Ceyhan on the Mediterranean Sea though the territory of Georgia was a major geopolitical project.” (Ismailzade, 2005, p.5) Figure 3.1 shows these routes of the energy lines through Azerbaijan and her neighbors.

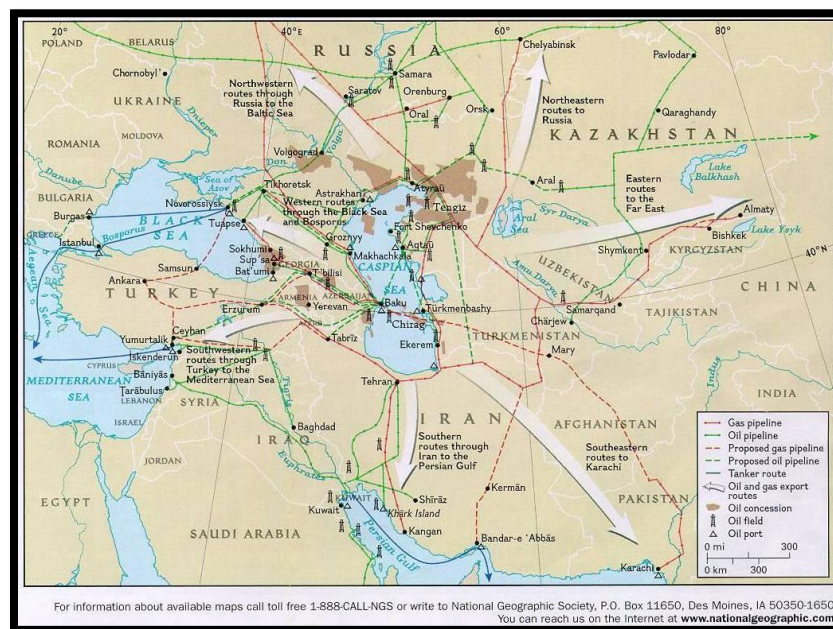


Figure 3.1. The Routes of The Energy Lines Through Azerbaijan And The Neighbours

As stated above, following the years of the independence, the Republic of Azerbaijan founded the state company of SOCAR to control and gather all the energy sources in the country under a single roof. After that, the “production Sharing Agreement related to the development of “Azeri – Chirag - Guneshli” deepwater oil fields was signed in 1994. 13 companies (Amoco, BP, McDermott, Unocal, SOCAR, LukOil, Statoil, Exxon, TPAO, Pennzoil, Itochu, Ramco, Delta) from 8 countries (Azerbaijan, USA, Great-Britain, Russia, Turkey, Norway, Japan, Saudi Arabia) participated in signing of the Contract of the Century.” (Anonymous, 2021, p.1) This agreement was called the contract of the century as it started a new era for Azerbaijan in terms of not only the economic and geopolitical benefits but also the impact it created on the world energy dynamics.

“The Contract of the Century had implications beyond just an agreement to drill for, produce, and sell oil. The investment boosted the income and helped strengthen the independence of Georgia and Azerbaijan and demonstrated international interest in the region’s newly independent countries. It would become the model for future deals and projects, e.g., the Southern Gas Corridor, that would further energy security.” (Cekuta, 2021,p.1) Since the collapse of the Soviet Union, geopolitical factors such as the United States, Japan, and Europe have become increasingly interested in natural resources. Russia delivered the most valuable resources in these sources, natural gas and petroleum, to the rest of the globe. It was now clear that the natural sources' monopoly was coming to an end.

Beyond the Caucasus, Georgia and Azerbaijan have a strategic partnership based on shared economic interests. (Yalçinkaya, 1998, p.173) “After the construction of Azerbaijan International Operation Company (AIOC) in 1995, production of oil gained a boom. There was a significant increase in the production of oil in Azerbaijan from 2002 to 2010 except in 2008 because of international economic slowdown. However, production started declining since 2010 till present from 932,000 bbl/d (2012) to 880,000 bbl/d (2013) due to the recent fall in oil prices and political instability in the region. Till date, Azerbaijan has signed more than 25 field agreement with more than 35 companies of different nations (EIA 2013).” (Yadav, 2019, p.573)

3.2 THE BAKU – TBILISI – CEYHAN PIPELINE (BTC) PROJECT

“After the break-up of the Soviet Union in 1991, the newly independent countries started looking for new routes for energy exports and supplies. One possible project was an oil pipeline stretching for 1,770 kilometres from the Azerbaijani capital Baku through the capital of Georgia, Tbilisi, all the way to the Turkish port of Ceyhan. The Baku-Tbilisi-Ceyhan, or BTC, pipeline was to have capacity to pump one million barrels of oil per day – slightly over 1 per cent of today’s total crude oil production worldwide.” (Pyrkalo, 2016, p.1) “The highest annual oil delivery through the pipeline was made in 2010 at 286.2 million barrels, and the lowest delivery occurred during the startup year in 2006 with 57.8 million barrels, according to BOTAS figures.” (Morrow, 2021, p.2)

The monthly oil transit volumes in 2020 are set out below:

Month	Oil transit amount (million barrels)
January	20.8
February	19.4
March	18.1
April	21.3
May	17.8
June	15.5
July	16.3
August	15.8
September	16.5
October	16.8
November	15.03
December	16.9
TOTAL	210.7

Figure 3.2. The Monthly Oil Transit Volumes In 2020

The Baku-Ceyhan-Tbilisi pipeline is one of the longest of its kind in the world. Transporting up to a million barrels a day, the BTC is carrying the petroleum from Baku to Europe over Turkey on route from Baku on the Caspian Sea through Azerbaijan, Georgia and Turkey to the terminal part of Ceyhan on Turkey's Mediterranean coast. The project is 1774 km in total and the total cost is estimated as 3.6 billion dollars. "The pipeline, inaugurated in July 2006 and dubbed the "energy project of the century," carries Azerbaijani oil from the Caspian Sea, in addition to volumes from other countries in the region like Russia and Kazakhstan. A total of 4,659 tankers have operated at the Haydar Aliyev Marine Terminal during the pipeline's nearly 15 years of operation. The Turkish section of the 1,076-kilometer-long (669-mile-long) pipeline is operated by BOTAS International (BIL). In 2019, 233.1 million barrels of crude oil were shipped from the terminal. In 2020, that figure was 278.2 million barrels." (Lepan, 2021, p.1)

"At a length of 1,768km, the Baku Tbilisi Ceyhan (BTC) Pipeline is one of the great engineering endeavours of the new millennium. The BTC oil export pipeline transports crude oil from offshore oil fields in the Caspian Sea to the Turkish coast of the Mediterranean from where the crude is further shipped via tankers to European markets. The pipeline travels from the Sangachal terminal near Baku through Azerbaijan, Georgia and Turkey to the Ceyhan marine terminal on the Turkish coast of the Mediterranean." (Sölken, 2008, p.1.) "Filling the pipeline with crude oil between Azerbaijan and Turkey's Mediterranean coast began on 25 May 2005. BP holds a 30% stake in the consortium running the pipeline. Other consortium members include Azerbaijan's state oil company SOCAR (25%), Amerada Hess (2.36%), ConocoPhillips (2.5%), Eni (5%), Inpex (2.5%), Itochu (3.4%), Statoil (8.71%), Total-FINA-ELF (5%), TPAO (6.53%) and Unocal (8.9%). The pipeline was constructed and managed by the consortium company Baku-Tbilisi-Ceyhan Pipeline Company (BTC Co). The first oil began to flow at the end of 2005 following a series of tests and the gradual filling process. The BTC became fully operational in 2006 and given that crude oil takes six months to traverse the full length of the pipeline flow rates through the pipeline have steadily increased to around 700,000 barrels of oil per day to the world market." (Anonymous, 2020, p.1) Figure 3.3 shows the BTC oil export pipeline map in detail.

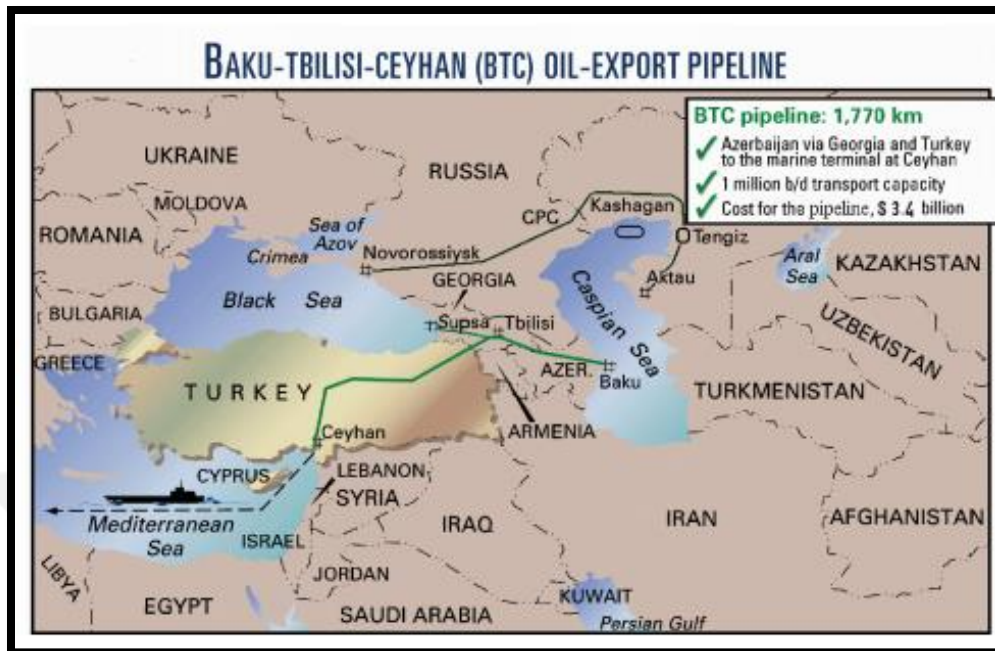


Figure 3.3. Baku- Tblisi- Ceyhan (BTC) Oil Export Pipeline

The aim of the construction of the pipeline was both securing the energy and creating an alternative for Russia on oil supply. Sheila Heslin explained that Washington's objective was 'in essence to break Russia's monopoly of control over the transportation of oil from the region' around the Caspian Sea" (Auzanneau, 2018, p.432) Furthermore, Washington also feared that expanding the existing Caspian pipeline structure would give Moscow, which has long dominated the region's economic destiny, a monopoly over the region's oil pipeline routes, allowing it to use its economic clout to stymie the development of independent democracies in Azerbaijan, Kazakhstan, and Georgia. Furthermore, US policymakers believed that the pipeline could be used to bring economic resources to underdeveloped regions of Azerbaijan, Georgia, and Turkey, as well as achieving another goal: preventing Caspian pipelines from running south to Iran, allowing the regime in Tehran to shut down the spigots at any time. (Morningstar, 2003, p.2) In figure 3.4 the oil flow is shown in numbers.

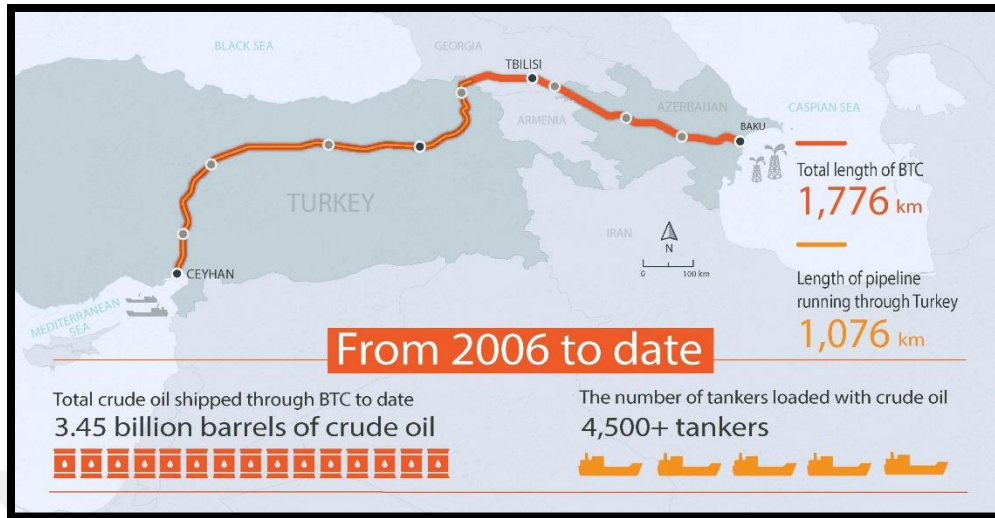


Figure 3.4. Oil Flown In BTC From 2006 To Date

“One advantage, which BTC has over other potential options for Caspian oil transport, is that Ceyhan can handle very large crude carrier, while the ports of Supsa (Georgia) and Novorossiisk (Russia) are restricted to smaller LR-2 tankers, which can transit the Bosphorus. Another advantage for Ceyhan is that it can remain open all year, compared to Novorossiisk, which is closed up to 2 months per year due to bad weather (Demirbas, 2002). The first tanker with Caspian oil is expected to be loaded at Ceyhan terminal in May 2005” (Balat, 2005, p.32) As a matter of fact, “the pipeline provided a diversified form of relations for Azerbaijan with Turkey, Georgia and Israel. Azerbaijan largely followed a policy on Iran on the line of the US and Israel during the 1990s. This BTC pipeline would facilitate reliable and shortest delivery of Azerbaijani oil to the western markets by avoiding Iranian and Russian territories.” (Erdemir, 2009, p.29) Figure 3.5 shows the details of the rotation of the pipelines.



Figure 3.5. Rotation Of The Pipelines

“BTC has been largely regarded in Azerbaijan as a tool to decrease its dependence on Russia in terms of export routes for oil and gas, as well as to build new economic, political and security links with Turkey, Azerbaijan’s ally, and subsequently with Western Europe. The Azerbaijani political leadership has treated BTC more as a geopolitical asset as opposed to a mere economic benefit. The fact that Azerbaijan’s leadership has preferred this western route over Russian or Iranian routes shows the limited nature of Baku’s trust in its northern and southern neighbors and its desire to secure the country’s independence and sovereignty with the help of Turkey and the West.” (Cornell, 2005, p.61) The political independency merged with the economical one had a vital importance on Azerbaijan with the help of these projects.

3.2.1 The Benefits of BTC for Countries

“After the announcement of the restoration of its independence, Azerbaijan immediately faced many challenges inherited from the Soviet Union. First and foremost was the unstable political situation in the country, problematized by economic collapse and war with Armenia. In order to

solve its economic problems, Azerbaijan had only one advantage: energy resources. Once known worldwide as one of the preeminent places for the production of oil, Azerbaijan needed to restore its reputation.” (Ibrahimov, 2015, p.1) Before constructing a parallel natural gas pipeline, BTC had a vital importance for the countries it passed, especially for Turkey, as it made the country a strategic one other than a transit country. “The ultimate benefit of the project for Turkey is seen as it turned Turkey into an important actor for East-West energy corridor.

BTC was not favorable for only Caspian region and the transit countries, but the US also was contented with the developments occurring in energy industry as Russian monopoly that was causing corruption and organized crime because of the high pricing rates of the country of natural gas for European countries. “The US favored the pipeline on the grounds that it would lessen western dependence on Middle East oil and Russian pipelines, as well as avoiding Iran. While the pipeline crosses areas plagued by separatist conflicts, the countries involved hope it will bring economic benefits and enhance political stability.” (Tran, 2005, p.1) On the economic and social benefits account, once the pipeline becomes fully operational, Azerbaijan will be the main beneficiary of the sale of its oil in international markets, collecting (at prices of 2005) about \$29 billion per year in oil revenues, while Georgia and Turkey, in the long run, will respectively collect transit fees of \$600 million and \$300 million per year on average during the lifetime of the project. Azerbaijan, Georgia and Turkey, the countries the pipeline will traverse, as well as part owners in the fields, could collect more than \$150 billion in revenue from oil, gas and transit fees from 2005 to 2024, according to estimates by BP.” (Babali, 2005, p.18)

It is without doubt that the BTC pipeline has changed the global energy politics. “One need only look at a map of the greater Caspian region, which stretches from Turkey to Kazakhstan, to realize its huge geopolitical and economic importance.” (Morningstar, 2006, p.1) “The BTC pipeline’s impact on the Georgian economy can be considered at two levels, the microeconomic and the macroeconomic. In accordance with this approach, at the microeconomic level the economic effect of the BTC pipeline may be measured by means of maximum net profit index (which is the difference between profit and expense), whereas at the macroeconomic level, it can be measured by means of multiplier of investment costs. Obviously, the first indicator demonstrates the direct economic effect of the BTC pipeline on the national budget, whereas the other one shows its

indirect effect.” (Papava, 2005, p.87) “Until now, countries in the region such as Azerbaijan, which have oil reserves far exceeding their domestic requirements, have had to rely on a combination of pipelines, rail and shipping to export oil to world markets. A large percentage of these exports passes through the narrow and congested Turkish Straits, posing an increasing environmental and public safety risk to the city of Istanbul and surrounding areas. The BTC pipeline offers an inherently safer means of transporting oil over long distances and relieves further congestion through the Turkish straits.” (Anonymous, 2006, p.2)

3.2.2 Turkey’s Role on BTC

In 2009, the US President Barack Obama planned a visit to Turkey. Although Obama’s plans were seemed to be focused on visiting just a Muslim Country, it was interpreted as a “coincidence” that after the visit of Ankara, he showed up in Baghdad with the “historical” decision on the withdrawal of USA from Iraq. In the meantime, Obama had an agenda on his way to Turkey which was focused on the energy politics. “U.S. Secretary of State Hillary Clinton raised the issue of the expansion of the East-West energy corridor and Turkey’s role in providing the requisite political and commercial security to bring natural gas from the Caspian and Middle East to European markets. Although the U.S. would not benefit directly from this effort, of course, the east-west corridor would bolster the sovereignty and economic development of its allies in Europe, the Caspian, and the Middle East.

This would not be the first time the U.S. and Turkey played a critical role in energy security in this part of the world. A decade ago, they championed the development of the Baku-Tbilisi-Ceyhan oil pipeline.” (Freifeld, 2012, p.68) “Today, in addition to their high economic value, energy pipelines play important roles in diplomatic, economic, military and ecological terms. In addition to offering immediate economic benefits to transit and terminal countries, pipelines may act as the building blocks of alliances and boost cooperation among states. Likewise, pipelines may shape domestic politics in countries that are increasingly dependent on imported energy for heating or power.

Figure 3.6 shows the importance of Turkey on the distribution of BTC oil resources.

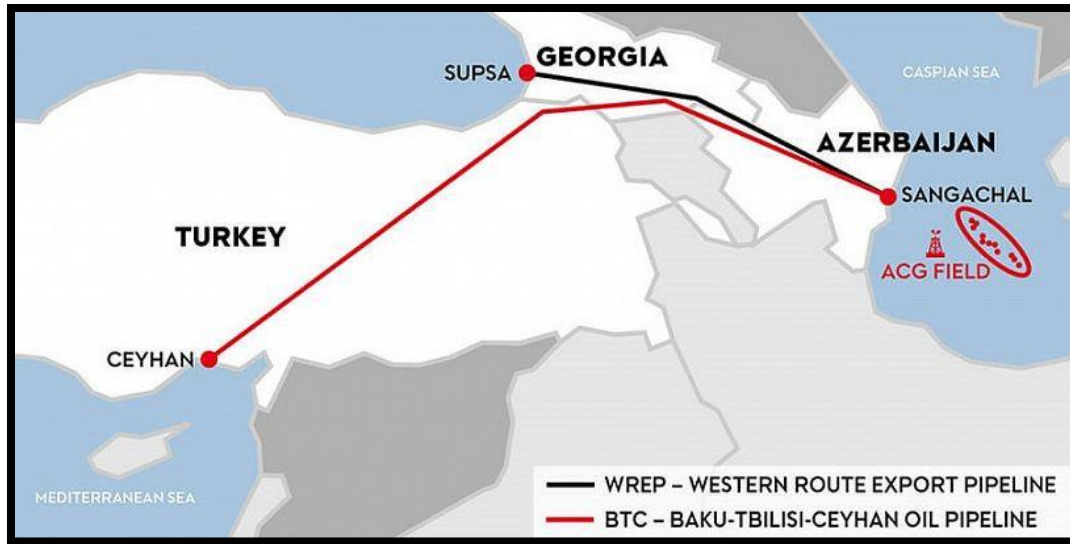


Figure 3.6. The Distribution Of BTC Oil Resources

In 2005, “the presidents of Azerbaijan, Kazakhstan, Georgia, and Turkey inaugurated the Baku-Tbilisi-Ceyhan pipeline (BTC), a major artery linking oil fields in the Caspian Sea region to the Mediterranean Sea and Western markets beyond.” (Cagaptay, 2005, p.1) “In this regard, the Baku Pipeline allowed not only, to forge powerful links between the three states after the Intergovernmental agreement of 1999 companies (Besides, Turkey is Georgia’s most important trade partner), but also to strengthen the political situation of each of them (less corruption and instability in Georgia, decrease of Russia’s dependence and reinforcement of Azerbaijan’s government along with Turkey’s republican political strengthening). It has also been the opportunity to improve safety within the countries thanks to security agreements which compel the states to maintain a safe order.” (Persee, 2016, p.6) “Within this framework, a major aspect of Turkey’s energy strategy is to complete “the East-West Energy Corridor”. The east-west energy corridor essentially aims to transport the energy resources in the Caspian Sea region to Western markets by alternate routes bypassing Russian territory” (İpek, 2006, p.2)

In spite of the physical and cyber attacks on the BTC project, it provided a geopolitical win-win situation both in the region and Europe. “The BTC pipeline links three countries in the transit process: Azerbaijan as an oil supplier, Georgia as a transit mediator and Turkey as a seaport provider. It starts from the Caspian Sea and its end point hits the Mediterranean Sea at the Ceyhan seaport of Turkey.” (Iqbal, 2015, p.1) “For Turkey, the BTC pipeline project has from the start

been seen as a project primarily of geopolitical importance. In fact, the issue of direct economic benefits to Turkey was barely even mentioned in the initial discussions. Despite the absence of strong economic arguments in favor of the project, the strategic and security advantages of BTC were widely recognized by the public. In turn the BTC pipeline was greatly supported by majority of the Turks and has encountered no perceptible political opposition.” (Baran, 2005, p.103) “In the process of time, Turkey and Azerbaijan came to an agreement on the issue of transferring the resources to the international market through Turkey and in these terms, they tried to gain the support of particularly USA, western states and energy companies. (Ersal, 2020, p.86) As a result, Turkey has become an important actor for the projects like BTC as a transit gate and made an important number of profit by the transit price per each barrel.

One of the most important issues about construction of a pipeline is to provide its security. “The Turkish government has forwarded a number of proposals to ensure the safety of BTC oil pipeline and is continuing work in this direction. Turkey has had major success in restoring its historical role in the Caspian region and making other states reckon with its political, economic and strategic richness. Turkey’s geographical, ethnic and cultural proximity to the region lays the groundwork for further expansion of Turkey’s local successes. Turkey has also succeeded as a representative of the West and conductor of Western values. BTC oil pipeline can serve as a good foundation for the expansion of Turkey’s bilateral relations with regional states, especially with Azerbaijan.” (Balat, 2005, p.32) This relations are best summed up as “the relations between the three countries are based on three main pillars - the Baku-Tbilisi-Ceyhan oil pipeline, the Baku-Tbilisi-Erzurum natural gas pipeline and transportation cooperation. First and foremost, the impetus for the trilateral cooperation was the “Contract of the Century,” which enabled Azerbaijani oil to be exported to the global market.” (Barseghyan, 2020, p.1) In figure 3.7, Turkey’s role on the Contract of the Century with the importance on the route is shown in detail.

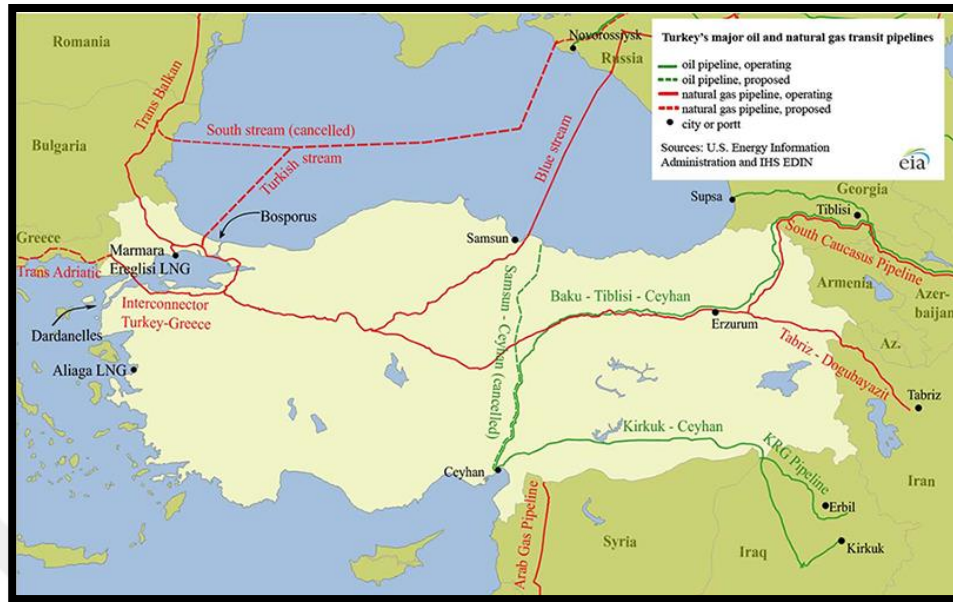


Figure 3.7. Turkey's Major Oil And Natural Gas Transit Pipelines

In terms of strengthening the geopolitical power of Azerbaijan, Contract of the century started the era that would make the country the new energy center of the world with one of the most qualified crude oil of the world. From a technological and environmental aspect, the route to the Mediterranean through eastern Turkey is the shortest, most cost-effective, convenient, and reliable choice for transporting Caspian Sea oil and gas deposits. Tankers, on the other hand, are not a viable option for moving such massive amounts of oil over the Turkish Straits, which are narrow and congested. For these reasons, Turkey has concentrated its efforts on completing the East-West Energy Corridor's transfer of Caspian oil and natural gas deposits to the Western market. (Mikail, 2020, p.1) As a result of these efforts, after 1991, Russia-Turkey energy relations took on an entirely new character.

Following the demise of the Soviet Union, the region's new geopolitical environment heightened rivalry for the use and transportation of the Caspian's hydrocarbon resources. Previously, the Soviet Union controlled the development of energy resources in the Greater Caspian. Following the end of the Cold War, newly-emerging hydrocarbon-rich governments such as Azerbaijan, Kazakhstan, and Turkmenistan began to collaborate with the West in the development of their resources and transportation to global markets. (Ediger, 2017, p.3)

3.2.3 Azerbaijan and Turkey Energy Relations: One Nation with Two States

Given the ostensibly personal nature of their interactions, Azerbaijan's relationship with Turkey has often been described as a cornerstone supporting Baku's post-independence foreign policy agenda. Few, including policy advisers and policymakers in both countries, have attempted to delve further into the variables that shaped the bilateral dynamics throughout the world's first two decades without the Soviet Union and the Cold War. (Ismayilov, 2016, p.14) “Geographically, Turkey is the closest Turkic-language country. The two countries also hold roughly the same views on Turkishness, which cannot be said of countries such as Uzbekistan and Kazakhstan.” (Mammadli, 2021, p.1) The two sides has become closer after the operations that were backed by Turkish government for the solutions of Karabakh and Susha conflicts.

Turkey and Azerbaijan have deep ethnic, cultural, and historical ties, and they refer to their relationship as “two states, one nation.” Following the collapse of the Soviet Union in 1991, Turkey was the first country to recognize Azerbaijan's independence, and the two countries have developed strong commercial connections. Azerbaijan's oil and gas exports are routed through Turkey, and the ex-Soviet republic has become a major investor in the country. (Fraser, 2020, p.1) Azerbaijani-Turkish relations are extremely complex and well-developed in a variety of ways. The bilateral economic interactions are one of the most important directions of the versatility. While the number of reciprocal investments and trade turnover between the two countries has not yet achieved the intended level, there have been significant improvements in bilateral economic relations since the two countries' independence. The signing of the Agreement on Strategic Cooperation and Mutual Assistance between the two countries elevates cooperation in the economic realm, as well as in other areas. (Aslanlı, 2018, p.1)

In terms of economy, the two countries are linked by a slew of agreements that allow for trade in all sectors, but the energy industry is by far the most vibrant. A number of Turkish firms are investing in Azerbaijan, but the BTC, BTE, and other pipelines now under construction, such as the TAP and TANAP, are critical to the future of relations between the two countries. Azerbaijan has also been able to invest heavily in the Turkish economy thanks to its oil revenues. (Balcı, 2014, p.46) As a result of these efforts, Turkey and Azerbaijan's economic relations have strengthened, with trade volume increasing from 325 million dollars in 2000 to 1.85 billion dollars in 2018.”

Meanwhile, the tripartite frameworks we built with Azerbaijan, Turkey-Azerbaijan-Georgia and Turkey-Turkmenistan-Azerbaijan, have given a political framework for regional cooperation. (Semercioğlu, 2021, p.53) BTC and BTE were the most important sides of these side of relations.

“Azerbaijan, Georgia and Turkey share many common interests in the trilateral partnership such as the protection of the transport / energy infrastructure, increasing of professionalism of armed forces, and provision of more stability and predictability in the region. The latter is crucial for paving the way for the inflow of foreign investment, particularly in terms of expected mass investment in trans-regional transportation projects.” (Garibov, 2018, p.5) It is stated by the Azerbaijani government officials that the nearly 20 billion investment in Turkey is “ a sign of the brotherhood between Turkey and Azerbaijan, and in the meantime, it's a sign of confidence in the Turkish economy, because Turkey has one of the vibrant economies in the region and the recent developments of Turkey economy-wise and trade-wise also make Azerbaijan happy” (Aliyev, 2021, p.1)

3.3 THE TRANS ANATOLIAN NATURAL GAS PIPELINE PROJECT (TANAP)

3.3.1 The Background of the Project

Since the fall of the Soviet Union, Central Asian hydrocarbon reserves have attracted major players in international politics as well as major multinational energy businesses. While the newly established Russian Federation was suffering from economic crises in the 1990s, Azerbaijan was able to build the first straight oil pipeline from the Caucasus to the Mediterranean Sea, known as the Baku-Tbilisi-Ceyhan oil pipeline, with the help of Washington. Oil income aided Azerbaijan's energy sector development, and the country is now a natural gas exporter after two decades as a natural gas importer. With the announcement of the Trans Anatolia Natural Gas Pipeline (TANAP), which was initiated by Azerbaijan and Turkey, the famous Nabucco project, which was the second pillar of the Washington energy strategy for ensuring European energy security and breaking free of Caspian post-Soviet states, finally withdrew from the energy game. (Sevim, 2013, p.352) Figure 3.8 shows the Soviet Union's gas exports to Europe in detail.

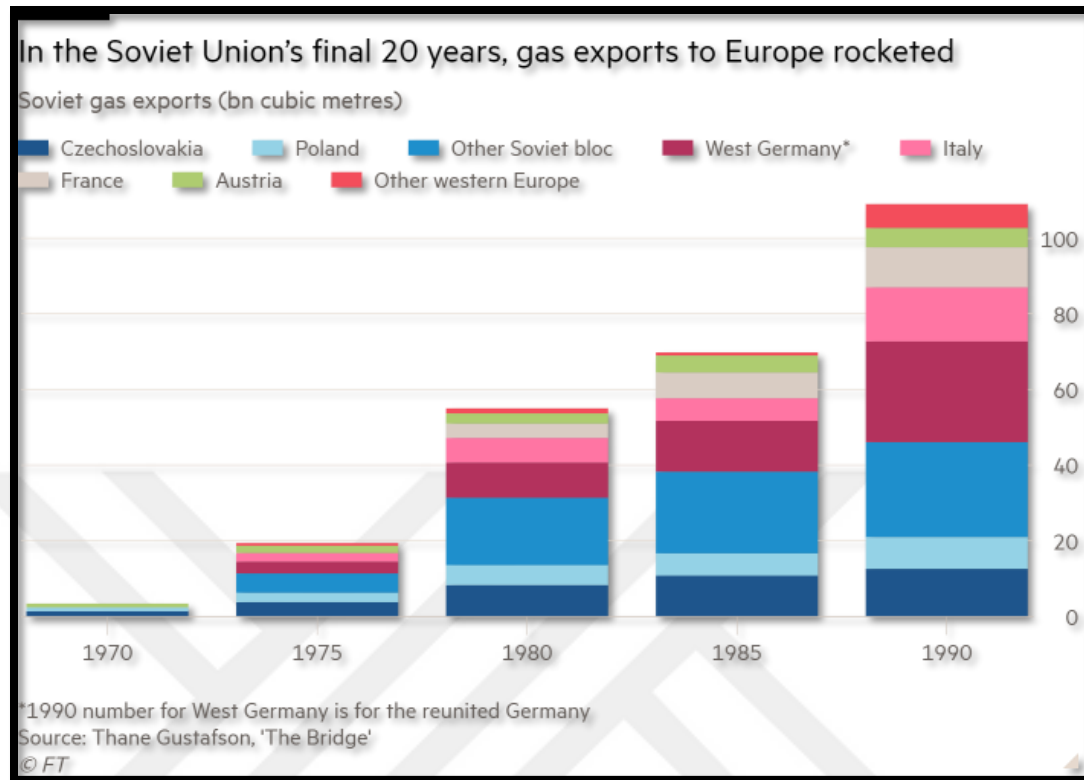


Figure 3.8. Soviet Gas Exports (Bn Cubic Meters)

First signed in 2012, the final contract of the TANAP was completed in 2013. The project starts from Türkgözü, the entering point at the border of Turkey and Georgia, and develops through Eskişehir and Trakya in Turkey and the point of exit is Ipsala, the region at the Turkey-Greece border. The twofold project has a length of 1850 km and it is one of the longest and highest capacity natural gas pipelines of the world. “One of the most important features of TANAP is the contribution of the project to the energy and natural gas security of Europe.

The success of projects such as Trans-Anatolian Pipeline (TANAP) Project that connects Turkey to European markets, also solidify Turkey’s potential as an “artery” for larger markets for uninterrupted and secure energy supply in a highly fragile region.” (Yılmaz, 2016, p.109) One of the major segments of the Southern Gas Corridor, TANAP is the longest and the most important project by including Turkey, Greece, Albania and Italy with a 16 billion m³ capacity. Not only the project has become a bridge between East and West, but also it is a symbol of peace by supplying energy security in the regions. In figure 3.9, the route of TANAP is shown in detail.

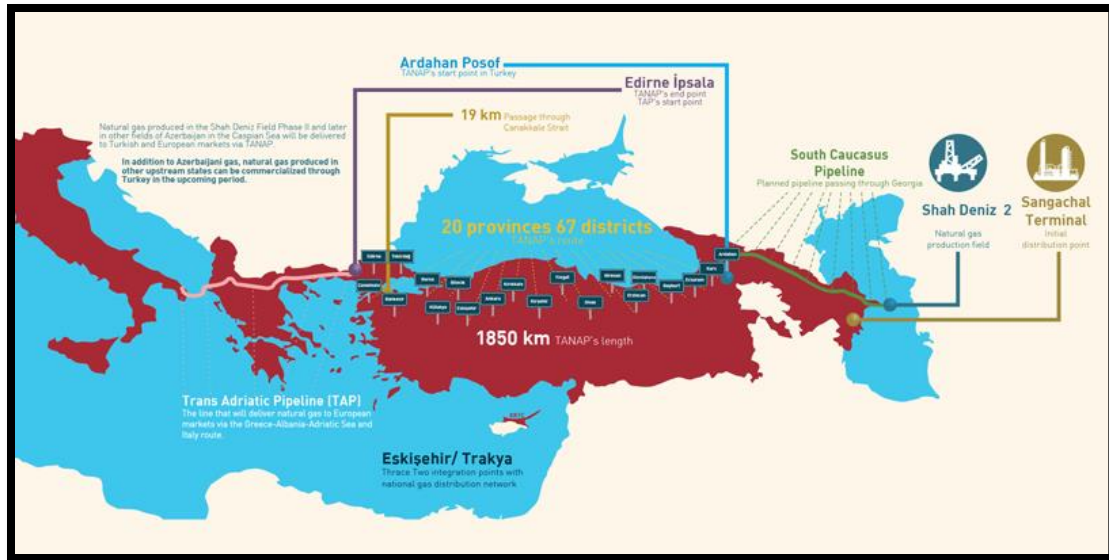


Figure 3.9. The Route of TANAP

“TANAP has delivered 3.3 billion cubic meters of natural gas to BOTA since November 18, 2019, and is expected to deliver 4 billion cubic meters to Turkey between June 2019 and June 2020. From the end of June 2020, Turkey will receive 6 billion cubic meters of water per year. Azerbaijani gas will be delivered to European markets beginning next year, with a total transportation capacity of 16 billion cubic meters, 10 billion cubic meters of which will be exported to Europe by 2020. With/after the additional investments, TANAP's capacity is expected to rise to 31 billion cubic meters.” (Anonymous, 2019, p.1)

As a natural gas importer, Turkey also saw the project very advantageous as it would lessen the dependence on Russian gas under %50 percent. The Trans-Anatolian Natural Gas Pipeline (TANAP) is a cornerstone of Turkey's energy diplomacy and Ankara's response to the strategic dilemma that 56.7 percent of Turkey's natural gas is supplied by one of its main geopolitical rivals: Russia. The 11 billion dollar TANAP project, which is the cornerstone of Turkey's attempt to diversify its natural gas supply mix, is expected to carry natural gas from Azerbaijan's offshore Shah Deniz production across the length of Turkey for sale in both Turkey's domestic gas market and the EU. (Tanchum, 2015, p.1) The numbers of TANAP are shown in detail in Figure 3.10 and the project details are shown in Figure 3.11.

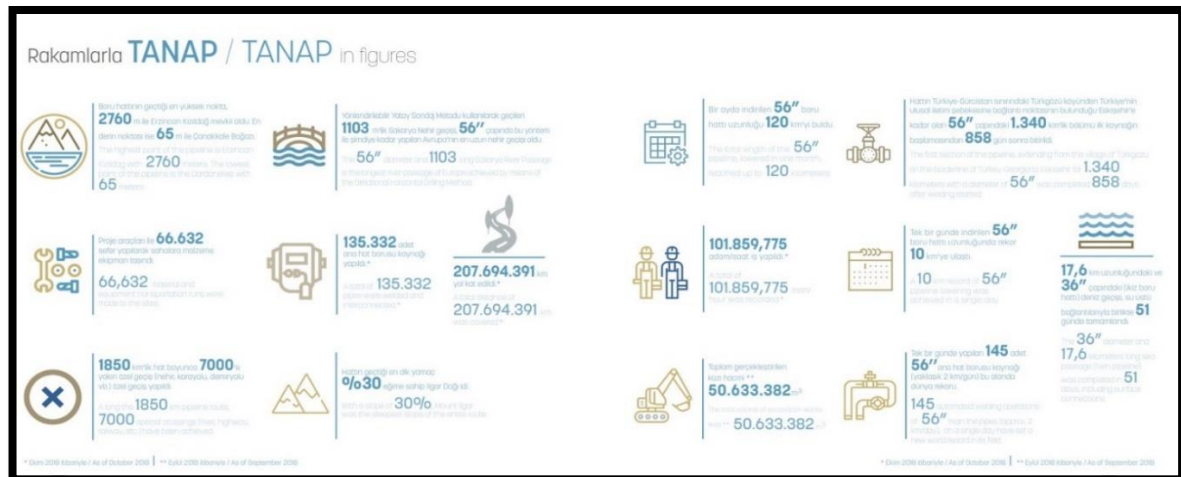


Figure 3.10. TANAP In Figures

Trans Anatolian Natural Gas Pipeline (TANAP) Project	
Project No.	000011
Client	Azerbaijan
Borrower	Southern Gas Corridor Closed Joint Stock Company (SGC)
Guarantor	Republic of Azerbaijan
Implementation Agency	TANAP Doğalgaz İletim A.Ş.
Sector(s)	Energy
Subsector(s)	Oil & Gas
TANAP Project	To integrate Azerbaijan with regional and European energy markets by strengthening its connectivity and transit role and to improve the energy supply security of Turkey and South Eastern Europe.
Project Objectives/Brief Project Description	
Project Implementation Period	01 February 2017 to 31 January 2021
Expected Loan Closing Date	31 July 2021
Project cost and Financing Plan	Total Project Cost: US\$ 8.6 billion Expected Financing as per the breakdown below: Borrower's contribution: US\$ 1.4 billion World Bank IBRD Loan: US\$ 0.8 billion AIIB Loan: US\$ 0.6 billion EIB Loan: US\$ 1.3 billion EBRD Loan: US\$ 0.5 billion BOTAS, Turkey: US\$ 1.0 billion BP (British Petroleum): US\$ 1.0 billion Private Commercial Sources: US\$ 2.0 billion
AIIB Loan (Size and Terms)	US\$ 600 million, 30-year term, including a grace period of 5 years, at the Bank's standard interest rate for sovereign-backed loans
Co-financing (If any)	World Bank IBRD Loan: US\$ 0.4 billion. (IBRD has extended another loan of US\$ 0.4 billion to BOTAS, Turkey for this project)
Environmental and Social Category	A
Project Risk (Low/Medium/High)	High
Conditions for Effectiveness and Disbursement (if any)	a) All legal agreements are completely signed, b) legal opinions received and c) additional effectiveness conditions in loan agreement are satisfied.
Key Covenants	None

Figure 3.11. The Project Details Of TANAPFigure 3.12. The Oil Dependency In Europe

3.3.2 The Benefits of TANAP

The question which can be asked here is why did Europe need TANAP as an alternative? After the disaster of Fukushima, some European countries are said to leave nuclear energy plans behind to meet their energy needs and turned into alternative energy sources like natural gas for their rising consumption. Thus, securing energy supply is one of the European Union's (EU) key concerns, dating back to the establishment of the European Coal and Steel Community (ECSC) in 1951. The EU's reliance on external energy sources to cover its energy needs, on the other hand, demonstrates that European energy supply security is a never-ending narrative. Europe required alternative pipelines and energy channels because of rising energy consumption, political instability in some energy-producing countries, and environmental threats. (Süleymanlı, 2015, p.1) Thus, the route of the projects like BTC and TANAP, and TAP as a consequence, had a vital importance for the European countries. Figure 3.12 shows the oil dependency in Europe in numbers.

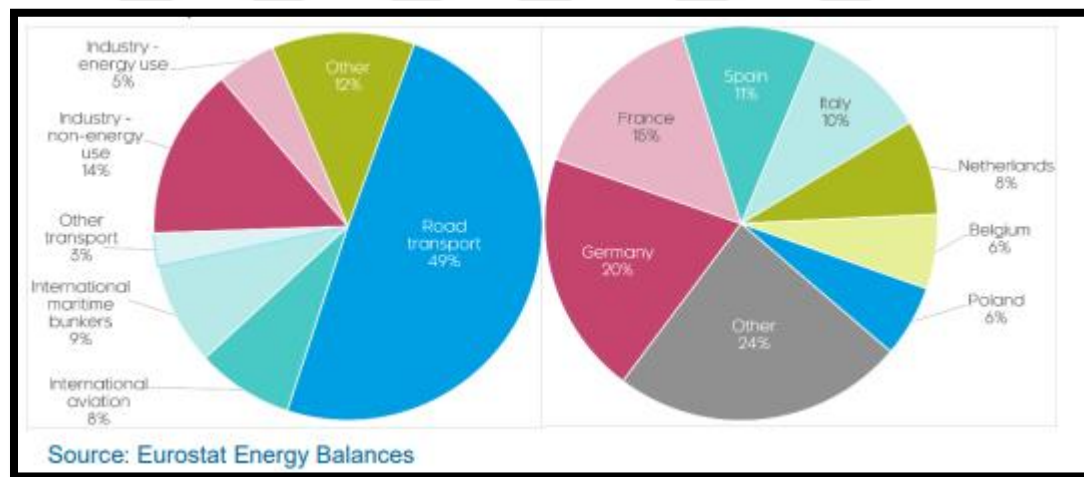


Figure 3.12. The Map Of TAP

“Despite the fact that the EU recognizes energy security as a problem that affects the union as a whole, there is considerable variation in the energy consumption and production patterns and the resulting import needs of member states. Some EU members (e.g. Denmark, Netherlands and Romania) are fairly self-sufficient in terms of natural gas and do not require any imports. Some major gas importers (e.g. Spain and the UK) do not directly purchase any gas from Russia.” (Demiryol, 2013, p.1) As it is mentioned before in this study, these states share a number of

characteristics. Due to their location on the EU's periphery, bordering Russia, they all place a premium on "energy security," particularly "supply security," as they are significantly reliant on imported natural gas. The countries in this region rely on imported gas to the tune of 69 percent, with Russia providing 90 percent of it. 79 These countries have long-term supply agreements with Russia, thus strengthening their reliance on Russia. 80 Any disruptions induced by the supplier country, like in the 2006 and 2009 Russia-Ukraine gas crises, have a greater impact on the region than on the rest of the world. (Can, 2012, p.24) As a result, TANAP was a very advantageous and effective project for the European countries to have an alternative route in the Caspian region and beyond.

3.3.3 The After Project of TANAP: Trans Adriatic Pipeline (TAP) Project

“TAP is a gas transportation system crossing Greece, Albania, the Adriatic Sea and Italy. It is the European leg of the Southern Gas Corridor, a gateway project that will transport 10 billion cubic meters (bcm/a) of new gas supplies from Azerbaijan to multiple markets in Europe. The TAP system is designed with the potential to double its throughput capacity to 20 bcm/a.” (Bajic, 2020 ,p.1) The natural gas taken from Azerbaijan reaches Adriatic Sea and Italy in Europe through Turkey, Greece and Albania. The total length of the project is 878 km and the operation began as the construction is finished recently.

The project “also opens a fourth gas import pipeline corridor for the European Union, strengthening the region’s energy security.” (Anonymous, 2020, p.1) TAP is a significant new development for Southeastern Europe, since local countries' energy sectors are primarily reliant on fossil fuels for electricity generation. TAP will be able to provide the region with 10 billion cubic meters of gas yearly in the coming years, thanks to connections with the Greece–Bulgaria Interconnector (IGB) and, possibly, the Ionian–Adriatic Pipeline (IAP). (Hasanova, 2020, p.1) The map of the project is shown in Figure 3.13.

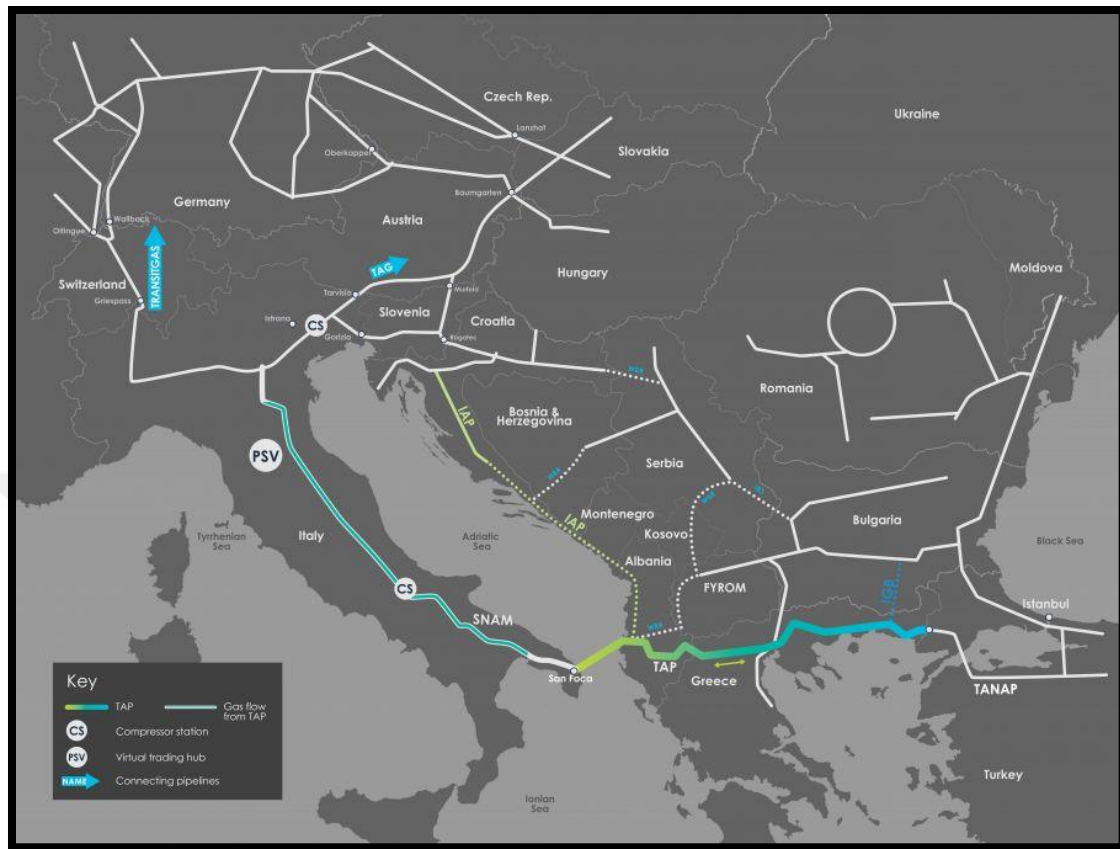


Figure 3.13. The Routes Of Nabucco, TAP, TANAP

It has long been known that the EU has been coordinating the deregulation of the European energy market since 1997, in response to Russian market dominance and unilateralism, which have severely limited the EU's ability to re-export Russian gas. In 2012, the EU launched an investigation into the Russian business Gazprom's contractual constraints, which prohibited Gazprom's European customers' ability to re-sell/re-export Russian gas across the border.(Unsal, 2021, p.2) The new sources of energy and alternatives routes are crucial for Europe's future of energy. TAP is a very favorable way of supplying natural gas in a secure way that the transit countries ensured. Some advantages that the project presents are that "presently, much of Europe is dependent on coal - a source of power, which emits twice as much CO₂ as natural gas. The closure of coal-fueled power plants over the next 5 years creates a natural opening for natural gas usage. As renewable energy's share of total energy out in Europe doubled from around 8.5% in 2004 to 16% in 2016, renewable energy output is notoriously intermittent volatile and natural gas can provide a cleaner hedge than fossil fuels for the sake of energy security." (Gomes, 2018,p.2)

3.4 BTC vs TANAP

3.4.1 The International Role of Azerbaijan in Europe

It has long been known that the EU has been coordinating the de-regulation of the European energy market since 1997, in response to Russian market dominance and unilateralism, which have severely limited the EU's ability to re-export Russian gas. In 2012, the EU launched an investigation into the Russian business Gazprom's contractual constraints, which prohibited Gazprom's European clients' ability to re-sell/re-export Russian gas across the border. (Frappi, 2013, p.45) “As the lynchpin for the EU’s Southern Energy Corridor, the country is presently the only westward route for Caspian hydrocarbons, which breaks Russia’s former imperial monopoly on access to world export markets, with the Baku-Tbilisi-Ceyhan (BTC), Baku-Tbilisi-Erzurum (BTE) and Trans-Anatolian Pipeline (TANAP) oil and gas pipelines. This position confirms what Azerbaijan’s former President, Heydar Aliyev, famously said: “happiness is multiple pipelines”.” (Öğütçü, 2018, p.1)

Immediately following the proclamation of its restoration of independence, Azerbaijan was confronted with a slew of issues inherited from the Soviet Union. The first was the country's precarious political position, which was exacerbated by the country's economic collapse and conflict with Armenia. Azerbaijan had only one edge in solving its economic problems: its energy resources. Azerbaijan wanted to reclaim its reputation as one of the most important oil-producing countries in the world. However, it was important to begin developing new sectors and bringing these resources to international markets. (Ibrahimov, 2015, p.1) Since the construction of both BTC and TANAP, the flow of petroleum and the natural gas has been operated in a successful way in spite of the conflicts that were encountered with Armenia. The European Union is a major importer of energy resources, particularly natural gas. This reliance on imports raises worries about energy supply security, particularly in regions where social-economic or geopolitical conflict is a possibility. The Russia-Ukraine natural gas dispute in 2009 and Russia's annexation of Crimea in 2014 are two recent occurrences that have posed a danger to EU energy supplies. Such occurrences emphasize the need for a more comprehensive energy policy to address potential energy supply

interruptions and security concerns, notably through the diversification of supply choices. (Hasanov, 2020, p.1)

Following the need of these supply options, “on 25 February 2015, the Vice-President of the European Commission, Maroš Šefčovič, announced the creation of an Energy Union, a project aimed at 'increasing EU's energy security by diversifying supplies (sources, suppliers and routes) and by creating a more integrated, mutually-supportive and transparent European energy market and it was clear that the Energy Union supports projects such as the Trans-Anatolian Pipeline (TANAP) and Trans-Adriatic Pipeline (TAP), which expand the variety of energy suppliers rather than creating new supply routes for existing sources such as the Nord Stream 2 (NSP-2).” (Koçak, 2016, p.10) One of the varieties for the sources which are mentioned above was the Caspian alternative for Europe. “Azerbaijan’s location on the Caspian Sea means it is developing offshore oil and gas fields. Due to the share of oil and gas reserves and production from the Caspian Sea, the country's energy strategy in maintaining and increasing its energy status, especially in the gas sector, has led to the development of new fields and increased operations to harvest active fields.” (Kalehsar, 2019, p.1)

“Azerbaijan became a net exporter of natural gas in 2007 with the start-up of the huge Shah Deniz natural gas and condensate field; before then it imported gas from Russia.” (Anonymous, 2015, p.1) The European Union needed multiple regional hubs in order to prevent the possible conflicts that would be lived with a sole supplier. Azerbaijan, on the other hand, has taken a careful and deliberate approach. According to its leadership, "we are an open transit state under the European Energy Charter, and the infrastructure that independent states choose to create across their common border is their bilateral business." We've already declared that we're willing to talk about this.” Baku has pursued a multivector foreign policy since independence, attempting to strike a balance between Russia, Iran, and the West. A clash with Moscow is the last thing Baku wants. Despite the fact that the majority of Azerbaijan's money comes from overseas markets and does not transit through Russia, there are still significant family and commercial ties. (Paul, 2011, p.2)

The USA has declared many times that they support the energy security of Europe. The thing that were supported here was the diversification of the energy alternative routes and the energy security

itself as there was a Russian monopoly on this issue for decades. For the pipelines that were constructed, countries should be able to sustain both physical and cyber attacks. However, the pipelines on the western side of the Caspian reflect just half of the geopolitical vision shared by Washington, Ankara, and eventually the EU: cross-Caspian export routes for Central Asian oil and gas, free of Russian monopoly power, have yet to materialize. Indeed, the CPC pipeline maintains Russia's near-monopoly on Central Asian oil exports, since Chevron and ExxonMobil have only shipped small amounts of oil from Kazakhstan to Azerbaijan and BTC and no Caspian natural gas has ever been exported westward except through Gazprom pipelines, which are regulated by the Russian government. (Bryza, 2020, p.1)

Despite the fact that the EU produces a lot of energy, including nuclear and renewable energy, Member States are still net energy importers. The decline in primary energy output, particularly in oil, natural gas, and, more recently, nuclear energy, has increased the EU's reliance on energy imports to fulfill demand. Nonetheless, Russia, Norway, Algeria, the Caspian Basin countries (Azerbaijan, Kazakhstan), Saudi Arabia, and others import primary energy. (Azimov, 2021, p.74) The State Oil Company of the Republic of Azerbaijan is one of the country's most important energy structures (SOCAR). SOCAR is involved in the prospecting, exploration, and processing of oil and gas fields in Azerbaijani territory, as well as the production, processing, and transportation of oil, gas, and gas condensate, the sale of chemical and petrochemical products and gas in domestic and international markets, and the supply of natural gas to the country's industry and population. (Abbasov, 2015, p.75)

3.4.2 The Economic Benefits of BTC and TANAP

The emphasis on regional economic linkages stemmed from a desire to shift away from the 1990s' reliance on international financial assistance. Energy project implementation was first pursued as a top-down procedure by international institutions operating in the region, which provided financial and material support for the harmonization of the transportation and energy sectors. This would not only boost local businesses' profits, but it would also assist to build a stable business environment that would appeal to overseas investors. (Shiriyev, 2016, p.19) The BTC was a very advantageous project for Europe as an alternative for Russian petroleum. Actually, the BTC was

a fresh start for Azerbaijan as the energy politics effect the whole politics. The country gained strength through the project in economic, political and military areas.

In order to explain the importance of TANAP for the world energy industry, the Nabucco project should be mentioned here for a better understanding of the republic of Azerbaijan as a crucial supplier of energy for Europe. “The Nabucco project, established nearly a decade ago, was at the heart of Europe’s grand strategy to diversify its energy sources and reduce its dependence on Russia, which supplies a quarter of Europe’s energy needs.” (Dempsey, 2013, p.1) As a gas link between Turkey and Azerbaijan, the Baku-Erzurum pipeline serves as a major route from the Caspian Sea to Europe, however there is a gap between Erzurum and European pipeline networks. Nabucco is meant to fill the link via Turkey in order to maintain the EU’s gas supply diversification. Nonetheless, on June 23, 2007, when Italian ENI CEO Paolo Scaroni and Russian Gazprom Vice-President Alexander Medyedev signed a memorandum of understanding, the South Stream project was announced to the public. Following that, in June 2009, Russia inked an agreement with Azerbaijan for early gas purchases beginning in 2010. This had lowered European chances of obtaining gas from Azerbaijan via the Nabucco pipeline. (Varol, 2013, p.356) Figure 3.14 shows the routes of the projects.

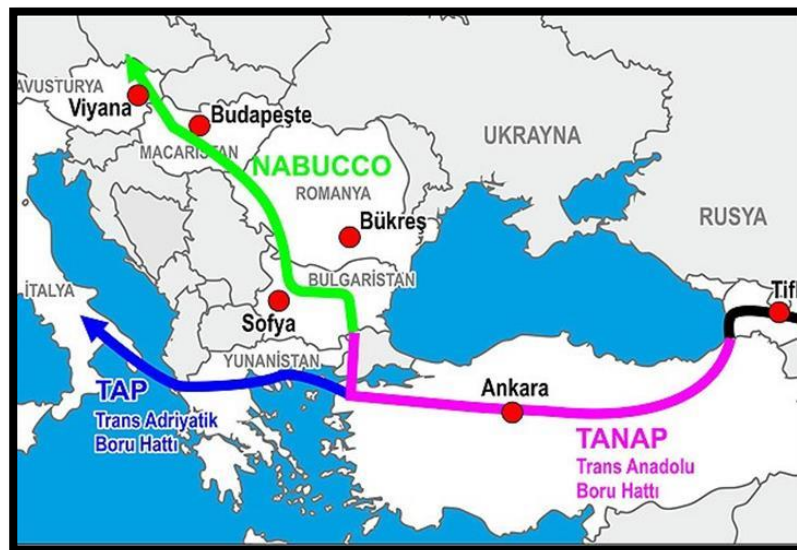


Figure 3.14. The Route of TANAP

The Shah-Deniz II consortium, which operates Azerbaijan's largest gas field, was awarded the contract for gas transportation to the Trans Adriatic Pipeline (TAP), which runs through Greece and Albania before crossing the Adriatic Sea to Southern Italy. This path is 500 kilometers shorter than Nabucco-West which was offered before. (Weiss, 2013, p.1) “It is important to note that concerning oil transportation Turkey is already a significant energy transit state with the Baku-Tbilisi-Ceyhan (BTC) and Kirkuk-Ceyhan pipelines and substantial volumes carried by tanker through the Bosphorus. However, Ankara has ambitions of becoming a major energy transit state with regard to gas through the realization of the southern gas corridor.” (Winrow, 2013, p.1)

TANAP is extremely important since the initiative is both economically and geopolitically significant. To begin with, Azerbaijan expressed an ambitious aim to become a net gas exporter to the European energy market, which is heavily reliant on Russian gas sources, and supply and source security is a sensitive issue for the EU's energy security. Azerbaijan will contribute to EU energy security by delivering new gas sources from the Caspian Sea to European energy consumers. (Hajiyev, 2019, p.1) Figure 3.15 indicates the route of TANAP.



Figure 3.15. The Routes of the Projects

3.4.3 The Comparison between the Stakeholders of BTC and TANAP

“At the time of its commencement, BTC was the largest cross-border infrastructure construction project in the world. The scale and multitude of environmental and social aspects on such a mega-project should not be underestimated nor should the amount of resources and level of effort

expended by BTC staff during the planning and construction phases, or IFC staff during project appraisal and supervision.” (Anonymous, 2006, p.1)

The main aim of the construction of the project was to attain a safe transportation of the oil to the world market through a safe destination. It was important for the US also for their European allies to have their energy supplies in a safe and secure platform. “Washington and Ankara saw the BTC as a key east-west corridor that would ensure the independence and economic viability of the newly independent states in the Caspian Basin. The BTC also made strategic sense to the United States and Turkey because it would bypass politically unstable places like Iran, the northern Caucasus (including Chechnya), and Armenian-occupied parts of Azerbaijan.” (Cagaptay, 2005, p.2)

“Further, since the first operation in 2006, “the BTC pipeline currently carries mainly ACG crude oil and Shah Deniz condensate from Azerbaijan. In addition, other volumes of crude oil and condensate continue to be transported via BTC, including volumes from Turkmenistan, Russia and Kazakhstan.” (Anonymous, 2020, p.12) “The operator of the BTC pipeline is BP The Baku-Tbilisi-Ceyhan Pipeline Company (BTC Co) was created in 2001 to construct, own and operate the pipeline. BTC Co shareholders are: BP (30,1%), SOCAR (25,00%), Unocal (8,90%), Statoil (8,71%), TPAO (6,53%), Eni (5,00%), Total (5,00%), Itochu (3,40%), INPEX (2,50%), ConocoPhillips (2,50%) and Amerada Hess (2,36%).” (Anonymous, 2006, p.1)

“Prior to the BTC project, the largest foreign investment to the region through which the pipeline snakes had been measured in tens of millions. This underlines the impact on the local countries the significance of the projects to the impacted countries, and the reflected glory and kudos for all the professionals involved in making it a reality.” (Anonymous, 2005, p.4) The contractors of BTC is shown in Figure 3.17.

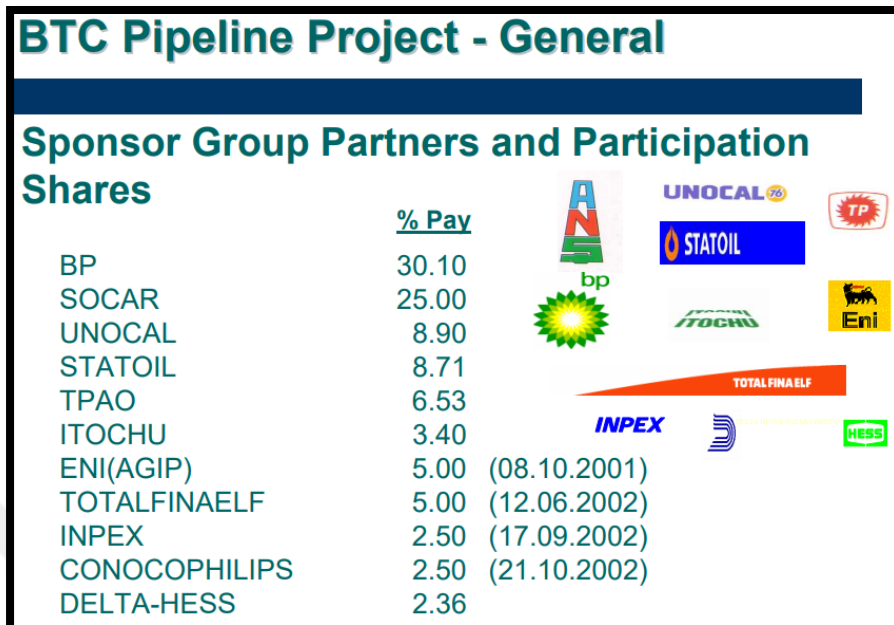


Figure 3.16. BTC Pipeline Project-General

The project can be summarized as below:

Project	Baku-Tbilisi-Ceyhan (BTC) pipeline
Location	Azerbaijan, Georgia and Turkey
Brief Description	US\$3.6bn 1,700km export oil pipeline with a capacity of 1 million barrels a day running from the Caspian Sea to the Mediterranean
Sponsors & Equity Stake	BP – 30.1 per cent, SOCAR – 25.0 per cent, UNOCAL – 8.9 per cent, STATOIL - 8.71 per cent, TPAO - 6.53 per cent, ENI - 5.0 per cent, ITOCHU – 3.4 per cent, TotalFinaElf - 2.5 per cent, INPEX – 2.5 per cent, ConocoPhillips - 2.5 per cent, Amerada Hess - 2.36 per cent
Date of Financial Close	3rd February 2004
Total Project Cost	US\$3.6bn
Total Debt	US\$2.52bn
Total Equity	US\$1.08bn
Lenders	IFC/EBRD. Multilateral lending agencies: Direct lenders under A-loan structure. US\$500m
	ECA. The ECAs provided commercial and political risk insurance, each under separate tranches. Formed of: JBIC,NEXI, ECGD, COFACE, HERMES AND SACE. US\$766m
	JBIC. Overseas investment loan of US\$300m
	OPIC. Political risk cover only. US\$100m
	Sponsor senior loans BP, Statoil, Total and ConocoPhillips contributed sponsored senior loans as part of a senior debt package in which the terms and conditions were similar to that of the external lenders. US\$923m.

Arrangers	ABN AMRO, Banca Intesa, HVB Group, BNP Paribas, Citigroup, Credit Agricole Indosuez, Dexia, EBRD, ING Bank, IFC, JBIC, KBC Bank, Mizuho Holdings, BFCE, RBS, Sanpaolo IMI, WestLB, SG
Tenor	12 years – IFC A loan, EBRD A Loan, ECAs Loan, OPIC Loan
	10 years – IRC Loan, EBRD B Loan
Pricing	Spreads ranging from 225bps pre-completion to 270 bps post-completion
Financial advisor project	Lazard
Legal advisor project	Baker Botts, Sullivan & Cromwell
Legal advisors to lenders	Allen & Overy – EBRD, IFC and commercial banks
	Freshfields – ECAs
Legal Advisor to Turkish government	Dickstein Shapiro Orin & Oshinsky
Financial advisor to ECA	Taylor-DeJongh
Lenders' reserves consultants	Netherland Sewell
Lenders' upstream engineer	Paragon Engineering
Lenders' environmental consultant	Mott McDonald

Figure 3.17. The Project Details of BTC

“Within the scope of the TANAP project, gas flow to Turkey is scheduled to start in 2018 at an initial capacity of 16 billion cubic meters per year which will be gradually increased to 24 billion cubic meters and then to 31 billion cubic meters. Azerbaijan is Shah Deniz II Natural Gas Field, the main source of supply for the project, is being developed by an international consortium under the leadership of BP, including TPAO as the second largest partner with its 19 percent stake. The 1,850-km long TANAP constitutes the longest part of the Southern Gas Corridor, a gas supply chain worth USD 45 billion. TANAP is planned to deliver natural gas from the South Caucasus Pipeline (SCP) to Europe through Greece, Albania and Italy via the Trans Adriatic Natural Gas Pipeline (TAP) as of early 2020.” (Anonymous, 2015, p.1)

Shareholders of the project are:

SGC	58%
BOTAŞ	30%
BP	12%

With the help of the construction of TANAP, the countries like Greece and Bulgaria had an alternative energy source “Yet Russia is not the only game in town when it comes to gas in the Balkans. Local countries, even those who are eager to curry favour with the Kremlin, are taking steps towards tapping into the alternative supplies. The South Gas Corridor, first proposed in the 1990s as an alternative source of energy from the Caspian region and the Middle East, is finally becoming a reality.” (Bechev, 2019, p.2)

As Turkey’s President Recep Tayyip Erdoğan stated in an article, “TANAP is a concrete example of the long-lasting trust and friendship between Turkey, Azerbaijan and Georgia. It constitutes the main leg of the Southern Gas Corridor, which aims to take the Hazar region's natural gas to Europe through Turkey and Georgia. It is the most important piece of a 3,500-kilometer long corridor.” (Çağdaş, 2020, p.1)

3.4.4 The Strategical Importance of British Petroleum

The Republic of Azerbaijan was preparing for the mega projects in the industry after the regaining of independence and President Aliyev to take the duty after President Elchibey. “In the first years of independence, Azerbaijan was unable to formulate a coherent energy policy towards the West primarily due to its lack of strategic and operational experience. There were nevertheless attempts to accelerate the development of its oil and gas fields during the Elchibey period. On 13 September 1992, the companies controlling onshore and offshore operations were combined under the umbrella of the newly-established State Oil Company of Azerbaijan (SOCAR). SOCAR signed the first exploration agreements with the British Petroleum (BP)-Statoil alliance for the Shah Deniz gas field and with Penzoil for the Guneshli oil field in October 1992.” (Ediger, 2016, p.133)

The resources were very important for the future of Europe in terms of energy needs as they were looking for alternatives for the Russian gas. The quality of the oil was one of the highest in the rank and the resources for the gas were needed to be transferred through countries which would ensure energy security until the gas reaches Europe.

Azerbaijan was the key country in the Caspian region for oil and gas supply and potential for the construction of the pipelines. “Main reasons for the increasing importance of Azerbaijan for EU & TR are:

- Azerbaijan resources are convenient for commercially meeting some portions of the increasing gas demand of EU & TR markets (Which is the first step of Southern Gas Corridor Project³). Those resources are important for TR’s & EU’s energy resource diversification strategies.
- EU based professional companies are operating the huge gas fields in Azerbaijan, such as BP in Shah Deniz & Shafag-Asigman, and Total in Absheron.
- Azerbaijan government and gas export strategies are supported by EU, US, TR and her transit neighbor Georgia.
- Azerbaijan is thought to be the first step to transport Caspian resources to TR & EU. • Due to stable political structure, legislative and security issues, there is a suitable environment in Azerbaijan for investment. In addition to this environment there are also international investors dealing with the future opportunities.
- There are no important technical, technological and logistical risks for the development of new gas projects.” (Akyener, n.d., p.42)

Heydar Aliyev was in favor of the British petroleum to be the part of these mega projects as England had vital importance in Europe and the energy industry. British Petroleum, founded as Anglo-Persian Oil Company in 1908, has recently become one of the biggest multinational oil companies in the world. However, there were challenges to be faced as both the region had some conflicts and the Republic of Azerbaijan had just regained her independence. “The risks to stability at both local, national and broader regional levels that are associated with oil exploitation in the South Caucasus clearly therefore in turn pose a complex of interrelated challenges to BP – ranging from micro-logistical and security challenges, to broader and more indirect challenges that will arise as a result of regional impacts.” (Barbolet, 2004, p.11)

Aliyev even visited Britain in 1994 after he became the president as he believed that the British Petroleum was a strategical partner for the country. In return, the British Secretary of State Wendy

Morton stated in their visit to Baku that “considering that the role of transnational companies in modern international processes is a very important factor for the countries they represent, today we can say with confidence that BP's presence in Azerbaijan over the years has also contributed to the strengthening of ties between London and Baku. The United Kingdom, which has invested about \$ 30 billion in our country, is the largest investor in Azerbaijan. About 600 British companies operating in various fields have registered in Azerbaijan.” (Mammadov, 2021, p.2) In return, Azerbaijan was gaining power with the help of these steps and planning to have a place in international energy politics.

3.5 THE OUTCOMES OF BTC AND TANAP

3.5.1 Time for Alternative Natural Gas Solutions: Southern Gas Corridor

Besides the need of the gas supply in Europe, sustaining the energy security has vital importance. With the high percentages of energy consumption, Europe is an important consumer for natural gas. The conflicts that the key country for energy supply in Europe, Russia, had with the transit countries, European countries brought up for alternative routes for energy and that was the time that the Caspian region took their places in the energy agenda. Not just the energy routes and supply issues, but the profits that can be gained for example from the distribution has always been important for Russia and the country was not in favor of rival countries to share the business and its outcomes.

In other words, “the EU is the priority market for Russian gas and that Russia’s strategic objective is primarily to secure the highest possible stream of future profits from the EU and, secondarily, to ensure that it has political influence and leverage on the EU.” (Christe, 2007, p.41) As a result, “The European Commission recognized the construction of the Southern Gas Corridor as an energy security priority of the EU, given the increasing level of imports and a forecasted production fall to 163 bcm.” (Özdemir, 2015, p.3) Figure 3.18 shows the routes and details of the projects and figure 3.19 shows the natural gas consumption rates.

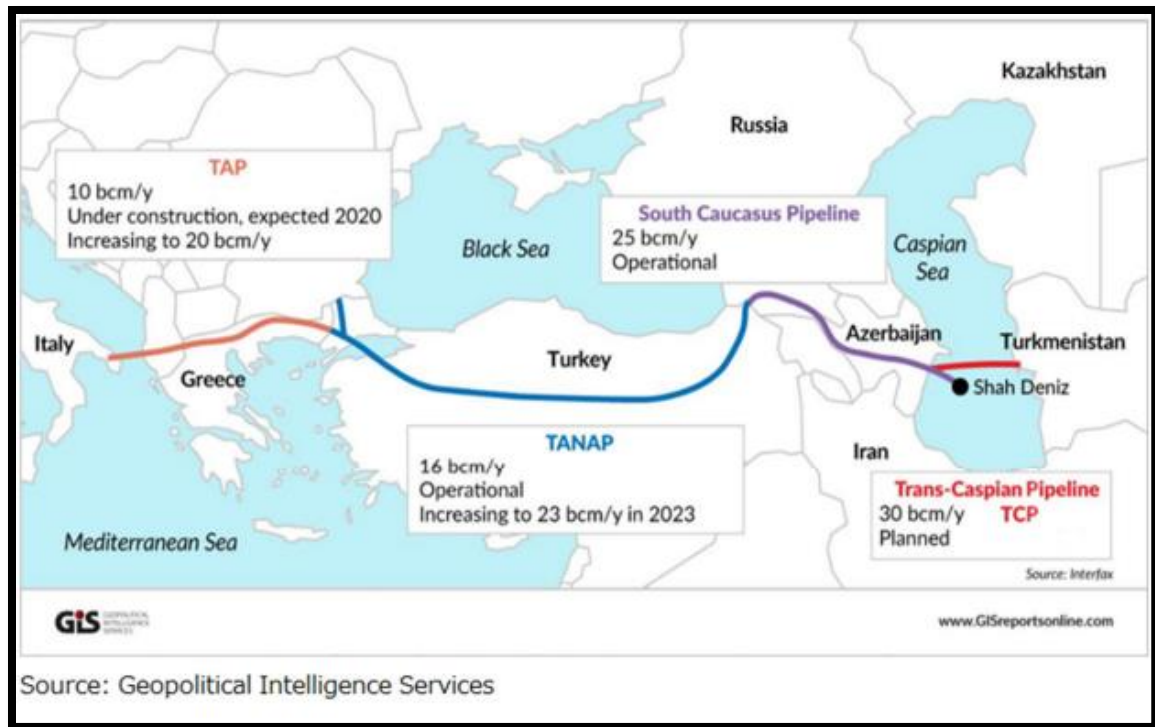


Figure 3.18. Natural Gas Consumption In 2005 – 2013 (Billion m3)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	Change Comparing 2012
USA	623,4	614,4	654,2	659,1	648,7	682,1	693,1	723	737,2	2,40%
RUSSIA	394,1	415	422	416	389,7	414,2	424,6	416,3	413,5	-0,40%
IRAN	102,8	112	125,5	134,8	143,2	152,9	162,4	161,5	162,2	0,70%
CHINA	46,8	56,1	70,5	81,3	89,5	106,9	130,5	146,3	161,6	10,80%
JAPAN	78,6	83,7	90,2	93,7	87,4	94,5	105,5	116,9	116,9	0,20%
SAUDI ARABIA	71,2	73,5	74,4	80,4	78,5	87,7	92,3	99,3	103	4,00%
CANADA	97,8	96,9	96,2	96,1	94,9	95	100,9	100,3	103,5	4%
MEXICO	61	66,6	63,5	66,3	72,5	72,5	76,6	79,6	82,7	4,20%
BRITAIN	94,9	90	91	93,4	87	94,2	78,1	73,7	73,1	-0,60%
GERMANY	86,2	87,2	82,9	81,2	78	83,3	74,5	78,4	83,6	7,00%
ITALY	79,1	77,4	77,8	77,8	71,5	76,2	71,4	68,7	64,2	-6,20%
UAE	42,1	43,4	49,2	59,5	59,1	60,8	62,5	65,6	68,3	4,50%
INDIA	35,7	37,3	40,1	41,3	51,9	63	61,4	58,8	51,4	-12,20%
EGYPT	31,6	36,5	38,4	40,8	42,5	45,1	49,6	52,6	51,4	-2,00%
SOUTH KOREA	30,4	32	34,7	35,7	33,9	43	46,3	50,2	52,5	4,90%
UKRAINE	69	67	63,2	60	46,8	52,2	53,7	49,5	45	-8,90%
UZBEKISTAN	42,7	41,9	45,9	48,7	43,5	45,5	49,1	46,9	45,2	-3,30%
ARGENTINA	40,4	41,8	43,9	44,4	43,2	43,3	45,7	47,3	48	1,70%
TURKEY	26,9	30,5	36,1	37,5	35,7	39	44,7	45,3	45,6	1,10%
FRANCE	44,8	43,7	42,4	43,8	41,8	46,9	40,5	42,2	42,8	1,70%
PAKISTAN	35,5	36,1	36,8	37,5	38,4	39,6	39,2	41,2	38,6	-6,20%
THE NETHERLANDS	39,3	38,1	37	38,6	38,9	43,6	38,1	36,4	37,1	2,00%
INDONESIA	33,2	33,2	31,3	33,3	37,4	40,3	37,3	35,8	38,4	7,60%
MALAYSIA	31,4	33,7	33,4	33,8	33	35,1	31,8	34,7	34	-1,80%
ALGERIA	23,2	23,7	24,3	25,4	27,2	26,3	27,8	31	32,3	4,30%
QATAR	18,7	19,6	19,3	19,3	20	20,4	23,1	23,5	25,9	10,30%
AUSTRALIA	22,2	24,4	26,6	25,5	25,2	25,4	25,2	18,6	17,9	-3,50%
TURKMENISTAN	16,1	18,4	21,3	20,5	19,9	22,6	23,4	26,4	22,3	-15,50%
KAZAKHSTAN	8,5	9	9,3	8,9	8,6	9	9,6	10,4	11,4	9,60%
AZERBAIJAN	8,6	9,1	8	9,2	7,8	7,4	8,1	8,5	8,6	1,50%
NORWAY	4,5	4,4	4,3	4,3	4,1	4,1	4,3	4,4	4,4	1,40%
WORLD TOTAL	2764,3	2839,6	2954,4	3027,7	2957,4	3180,8	3233	3310,8	3347,6	1,40%
THE EU	497,1	490,1	486,3	496,3	465,4	502,2	451	444,1	438,1	-1,10%

Source: British Petroleum Statistical Review, 2014

Figure 3.19. Details Of The Projects Of TANAP- TAP

The Southern Gas Corridor comprises of Shah Deniz II, South Caucasus Pipeline, The Trans Anatolian Natural Gas Pipeline Project and Trans Adriatic Pipeline. “The Southern Gas Corridor project primarily targets the export of gas from Stage 2 Shah Deniz field. The new gas corridor can deliver six billion cubic meters per annum (bcma) of gas to Turkey and further ten bcma to the EU market via the Southern Caucasus, Trans-Anatolian (TANAP) and Trans Adriatic (TAP) pipelines in a route known as the Southern Gas Corridor.” (Chobanova, 2020, p.1) “The Southern Gas Corridor project expands the capacity of the BTE pipeline (also called the South Caucasus pipeline) and connects it to a new Trans-Anatolian Pipeline (TANAP) traversing the length of Turkey, and Trans-Adriatic Pipeline (TAP), across northern Greece, Albania and under the

Adriatic Sea to the southern Italian town of Melendugno” (Barseghyan, 2021, p.1) “Azerbaijan’s long-term strategy of ensuring its infrastructure projects are commercially viable projects rather than the subject of geopolitical competition between bigger powers. Indeed, one of the strategic rationales behind Azerbaijan’s choice of TANAP-TAP over the Nabucco pipeline in 2013 was that the larger-capacity Nabucco was viewed more as a geopolitical project: it had been backed by the EU, although Europe failed to offer this proposed pipeline enough support or guaranties to counter Russian backlash against it. In contrast, the relatively smaller TANAP-TAP was viewed as commercially viable.” (Garibov, 2020, p.2) Figure 3.20 indicates these details of the projects.



Figure 3.20. The Gas Pipelines In Operation and Ongoing Projects

“The Southern Gas Corridor which ceremony of start of the first stage was held on May 29, 1918 in Baku is one of priority projects for the EU, and provides transportation of 10 billion cubic meters of the Azerbaijani gas from the Caspian region through Georgia and Turkey to Europe by 2020 will be the first real diversification of gas coming in from the East. At an initial stage, the gas extracted within the second phase of development of the Azerbaijani gas-condensate field "Shah Deniz" is considered as the main source for the corridor.

At later stage other sources can be attracted to the project. Gas within the second stage of Shah Deniz field will be exported to Turkey and to the European markets by expansion of the South Caucasian gas pipeline and construction of Trans-Anatolian (TANAP) and Trans-Adriatic (TAP)

pipelines.” (Azakov, 2018, p.1) “In June 2013, the Shah Deniz consortium and its leading stakeholders (the State Oil Company of Azerbaijan [SOCAR], BP, Statoil, Total, Lukoil, NICO and TPAO, Turkey’s national energy company) concluded negotiations that have lasted over a decade, approving the Trans-Adriatic Pipeline (TAP) for the final leg of a pipeline bringing gas from the Shah Deniz field in the Caspian Sea to European markets.” (Ibrayeva, 2018, p.155) TANAP and TAP are the most important projects for the energy security of Europe after the starting point of an oil pipeline named BTC.

3.5.2 Turkish Stream and Blue Stream Projects and the Question of Efficiency of TANAP

Turkish Stream and Blue Stream projects are two different projects and Turkish Stream was found as a more necessary one when compared to Blue Stream. “Among the top policy priorities for the EU’s energy development is ‘avoidance of strategic dependence’. But Europe already has a strategic dependence on Russian gas, specifically on the monopolist Gazprom’s gas. This dependence varies from 22 percent of demand in France, to almost 40 percent in Germany, 60 percent in Turkey, 65 percent in Austria, 79 percent in the Czech Republic, 97 percent in Bulgaria, and 100 percent in Slovakia.” (Tsereteli, 2005, p.1)

“The Blue Stream project involves the construction of a 1,160km pipeline for the transport of Russian gas to Turkey across the Black Sea. The section underwater will be the most technically challenging because of the depth of 2.15km at which the pipeline will be laid. The pipeline will have a capacity of up to 16 billion cubic metres of gas per year by the year 2010, with an estimated initial capacity of 3 billion cubic metres by 2000.” (Anonymous, 2000, p.1) The project has been suspended by the reason of technical maintenance as the experts claim that the Turkish Stream is more than enough for the gas to be transferred in a safe and secure way. Figure 3.21 indicates the gas pipelines in operation and ongoing projects.

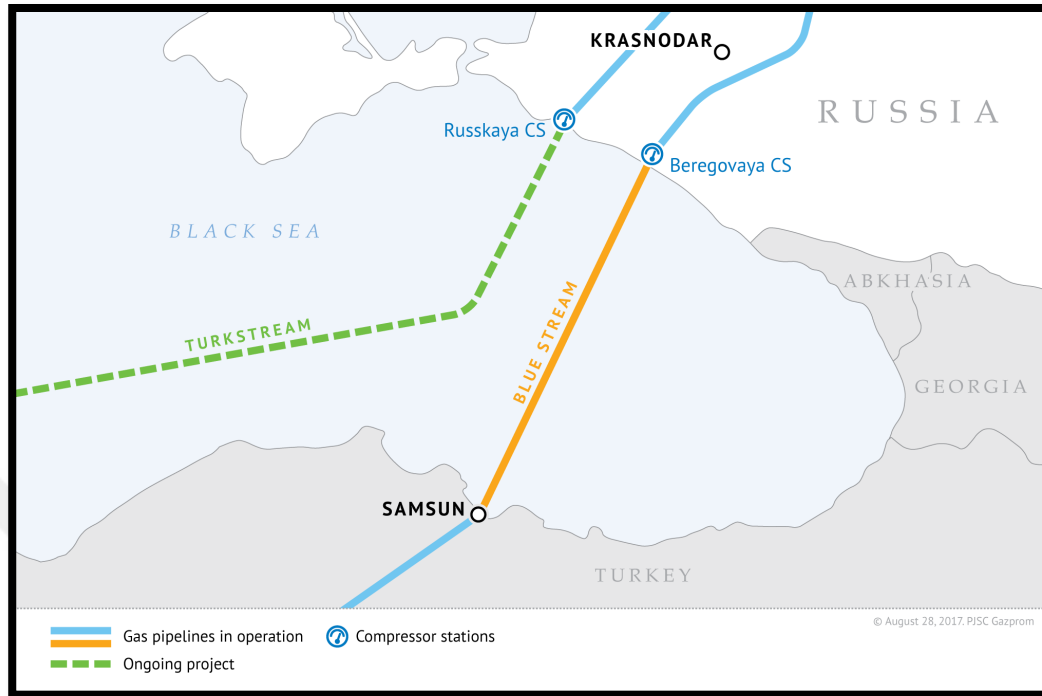


Figure 3.21. Nabucco Project Details

In the meantime, the deal for Turkish Stream project was signed between Turkey and Russia with the idea of a new pipeline project which was planned to transfer the natural gas from Russia to Europe through Turkey. The project is composed of two pieces which had a “capacity of 31.5 billion m³ per annum for two lines, each having 15.75 billion m³ per annum. It runs from Russia through Black Sea to the terminal on the Black Sea coast of Turkey, and it consists of an offshore section and an onshore section.” (Koutroumpis, 2019, p.4) “Opponents of the TurkStream project, including some Members of Congress, have expressed concern that the project could erode Ukraine’s transit role for natural gas. Many analysts maintain that Moscow could use its energy exports as leverage in countries that are dependent upon Russian natural gas. The United States, in turn, supports projects to diversify natural gas supplies to Europe and undercut Russia’s market dominance.” (Anonymous, 2021, p.1) The project was important in terms of the energy supply and security for Europe as the project goes through Greece, Bulgaria and Serbia.

One of the claims about the need for the construction of a new pipeline like Turkish Stream was explained by some experts as “by building this new pipeline, Russia would make it possible for its gas deliveries to Europe to completely bypass Ukraine (about 60 bcm through the Brotherhood

and Soyuz pipelines), with which it is in a de facto state of war, and still maintain its dominant position in the European market accounting for a third of EU's needs, with around 140 bcm a year. This would strengthen Europe's dependence on Russian gas as well as increase Russia's geopolitical relevance in Europe." (Koch, 2015, p.2) The project was presented as guaranteeing the supply of energy in a secure way like TANAP. Both of the projects are seen to be extended on behalf of the energy supply of Europe. While Turkish Stream is the more beneficial one for Turkey, TANAP is also one of the vital projects for both Turkey and Europe. TANAP is seen to have a key importance for many countries who participate in the projects as both suppliers and receivers. Besides, the experts claim that customers of TANAP and Turkish Stream will not be effected from this situation as with Turkish Stream, Russia has an aim to redirect the transition routes from the existing ones with Ukraine.

3.5.3 Energy Real Politik of Russia

"Realpolitik, the pursuit of vital state interests in a dangerous world that constrains state behavior, is at the heart of realist theory. All realists assume that states act in such a manner or, at the very least, are highly incentivized to do so by the structure of the international system, whether it be its anarchic character or the presence of other similarly self-interested states." (Rathbun, 2018, p.7)

Russia's long term foreign policy based on energy politics was a reflection of real politik in international relations. The ideas of bypassing Ukraine from supplying energy to Europe and selling gas to Europe by herself have resulted in the projects of Nord Stream 1 and 2. "Given the importance of Russia to the EU's energy consumption, it is particularly relevant to assess how the Russian Federation has used energy exports as a means to pursue foreign policy goals. Gas and oil assets are strategic goods and energy policy decisions do not take place in a geopolitical vacuum. Russia uses its energy wealth to strengthen its regional position, extract political favours from transit countries and exert influence in its 'near abroad'. It also uses it to develop its global influence and prevent others from challenging its strategic interests." (Korteweg, 2018, p.7)

The strategy of Russia to bypass Ukraine from supplying energy sources from Europe resulted in some crises to be mentioned during this thesis. "Russia is seeking to provide new infrastructure for energy transit to Europe from the Caspian, which is aimed at reducing the rationale for projects

such as Nabucco, which would connect the region's resources to the European market through Turkey, and the Trans-Caspian pipeline. For oil, the Burgas-Alexandroupolis pipeline constitutes a competitor to the Baku-Tbilishi-Ceyhan pipeline (BTC) and is fueled through tanker traffic across the Black Sea, from Russia's port of Novorossiysk, to the Bulgarian coast." (Marketos, 2009, p.3) These ambitions resulted in the projects of Nord Streams within the European politics of energy supply. Figure 3.22 shows the numbers of this supply.



Figure 3.22. The Map Of The Nord Stream

As Soviet Union had its politics on army based before, Russia, after the dissolution of the Union, started a new period on energy politics and alliances. "As a result of these processes, Russia had almost no inroads into the Middle East once the Soviet Union broke up in 1991. Energy-wise Russian exports were almost entirely oriented towards Western Europe in the 90s, while against the backdrop of the massive liberalization of the country's markets, Germany, France, Italy, Spain and the UK accounted for 87 percent of Russian oil exports."(Barmin, 2017, p.128)

National security interests are very important for Russia. However, the export of the energy sources and survival of the trade also have become important recently. Therefore, "Russia's geostrategy includes the use of the control of energy streams to Europe as a means of enhancing its aspired great power status. This is also explicitly stated in key policy documents, such as the Energy Strategy of 2009, which states that "[t]he aim of Russia's energy policy is the most efficient use of natural energy resources and the potential of the energy sector for sustainable economic

growth, improving the quality of life of the population and to promote foreign policy positions” (Martikainen, 2016, p.3)

3.5.4 The Reason Behind the Nord Stream I and II Projects

“Nord Stream is an export gas pipeline running from Russia to Europe across the Baltic Sea. As it bypasses transit countries, Nord Stream provides Gazprom with direct access to European consumers. The pipeline ensures high reliability of Russian gas supplies to Europe.” (Anonymous, 2021, p.1) “The idea of a trans-Baltic pipeline started to materialize in the late 1990s and feasibility studies of different routing options were conducted by North Transgas, a company whose major owners were OAO Gazprom (‘Gazprom’) and the Finnish company Fortum Oil and Gas Oy (‘Fortum’).

The studies, which considered different combinations of onshore and offshore segments, concluded that a submarine pipeline solution, similar to that eventually built, was the most feasible option for connecting Russia's natural gas fields with the central European market.” (Langlet, 2014, p.82) The map of the project can be seen in Figure 3.23.



Figure 3.23. Gas Pipeline Routes Nord Stream 1 and 2

In addition to this, the project of Nord Stream II is decided to be built with the decision of Europe and Russia by leaving the present conflicts behind. “Nord Stream 2 is also intended to deliver 55bcm of gas annually through a pipeline running from Ust-Luga to Lubmin. It is owned by

Gazprom and co-funded by a consortium of ‘investors’ comprising Wintershall and Uniper (previously E.ON), OMV of Austria, Royal Dutch Shell (Netherlands/UK), and French company Engie.” (Wood, 2020, p.2)

Despite the conflicts between the states, The nord stream 2, which can be seen in detail in Table ..., is decided to be finished with a current deal signed between Germany and USA. As the USA was supporting Ukraine to protect their ally because of the possible sanctions that would be applied on the country and Europe from the monopoly of Russia for the energy resources and ensure the energy security, the two countries signed an agreement this year to complete the project. It was known that the Trump administration blocked the construction of the project for a while. The details of the projects can be seen in Figure 3.24.



Figure 3.24. Import Line Of Nord Streams

For Europe, the energy security supplier countries are very important as the rate of energy consumption in the European countries is not decreasing. Europe is in search for alternatives and the countries focus on renewable sources sometimes. “The European Union (EU) is determined to

diversify its energy supply in order to reduce its dependency on Russian supplies. In this regard, renewable energy technologies are an alternative for power generation and subsequent dependency reduction. A sizable investment has been made in the EU for developing renewable energies. The advanced technologies of Europe enable these countries to produce renewable energy more cost-effectively and the power generated by these sources continues to increase. However, profitability of renewable energies depends on the prices in the depletable energies market.” (Heshmati, 2017, p.2) However, the use of fossil fuel and natural gas consumption is not foreseen to end in a near future and Europe is still importing their most of the need for energy from Russia. In Figure 3.25, this import line is shown in detail. However, the need for alternative sources remains on the agenda as energy security has utmost importance for them.

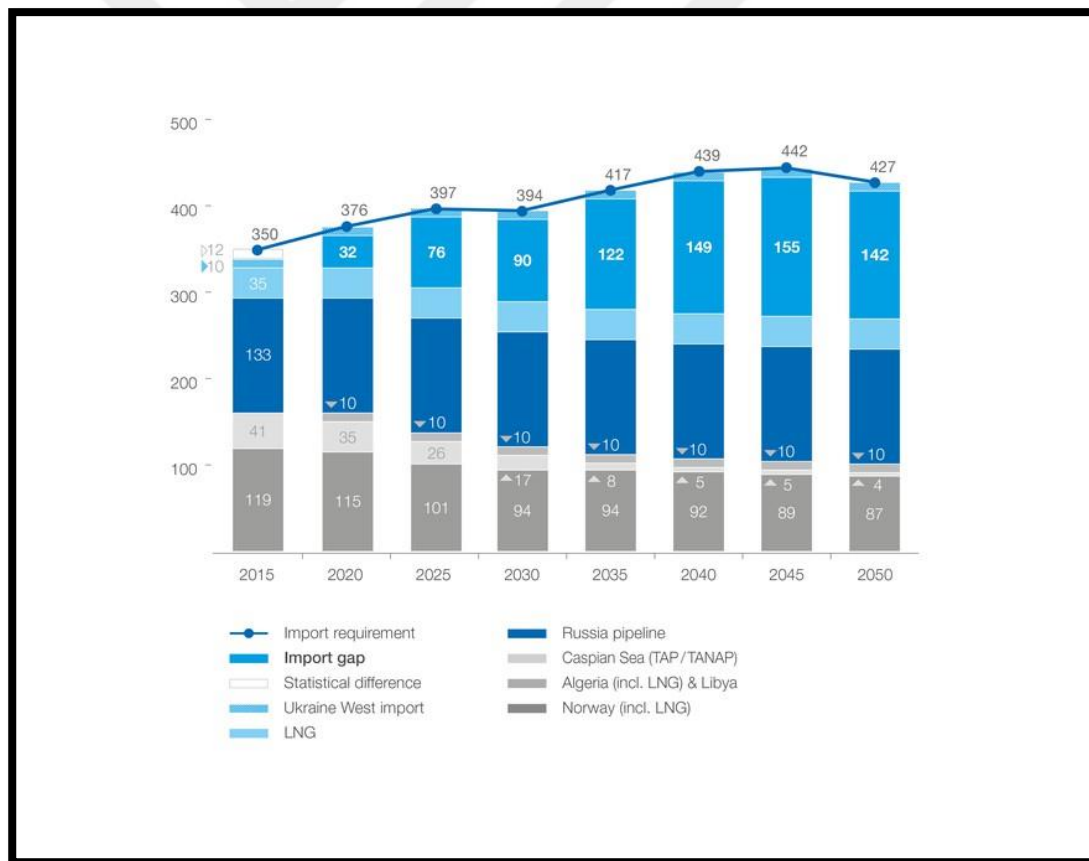


Figure 3.25. Number Of Nord Stream

3.5.5 Azerbaijan Politics as Soft Power on Europe

In today’s international relations sphere, it can be observed that states are facing challenges on the concept of power. While there were hard or soft power thinking in literature, new terms like smart

power are added to the agenda. “The definition of power in IR has been scrutinized by many academics. Joseph Nye coined the term of soft power in 1990 (Nye, 1990: 188-197) and he stated that there is a transformation in the definition of power. According to him, power is becoming less fungible; the effect of coercion in power behaviour is losing its importance and it is leaving its place to co-optive power which tends to arise from resources such as cultural and ideological attraction.” (Yukaruç, 2017, p.493) “Soft power is the more effective and efficient concept in contemporary global politics because of its endurance and sustainability. Hard power, however, is less useful today as the global system changes in its disfavour. In addition to soft power, smart power strategies play an important role in the contemporary international system.” (Wagner, 2014, p.1) This non-violent approach, the soft power, is different from the use of hard power which “is the oldest form of power; it is connected to the idea of an anarchic international system, where countries do not recognize any superior authority and thus have to focus on power politics. Hard power is defined as an ability to reach one's goals through coercive actions or threats, the so-called 'carrots' and 'sticks' of international politics.” (Raimzhanova, 2015, p.6)

The use of soft power became a part of foreign policy of Azerbaijan recently. In 2012, Azerbaijan announced that the country would be the sponsor of the one of the biggest clubs of Spanish La Liga, Atletico Madrid with the slogan of the “land of the fire.” The main idea behind a country in the Caspian region to be the sponsor of a European soccer team was a part of a strategic step in Azerbaijan politics in Europe. Besides sports events, Azerbaijan had a part in Eurovision song contests and Formula races. This use of soft power with sponsorship of elite clubs mean that Azerbaijan is not only an oil and gas provider in Europe but performing an economic modernization in their history. These kind of “soft power sponsorships are changing the industrial and commercial landscape, as well as placing sport centre-stage of the image-projection strategies being adopted by, notably, Asian countries.” (Chadwick, 2017, p.3) In their announcement of the sponsorship, the club managers stated even that “it has a tremendous value, as the tool to achieve important goals, through actions of a different nature, sports, commercial, communication, marketing and corporate social responsibility for the benefit of all parties.” (Ekberg, 2015, p.1) This was a very important stage for Azerbaijan to use a soft power in their international policies. “From this point of view, the “soft power” approach is of great importance in politics. Analysts see the transition to “soft power” as a positive development. The concept of “soft power” implies

agreement in mutual relations and the development of relations between the cultures of the country .The role of “soft power” in international relations is expected to increase in the future.” (Hasanoğlu, 2020, p.3)

3.5.6 Future of the Energy Politics of Europe and Azerbaijan

“Officials of the Putin/Medvedev administration routinely deny that Russia employs its energy resources for political purposes. On the other hand, Russia’s actions again and again demonstrate that the Kremlin leadership will use its enormous energy wealth in an effort to increase its political and economic influence in Europe and the wider world. This should not come as a surprise to European officials. Russia is not the first country to have utilized natural resources as political and economic leverage.” (Smith, 2008, p.1) It is without doubt that the influence of the region did not start with the Russian administration. “At the time when the Berlin Wall fell and the Soviet Union collapsed, Soviet natural gas had become one of the most important sources of fuel in Western Europe. ‘Red’ gas was taken into use on a large scale by a wide range of industrial enterprises, by power plants, by the municipal sector and by millions of households”. (Högselius, 2013, p.3) This situation brought some conflicts between the states sometimes and energy vulnerability of some regions in Europe with itself.

In spite of the views that electrical power and renewable energy sources will substitute oil in the near future, the consumption rates show that the demand for oil will be growing until 2040s. The unbalanced situation between the supply and demand brings the low prices and new politics about the energy resources. For Azerbaijan, who has one of the best quality crude oil in the world, the future of oil may be shaped by making new investments like BTC. The perception that the demand for oil may decrease in the near future seems not logical as the world depends on, for example, combustion engine, for the transportation through the vehicles like cars, trucks and airplanes. For the Europe, it is foreseen that “production of natural gas in Europe will decrease, whereas consumption will increase, therefore the need for imports will grow. European import demand will hinge significantly on future EU policies in the field of energy saving, energy efficiency and the reduction of greenhouse gases.” (Götz, 2007, p.5) Figure 3.26 signalizes the monthly natural gas demand in Europe.

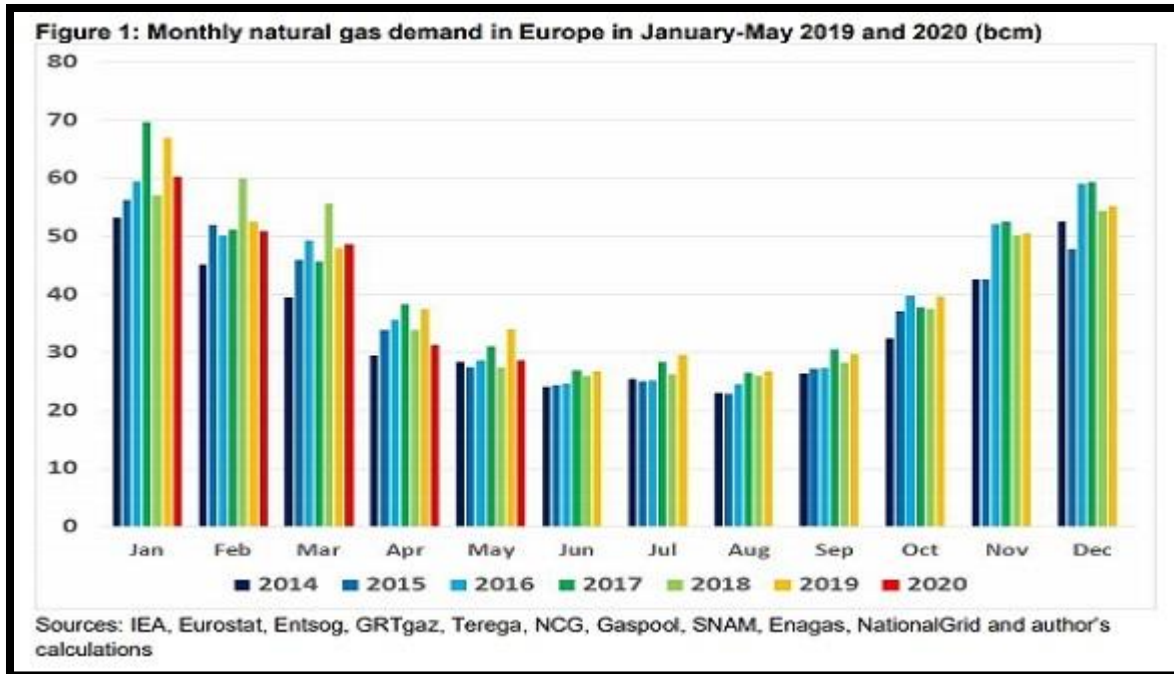


Figure 3.26. Monthly Natural Gas Demand In Europe In January-May 2019 2020 (Bcm)

“According to forecasts, the only fossil fuel expected to become increasingly important by 2040 is natural gas. Economists at the BP group calculate that its share in the global energy mix will rise from the 24 percent at present to 26 percent, with the significance of oil and coal ,declining sharply in the same time frame” (Anonymous, 2018, p.1) As stated before, “Since it regained its independence in 1991, Azerbaijan has come to play a meaningful role in shaping Europe’s energy market, starting with the development of the offshore Azeri-Chirag-Gunashli oilfields and construction of the Baku-Tbilisi-Ceyahan oil pipeline.” (Schulz, 2021, p.1)

For natural gas, Azerbaijan is a powerful player in the energy sector with the resources and the giant pipeline projects like TANAP and TAP. “Shah Deniz, which means King of the Sea in Azeri, is the nation’s largest gas deposit, containing about 1 trillion cubic meters of the fuel and 2 billion barrels of condensate, according to BP estimates. Azerbaijan plans to ship gas to more countries in Europe in the future as additional Caspian Sea fields start production.” (Agayev, 2020, p.1) The new routes of pipelines and investments for the process of the resources are seen as the new strategies of Azerbaijan to sustain energy for the world, mainly for Europe.

CHAPTER V

RESULTS

In this thesis, the changing international role of Azerbaijan is studied with the comparison of Bakü-Ceyhan-Tbilisi and Trans Anatolian Natural Gas Pipeline projects. While Chapter 1 starts with an introduction of the thesis, in Chapter 2 the history of oil and gas sector, the effects of energy resources on world politics and Republic of Azerbaijan as an alternative for energy sector are discussed. Before concluding the study, Chapter 3 includes the projects of BTC and TANAP and the future of the energy politics of Europe and Azerbaijan. The future research can be based on the investment Azerbaijan will make to process more oil and building new pipelines for the natural gas. Also, Turkey can be a hub for more pipelines and energy transition in the future. The energy security that will be sustained with the latest technology will also be advantageous for Europe and international energy politics of the world. With the help of its role in global energy security, Azerbaijan can be analyzed in different regions as a major export route.

It can be understood from this thesis that the energy politics of the states have caused crises, conflicts and even wars throughout the history. The turmoil that was caused because of the scarcity or abundance of the energy sources have identified the international politics of the countries for ages. Energy is one of the most important factors for the development of the countries and humanity. It can be analyzed that Europe is avoiding a dependence on energy to a certain state or region. Azerbaijan is an advantageous option for Europe to gain energy in a secure way in order to elude from the cutting of the energy resources like the ones experienced in Ukraine. As a result of the conflicts that were lived between Russia and Ukraine with the projects like Nord Streams, the European states turned into new routes and hubs to gain energy. This advantage was profitable for both Azerbaijan and the other countries like Turkey as it was a win-win situation with the common strategic interests. Besides, the soft power influence of Azerbaijan in Europe brought new opportunities for the country to have an efficient international role in Europe.

CONCLUSION

Playing an important role in shaping energy market, Azerbaijan has proven that the country is a powerful player and ally for Europe in many ways. In this thesis, it is analyzed that the country, with the mega projects like BTC, TANAP and TAP, is more than ready to be one of the important allies of Europe in terms of energy politics. Europe, therefore, has already been seeking for new alternatives other than Russian monopoly to have natural gas and petroleum they needed. After the important historical events like 9/11 and the Ukrainian crisis, European countries have realized that Caspian region is a good alternative and Azerbaijan has the potential they needed to be the new energy hub to sustain the resources they needed. While this thesis focuses on the new role of Azerbaijan in international energy politics, Taşkın (1999) shares the same views by stating that Europe and the USA “are trying to minimize the influences of Russia and other neighboring countries to a minimum.” (Taşkın, 1999, p.153)

In a similar way, Birol (2019) claims that “energy is an important parameter for the EU countries and pipelines are vital for these countries to sustain energy security.” (Birol, 2019, p.128) Also, as Demirtaş (2015) states in her thesis, “Europe seeks for alternatives for energy supply as the countries experienced problems with Russia about the energy transit countries and Turkey has gained strength as a corridor country. In this sense, Russia has been looking for new cooperation in Turkish Stream and Turkey.” (Demirtaş, 2015, p.300) It can not be ignored that Caspian region is rich enough in energy sources in supporting European Union countries as Tekin (2010) declares in his thesis. In a similar way, this thesis focuses on the importance of Azerbaijan in terms of both abundance of energy resources and energy security for the strategic allies like Europe and the USA. As Russia and Europe have always been in mutual relations in terms of energy resources, the natural gas issue is a long-term process between them. However, Yüksel (2020) states in his thesis that Russia and Europe will continue to depend on each other as long as there will be no alternative projects between them. In this thesis, it is been studied that, on the contrary, the European dependency will decrease with the alternative countries and transit routes like Azerbaijan. The Caspian region can not be ignored as the consumption of energy resources in Europe increases.

In his Master’s Research Thesis, Taşkın (1999) emphasizes the importance of the Baku-Ceyhan-Tbilisi pipeline that “there are five options for the carriage of Caspian Oil and natural gas as far as

the Central Asian Republics are concerned. When taken into consideration all these options favor the western powers as well as the countries of the region. These are the line Baku-Ceyhan-Tbilisi, also known as the Baku-Ceyhan pipeline; Baku-Novorossiysk line favored by Russia, the Indian pipeline passing via Afghanistan, Pakistan, India to Indian Ocean, although handicapped because of tense relation between Iran and the USA, the line coming from Baku via Iran to Persian Gulf and the pipeline from Kazakhstan to Japan passing by China.”

Akhundzada (2020) also shares the same views with the research thesis according to his results that “Ilham Aliyev, the objective for Azerbaijan in its third term in the presidency is to strengthen active strategy on game-setting. The justification of productivity expansion is the major role for the country in regional energy projects and energy projects investment outside of that country. Azerbaijan is building its policy on the transport of its hidden resources to the market by good management, the reassurance of its regional role and implementation of structural change of nation. The moves made are assumed to these purposes, it will increase the power of the nation and help it reclaim the land which Armenia occupies. In Azerbaijan power is used both tasks as a carrot and sticks toward Armenia. Such projects, alienate Armenia which supports local actors to different degrees. In comparison, SOCAR has stated repeatedly that Armenia. If truce can be attained, it could also take part in these projects.”

Akhundza (2020) also keeps going and adds that “the output of Azerbaijani natural gas from the sector of Shah Deniz to European markets can be defined as a lengthy and complex process. The first stage of this process is the consideration of the possibility of transporting Shah Deniz gas through the Nabucco pipeline after 2006 and the efforts made to introduce this proposal at the behest of European countries. However, Western countries' reluctance to take responsibility has made the Nabucco project a subject of endless discussion. As a consequence, the arrest by Azerbaijan of the action plan by signing the agreement with Turkey on the TANAP project in June 2012 spurred to the isolation of the Nabucco project from the ideology. This led TANAP one of a key point between Asia and Europe in the natural gas energy market.”

As it is constantly stated in the research thesis that energy security is one of the most important conditions for the customers of Europe. Guzeloglu (2017) has also a common point with his lines

that “security issues such as economy, environment, energy, immigration, terrorism have emerged and states have had to develop security policies on such issues rather than traditional warfare and military power. These security-related issues have also started to become intricate with each other and have become too serious to be considered separately. As security studies gained importance again, different issues other than military power began to gain importance.” Guzeloglu (2017) again underlines the fact that “after Russia cut off gas sales to Ukraine in 2006, the seriousness towards this issue changed and it started to be perceived as a security problem. Over time, issues such as the security of pipelines and other critical energy infrastructures, and the political stability of the countries from which energy raw materials are supplied have been declared at NATO Summits. In fact, in the last summit held in 2016, the issue of efficiency, which was not given much importance in energy security issues, was even mentioned.” This makes and causes a considerable need an alternative way of Russia’s energy restraints which is later emerges of TANAP’s construction as an alternative solution.

Every nation gives too much importance and attaches priority its energy policy with the purpose to achieve and sustain energy security. Kök(2018) also lays emphasis on the importance of energy security with the lines that “In this study we laid out different approaches to energy security. The concept itself is still evolving. Energy security is frequently understood as energy supply security. This is the view that prevails when the question is answered from the standpoint of consumer countries. It has its roots in the oil crisis of 1973 which defined the debate substantially. Nevertheless the definition changes according to the nation or region in question. While energy security for consumer countries means supply security, it means demand security for exporting countries. Energy sources are concentrated in some geographical regions more dense than in others. In the case of Eurasia, the flow of energy is basically from East to West. Europe is the industrial powerhouse that needs ever growing amounts of energy while the Middle East, Russia, the Caucasus and Central Asia are source regions.” From that point of view it is clearly seen that the understanding of energy security has changed over the years. Thus, concordantly, the strategies of the countries which cater their energy needs take direction over the years. In line with changing strategies, the need for alternative energy routes arouse for countries to meet their needs by ensuring their energy security.

Kök (2018) achieves the same conclusion as this research that “As we have seen in this paper the EU imports around 50% of its energy and almost 70% of its natural gas. Domestic resources such as those of Norway which make up about 31% of the EU’s natural gas consumption are not adequate to cover the Unions entire natural gas consumption. It is mainly supplied by Russia and North African countries. Over dependency on single supplier is a risk in itself for the energy security of a nation. To this we must add that problems in relations with Russia and between Russia and its neighbors namely the Ukraine, have significantly raised energy insecurity on behalf of customer nations. With this in mind the European Commission has been looking to diversify its energy sources and routes. North African natural gas and LNG shipments from Qatar are some of these. But the most significant route and source diversification is that of TANAP. As part of the Southern Gas Corridor it is the first natural gas pipeline that circumvents Russian territory.”

On the contrary, Aydın (2012, p.114) comes to a conclusion that “Russia gained in these energy markets, Russia carries great importance in energy markets if the former soviet republics. This place strengthens the position of Russia in EU as an energy supplier. Also along with the Turkey’s entry to EU, this dependency level will raise more. However Turkey is acting more practical about the energy politics. Turkish government has signed a deal with the South Stream about allowing the South Stream to pass from the Turkeys territorial waters in Black Sea while signing a treaty with the Azerbaijani government about construction of another pipeline project to carry Azeri gas to Europe which is the Trans Anadolu Pipeline. Nevertheless these two contradictory acts of Turkey are consistent with Turkey's policy towards the west which is being the main route of energy transmission lines. But these pragmatic policies of Turkey doesn’t seem to decrease its dependence on Russian natural gas in the future.”

But unlike the idea of unstoppable position of Russia in the natural gas market, Suleymanli (2019, p.68) highlights and stresses that “Considering the aforementioned challenges stemming from the EU’s energy dependency and other external trends, this thesis covers the problems regarding the EU’s situation vis- -vis energy and emphasizes the importance of the diversification of energy sources for supply security. With this aim, the Trans-Anatolian gas pipeline (TANAP), which is a natural gas pipeline transmitting the natural gas from Azerbaijan through Georgia and Turkey to Europe, is analyzed to understand the rationale behind the EU’s ambition to develop new projects

in the Caspian Region.” He also continues his idea with the idea that “This study shows that these assumptions are highly linked with the aforementioned assumptions of the realist perspective.

It is clear that the TANAP project was designed as a solution to create alternatives with the aim of ensuring the EU’s energy supply security through the diversification strategy. In other words, by developing this project and building new partnerships with several countries, the TANAP Project has embraced with the EU’s energy supply security concept. Through the TANAP Project, the over-reliance on a single country, namely Russia, would be decreased. It is clear that the dominance of Russian gas in the European energy market is one of the main issues in European energy supply security. This problem has become more evident in 2006, after the gas crisis between Russia and Ukraine. Moreover, the Crimean crisis in 2014 has increased the existing anxiety regarding this issue. Considering this problem, both the Caspian region holds a significant potential to decrease the EU’s dependence on Russian gas resources.”

Yorlan (2009) strengthens this idea “Energy policy is used by the EU to support its other policies in the region. For instance, considering the relationship between the stability and economic investments, certain projects are intentionally implemented in countries to provide them the stability.” At this point, it is foreseen that TANAP has a considerable potential to provide stability and both increases and shapes the Azerbaijan’s role in the region.

Consequently, natural gas is becoming a very strategic and determinant of economic development energy source for the future and the future politics. Therefore, natural gas might enhance the interdependencies or might create conflicts among the countries. Within this context, it can be said that TANAP and BTC are not only a significant projects for EU’s energy supply security, it is highly crucial for the regional, political and economic factors of Azerbaijan and the region as well.

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