

Andreas Heinrich, Heiko Pleines (eds.)

# **Export Pipelines from the CIS Region**

Geopolitics, Securitization,  
and Political Decision-Making

# CHANGING EUROPE

Edited by Dr. Sabine Fischer, Dr. Heiko Pleines and  
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## Abbreviations

€	Euro
ACG	Azeri–Chirag–Guneshli oil fields
AMG	AqtobeMunaiGaz
ASSR	Autonomous Soviet Socialist Republic
bcm	Billion cubic metres
BG	British Gas
BPS	Baltic Pipeline System
BTC	Baku–Tbilisi–Ceyhan oil pipeline
BTE	Baku–Tbilisi–Erzurum gas pipeline (also known as South Caspian Pipeline, SCP)
BYuT	Bloc Yulia Timoshenko (Blok Yulii Timoshenko)
CEO	Chief executive officer
cm	Cubic metres
CMEA	Council for Mutual Economic Assistance
CNPC	China National Petroleum Corporation
EaP	Eastern Partnership
EC	European Commission
ENP	European Neighbourhood Policy
ESPO	East Siberia–Pacific Ocean
ESS	European Security Strategy
EU	European Union
FH	Freedom House
FSU	Former Soviet Union
GDP	Gross domestic product
GDR	German Democratic Republic
GTS	Gas transit system
HPP	Hydropower plant(s)
IAP	Ionian–Adriatic Pipeline
IEA	International Energy Agency
IMF	International Monetary Fund
ITGI	Interconnector Turkey–Greece–Italy
KCP	Kazakhstan–China pipeline
km	Kilometre(s)
KMG	KazMunaiGaz

kWh	Kilowatt hour(s)
LNG	Liquefied natural gas
mt	Million tonnes
NATO	North Atlantic Treaty Organization
NEL	Nordeuropäische Erdgasleitung (North European Gas Pipeline)
NOC(s)	National oil companies
NPE	Normative Power Europe
NUNS	Our Ukraine–People’s Self-Defence (Nasha Ukraina–Narodna Samooborona)
OLS	Ordinary Least Squares
OPAL	Ostsee–Pipeline–Anbindungs-Leitung (Baltic Sea Pipeline Link)
OPEC	Organization of Petroleum Exporting Countries
PKK	Kurdistan Workers’ Party
QCA	Quantitative Content Analysis
SEEP	South East Europe Pipeline
SOCAR	State Oil Company of the Azerbaijan Republic
SOD	Security of demand
SOS	Security of supply
SSR	Soviet Socialist Republic
TANAP	Trans–Anatolia gas pipeline
TAP	Trans–Adriatic Pipeline
TNC(s)	Transnational companies
US\$	US dollar
US/ USA	United States of America
USSR	Union of Soviet Socialist Republics (i.e., Soviet Union)
WTO	World Trade Organization

## Preface

This book presents the papers discussed at the 8<sup>th</sup> Changing Europe Summer School on 'Export pipelines from the CIS region: National debates, political decision-making and geopolitics' held in Almaty in August 2013. Organized by the Central Asian Foundation for the Development of Democracy, Almaty, and the Research Centre for East European Studies at the University of Bremen with financial support from the Volkswagen Foundation, the Summer School brought together young academics from different disciplines of the social sciences and the humanities to share their research on energy issues in the post-Soviet region. Participants were selected by means of an anonymous review process that is kindly supported by the members of our international review panel.

The results of each Summer School are published in this book series. It goes without saying that this book would not have been possible without ample support. First of all, our thanks go to the participants themselves, whose enthusiasm and knowledge made the Summer School a truly worthwhile event. We would also like to thank all the referees who aided us in the selection process for appropriate participants and all the discussants who enriched the debates in Almaty, namely Margarita Balmaceda, Julia Kuznir and Indra Øverland.

The Summer School was organized within the research project on 'Domestic debates and foreign policy-making in the Caspian region: The case of export pipelines from Azerbaijan, Kazakhstan and Turkmenistan', which is also funded by the Volkswagen Foundation. Our project partners Kenan Aslanli and Tolganay Umbetalieva also greatly contributed to the success of the event.

We are especially grateful to those who helped to organize the Summer School and the book production, namely Nozima Akhrarkhodjaeva (organizational support), Malika Elkhan (organizational support), and Matthias Neumann (layout).

Bremen, January 2014

The Editors



## 0. Introduction: Export Pipelines in Eurasia

In the 1990s, the end of the Cold War—with the dissolution of the Soviet Union—was the major topic for social science scholars, especially those in International Relations. Interpretations focused on the emergence of a multi-polar world, and the Caspian Sea region (comprising the Southern Caucasus and countries of Central Asia) was considered one of the most important regions in which the global balance of power would be re-adjusted, especially after the discovery of considerable oil and gas reserves. The competition among foreign powers, primarily Russia as the successor to the Soviet Union and the United States (US), but to a lesser degree the European Union (EU) and increasingly China and regional powers such as Turkey and Iran, for access to Caspian energy resources and control over infrastructure is often called a ‘new great game’. Accordingly, a large body of literature has emerged.<sup>1</sup>

Although relatively small on a global scale, the oil and gas reserves of the Caspian Sea basin are of major geopolitical importance, as they are not controlled by OPEC or Russia. Therefore, they offer the EU, the US and China the opportunity to diversify their energy supplies.<sup>2</sup>

However, Russia remains a major player in the region because it controls the Soviet pipeline network on which Eurasian oil and gas producers still rely. Russia considers this dependence to be a major foreign policy tool that it can use to maintain its influence in the so-called ‘near abroad’. In reaction to the rather aggressive and unilateral use of this tool, many analysts term it Russia’s ‘energy weapon’.<sup>3</sup> Additionally, Russia also

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1 For a comprehensive bibliography on Central Asia see the following works: Laumulin, Murat T.: *Tsentrāl'naya Aziya v zarubezhnoy politologii i mirovoy geopolitike*, five volumes, Almaty: KISI, 2005-2009; Hanks, Reuel (ed.): *Routledge handbook of Central Asian politics*, London: Routledge, 2010.

2 Cf. e.g., Mavrakis, Dimitrios/ Thomaidis, Fotios/ Ntroukas, Joannis: An assessment of the natural gas supply potential of the south energy corridor from the Caspian region to the EU, in: *Energy Policy*, 2006 (vol. 34), no. 13, pp. 1671–1680; Dorian, James P.: Central Asia: a major emerging energy player in the 21<sup>st</sup> century, in: *Energy Policy*, 2006 (vol. 34), no. 5, pp. 544–555; Ahrend, Rüdiger/ Tompson, William: Caspian oil in a global context, in: *Transition Studies Review*, 2007 (vol. 14), no. 1, pp. 163–187; Bahgat, Gawdat: Prospects for energy cooperation in the Caspian Sea, in: *Communist and Post-Communist Studies*, 2007 (vol. 40), no. 2, pp. 157–168; Remme, Uwe/ Blesl, Markus/ Fahl, Ulrich: Future European gas supply in the resource triangle of the former Soviet Union, the Middle East and Northern Africa, in: *Energy Policy*, 2008 (vol. 36), no. 5, pp. 1622–1641.

3 Cf. e.g., Stulberg, Adam N.: *Well-oiled diplomacy: strategic manipulation and Russia's energy statecraft in Eurasia*, Albany, NY: State University of New York Press, 2007; Nygren, Bertil: Putin's use of natural gas to reintegrate the CIS region, in: *Problems of Post-Communism*, 2008 (vol. 55), no. 4, pp. 3–15; Orban, Anita: *Power, energy, and the new Russian imperialism*, Westport, CT: Praeger, 2008; Hashim, S. Mohsin: Power-loss or power-transition? Assessing the limits of using the energy sector in reviving Russia's geopolitical stature, in: *Communist and Post-Communist*

employs soft power, namely personal and cultural links cultivated during the Soviet period, and its support for authoritarian rulers to improve its position in the Caspian region.<sup>4</sup> Thus, it succeeded, for example, in convincing Kazakhstan to construct its first post-Soviet oil export pipeline through Russian territory.<sup>5</sup>

Moreover, after years of negotiations and intensive lobbying by the US government, the main oil export pipeline from Azerbaijan runs via Georgia to Turkey.<sup>6</sup> In addition, the EU began to lobby for a pipeline transporting Caspian gas through Turkey to Central Europe.<sup>7</sup> This offered Turkey the opportunity to play a more prominent role

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Studies, 2010 (vol. 43), no. 3, pp. 263–274; Smith Stegen, Karen: Deconstructing the ‘energy weapon’: Russia’s threat to Europe as case study, in: *Energy Policy*, 2011 (vol. 39), no. 10, pp. 6505–6513.

- 4 Cf. e.g., Baev, Pavel K.: Assessing Russia’s cards: three petty games in Central Asia, in: *Cambridge Review of International Affairs*, 2004 (vol. 17), no. 2, pp. 269–283; Tolstrup, Jakob: Studying a negative external actor: Russia’s management of stability and instability in the ‘near abroad’, in: *Democratization*, 2009 (vol. 16), no. 5, pp. 922–944; Gayoso, Carmen A.: Russian hegemonies: historical snapshots, regional security and changing forms of Russia’s role in the post-Soviet region, in: *Communist and Post-Communist Studies*, 2009 (vol. 42), no. 2, pp. 233–252; Jackson, Nicole: The role of external factors in advancing non-liberal democratic forms of political rule: a case study of Russia’s influence on Central Asian regimes, in: *Contemporary Politics*, 2010 (vol. 16), no. 1, pp. 101–118; Melnykovska, Inna/ Plamper, Hedwig/ Schweickert, Rainer: Do Russia and China promote autocracy in Central Asia?, in: *Asia Europe Journal*, 2012 (vol. 10), no. 1, pp. 75–89.
- 5 Cf. e.g., Kovalev, Felix N.: Transportation of Caspian oil through Russia, in: Amirahmadi, Hooshang (ed.): *The Caspian region at a crossroad: challenges of a new frontier of energy and development*, New York: St. Martin’s Press, 2000, pp. 155–162; Kubicek, Paul: Russian energy policy in the Caspian basin, in: *World Affairs*, 2004 (vol. 166), no. 4, pp. 207–217; Marten, Kimberly: Russian efforts to control Kazakhstan’s oil: the Kumkol case, in: *Post-Soviet Affairs*, 2007 (vol. 23), no. 1, pp. 18–37; Nanay, Julia: Russia’s role in the Eurasian energy market: seeking control in the face of growing challenges, in: Perovic, Jeronim/ Orttung, Robert/ Wenger, Andreas (eds): *Russian energy power and foreign relations: implications for conflict and cooperation*, London: Routledge, 2009, pp. 109–131; Zhukov, Stanislav: Turkmenistan: an exporter in transition, in: Pirani, Simon (ed.): *Russian and CIS gas markets and their impact on Europe*, Oxford: Oxford University Press, 2009, pp. 271–315; Baev, Pavel K.: *Russian energy policy and military power: Putin’s quest for greatness*, London: Routledge, 2009; Øverland, Indra/ Torjesen, Stina: Just good friends: Kazakhstan’s and Turkmenistan’s energy relations with Russia, in: Øverland, Indra/ Kjærnet, Heidi/ Kendall-Taylor, Andrea (eds): *Caspian energy policy: Azerbaijan, Kazakhstan and Turkmenistan*, London: Routledge, 2010, pp. 136–149.
- 6 Cf. e.g., Barnes, Joseph: U.S. national interests: getting beyond the hype, in: Kalyuzhnova, Yelena/ Jaffe, Amy M./ Lynch, Dov/ Sickels, Robin C. (eds.): *Energy in the Caspian region: present and future*, Basingstoke: Palgrave Macmillan, 2002, pp. 212–233; Starr, S. Frederick/ Cornell, Svante E. (eds): *The Baku-Tbilisi-Ceyhan pipeline: oil window to the West*, Stockholm/ Washington, DC: Central Asia – Caucasus Institute & Silk Road Studies Program, 2005; Cooley, Alexander: Principles in the pipeline: managing transatlantic values and interests in Central Asia, in: *International Affairs*, 2008 (vol. 84), no. 6, pp. 1173–1188.
- 7 Cf. e.g., Kalyuzhnova, Yelena: The EU and the Caspian region: an energy partnership, in: *Economic Systems*, 2005 (vol. 29), no. 1, pp. 59–76; Giuli, Marco: Nabucco pipeline and the Turkmenistan conundrum, in: *Caucasian Review of International Affairs*, 2008 (vol. 2), no. 3, pp. 124–132; Pashkovskaya, Irina: *Evropeiskii Soyuz. Energeticheskaya politika v otnoshenii novykh nezavisimyykh gosudarstv*, Moscow: MGIMO, 2009; Bilgin, Mert: Geopolitics of European natural gas demand: supplies from Russia, Caspian and the Middle East, in: *Energy Policy*, 2009 (vol. 37),

in the Caspian region, which it considers its special sphere of interest due to historical links.<sup>8</sup>

Iran, however, which would have offered the easiest export route from the Caspian Sea with its established port facilities on the Persian Gulf coast, was sidelined for chiefly political reasons (i.e., US sanctions). It also played an uncooperative role by blocking agreements on the division of the Caspian Sea shelf among the coastal states and thus hampered resource exploration and plans for a trans-Caspian pipeline.<sup>9</sup>

China, however, which became the world's most rapidly growing importer of energy resources at the end of the 1990s, has increasingly gained access to the Caspian region. It invested heavily in the Kazakh oil industry and was also the first of the major

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no. 11, pp. 4482–4492; Locatelli, Catherine: Russian and Caspian hydrocarbons: energy supply stakes for the European Union, in: *Europe-Asia Studies*, 2010 (vol. 62), no. 6, pp. 959–971; Baev, Pavel K./ Øverland, Indra: The South Stream versus Nabucco pipeline race: geopolitical and economic (ir)rationalities and political stakes in mega-projects, in: *International Affairs*, 2010 (vol. 86), no. 5, pp. 1075–1090.

8 Cf. e.g., Sayari, Sabri: Turkey's Caspian interests: economic and security opportunities, in: Ebel, Robert/ Menon, Rajan (eds): *Energy and conflict in Central Asia and the Caucasus*, Lanham, MD: Rowman and Littlefield, 2000, pp. 225–246; Cutler, Robert M.: Turkey and the geopolitics of Turkmenistan's natural gas, in: *Review of International Affairs*, 2001 (vol. 1), no. 2, pp. 20–33; Tayfur, M. Fatih/ Göyman, Korel: Decision making in Turkish foreign policy: the Caspian oil pipeline issue, in: *Middle Eastern Studies*, 2002 (vol. 38), no. 2, pp. 101–122; Winrow, Gareth: Turkish national interests, in: Kalyuzhnova, Yelena/ Jaffe, Amy M./ Lynch, Dov/ Sickels, Robin C. (eds.): *Energy in the Caspian region: present and future*, Basingstoke: Palgrave Macmillan, 2002, pp. 234–250; Bilgin, Mert: The emerging Caspian energy regime and Turkey's new role, in: *Turkish Yearbook*, 2003 (vol. 34), pp. 1–22; Bilgin, Mert: New prospects in the political economy of inner-Caspian hydrocarbons and western energy corridor through Turkey, in: *Energy Policy*, 2007 (vol. 35), no. 12, pp. 6383–6394; Babali, Tuncay: Turkey at the energy crossroads, in: *Middle East Quarterly*, 2009 (vol. 16), no. 2, pp. 25–33; Tekin, Ali/ Williams, Paul A.: EU-Russian relations and Turkey's role as an energy corridor, in: *Europe-Asia Studies*, 2009 (vol. 61), no. 2, pp. 337–356.

9 Cf. e.g., Miles, Carolyn: The Caspian pipeline debate continues: why not Iran?, in: *Journal of International Affairs*, 1999 (vol. 53), no. 1, pp. 325–346; Kemp, Geoffrey: US-Iranian relations: competition or cooperation in the Caspian Sea basin, in: Ebel, Robert/ Menon, Rajan (eds): *Energy and conflict in Central Asia and the Caucasus*. Lanham, MD: Rowman and Littlefield, 2000, pp. 145–162; Namazi, S./ Farzin, F.: Division of the Caspian Sea: Iranian policies and concerns, in: Akiner, Shirin (ed.): *The Caspian; politics, energy and security*, London: Routledge, 2004, pp. 230–243; Yuldasheva, Guli: Geopolitics of Central Asia in the context of the Iranian factor, in: *Caucasian Review of International Affairs*, 2008 (vol. 2), no. 3, pp. 133–145; Sadegh-Zadeh, Kaweh: Iran's strategy in the South Caucasus, in: *Caucasian Review of International Affairs*, 2008 (vol. 2) no. 1, pp. 35–41; Pahlavi, Pierre/ Hojati, Afshin: Iran and Central Asia: politics of prudent pragmatism, in: Kavalski, Emilian (ed.): *The new Central Asia: the regional impact of international actors*, Singapore: World Science Publishing, 2010, pp. 215–238; Khalifa-Zadeh, Mahir: Iran and the Southern Caucasus: a struggle for influence, in: *Central Asia and the Caucasus*, 2011 (vol. 12), no. 1, pp. 51–61; Sadri, Houman A.: Iran and the Caucasus states in the 21<sup>st</sup> Century: a study of foreign policy goals and means, in: *Journal of Balkan and Near Eastern Studies*, 2012 (vol. 14), no. 3, pp. 383–396.

powers to become involved in gas production in Turkmenistan. Oil and gas pipelines from Kazakhstan and Turkmenistan provide China with considerable energy supplies.<sup>10</sup>

Thus, the exports of crude oil and natural gas from the Caspian Sea region and the construction of export pipelines have principally been analysed in the social sciences from a geopolitical perspective. While the geopolitical perspective is important, it oversimplifies international relations in the region and fails to consider the Caspian countries as actors in their own right. References to their foreign policy options and preferences are only made in passing; there is still no complete academic analysis focusing on the geopolitical strategies of the Caspian states.<sup>11</sup>

This gap in the literature became obvious when Azerbaijan developed a more critical stance towards Western projects during the debate over the Nabucco pipeline while simultaneously supporting Georgia against Russian pressure. These moves could not be explained by the rising influence of a major outside power and has recently

10 Cf. e.g., Xu, Xiaojie: The oil and gas links between Central Asia and China: a geopolitical perspective, in: *OPEC Review*, 1999 (vol. 23), no. 1, pp. 33–54; Guangcheng, Xing: China's foreign policy toward Kazakhstan, in: Legvold, Robert (ed.): *Thinking strategically: the major powers, Kazakhstan and the Central Asian nexus*, Cambridge, MA: MIT Press, 2003, pp. 141–164; Sír, Jan / Horák, Slavomír: China as an emerging superpower in Central Asia: the view from Ashkhabad, in: *China and Eurasia Forum Quarterly*, 2008 (vol. 6), no. 2, pp. 75–88; Janardhanan, Nandakumar: China's search for energy and its strategy towards Central Asia, in: *International Journal of Energy Sector Management*, 2009 (vol. 3), no. 2, pp. 102–107; Marketos, Thrassy: *China's energy geopolitics: the Shanghai Cooperation Organization and Central Asia*, London: Routledge, 2009; Lateigne, Marc: China, energy security and Central Asian diplomacy: bilateral and multilateral approaches, in: Øverland, Indra/ Kjærnet, Heidi/ Kendall-Taylor, Andrea (eds): *Caspian energy policy: Azerbaijan, Kazakhstan and Turkmenistan*, London: Routledge, 2010, pp. 101–115; Kennedy, Ryan: In the 'new great game', who is getting played? Chinese investment in Kazakhstan's petroleum sector, in: Øverland, Indra/ Kjærnet, Heidi/ Kendall-Taylor, Andrea (eds): *Caspian energy policy: Azerbaijan, Kazakhstan and Turkmenistan*, London: Routledge, 2010, pp. 116–125; Petelin, Evgeny: China's energy monologue in Central Asia, in: *Security Index: A Russian Journal on International Security*, 2011 (vol. 17), no. 4, pp. 29–46; Huiron, Zhao/ Hongwei, Wu: China's energy foreign policy towards the Caspian region: the case of Kazakhstan, in: Amineh, Mehdi Parvizi/ Guang, Yang (eds): *Secure oil and alternative energy: the geopolitics of energy paths of China and the European Union*, Leiden: Koninklijke Brill, 2012, pp. 167–196; Syroezhkin, Konstantin: China's presence in the energy sector of Central Asia, in: *Central Asia and the Caucasus*, 2012 (vol. 13), no. 1, pp. 20–43.

11 It is telling that in his article, Sadri primarily addresses the attitudes of the major foreign powers towards Azerbaijan and reserves only one page for Azerbaijan's foreign policy goals. Sadri, Houman: Elements of Azerbaijan foreign policy, in: *Journal of Third World Studies*, 2003 (vol. 20), no. 1, pp. 179–192. The same is true, for example, for Yesdauletova, Ardak: Kazakhstan's energy policy: its evolution and tendencies, in: *Journal US-China Public Administration*, 2009 (vol. 6), no. 4, pp. 31–39, which refers to Russia, the US, China, and the EU and does not devote a single paragraph to Kazakhstan's own policy preferences. The same applies to Baizakova, Kuralai: Energy security issues in the foreign policy of the Republic of Kazakhstan, in: *American Foreign Policy Interests*, 2010 (vol. 32), no. 2, pp. 103–109. A slight exception are Azizian, Rouben/ Bainazarova, Elnara: Eurasian response to China's rise: Russia and Kazakhstan in search of optimal China policy, in: *Asian Politics & Policy*, 2012 (vol. 4), no. 3, pp. 377–399, who deal to some extent with Kazakhstan's perception of China (and Russia's, respectively).

caused some researchers to examine the foreign policy of Azerbaijan in its own right. Kjærnet concludes that

Azerbaijan has exploited its new situation to position itself as an increasingly powerful and independent actor in the South Caucasus. Due to its energy independence, Azerbaijan has been able to do this without suffering any reprisal from the Russian side.<sup>12</sup>

However, none of these analyses attempt to explain the formation of foreign policy positions or decision-making processes, but they instead examine the impact these positions have on the geopolitical balance of power in the region.<sup>13</sup>

Few studies consider the domestic actors involved in policy-making processes in the Caspian states. These studies either neglect the foreign policy dimension and instead analyse informal networks and the lack of transparency in business transactions<sup>14</sup> or do not address energy issues.<sup>15</sup> Related public debates have not been included in any analysis conducted thus far. These gaps in the literature are not restricted to the Caspian region. In general, the International Relations literature, first, tends to underestimate the role of small powers,<sup>16</sup> and second, domestic foreign policy debates<sup>17</sup> and decision-making processes continue to receive much less attention than actual foreign policy and the comparative dimension is clearly underdeveloped.<sup>18</sup>

The aim of this collected volume is to broaden the scope of analysis by adding further perspectives to the investigation of exports of crude oil and natural gas from

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- 12 Kjærnet, Heidi: Azerbaijani-Russian relations and the economization of foreign policy, in: Øverland, Indra/ Kjærnet, Heidi/ Kendall-Taylor, Andrea (eds): *Caspian energy policy: Azerbaijan, Kazakhstan and Turkmenistan*, London: Routledge, 2010, pp. 150–161, here p. 158.
- 13 See also Ipek, Pinar: The role of oil and gas in Kazakhstan's foreign policy: looking east or west?, in: *Europe-Asia Studies*, 2007 (vol. 59), no. 7, pp. 1179–1199; Anceschi, Luca: Turkmenistan's foreign policy: positive neutrality and the consolidation of the Turkmen regime, London: Routledge, 2008; Ipek, Pinar: Azerbaijan's foreign policy and challenges for energy security, in: *Middle East Journal*, 2009 (vol. 63), no. 2, pp. 227–239; Franke, Anja/ Gawrich, Andrea/ Melnykovska, Inna/ Schweickert, Rainer: The European Union's relations with Ukraine and Azerbaijan, in: *Post-Soviet Affairs*, 2010 (vol. 26), no. 2, pp. 149–183.
- 14 Guliyev, Farid/ Akhrarkhodjaeva, Nozima: The trans-Caspian energy route: cronyism, competition and cooperation in Kazakh oil export, in: *Energy Policy*, 2009 (vol. 37), no. 8, pp. 3171–3182; Lussac, Samuel: The state as an (oil) company? The political economy of Azerbaijan, Coventry: University of Warwick, 2010 (GARNET Working Paper 74), [http://www.garnet-eu.org/fileadmin/documents/working\\_papers/7410.pdf](http://www.garnet-eu.org/fileadmin/documents/working_papers/7410.pdf).
- 15 Cummings, Sally: Eurasian bridge or murky waters between East and West? Ideas, identity and output in Kazakhstan's foreign policy, in: *Journal of Communist Studies and Transition Politics*, 2003 (vol. 19), no. 3, pp. 139–155; Bukkvoll, Tor: Astana's privatized independence: private and national interests in the foreign policy of Nursultan Nazarbayev, in: *Nationalities Papers*, 2004 (vol. 32), no. 3, pp. 631–650.
- 16 For an elaboration of this point, see Kassimeris, Christos: The foreign policy of small powers, in: *International Politics*, 2009 (vol. 46), no. 1, pp. 84–101.
- 17 An exception for the former Soviet Union is Fawn, Rick: Ideology and national identity in post-communist foreign policies, in: *Journal of Communist Studies and Transition Politics*, 2003 (vol. 19), no. 3, pp. 1–41.
- 18 For a concise summary of these deficits, see Breuning, Marijke: Bringing 'comparative' back to foreign policy analysis, in: *International Politics*, 2004 (vol. 41), no. 4, pp. 618–628.

the Caspian Sea region; therefore, the authors apply a wider range of theories to the issue of export pipelines and energy policy. Thus, it examines the securitisation of energy issues, includes the interests and strategies of national political and business actors in the analysis and addresses the formation of energy policies in the countries of the region.

## 0.1. Pipelines in General

Global conventional energy resources (crude oil and natural gas) are geographically highly concentrated in the so-called 'strategic ellipse'—running roughly from Russia over the Caspian region to the Persian Gulf. It contains approximately 70% of the world's proven oil and gas reserves.<sup>19</sup> In modern, industrial societies, which are generally net energy importers, energy imports have become essential for economic welfare and political stability. Thus, the cross-border oil and gas trade has grown significantly over the last 60 years; an increasing amount of these resources has been transported via pipelines.<sup>20</sup>

The literature has generally neglected the economic and financial drivers of pipeline construction, despite that politics and diplomacy alone cannot ensure the construction of pipelines that do not have a strong financial and business rationale. Pipelines are built if all parties involved benefit from their construction.<sup>21</sup>

While they require substantial upfront investments for construction, pipelines are considered a cost-effective means of transporting oil and gas in the long run. The cost structure is characterised by high fixed costs and low variable costs. Thus, total costs are largely independent of the throughput of the pipeline, and large pipe diameters create economies of scale. As throughput depends on market consumption, long-term supply contracts, especially for gas, are preferred by producers to guarantee that the pipeline will be used until the investment is amortised. Supply contracts often have

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19 International Energy Agency: Resources to reserves 2013: oil, gas and coal technologies for the energy markets of the future, Paris: IEA, 2013, [http://www.oecd-ilibrary.org/energy/resources-to-reserves-2013\\_9789264090705-en](http://www.oecd-ilibrary.org/energy/resources-to-reserves-2013_9789264090705-en). Unconventional or shale oil and gas are more dispersed globally, see Energy Information Administration: Technically recoverable shale oil and shale gas resources: an assessment of 137 shale formations in 41 countries outside the United States, Washington, DC: US Department of Energy, 2013, <http://www.eia.gov/analysis/studies/worldshalegas/pdf/fullreport.pdf>.

20 United Nations Development Programme/ World Bank: Cross-border oil and gas pipelines: problems and prospects, Washington DC: Energy Sector Management Assistance Programme, 2003, p. 18, <http://siteresources.worldbank.org/INTOGMC/Resources/crossborderoilandgaspipelines.pdf>.

21 Guillet, Jérôme: How to get a pipeline built: myth and reality, in: Dellecker, Adrian/ Gomart, Thomas (eds.): Russian energy security and foreign policy, London: Routledge, 2011, pp. 58–73, here pp. 58–59.

a 'take-or-pay' clause that requires the consumer to pay for the contracted amount of gas even it is not consumed, guaranteeing an investment return for the supplier.<sup>22</sup>

In many instances, it will be important to differentiate between oil and gas pipelines, as their characteristics, consequences and results often differ. These differentiating factors include the following:<sup>23</sup>

- Natural gas can only be transported by pipeline or liquefied and transported by cryogenic tanker as liquefied natural gas (LNG), making it a much less flexible fuel than oil. The vast majority of crude oil is transported in ocean-going tankers; in addition to pipelines, it can be shipped by rail and trucks.
- Gas pipeline transportation requires very different technical conditions than oil (e.g., precautions must be taken to prevent air from entering the gas pipes, blending stations have to be constructed to harmonise the characteristics of gas from different sources, and gas appliances are geared to accept a uniform calorific value at a uniform pressure).
- The security of supply is more important for gas than for oil because a gas outage involves a much greater technical problem for reconnection.

As a result, transporting natural gas is generally far more expensive and complex than transporting crude oil.<sup>24</sup>

## 0.2. Pipelines in Eurasia

All of the contemporary, large Eurasian<sup>25</sup> oil and gas exporters (i.e., Azerbaijan, Kazakhstan, the Russian Federation, and Turkmenistan) were part of the Soviet Union, which ceased to exist in 1991. Thus, every analysis of Eurasian export pipelines must begin there.

In the Soviet Union, the construction of export pipelines for both crude oil and natural gas was closely connected to the development of the energy industry and the geological exploration and production cycles of these resources. In general, such

22 United Nations Development Programme/ World Bank: Cross-border oil and gas pipelines: problems and prospects, Washington DC: Energy Sector Management Assistance Programme, 2003, pp. 13, 15, <http://siteresources.worldbank.org/INTOGMC/Resources/crossborderoilandgaspipelines.pdf>; Guillet, Jérôme: How to get a pipeline built: myth and reality, in: Dellecker, Adrian/ Gomart, Thomas (eds.): Russian energy security and foreign policy, London: Routledge, 2011, pp. 58–73, here p. 67.

23 Stern, Jonathan P.: Specters and pipe dreams, in: Foreign Policy, 1982, No 48, pp. 21–36, here p. 24; United Nations Development Programme/ World Bank: Cross-border oil and gas pipelines: problems and prospects, Washington DC: Energy Sector Management Assistance Programme, 2003, pp. xiv, 1, 6, 13, <http://siteresources.worldbank.org/INTOGMC/Resources/crossborderoilandgaspipelines.pdf>.

24 Guillet, Jérôme: How to get a pipeline built: myth and reality, in: Dellecker, Adrian/ Gomart, Thomas (eds.): Russian energy security and foreign policy, London: Routledge, 2011, pp. 58–73, here p. 60.

25 The term 'Eurasia' as used in this chapter comprises the countries of the former Soviet Union, especially Russia and the Central Asian and Transcaucasian republics.