Yunis Gurbanov

GEOPOLITICS AND ENERGY DIPLOMACY IN THE CASPIAN REGION

Developments after the Downfall of the Soviet Union

[transcript] PoliticalScience

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I dedicate this work to the best motivators and the dearest people in my life. The first person I dedicate this work to is my dear dad, Tofig Yunis Gurbanov, who left us relatively early and unexpectedly. However, he had always believed in me no matter what happened and encouraged me to be good, fair, and honest, so I would like to use this opportunity to say: "Dad, I did it for you!"

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Contents

Preface

This book looks at two central questions. First, does the Caspian Region have a strategic significance for the Eurasian policy of significant political actors of the world policy after the USSR's fall? Second, can the oil and natural gas resources of Azerbaijan, Kazakhstan, and Turkmenistan be considered alternative energy sources to traditional sources such as Russia and the Persian Gulf countries? The research focuses mainly on the relevance of the Caspian Region in the foreign policy of China, the EU, the USA, and Russia. Additionally, it examines the oil and natural gas industries of the region's newly independent states to measure these countries' energy potential. Finally, the research also looks at the role of oil and gas in these states' politics and economies.

Even though the Caspian Region is one of the world's poorest regions, key political actors pay significant attention to this region. What factors drive the active foreign policy of the essential political actors of the world policy towards this region? In other words, one of the research puzzles is why, in their foreign policy towards Eurasia, the governments of China, the EU, the USA, and Russia pay close attention to the Caspian Region. Another research puzzle is the real energy potential of Azerbaijan, Kazakhstan, and Turkmenistan. Many books have claimed that these countries possess abundant oil and natural gas reserves after the USSR's fall. However, the author has a different opinion. In other words, in contrast to the optimistic prognoses of some energy experts and the regional governments with regard to the giant energy reserves of the newly independent states, this book argues that the energy resources of these countries can never fully replace the immense energy potential of Russia or the Persian Gulf countries. Nevertheless, the author claims that the energy resources of the newly independent states of the Caspian Region could play the role of alternative energy sources in the world energy market to decrease its significant dependency on traditional energy suppliers. This could keep the price of energy resources in the world energy market stable.

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First and foremost, I would like to express my deep gratitude to the project's primary supervisor, Prof. Thomas Jaeger, for his exceptional support and continuous motivation as I worked on my Ph.D. thesis. Before working with him, I read his publications and two books and knew him from various political talk shows. Even though I was confident in my project's scientific relevance, I thought he would not accept me, given the number of students who wanted to work with him. However, after having very constructive conversations, he expressed his belief in me and my project. Since then, he has been supporting me. His enthusiasm to help me through his valuable comments and feedback played a crucial role in writing an insightful dissertation.

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Every Ph.D. student knows that the work's quality depends on his exceptional concentration and dedication to work. However, working and conducting an appropriate project without financial support is almost impossible. For this reason, it would be fitting to divide my Ph.D. dissertation into two periods: before having any financial support and after I won a scholarship for international Ph.D. students from the Friedrich Ebert Foundation (FES). Thanks to this foundation, I have accomplished this project and my goals of researching at Columbia University in New York and Harvard University. My long discussions with the experts in these universities tremendously enriched the dissertation. I thank all from the FES who helped me, especially Ms. Dr. Kathrein Hölscher, Ms. Elisabeth Schulze Horn, Ms. Beate Eckstein, and Ms. Barbara Nauroth taking care of me and helping me to accomplish this project.

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delighted if you would accept this work as a tiny mark of gratitude for everything you have done for me! You are the best, and I love you!

List of abbreviations

ACG	Azeri–Chirag–Gunashli
AIOC	Azerbaijan International Operating Company
AKP	Adalet ve Kalkınma Partisi (Justice and Development Party)
APEX	Analysis of Petroleum Exports
ATA	AMEC Tekfen Azfen
Azerbaijan SSR	Azerbaijan Soviet Socialist Republic
BB	Billion Barrels
BBL/D/1K	Thousands of Barrels Per Day
BBS	Beineu-Bozoi-Shymkent
BCF	Billion Cubic Feet
BCM	Billion Cubic Meters
BMI	Business Monitor International
BN	Billion
BP	British Petroleum
BPD	Barrel Per Day
BT	Billion Ton
BTBA	Bukhara-Tashkent-Bishkek-Almaty
BTC	Baku-Tbilisi-Ceyhan
BTE	Baku-Tbilisi-Erzurum
BTK	Baku-Tbilisi-Kars
CAC	Central Asia Centre
CACP	Central Asia – China Pipeline
CAS	Central Asia – Center
CCIC	Consolidated Contractors International Company
CEIC	European Institutional Investor Company
CIS	Commonwealth of Independent States
CNPC	China National Petroleum Corporation
CPC	Caspian Pipeline Consortium
CSTO	Collective Security Treaty Organization
DSKP	Dauletabad-Sarakhs-Khangiran
EAEC	Eurasian Economic Community

EaP	Eastern Partnership
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EDPSA	Exploration Development and Production Sharing Agreement
EEU	Eurasian Economic Union
ENP	European Neighborhood Policy
EP	European Parliament
EPCA	Enhanced Partnership and Cooperation Agreement
EPCC	Engineering, procurement, construction and commissioning
EPDK	Energy Market Regulatory Authority
EU	European Union
EUCO	European Council
FDI	Foreign Direct Investment
FEED	Front-End Engineering and Design
FGP-WPMP	Future Growth Project and Wellhead Pressure Management Project
FID	Final Investment Decision
FPSA	Final Production Sharing Agreement
GCA	Gaffney, Cline & Associates
GDP	Gross Domestic Product
GPP	Gas Processing Plant
GUS	Gas-supply Unique System
IAEA	International Atomic Energy Agency
IIR	Iran Islam Revolution
IRI	Islamic Republic of Iran
ISIS	Islamic State of Iraq and Syria
KKK	Korpedzhe-Kurt Kui
KMG	KazMunaiGaz
KPC	Karachaganak Processing Complex
KPDL	Karachaganak Project Development Limited
KPO	Karachaganak Petroleum Operating
KTG	KazTransGas
KTO	KazTransOil
LNG	Liquefied Natural Gas
MB	Million Barrel
MBD	Million Barrel Per Day
MCM	Million Cubic Meters
MCM/D	Million Cubic Meter Per Day
MT	Million Ton
NAR	Nakhchivan Autonomous Republic
NATO	North Atlantic Treaty Organization

NCOC	North Caspian Operating Company
NCSPSA	North Caspian Sea Production Sharing Agreement
NGO	Non-Governmental Organizations
NKAR	Nagorno Karabakh Autonomous Region
NYC	New York City
OGJ	Oil Gas Journal
OKIOC	Offshore Kazakhstan International Operating Company
OPEC	Organization of the Petroleum Exporting Countries
OSCE	Organization for Security and Co-operation in Europe
PfP	Partnership for Peace
PSA	Production Sharing Agreement
PSPA	Production-Sharing Principles Agreement
SCF	Standard Cubic Foot
SCO	Shanghai Cooperation Organization
SCP	South Caucasus Pipeline
SCPC	South Caucasus Pipeline Company
SD	Shah Deniz
SD 2	Shah Deniz 2
SDB-PR	Shah Deniz Bravo, Production and Risers
SDB-QU	Shah Deniz Bravo, Quarters and Utilities
SGC	Southern Gas Corridor
SOCAR	State Oil Company of Azerbaijan Republic
SOFAZ	State Oil Fund of Azerbaijan
SU	Soviet Union
SREB	Silk Road Economic Belt
STEO	Short-Term Energy Outlook
TANAP	Trans Anatolian Natural Gas Pipeline
TAP	Trans Adriatic Pipeline
TAPI	Turkmenistan-Afghanistan-Pakistan-India
TCF	Trillion Cubic Feet
TCM	Trillion Cubic Meters
TCO	Tengizchevroil
TCP	Trans Caspian Pipeline
TÜRKPA	Türk Dili Konuşan Ülkeler Parlamenter Asamblesi (Parliamentary Assembly of Turkic-Speaking Countries)
U.S. EIA	US Energy Information Administration
UN	United Nations
USA	United States of America
USSR	Union of Soviet Socialist Republics
USTDA	U.S. Trade and Development Agency
WW I	World War I

WW II	World War II
XUAR	Xinjiang Uyghur Autonomous Region

List of figures, maps and tables

Chapter 1. Research overview, context and problematization

Abstract *The first chapter introduces the central research problem and considers the geopolitical and energy issues in the Caspian Region in the broader context.*
Moreover, a significant part of the chapter is dedicated to the theoretical settings of the work. The section starts with the theory of political realism, which is utilized to look at the Caspian region's importance and role in contemporary geopolitics. Then, it narrates the history of political realism as one of the most important theoretical concepts of international relations. Besides, some essential characteristics of political realism are illustrated to illuminate it as a theoretical concept. Some prominent realists, such as Edward Hallett Carr and Hans J. Morgenthau, are also looked at.
Another theory considered is institutionalism, which is used to analyze the binding energy contracts between international energy concerns and countries of the Caspian Region and the region's significant energy fields. The chapter also compares realism and institutionalism.
The last part of the chapter considers the methodological framework of the book.

1.1 Introduction

The "Russo-Persian Treaty of Friendship," signed on 26 February 1921, between the Union of Soviet Socialist Republics (USSR) and Iran, divided the Caspian Sea into two parts. According to the treaty, only these two political actors had access to the Caspian Sea. Therefore, until the collapse of the Soviet Union (SU), the Caspian region was divided between the SU and Iran. Azerbaijan, Kazakhstan, and Turkmenistan became independent when the SU collapsed in 1991, and so, at present, there are five states around the Caspian Sea.

The USSR's fall changed the region's geopolitical constellation entirely, and the Caspian Region became a region of very complex political interests. As a result, both international actors and regional powers have their interests and political strategies in the Caspian Region.

For instance, disputes between Russia, Iran, Azerbaijan, Turkmenistan, and Kazakhstan over the Caspian Sea's legal status had gone almost 27 years.[1] The convention on the Caspian Sea status was signed between Russia, Kazakhstan, Azerbaijan, Iran, and Turkmenistan in Kazakhstan on 12 August 2018. Due to the agreement, the central area of the Sea's surface remains in the states' everyday use, and the bottom and subsoil are divided into sections by agreement between them based on international law. It is remarkable that even 27 years after the USSR's fall, the states could not agree on whether the Caspian Sea should be perceived as a sea or a lake.

Until the collapse of the USSR, Azerbaijan, Kazakhstan, and Turkmenistan had to adhere to Russia and Iran's existing agreement on the Caspian Sea's legal status, according to which Russia was officially an owner of the Caspian Sea seabed along with Iran. Consequently, the newly independent countries had no legal right to sign energy contracts with energy companies to develop and produce the Caspian Basin's energy resources. However, this situation changed after signing the "Contract of the Century" agreement between the Azerbaijani government and international energy companies in September 1994.

This contract was path-breaking for Azerbaijan's energy industry and state policy and the other two newly independent Caspian Sea countries, Kazakhstan and Turkmenistan. Both countries also started to pursue a more active policy and laid

1 Azerbaijan had insisted on the definition of the status of the Caspian Sea based on international law. Consequently, from the Azerbaijani point of view, the status has to be made based on the 1982 UN Convention of UN on maritime law. In this case, all states get the right to unilateral action in their sector of the Caspian Sea, and the activities of other members of the Caspian have to be agreed upon with the owner of the sector. According to Kazakhstan's contentions on the Caspian Sea's legal status, the Caspian Sea's bottom and subsoil should be delimitated between member countries of the Caspian Sea. Hence, the countries should possess unlimited rights to explore and use the Caspian Sea's hydrocarbon resources. Except for some factors, the positions of Kazakhstan and Azerbaijan were almost similar. Iran had insisted on the Caspian Sea's division into five equal parts between the Caspian Sea states. Iran's government had an ultimately controversial position in contrast to other states of the Caspian Sea. Iran claimed 20% of the Caspian Sea based on historical reasons. However, Iran's claim was not based on any international juridical norm. For Russia, the Caspian Sea countries must follow the Caspian Sea's legal and defined status based on the agreements between Russia and Iran in 1921 and 1940. According to these treaties, all countries should have free navigation in all sectors of the Caspian Sea. Additionally, all countries must have free fishing rights. In contrast to other new independent states of the region, Ashgabat (Turkmenistan) had argued that the Caspian Sea is not a lake but an internal reservoir. Consequently, Turkmenistan had insisted on a sectoral division of the Caspian between five states or a so-called based on condominium division with coastal territorial waters. Turkmenistan shared almost the same position as Iran.

claim to their sectors of the Caspian Sea. Russia and Iran were against the new political constellation in the region because they considered international political actors and energy companies a significant threat to their political dominance in the region.

Some factors can define the strategic significance of the Caspian region. However, there are two crucial issues, which demonstrate the importance of the Caspian region for the states involved in the geopolitics of the region:

- The appreciable stocks of energy reserves;
- The geographical position.[2]

The Caspian region plays an essential role in the different political actors' energy policy due to its rich hydrocarbon resources. In general, energy diplomacy is a crucial element of modern international relations. Energy diplomacy has played an enormous role in international relations after the oil crisis of the 1970s. It affects the states' economy and policy, but at the same time, energy diplomacy is used as a "political weapon" to attain political goals. For instance, Russia uses its hydrocarbon recourses, especially natural gas, as a political tool in its foreign policy towards European countries. This was at the heart of the Ukrainian energy crisis in 2006.

Europe's dependence on Russia for natural gas is quite remarkable. According to statistics, Russia-Gazprom's leading natural gas company exported 199 billion (bn.) cubic meters (bcm) of natural gas in 2019.[3] This is the highest volume of natural gas ever exported in the history of Russia. The European Union (EU) imports significant Russian natural gas quantities, so almost 30% of Russian oil and natural resources are exported to EU countries. Consequently, Some EU countries, such as Estonia, Finland, Latvia, Slovakia, and Bulgaria, depend 100% on Russian natural gas.

Due to Russia's aggression against Ukraine, the EU countries get their oil and natural gas resources from other sources. Moreover, the Russian government decided to decrease the flow of energy resources to the European market. It might be hypothetically predicted that the EU countries would continue importing oil and natural gas from Russia when the war in Ukraine is over.[4] The reasons are pretty simple. First, the EU country's natural gas demand is so high that only Russia can meet

2 The Caspian region is located between two crucial energy export markets of the world: Europe and Asia. Moreover, this region is situated between two leading energy suppliers globally: Russia and the Near East.

3 Gazprom.com. (n.d.). Europe. Retrieved April 15, 2023, from http://web.archive.org/web/20210329081808/https://www.gazprom.com/about/marketing/europe/

4 McWilliams, B., Sgaravatti, G., Tagliapietra, S., & Zachmann, G. (2022). Can Europe manage if Russian oil and coal are cut off? Bruegel-Blogs, NA-NA.

this demand. Furthermore, Russian gas is relatively cheaper than gas from other sources such as Qatar, Algeria, etc.[5]

Some local experts[6] argue that Azerbaijan,[7] Kazakhstan and Turkmenistan can significantly substitute Russian energy exports to Europe.[8] However, this thesis argues that it is not so. The newly independent countries' governments manipulate the amount of oil and natural gas resources to get an advantage in the new political constellation. Therefore, in contrast to other expectations and prognoses concerning the enormous role of the Caspian states[8] in the energy diversification policy of the EU,[9] this book does not claim that Azerbaijan, Kazakhstan, and Turkmenistan's energy potential can be compared to Russia's vast energy potential. However, Azerbaijan, Kazakhstan, and Turkmenistan could offer alternative energy sources to the world energy market and decrease energy importers' energy dependency in the European energy market on traditional energy sources such as Russia and the countries of the Persian Gulf.

Since the energy sector is the most critical branch for all states of the Caspian Sea, energy cooperation with international actors and international energy companies is crucially essential to the Caspian states' economy, especially for Azerbaijan, Kazakhstan, and Turkmenistan. Moreover, the newly independent states of the region consider energy a crucial political and economic "tool" to protect their statehood and independence. For this reason, energy diplomacy in the Caspian Region should not be treated merely from a financial point of view. Instead, they should also be seen as essential tools of political power.

Azerbaijan is very interested in energy partnerships with the West. The Baku-Tbilisi-Ceyhan (BTC) oil project and Shah Deniz (SD) natural gas projects are good examples of this partnership. The EU aims to decrease its dependency on traditional energy sources by importing oil and natural resources from the Caspian Basin. In its

5 Andersen, S. S., & Sitter, N. (2019). The EU's strategy towards external gas suppliers and their responses: Norway, Russia, Algeria and LNG. New political economy of energy in Europe: Power to project, power to adapt, 49–72.

6 Ibrayeva, A. (2018). Importance of the Caspian countries for the European Union energy security. In Importance of the Caspian countries for the European Union energy security: Ibrayeva, Aigerim.

7 Hasanov, F. J., Mahmudlu, C., Deb, K., Abilov, S., & Hasanov, O. (2020). The role of Azeri natural gas in meeting European Union energy security needs. Energy Strategy Reviews, 28, 100464.

8 Ala'Aldeen, D., Palani, K., Babunashvili, G., & Balisdell, J. (2018). EU and Turkish energy interests in the Caspian and Middle East Region. Middle East Research Institute.

9 Ibrahimov.M., Aliyev A., & Babayev T. (2019). Evaluation of TANAP and TAP projects efficiency:" diversification of the gas supply for the European Union's energy security–Caspian and Central Asian Gas". Economic and Social Development: book of proceedings, 779–785.

turn, Azerbaijan profits from the energy partnership with the EU economically and politically. The EU's political support is vital for Azerbaijan.

For the diversification of the EU's energy sources, a final agreement between the Azerbaijani government and the EU was signed on 17 December 2013. According to this agreement, Azerbaijan exports natural gas extracted from the Shah Deniz 2 (SD 2) gas field to Europe via Georgia and Turkey. The natural gas is supplied from Greece (Komotini), where the Trans-Anatolian Natural Gas Pipeline (TANAP) connects with the Trans Adriatic Pipeline (TAP) to Albania and under the Adriatic Sea to Italy.

Also, it is planned to increase natural gas transport from Italy further on to Western Europe. If Turkmenistan's natural gas is transported via this pipeline, this project might be a significant step toward the diversification of the natural gas sources of the EU. Due to its possible game-changing role in diversifying the European natural gas sources, the EU backs this project.[10] The European Commission (EC) has granted the TAP the status of a "Project of Common Interest."[11]

In general, Azerbaijan is relatively significant to international political actors due to its energy resources and geographical position between Iran and Russia, which don't have "warm" political relations with western countries. Some prominent politicians and political experts have emphasized the strategic importance of Azerbaijan in the Caspian Region. For instance, President Jimmy Carter's National Security Advisor from 1977–81, Zbigniew Brzezinski, who is recognized as one of the critical thinkers on modern international relations, characterizes Azerbaijan in his political work "The Grand Chessboard" as the vitally important "cork" that controls access to the "bottle" that contains the riches of the Caspian Sea basin and Central Asia:[12]

> "Azerbaijan's vulnerability has wider regional implications because the country's location makes it a geopolitical pivot. It can be described as the vitally important "cork" controlling access to the "bottle" contains the riches of the Caspian Sea basin and Central Asia. An independent, Turkic-speaking Azerbaijan, with pipelines running from it to the ethnically related and politically supportive Turkey, would prevent Russia from exercising a monopoly on access to the region and would thus also deprive Russia of powerful political leverage over the policies of the new Central Asian states. Yet Azerbaijan is very vulnerable to pressures from powerful Russia to the north and Iran to the south. There

10 Kostov, P. (2016). Archaeological Trial Trench Investigations & Rescue Excavations. Retrieved April 15, 2023, from http://web.archive.org/web/20201204084028/https://ec.europa.eu/inea/en/connecting-europe-facility/cef-energy/7.1.3-0013-elit-s-m-16

11 Ortis, A. (2015). Europe, Italy and TAP Project. In The Protection of Critical Energy Infrastructure Against Emerging Security Challenges (pp. 106–111). IOS Press.

12 Brzezinski, Z. (1997). The grand chessboard (Vol. 1).4 New York: Basic Books. p. 129.

> are twice as many Azeris—some estimate as many as 20 million—living in northwestern Iran as in Azerbaijan. That reality makes Iran fearful of potential separatism among its Azeris, and hence it is quite ambivalent regarding Azerbaijan's sovereign status, despite the two nations' shared Muslim faith. As a result, Azerbaijan has become the object of combined Russian and Iranian pressures to restrict its dealings with the West."

The Caspian Region is located at the cross of West-East and North-South corridors, so it is situated between the growing European and Asian energy markets and in the neighborhood of the largest energy sources, such as the Middle East and Russia.

The choice of transport routes is another essential characteristic of the new geopolitical constellation in the region. Almost all pipeline routes crossed vast areas of Russia even after the collapse of the USSR. However, after completing the BTC exporting Azerbaijani oil from the Azeri–Chirag–Gunashli (AGC) field via Georgia and Turkey to Europe, the Russian transport monopoly was broken in 2006. The project was backed by the EU and the United States of America (USA) and had a tremendous political impact.

1.2 Theoretical setting

Several political theories in international relations are used to study foreign policy, geopolitical, and states' energy interests. These theoretical concepts are valuable tools to measure the behaviors of international political actors. This work is based on four theoretical concepts: realism (international relations), geopolitics, political economy, and institutionalism, so the second chapter considers the core ideas of these theories.

1.2.1 Political realism

The study of international relations as a separate discipline resulted from World War I (WWI), which led to its birth as a new discipline.[13] Scholars of international relations focus mainly on the study of states and interstate relations in international relations.[14]

Realism is one of the most central concepts of international relations. An essential characteristic of political realism is the definition of international relations' basic principles in the context of a realistic paradigm. The actors of international rela-

13 Vasquez, J. A. (2014). The First World War and International Relations Theory: A Review of Books on the 100th Anniversary. International Studies Review, 16(4), 623–644.

14 Barnett, M. N., & Sikkink, K. (2008). From international relations to global society. In The Oxford handbook of political science.

tions adhere to a so-called "realistic political behavior strategy" because of international relations' real nature.[15]

Some scholars argue that political realism's theory has lost its relevance with the end of the Cold War between the USSR and the USA.[16] Some adherents of realism have even changed their views and opinions. The prominent experts of international relations like J. Legro and A. Moravcsik find political realism an obsolete theoretical concept:[17]

> "Our criticism of recent realist theory is not a semantic quibble, an invitation to yet another purely abstract debate about the labeling and relabeling of international relations ideal-types, or a philosophical inquiry into the development of research paradigms. It is a direct challenge to the theoretical distinctiveness of contemporary realism, one with immediate and significant practical implications. Recent realist theory has become a hindrance rather than a help in structuring theoretical debates, guiding empirical research, and shaping both pedagogy and public discussion. It no longer helps to signal the analyst's adherence to specific deeper assumptions implicated in any empirical explanation of concrete events in world politics."

However, the Caspian Region, generally, the post-soviet region, differs from others due to its unique political nature. Therefore, the critical elements of the realist paradigm are relevant to geopolitics in the Caspian region. The regional conflicts, authoritarian or semi-authoritarian states, the recent illegal annexation of Crimea by Russia, and the Russian aggression against Ukraine's sovereignty are the events that clearly show that the post-Soviet region's political processes deserve to be treated differently from other regions. Consequently, if the political processes in more or less democratic areas of the world are considered in the frames of the "soft power" conception, in contrast, the political constellation of the Caspian region should be treated through the "hard power" concept, an essential indicator of political realism.

The following factors characterize the political situation in the Caspian region:

- Geopolitical competition between different political actors;
- Absence of any political norms;

15 Cozette, M. (2004). Realistic realism? American political realism, Clausewitz and Raymond Aron on the problem of means and ends in international politics. Journal of Strategic Studies, 27(3), 428–453.

16 Legro, J. W., & Moravcsik, A. (1999). Is anybody still a realist? International security, 24(2), 5–55.

17 Ibid., pp. 7–8.

- The egocentric attitude of the state;
- Lack of trust between states.

Therefore, even though some scholars argue that political realism is obsolete as a political theory, it is still the most appropriate theoretical concept to explain current geopolitical processes in the South Caucasus and Central Asia.

1.2.2 The history of political realism and political realism as a theory of international relations

Political realism has a long history. Nicole Machiavelli, Carl von Clausewitz, and other prominent scholars, politicians, and diplomats played an essential role in studying political realism. Even though we primarily know political realism as an ideological concept in the works of some outstanding scholars like Thucydides,[18] Machiavelli,[19] the works of some famous theorists like E.Carr,[20] H. Morgenthau,[21] Carl von Clausewitz[22] and other realist scholars played a crucial role in the popularization of political realism. Political realism as a political ideology arose in the USA in the 1930s and the 1940s of the last century. One of the primary reasons for popularizing this concept was the authoritarian regimes' appearance around Europe.

H. Carr wrote the first fundamental work in the style of modern political realism. "The Twenty Years Crisis: 1919–1939: An Introduction to the Study of International Relations" was published in 1939. However, the first work that described some fundamental political realism principles was George F. Kennan's primary work: "Long Telegram."[23]

Political realism is a form of a political approach to international relations based on a state-centric political vision.[24] Consequently, the theory considers international relations as interstate relations and the states as the only real political

18 Arnold, T., & Tiddeman, R. P. G. (1868). Thoukydidēs: The History of the Peloponnesian War (Vol. 1). J. Parker & Company.

19 Machiavelli, N. (1995). The Prince [1513]. The Prince and other Political Writings, ed. S. Milner.

20 Carr, E. H., Cox, M., & Cox, M. (1946). The twenty years' crisis, 1919-1939: an introduction to the study of international relations (pp. 170-201). London: Macmillan

21 Morgenthau, H. J., Thompson, K. W., & Clinton, W. D. (1985). Politics among nations: The struggle for power and peace.

22 Von Clausewitz, C., & von Scherff, W. (1883). Vom kriege: Hinterlassenes werk des generals Carl von Clausewitz. R. Wilhelmi

23 Kennan, G. (1946). The long telegram. Origins of the Cold War. The Novikov, Kennan, and Roberts "Long Telegrams" of, 19–31.

24 Korab-Karpowicz, W. J. (2010). Political realism in international relations.

players. Political realism sees individual states' interests in global politics as the only fundamental element of international relations.

The main factors in international relations are national interests, the sovereignty of the state, and the balance of powers. This triad forms the basic principles of political realism. These three principles are seen as central to achieving the goals of states in international relations.

The actors use all possible means to achieve their goals in international relations. As political actors, they are willing to achieve their primary goals in any possible way, even if that means conflict and war. So, it follows that conflicts and wars are integral parts of international relations. Legal and moral principles have no value in international relations. Consequently, achieving complete peace through extant legal and ethical norms is impossible. Great powers only use notions like rights and morals to attain their goals. Otherwise, such concepts are simply ignored.[25]

One of political realism's most critical ideas is anarchism's existence in international relations. For this reason, the state, the main actor in international relations, can rely only on itself. However, since the international arena is characterized as anarchic by nature, the creation of alliances, coalitions and partnerships that promote power expansion is crucial for all actors of international relations. Especially the relatively small states have to collaborate with significant political actors because of preserving their sovereignty:[26]

> "The Security Dilemma is the notion that in a context of uncertainty and bounded rationality perceived external threats (real or imagined) generate feelings of insecurity in those states that believe themselves to be the targets of such threats, thereby leading those states to adopt measures to increase their power and capability to counteract those threats (alliance creation, arms build-ups, and so on."

1.2.3 Basic characteristics of political realism as a theoretical concept

Political realism can, in short, be characterized by the following signs:

- There are no steady rules in international relations, so they are based on anarchism and interstate political conflicts;
- The states are the main and only actors in international relations;

25 Morgenthau et al. (1985).

26 Cerny, P. G. (2000). The New Security Dilemma: divisibility, defection and disorder in the global era. Review of international Studies, 623–646, p. 627.

- The primary difference between the internal political systems of the countries and international relations is that international relations are unpredictable. In contrast, the internal policy is controlled and regulated by a system of law.
- Existing norms are not essential in the anarchic political world system.
- Since the international political arena is considered chaotic and anarchic, all states aspire to survive in the system of international relations. Therefore, preserving their existence and territorial integrity is the central goal of all states.
- The primary tool in the anarchic world system is power and mostly military power.
- The states have to be able to defend their political interests even through "hard power." Therefore, a state's use of military and economic power to protect its interests and goals in the international political arena is acceptable.
- Since survival is the primary goal, all must increase their military power and cooperate with other political actors in international relations in terms of the security of their existence.
- Once powers possess more authority and military power of enormous significance in international relations, relatively "small" participants of this "game" either lose their existence or have to accept being controlled by the "great" powers.

1.2.4 Edward Hallett Carr and realism

E.H. Carr is one of the most prominent political realism scholars who defined realism's central principles. There are some works of E.H. Carr dedicated to the study of international relations and political realism. However, the critical work is "The Twenty Years' Crisis: 1919–1939: An Introduction to the Study of International Relations." The book was written in the style of famous political scholars and philosophers like N. Thucydides, N. Machiavelli, and T. Hobbes.

In this work, E.H. Carr shares his thoughts concerning international relations. According to him, this work was written to resist a kind of dangerous impulse in assessing international relations. Moreover, he has a critical point of view regarding utopian ways of seeing international political relations, namely, ignorance of international relations' essential aspect as "military power."[27] Additionally, he criticizes the lack of a realistic approach to international relations in a utopic perception of international relations. He underlines the point that "hard power" has an enormous meaning in international relations.[28]

According to him, the Italian thinker Machiavelli put forward three primary principles that later formed the basis of political realism:[29]

27 Carr et al. (1946), pp. 103–108.

28 Ibid.

29 Ibid.

- History is a sequence of causes and effects. It means that it can be analyzed and understood.
- In contrast to the utopian understanding of the political processes, Machiavelli claims that it is not the theory that creates practice, but practice establishes the theory.
- Politics is not derived from morality as the scholars of utopic school claim it, but a politically dominant group plants morality. Morality is the product of power.

E. H. Carr says that international relations follow the same pattern. Dominant powers create so-called theories of international morals. Moreover, he claims that politicians use notions like morals, justice, etc., to hide their state's fundamental interests and create a negative image of other nations. Such attempts are merely to legitimize their interests, as a rule, these theories are helpful for dominant groups to impose their interests and point of view on the whole community.[30]

So, taking into account the world political system at the end of the 20th and the beginning of the 21st century, we may agree with Carr, who thinks that since 1918 the English-speaking people have dominated the world. Thus, modern theories serve to maximize their superiority and power in the international arena.[31] Additionally, he claims that realism does not deal with any moral norms. Thus, the morals in international relations are based on real politics. Carr thinks that international relations and politics cannot be based on universal ethical norms, so there are no universal morals or interests in international relations. The states insist on universal norms and benefits to realize interests.[32]

From his perspective, it is crucially important to understand that there is no place for utopian views in international relations. As an argument, E.H.Carr claims that World War II (WW2) happened because of abstract idealism. Therefore, the intellectual imaginations of a world without conflict led to a flawed assessment of reality.[33]

1.2.5 Hans J. Morgenthau's "Politics among Nations: The Struggle for Power and Peace"

Without any doubt, one of the most prominent scholars of political realism who played a significant role in the popularization of political realism as a concept of international relations is H. Morgenthau. Morgenthau's most famous work is "Politics

30 Ibid.
31 Carr et al. (1946).
32 Ibid.
33 Ibid.

among Nations: The Struggle for Power and Peace," published in 1948. H. Morgenthau defined some fundamental concepts of modern political realism. The book is regarded as having laid the foundations of political realism in the USA and worldwide.

Morgenthau asserts that international politics is a competition of power, and power is a tool for controlling human minds and actions. Morgenthau sees the struggle for power as a competition between states to influence world policy. The main goal of all these political actors is to expand their authority and power. According to Morgenthau, authority should be accepted as the primary source of all states' maximal security and welfare. He argues that there are two main possible ways for states to assert authority: "*military power*" and "*diplomacy*," which enable them to guarantee their authority and security.[34]

In the modern world, notions such as "national interests" or "state interests" are used instead of "power." H. Morgenthau believes that political actors' aspiration to increase their authority in the international political arena leads to a "power balance." Morgenthau sees this as the only way to guarantee security and save the world.[35]

Morgenthau has only two aspects: *international law and morals,* which hold back political actors within socially tolerable bounds. However, believing in peace based on international law and morals would be very unrealistic. Therefore, Morgenthau calls this process an illusion and an idealist scholar's inexcusable mistake. The collective security strategy cannot solve the problem of war or peace.[36]

1.2.6 The six main principles of political realism as defined by Hans Morgenthau

According to Morgenthau, there are six main principles of political realism. These principles are explained in the first paragraphs of his work-"Politics among Nations: The Struggle for Power and Peace":[37]

- Objective laws govern politics just like they do in society. These laws are connected very closely with human nature, so realism is the only rational theory that can cover all these laws.
- The main factor of political realism is rational self-interest. This notion enables us to understand politics as a separate part of humanity. Political realism urges

34 Morgenthau, et al. (1985).
35 Ibid., pp. 125–133.
36 Ibid.
37 Ibid., pp. 4–15.

rational policy. Therefore, once a rational system is a valid policy, it decreases risks and increases gains.

- In the context of political realism, the notion of interest is not constant but changeable. Therefore, it is connected very closely with the political and cultural context of international relations. The same principle is closely aligned to not only "interest" but also other notions such as "power" and "political balance" in international affairs.
- Even though political and moral norms are accepted by political realism in general, it is almost impossible to achieve significant success in the international political arena by following ethical standards. For this reason, moral norms have to be considered within the context of place and time. The central moral rules are "caution" and "moderation," according to political realism.
- There are strong contrasts between a specific nation's moral norms and the ethical dimensions that rule the world, so political realism does not accept any particular nation's moral tendencies.
- The theory of political realism is closely connected to human nature. Therefore, the so-called "political human being" is like an animal. For his reason, the "political human being" does not stop despite any moral norms.

1.2.7 Geopolitics

Geopolitics is used in this work as a theoretical concept to analyze and understand the political actors' policy involved in the Caspian Region's geopolitics and their political behavior in the region. The theory studies the geopolitical relations between states and current geopolitical and geoeconomic processes in the world arena. Geopolitics considers all factors relating to the territorial issues of the states, their borders, etc. However, if a short definition of geopolitics is needed, it might be: *geopolitics is the discipline that studies how geography influences power relationships in international relations*.[38]

The appearance of geopolitics at the end of the 19th and the beginning of the 20th centuries was caused not only by the popularization of international relations as a science but also because there was a need to understand newly established political constellations. Scholars like F. Ratzel (August 30, 1844 – August 9, 1904), R. Kjellén (13 June 1864– 14 November 1922), K. Haushofer (27 August 1869 – 10 March 1946), and H. Mackinder (15 February 1861–6 March 1947) are the founders of "institutional" geopolitics. F. Ratzel wrote the first work on geopolitics. However, he had never used this terminology in his works. Ratzel's significant work on geopolitics is "Political Geography," published in 1897.

38 Deudney, D. (2000). Geopolitics as theory: Historical security materialism. European Journal of International Relations, 6(1), 77–107.

Geopolitics was initially used as a term by another prominent geopolitics' prominent face, Swedish scholar Rudolf Kjellén. Rudolf Kjellén considered geopolitics as an integral part of sociology. According to him, geopolitics is a study about the geographical organism embodied in space. He made a legendary statement: "The state is a living organism:"[39]

> "Die Geopolitik ist die Lehre vom Staat als geographischem Organismus oder als Erscheinung im Raume: also, der Staat als Land, Territorium, Gebiet, am bezeichnendsten als Reich (The theory of the state as a geographical organism or phenomenon in space: so, the state as a country, territory, area, most typically as an empire)."

Classic geopolitics focuses on two notions: land power and sea power. Therefore, geopolitics implies a kind of geopolitical confrontation between sea and land powers.[40] According to classical geopolitical theory, the center of civilization is Eurasia.[41] America (Seapower) is located in the center of the Sea.[42] The mightiest sea power is the USA, while Russia is very often the land power. Therefore, the Land and the Sea are constants according to the geopolitical theory. The geopolitical strategy of the Sea is Atlantic,[43] while the geopolitical conception of Eurasia is Eurasianism.[44] Therefore, the Sea and Land represent two different strategies and points of view.

Like other disciplines and theories, geopolitics is in continual development.[45] Hence, since geopolitics is a science, there have been many discussions on geopolitics' objects and subjects.[46] As international relations are dynamic geopolitical theory changes as world politics change. Therefore, modern geopolitics has become a complex discipline covering the political processes analysis at the global, regional, and sub-regional levels.[47]

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39 Kjellén, R., & Sandmeier, J. (1924). Der staat als lebensform. K. Vowinckel, p. 45.

40 Flint, C. (2016). Introduction to geopolitics. Taylor & Francis.

41 Knutsen, T. L. (2014). Halford J. Mackinder, geopolitics, and the heartland thesis. The International History Review, 36(5), 835-857.

42 Berlin, D. (2010). Sea power, land power and the Indian Ocean. Journal of the Indian Ocean Region, 6(1), 52-66.

43 İşeri, E. (2010). Eurasian geopolitics and financial crisis: transforming Russian–Turkish relations from geopolitical rivalry to strategic cooperation. Journal of Balkan and Near Eastern Studies, 12(2), 173-186.

44 Petersen, A. (2011). The World Island: Eurasian Geopolitics and the Fate of the West: Eurasian Geopolitics and the Fate of the West. ABC-CLIO.

45 Toal, G. (1998). Rethinking geopolitics. Psychology Press.

46 Tuathail, G. Ó., & Toal, G. (1994). Critical geopolitics and development theory: intensifying the dialogue. Transactions of the Institute of British Geographers, 228–233.

47 Clover, C. (1999). Dreams of the Eurasian Heartland-The Reemergence of Geopolitics. Foreign Aff., 78, 9.

1.2.8 Mackinder and his "Heartland"

The most prominent founder of geopolitics is Sir Halford John Mackinder. His work, "The Geographical Pivot of History," is a geostrategic theory first proposed by Mackinder in the Geographical Journal in 1904. Mackinder's legendary work on geopolitics is accepted as one of the major works written on geopolitics. Mackinder came up with the concept of the "Heartland."

The "Heartland" of Mackinder is the classic geopolitical theory that looks at the geopolitical rivalry between coastal and continental powers. In Mackinder's view, continental power is better than sea power as a continental power would, by definition, possess the center of the world, that is, Eurasia. Consequently, once control over the continent is established, the continental power can control the rest of the world.[48]

Mackinder improved his thoughts on the geopolitical constellation of the world proposed by himself in 1904 in his work "Democratic Ideals and Reality," published in 1919. He defines Eurasia as the "Heartland"[49] as the "central continent:"[50] "Who rules East Europe commands the Heartland; Who rules the Heartland commands the World-Island; Who rules the World-Island commands the world."

He calls Eurasia "the heart of the world" or the "Heartland." According to him, this space covers the Far East and a part of Eastern Europe, and it is the center of the world (see Map 1). He called the "Heartland" "the world island." "The Round World and the Winning of the Peace," written by Mackinder in 1943, brought some amendments to his previous work. However, he still thought that the Eurasian continent has enormous meaning for command in world policy.[51]

He played a significant role in forming strategic British foreign policy and proposed the most subversive version of the world's political history.[52] However, even though he is seen as a critical geopolitical scholar who played an enormous role in popularizing this flow, some scientists do not accept his thoughts.[53]

We can argue that Mackinder is the founder of Anglo-Saxon geopolitics epitomized by the USA and the North Atlantic Treaty Organization (NATO) today. The pol-

48 Mackinder, H. J. (2004). The geographical pivot of history (1904). The geographical journal, 170(4), 298–321

49 Mackinder, H. J. (1919). Democratic ideals and reality: a study in the politics of reconstruction (Vol. 46399).

50 Ibid., p. 150.

51 Mackinder, H. J. (1942). The round world and the winning of the peace. Foreign Aff., 21, 595.

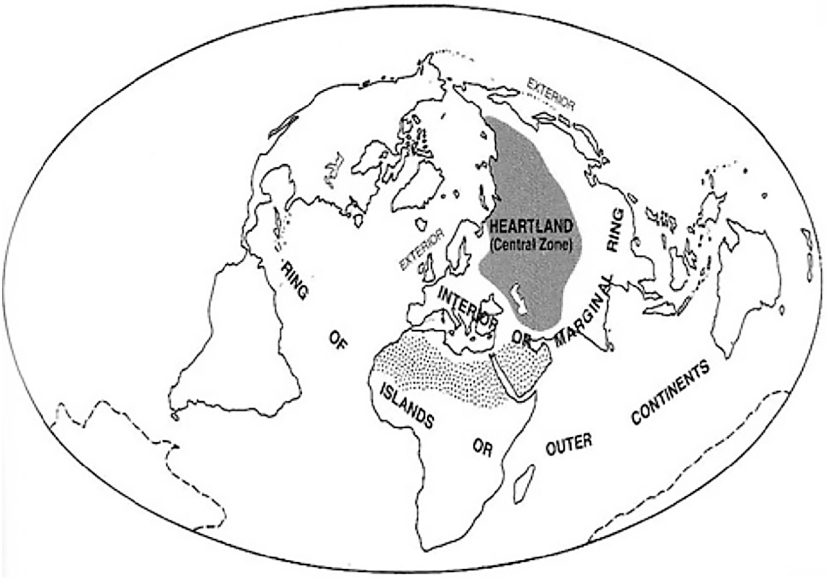
52 Fettweis, C. (2003). Revisiting Mackinder and Angell: The obsolescence of great power geopolitics. Comparative Strategy, 22(2), 109-129.

53 Ergashev, B. (2005). Determinism versus friction: a critique of MacKinder. Central Asia and the Caucasus, 4.

icy of the USA and NATO can be seen through the "Heartland" strategy of Mackinder. Consequently, the USA and NATO have expanded to the East.

Some scholars argue[54] that the suggested "Heartland" theory is obsolete and controversial.[55] However, considering the current geopolitical constellation in the world policy and especially in Eurasia, we have to give some credit to Mackinder's legendary work, even though some statements of this work are relatively controversial. The geopolitical rivalry between the USA and Russia is still relevant. For instance, the annexation of Crimea by Russia, the Kremlin's aggression against Ukrainian statehood, the expansion of NATO to East Europe and Central Asia, etc., can be seen through this prism.

Map 1: Mackinder's "Heartland" ("Geographic Pivot of History," 1904)[56]



54 Fettweis (2003).

55 Gray, C. (2004). In defense of the heartland: Sir Halford Mackinder and his critics a hundred years on. Comparative Strategy, 23(1), 9-25.

56 https://www. mackinderforum.org

1.2.9 Brzezinski and "the Grand Chessboard"

Zbigniew Brzezinski and Henry Kissinger are the faces of 20th century US foreign policy. Dr. Brzezinski occupied high office in the White House under several different administrations. He was a member of the presidential administration during the presidency of John Kennedy and Lyndon Johnson and later became an advisor to the 39th president of the USA, Jimmy Carter. He even served as Barack Obama's foreign policy adviser in the final years of his life.

His books, "Out of Control," "The Grand Failure," "The Grand Chessboard," "Power and Principle" reflect Zbigniew Brzezinski's point of view on the geopolitical processes in the world. However, despite some crucial works on geopolitics, his most famous book is "the Grand Chessboard," published in 1997.

In his most significant work, "The Grand Chessboard," Brzezinski shares his geopolitical thoughts on the future of the world's political system and covers the long-term geopolitical interests of the mightiest state of the world. This work could be accepted as one of the most significant works on geopolitics. The main message of the work is the need to strengthen the United States' geopolitical dominance in Eurasia.[57]

According to Brzezinski, Eurasia is a kind of chessboard where the political actors compete to achieve command of the world. Under the region of the interests, he means the space, which extends from Lisbon to Vladivostok and includes Central (Russia), West (Europe), South (the Middle East and Central Asia), East (Southeast Asia)[58] (see Map 2). The political actor that once achieved dominance over this region will dominate the other parts of the world.

Therefore, Eurasia has enormous meaning in foreign policy, and the USA's global primacy is directly dependent on its domination in this continent:[59]

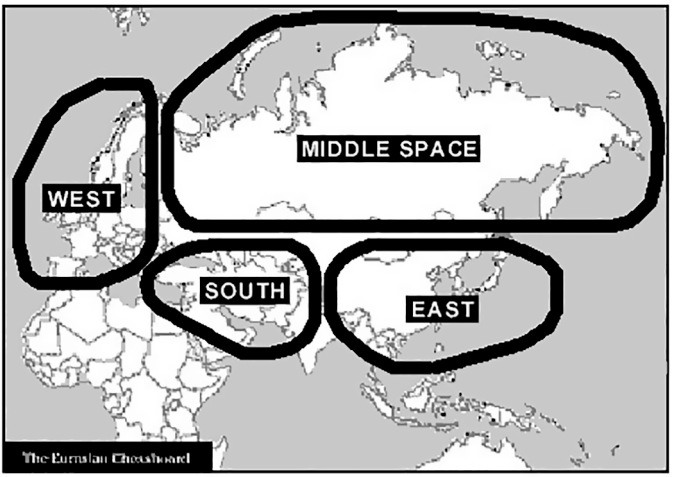
> "For America, the chief geopolitical prize is Eurasia. For half a millennium, world affairs were dominated by Eurasian powers and peoples who fought for regional domination and reached out for global power. Now a non-Eurasian power is preeminent in Eurasia—and America's global primacy is directly dependent on how long and how effectively its preponderance on the Eurasian continent is sustained."

57 Brzezinski, Z. (1997). The grand chessboard (Vol. 1). New York: Basic Books.

58 Labeviere, R., & Labévière, R. (2000). Dollars for Terror: The United States and Islam. Algora Publishing.

59 Ibid, p. 30.

Map 2: Brzezinski's map of the Eurasian Chessboard[60]



He underlines that, for the first time in history, the world's mightiest world power is not a state from the continent (Eurasia) but the USA. Brzezinski's thought could be interpreted to mean that the USA has an obligation to be the dominant power of the world and should not allow the emergence of a rival power, which could challenge its unipolar world dominance in the world political arena.[61]

A significant part of his work is dedicated to Russia as the SU's successor after its fall. According to him, the collapse of its main rival, the SU, made the USA the only dominant power globally.[62] Mackinder's statement on the importance of Eurasia:[63]

> "Who rules East Europe commands the Heartland;
> Who rules the Heartland commands the World-Island;
> Who rules the World-Island commands the world"

is a fundamental principle of Brzezinski's thought on the Eurasian continent's importance for world domination by the United States (US). He argues that some former states of the SU have particular significance in the US' Eurasian policy. Brzezinski underlines the vital importance of Azerbaijan, Uzbekistan, and Ukraine in the geopolitical confrontation between the West (USA) and Russia:[64]

60 Brzezinski, Z. (2016). The grand chessboard: American primacy and its geostrategic imperatives. Basic books.
61 Brzezinski (1997).
62 Brzezinski (2016), p. 10.
63 Mackinder (1919).
64 Brzezinski (1997).

"An independent Azerbaijan can serve as a corridor for Western access to the energy-rich Caspian Sea basin and Central Asia. Conversely, a subdued Azerbaijan would mean that Central Asia could be sealed off from the outside world and thus rendered politically vulnerable to Russian pressures for reintegration."[65]

"Most important, however, is Ukraine. As the EU and NATO expand, Ukraine will eventually be in the position to choose whether it wishes to be part of either organization. It is likely that to reinforce its separate status, Ukraine will wish to join both, once they border upon it, and once its internal transformation begins to qualify it for membership."[66]

1.2.10 Political economy

Political economy is used as a theoretical tool to analyze the content of the chapter, which deals with the Caspian region's energy resources and the history of their production and meaning for the world energy market, including some topics such as oil and natural gas production of Azerbaijan, Kazakhstan, and Turkmenistan, essential stages in the development of Azerbaijani oil industry, Kazakhstan's oil reserves, and prospective oil fields, Turkmenistan's potential natural gas export routes, etc.

Political economy was studied more than four centuries ago. However, only the appearance of capitalism led it to be studied as a separate subject. The establishment of the political economy as a theoretical concept is a 19th-century phenomenon.[67] The term political economy is translated from Greek-"politicos" as a state, public, oikonomia-household management, and nomos-law, custom. There are some definitions of political economy,[68] but the theory of political economy can be shortly defined as the following:

The political economy is a theoretical concept focused on studying society's public human relations in the process of production, distribution, and consumption of vital benefits.

Therefore, the political economy deals with public relations, which are created in the process of production:[69]

- Production;
- Distribution;

65 Ibid., p. 120.

66 Ibid.

67 Gal, S. (1989). Language and political economy. Annual Review of anthropology, 18(1), 345–367.

68 Malthus, T. R., & Pullen, J. (1989). TR Malthus: Principles of Political Economy: Volume 2 (Vol. 2). Cambridge University Press.

69 Goodman, K. (2015). The Weight of All Flesh: The Tanner Lectures.

- Exchange;
- Consumption of material benefits.

The founders of political economy are William Petty, Adam Smith, and David Ricardo. However, Thomas Robert Malthus and Claude-Frédéric Bastiat have played an enormous role in the subject's theoretical definition. The political economy's central issue focuses on relations between people, participated groups, and social production companies. Alongside studying the means of social production, political economy deals with finding out the most useable strategies to achieve economic development and wealth.[70]

Thanks to the significant contributions of Adam Smith,[71] David Ricardo,[72] Thomas Robert Malthus,[73] and Claude-Frédéric Bastiat,[74] the systems of concepts and categories of political economy were formed. According to them, society is based on industrial production. However, Karl Marx and Friedrich Engels revolutionized the political economy. They considered economic phenomena like goods, money, and capital as a measure of relations between people.[75]

Antoine de Montchrestien, a French economist and dramatist, used the term "political economy" for the first time in his treatise on political economy-"Traite d'economie politique" ("The Treatise on Political Economy"). The paper was published in 1615 and became Antoine de Montchrestien's first and last work on the economy.

Adam Smith is one of the founders of the political economy, and his famous book is: "An Inquiry into the Nature and Causes of the Wealth of Nations," better known as "The Wealth of Nations." It is one of the two major works on political economy and Karl Marx's "Capital," published in 1867.

Even though different groups of political economists define some similarities, there are many flows of political economy. Marxist political economy is the largest politico-economic school among them.

70 Ibid.

71 Smith, A. (1937). The wealth of nations [1776].

72 Ricardo, D. (1891). Principles of political economy and taxation. G. Bell and sons.

73 Malthus, T. R. (1951). Principles of political economy (1820). New York: Augustus Kelly.

74 Bastiat, F. (1944). Harmonies of political economy. Jazzybee Verlag.

75 Serrat, O. (2017). Political economy analysis for development effectiveness. In Knowledge Solutions (pp. 207–222). Springer, Singapore.

1.2.11 Institutionalism

The formation of the institutional approach in international relations began at the end of the 19th and 20th centuries.[76] Scholars such as Thorstein Veblen,[77] and Wesley Clair Mitchell[78] are "pioneer scholars" of institutionalism and played a crucial role in developing and popularizing institutionalism as a theoretical concept. Institutionalism was later renamed "classical intuitionalism."

As a new perception of international relations, institutionalism was initially formed as an alternative to the economy's neoclassical concept. Institutionalism is a concept in international relations, which deals with the economic perception of analyzing institutes. As a theoretical concept, institutionalism is based on the micro-economical theoretical concept.

The core concept of institutionalism was initially established and used by economists. However, institutionalism also started to be used by politicians very actively in the 20th century. Douglass North, the most famous scholar of institutionalism, was an economist and won the Nobel Prize. North has played a crucial role in understanding some critical points like understanding the core principles of institutional approach in international relations, the significant connection between political and economic processes.[79] Moreover, he emphasizes the vital role of individualism in the development of institutionalism. However, he did not think that forcing the development of institutionalism in developing countries would bring desirable results.[80]

Another prominent face of institutionalism is Stephen Krasner,[81] who coined a concept of institutionalism for international relations regimes.[82] Even though some scholars accept Stephen D. Krasner as a realist scholar of the international political economy, institutionalism is essential. Therefore, thanks to him, the scientific community can better understand the interconnection between international regimes

76 Fioretos, O. (2011). Historical institutionalism in international relations. International Organization, 367-399.

77 Veblen, T. (2005). The theory of the leisure class: An economic study of institutions. Aakar Books. 80 Rutherford, M. (1987). Wesley Mitchell: institutions and quantitative methods. Eastern Economic Journal, 13(1), 63-73.

78 Rutherford, M. (1987). Wesley Mitchell: institutions and quantitative methods. Eastern Economic Journal, 13(1), 63-73.

79 Faundez, J. (2016). Douglass North's theory of institutions: lessons for law and development. Hague Journal on the Rule of Law, 8(2), 373-419.

80 Faundez (2016).

81 Stephen David Krasner is an American academic and former diplomat. Krasner has been a professor in political science at Stanford University since 1981.

82 Segbers, K., Dyllick-Brenzinger, P., Hoffmann, K., & Mauersberger, C. (2006). Global politics: how to use and apply theories of international relations.

and sovereignty and the core contrasts between control and authority in politics. Due to his political approach, Stephen D. Krasner is often defined as a constructivist school member. He considers some points like the significance of ideas and identities in international relations and politics.[83]

1.2.12 Theoretical characteristics of institutionalism

As a concept, institutionalism explains political or economic cooperation between states or different actors. Additionally, the theory incorporates crucial issues like stability and security. The main idea of institutionalism is that potential cooperation between actors of international relations is possible and might help cooperated sides (states).[84]

Some essential principles are inherent to institutionalism:[85]

- States are accepted as the leading representatives of the international political system;
- Economic revenue is the most crucial goal of all actors;
- Through cooperation, states intend to increase their economic gain;
- Their self-absorbed nature characterizes the actors of the global system;
- International relations are based on self-absorption.

In contrast to adherents of political realism, institutionalists argue that even though the international political system is anarchic, it is symbolized by interdependence between actors at the same time. Moreover, another essential characteristic of institutionalism is the fact that all states accept the extant "rules of the game" even though the short-term effects of these "game rules" harm the states. Therefore, the actors accept these rules because they are sure that other actors will agree with these international relations' extant rules.[86]

The representatives of the liberal school generally have a positive attitude towards intuitionalism.[87] Liberal scholars believe that the existence of institutes is a crucial factor in terms of achieving cooperation between states,[88] and having joint

83 Keohane, R. O. (2013). Stephen Krasner: Subversive Realist. Back to Basics: State Power in a Contemporary World, 28–53.

84 Ibid.

85 Hirschl, R. (2004). The political origins of the new constitutionalism. Indiana Journal of Global Legal Studies, 11(1), 71–108.

86 Hirschl (2004).

87 Keohane, R. (2011). Neoliberal institutionalism. Security studies: A reader, 157-64.

88 Grieco, J. M. (1988). Anarchy and the limits of cooperation: a realist critique of the newest liberal institutionalism. International organization, 485–507.

interests lead to collaboration between actors.[89] So, the states are obsessed with maximizing their gains. Simultaneously, they do not care seriously about the lower benefits of other actors taking part in cooperation.[90]

1.2.13 Comparison of realism and institutionalism

There are many systematic similarities and agreements between institutionalist and realistic conceptual approaches. According to both theories, the main actors of international relations are states. The primary goal of states consists in maximizing their interests in the anarchic global system.[91] Thus, as both concepts accept that the international system is anarchic, for this reason, the actors are interested only in their existence and security.

Moreover, representatives of both schools argue that anarchy is the defining feature of international relations. So, the global system is characterized by the absence of central power. For this reason, there is no significant power that can bring order to the anarchic international system.[92] Since the international system is anarchic, and there are no existing moral norms, all actors try to expand their political and economic power to survive in this lawless world.

However, the two approaches are different. International cooperation, for example, is seen differently by the two theories. The main opposition is established because of the nature of the interaction between states. Representatives of the realistic school argue that states will not cooperate as they are motivated by pure self-interest even if they possess collective political and economic interests.[93] Therefore, cooperation between states is almost impossible.[94] However, if the realists have a skeptical approach to creating cooperation between states, the institutionalists favor establishing a partnership through the shaping of some norms, rules, etc. From the point of institutionalism, uncertainty is considered the most central obstacle in the cooperation of states.

Besides, institutionalists argue that what each actor gains can be boosted significantly through the cooperation between them. Thus, every state must collabo-

89 Richardson, J. L. (2008). The ethics of neoliberal institutionalism. In The oxford handbook of international relations.

90 Nuruzzaman, M. (2006). Liberal Institutionalism and Cooperation in the post-9/11 World.

91 Keohane, R. O. (2008). International Institutions and State Power.

92 Ibid., p. 62.

93 Good, R. C. (1960). The National Interest and Political Realism: Niebuhr's" Debate" with Morgenthau and Kennan. The Journal of Politics, 22(4), 597-619.

94 Waltz, K. N. (1986). Reflections on theory of international politics: A response to my critics. Neorealism and its Critics, 322–45.

rate with an (other) state (s) and increase its revenue.[95] To sum up, the realists have a very skeptical approach toward cooperation between states, international law, and institutions' functions. In contrast, the adherents of institutionalism believe in the efficiency of collaboration between states.

1.3 Methodology

The research methodology is a qualitative study. This method allows the author to answer the research questions comprehensively and scientifically. Moreover, the qualitative research method allows the researcher to carry out an empirical test of the research hypotheses.

This work consists of interdisciplinary analysis. The research looks at elements of politics and international relations. It also includes natural sciences features, especially in the chapter on the Caspian region's energy resources.

The research method used in this work is deductive. The deductive method is used because it allows us to test the validity of the work's hypotheses.

The geopolitical interests and energy policies of the different political actors in the Caspian Region are considered. In addition, the instruments political actors use to advance their interests in the South Caucasus and Central Asia are also reviewed in this project.

In other words, different aspects of energy and geopolitical interests of the USA, China, Russia, the EU, and other significant political actors involved in the geopolitics of the Caspian Region will be considered and systematically analyzed. In addition, the problems, perspectives, and development tendencies of the region are also researched with the systematic approach strategy's help.

The work focuses on the modern political history of the Caspian Region and the geopolitical- and energy interests of the different states in the region after the USSR's fall. However, it begins with a short historical recall of the "Great Game," the 19th-century historical confrontation between the Tsarist and British Empires, to explain the region's historical significance.

The required data has been collected by analyzing the methods of the work's content. The data that has been used comes from diverse sources. Both primary and secondary sources are used. Fundamental to the data collection are interviews with experts, the official strategic papers, the statistics of the Energy Information Administration (EIA), British Petroleum (BP), the State Oil Company of Azerbaijan Republic (SOCAR), the State Oil Fund of Azerbaijan (SOFAZ), etc.

95 Keohane, R. O., & Martin, L. L. (1995). The promise of institutionalist theory. International security, 20(1), 39-51.

The interviews were done after finding some significant gaps in the extant research. The experts for discussion and interviews were chosen based on their expertise. The interview questions were prepared, while the interviews were conducted in the format of "question and answer." The interviews were done in Cambridge (the USA), Berlin, Bonn, Cologne (Germany), Ghent (Belgium), Astana (Kazakhstan), and Baku (Azerbaijan) from 2014 to 2020. The most extended interview lasted for more than two hours, while the shortest carried on for almost 45 minutes.

The first group of experts comprised German scholar Dr. Uwe Halbach. Dr. Halbach from the German Institute for International and Security Affairs (The Stiftung Wissenschaft und Politik) is an expert on the Caucasus and a research assistant at the Stiftung Wissenschaft und Politik.

The second group of experts comprised a mix of American, Belgian, and Kazakh experts. Timothy J. Colton is Morris and Anna Feldberg, Professor of Government and Russian Studies and the Department of Government Chair. His main interest is Russian and post-Soviet government and politics.

Fabienne Bossuyt is an Assistant Professor at the Centre for EU Studies at Ghent University.

Murat Lamulin is a chief researcher at the Kazakhstan Institute for Strategic Studies in Almaty.

There are not many experts who can objectively assess the regional states' oil and natural gas resources. Therefore, Ilham Shaban is the only expert belonging to the third interview group. He is a leading oil and natural gas expert in Azerbaijan whose assessments were extremely useful in understanding Azerbaijan's oil and natural gas potential.

There is a lack of appropriate and objective sources on international political actors' policy in the South Caucasus and Central Asia and the regional states' real energy potential. As a rule, it is not an easy task to find objective and actual information concerning these points since the importance of this region in the foreign policy of the USA, the EU, and China, and the natural resources and energy potential of this region is very often exaggerated primarily by regional governments and even by some political and energy experts.

Google Scholar was used to check the available scientific works on the topics of the dissertation. Moreover, commercial social networking websites for academics, such as Academia.edu and Research Gate, were also utilized to investigate extant scientific papers concerning geopolitics and energy policy in the Caspian Region.

The used materials are predominantly in English and German.

The different political and energy maps, charts, figures, and other tools help illuminate the research content. The tables and figures are used broadly, especially in the fourth and fifth chapters, to get precise and actual information on the chapters' content.

The information concerning the oil, natural gas, and economy-related issues was mainly taken from primary databases such as US Energy Information Administration (US EIA), BP, Economic Information Center (CEIC), and Business Monitor International (BMI). They are among the most reliable energy and economic sources in the world. Moreover, some data were obtained from Azerbaijan, Kazakhstan, and Turkmenistan's Energy Ministries and State Oil and Natural Gas companies.

Moreover, the energy dependence of Azerbaijan and the correlation between the country's energy income and GPD were measured through data from figures released by the Trading Economics Agency, the State Statistical Committee, the Central Bank of Azerbaijan, and SOCAR. Data from the Carnegie Endowment for International Peace was used to forecast oil production in Azerbaijan in the upcoming years, while data from the Social Watch poverty eradication and gender justice organization played a crucial role in the evaluation of the gap in the budget of Azerbaijan in the background of decreasing oil prices in the world energy market starting from 2014.

Data from the US EIA was used in the fifth chapter of the project. Maps from this source provide reliable information on Kazakhstan's significant crude oil and natural gas pipelines. Simultaneously, the Ministry of Energy of Kazakhstan's data was used to measure the capacity of natural gas production in Kazakhstan. The US EIA is also utilized to measure Azerbaijan, Kazakhstan, and Turkmenistan's real crude oil production potential. The US EIA data was also valuable in obtaining factual information on the capacity, destinations, lengths, and other details of the oil and natural pipelines in Azerbaijan, Kazakhstan, and Turkmenistan. Moreover, the energy agency data helped to measure the actual oil and natural gas consumption in Azerbaijan, Kazakhstan, and Turkmenistan.

The data from Trading Economics has tremendous significance as it gives information not only on the crude oil production in Azerbaijan, Kazakhstan, and Turkmenistan but also on Azerbaijan's GDP from 2011 to 2020. This is very useful to assess the correlation between the country's energy sector and Gross Domestic Product (GDP). In addition, BMI data was utilized to measure Turkmenistan's gas production and export potential.

Finally, numerous discussions with leading scholars and experts in Azerbaijan, at the Baku State University, and in the USA at the Harriman Institute of Columbia University and the Davis Centre of Harvard University served as another crucial source in writing this dissertation.

Chapter 2. The Caspian Region and its role in the foreign policy of international political actors

Abstract *The second chapter presents a clear picture of the geopolitical situation in the region by combining various topics. The chapter starts with analyzing the definition of the "Caspian Region." The Caspian Region is relatively new to the geopolitical map, and notions such as "the Caspian Region," "the states of the Caspian Region," etc., are clearly explained. A significant part of the chapter is the analysis of the question-why does this region have such importance in the foreign policy of the "powers" like the USA, China, Russia, EU, and some other regional and international actors;*

The "Great Game" notion is also covered in the third chapter. The geopolitical meaning of the region in the new political constellation of Eurasia is often considered in the "new Great Game." The second chapter's short overview of regional conflicts is another task. It is evident that, without security, neither political nor economic progress can be achieved.

2.1 The downfall of the USSR and the new states of the Caspian Region

Notions like "the Caspian Region" and "the states of the Caspian region" are relatively new notions in the dictionary of modern politics. Not much research has looked into the relatively new concept "Caspian Region." Moreover, the definition of the states that belong to the Caspian Region is varied. One explanation is that the Caspian Region states are based on their geographical nearness to the Caspian Sea. Suppose geographical closeness is considered the essential criterion for states belonging to the Caspian space. It means that the Caspian region encloses Azerbaijan, some parts of Russia, the western part of Kazakhstan, Turkmenistan, and the northern part of Iran. Going by this definition, Azerbaijan, Russia, Kazakhstan, Turkmenistan, and Iran are the Caspian region's states. Therefore, after the SU's breakup, the Caspian Sea is bounded in the northeast, west, and southeast by the newly independent states of Kazakhstan, Azerbaijan, and Turkmenistan, respectively. Also, it is bordered to the south and northwest by the two traditional countries of this region: Russia and Iran (see Map 3).

Map 3: The countries of the Caspian Sea[1]

A critical factor that makes this region extremely important in the policy of different political actors is the presence of a significant amount of energy reserves,[2] which plays an essential role in the new political constellation of the region.[3] Different scientists and energy experts stress the existence of significant oil and natural gas resources in the Caspian region. For example, the region has the third most important oil and natural gas reserves after the Persian Gulf and Russia. According to Ghafouri,[4] the existence of abundant energy reserves in this region is one of the main reasons for some controversial regional initiatives to unite the areas and states into one united region. Some experts combine regions such as Central Asia, the South Caucasus, and the Near East into one unified area. For example, the Caspian Space is considered by G. Kemp as a vital part of the "strategic energy ellipse,"[5] which encloses the two most crucial energy-rich regions of the world: the Persian Gulf and the Caspian Sea (see Map 4).

Another exciting and controversial definition of the Caspian Region is offered by the former Research Director of the Caspian Studies Program at Harvard University, Brenda Shaffer.[6] She prefers the term "Caspian region" as a legal definition,

1 https://www.bbc.com

2 Makarychev, A. (2011). The Caspian Region.

3 Amineh, M. P. (1999). Towards the control of oil resources in the Caspian region (Vol. 60). LIT Verlag Münster.

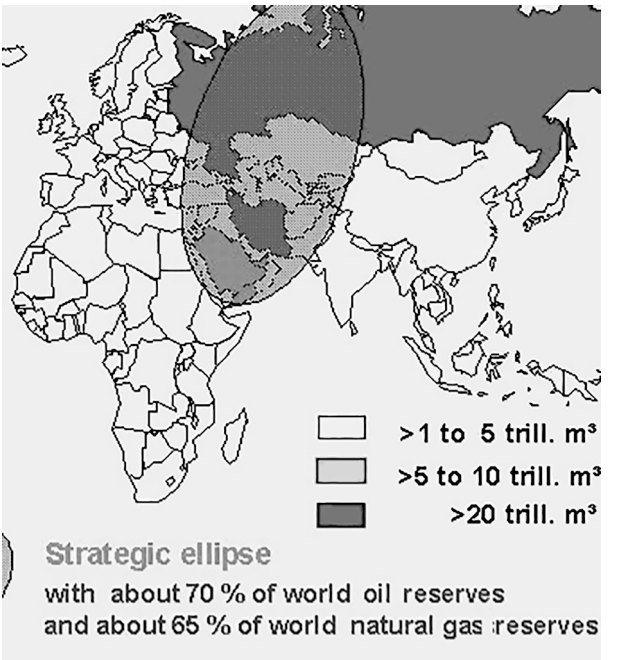
4 Ghafouri, M. (2008). The Caspian Sea: rivalry and cooperation. Middle East Policy, 15(2), 81.

5 Kemp, G., & Harkavy, R. E. (1997). Strategic geography and the changing Middle East. Brookings Inst Press.

6 An American and Israeli scientist, member of the American Association of the political sciences. She has also worked as a political researcher and the political analyst of the Israeli government.

even though its states are different both culturally and geographically. Shaffer argues that the description of the area using this flexible notion makes more sense than the Caspian Region states' simple determination utilizing geographic proximity. Factors such as how people live and their economic and security interests in different spheres have more sense than a simple definition of this region's states according to a banal geographic definition of states. Based on Shaffer's constellation, this region thus composes the following countries: Iran, Turkmenistan, Uzbekistan, Kazakhstan, Armenia, Azerbaijan, and Georgia.[7]

Map 4: The strategic energy ellipse[8]



Geographical concepts that encompass parts or whole areas like Central Asia or the South Caucasus are prevalent. However, often research that looks at the South Caucasus and Central Asia does not coincide with the concept of the Caspian region

7 Gewertz, K. (January 30, 2003). A different view of the Islamic world: Retrieved April 23, 2023, from http://web.archive.org/web/20210125053031/https://news.harvard.edu/gazette/story/2003/01/a-different-view-of-the-islamic-world/

8 https://www.researchgate.net

in full. Therefore, I am persuaded that the contrasts between these regions become more evident in the case of concentration only on specific concepts.

Given the controversy surrounding any definition of the Caspian region, it is important to stress that an assertion that the Caspian, as a geographical region, exists needs careful scientific analysis. The first use of this term appears in modern political and geographic works, above all, after the SU's decay and proclamation of the new states by Azerbaijan, Kazakhstan, and Turkmenistan.[9] The fundamental changes in the region's political map happened precisely after the breakdown of the SU, and this region emerged as an important region in world policy.[10]

2.1.1 The geostrategic significance of the Caspian Region

The access of western actors and energy enterprises to the Caspian region became possible only with the fall of the USSR and the gradual loss of the Kremlin's political influence over this region in the first years of the 1990s.[11] In the first years of independence, there were a few features common to the region's countries:

- A huge desire of the new states of the Caspian Region to stay independent;
- The interests of international political actors in this region;
- Weakening the Kremlin positions because of Russia's internal political problems and effort to solve its political crisis within the country.

Since the breakdown of the SU, the Caspian region, which encompasses the South Caucasus and Central Asia, is of tremendous interest in the geopolitical map of Eurasia.[12] Considerable energy reserves were the cause of growing attention to this region.[13] US energy experts, in particular, considered the Caspian region as a critical oil region that could solve the energy problem of the US. Therefore, energy pundits characterized the Kashagan and Tengiz fields' enormous oil resources

9 ONeal, B. (2011). National Security & Caspian Basin Hydrocarbons.
10 Halbach, U. (2004). Öl und Great Game im Kaukasus. na.
11 ONeal (2011).
12 Čufrin, G. I., & Chufrin, G. I. (Eds.). (2001). The security of the Caspian Sea region (No. 1). Oxford University Press on Demand.
13 Ghafouri (2008).

in Kazakhstan and the Azerbaijani "Megastructure" as crucial for meeting US oil demand.[14] For instance, Fortune writes:[15]

> "Finally, there's the Caspian Sea-a vast region that includes Kazakhstan, Turkmenistan, and Azerbaijan. When oilmen anywhere in the world gather, this area stirs talk of a Spindle top-like gusher. Indeed, when word reached Dallas in early 2000 that a test well in the north Caspian's Kashagan field indicated major oil and gas deposits, Exxon Mobil's normally reserved Harry Longwell raised his fists and cheered, "Score!" Outside experts like Esser say Kashagan is the biggest global oil discovery in 30 years, with the potential to deliver a million barrels a day by about 2010. Toss in other Caspian finds like Tengiz and the Azerbaijan Megastructure, and you're talking another two million barrels a day. Together that's equivalent to 15% of America's daily energy needs."

The Caspian Region, after the collapse of the USSR, has evoked considerable interest. For instance, the German scholar Rainer Freitag-Wirminghaus gives a progressive description of the Caspian region's geopolitical situation.[16] Even though his analysis was made almost 20 years ago, the key points are pertinent to the present moment because the political situation in the region has not changed dramatically since that time:[17]

- Energy resources play an essential role in the economic development of the new states of the Caspian region;
- New countries of this region perceive oil and natural gas as significant political leverage for the guarantee of their independence;
- Russia cannot consider this region as its backyard anymore;
- The USA undertakes active political involvement in the South Caucasus and Central Asia, particularly after the 9/11 terror attack in the USA.

Among the main political actors: USA, Russia, and EU, the countries of South and South-East Asia, India, and China are also involved in the region's geopolitics. These

14 CNN.com. (November 12, 2001). Breaking OPEC's Grip forget about energy independence. We will continue to be reliant on imported oil., but that doesn't mean OPEC will always have us over a barrel. (2001, November 12). Retrieved April 05, 2021, from http://web.archive.org/web/20130402150940/http://money.cnn.com/magazines/fortune/fortune_archive/2001/11/12/313332/index.htm

15 Ibid.

16 A German researcher of the South Caucasus and Central Asia.

17 Freitag-Wirminghaus, R. (1998). "Great Game" am Kaspischen Meer.

countries have huge energy demand. China and India consider the Caspian region's oil and natural gas reserves as a source of alternative energy reserves.[18]

Active participation of international political actors and energy companies in the Caspian region's policy has undoubtedly brought a new dynamism to the region.[19] It is helpful to divide the time after the SU's collapse into distinct political phases to demonstrate the differences in these stages. Consequently, the transformation process of the region should be divided into three periods in accordance with the individual political characteristics of each phase:[20]

- *The first phase* spans the period from the decline of the SU until the middle of the 1990s. During the Soviet period, only two political actors, the USSR and Iran, had access to the Caspian Sea. However, three new states of the region started to share equal rights with Russia and Iran after the USSR's fall.[21] There was no exact information on the actual amount of energy reserves in the region. For instance, according to John Brown, the former chairman of BP, this region was considered "the greatest unexplored and underdeveloped oil province in the world" in the first years of the 1990s.[22]
- *The second phase* spans the period from the middle of the 1990s up to the first years of the 2000s. In this phase, it became clear that the Caspian region is one of the world's wealthiest energy areas.[23] The appearance of political competition between the USA (West) and Russia is another important aspect of this phase.[24]
- *The third phase* spans the period from the first years of the 2000s until today. In the wake of 9/11, Western countries began taking a more active role in the region. The USA declared this region a zone of its vital interests. Therefore, this region turned into the center of a new "Great Game" between different political actors. The primary geopolitical competition is between the USA, Russia, and China.

18 Bimboes, D. (2000). Konfliktregion Kaspisches Meer. Der Kaukasus und Mittelasien–zwischen Erdöl, Krieg und Krisen; AG Friedensforschung der Universität Kassel.

19 Freitag-Wirminghaus (1998).

20 Zyuzin, Z.A. (2011). Interesi mirovoqo soobshestva v Kaspiyskom regione [The interests of the world community in the Caspian Region], pp. 88–103.

21 Amineh (1999).

22 Halbach, U., & Müller, F. (2001). Persischer Golf, Kaspisches Meer und Kaukasus: entsteht eine Region strategischen europäischen Interesses?, p. 28.

23 EIA.gov. (September 11, 2013). Oil and natural gas production is growing in the Caspian Sea region. Retrieved April 23, 2023, from http://web.archive.org/web/20210327022614/https://www.eia.gov/todayinenergy/detail.php?id=12911

24 Labban, M. (2009). The struggle for the heartland: Hybrid geopolitics in the Transcaspian. Geopolitics, 14(1), 1–25.

> While China pursues an active policy only in Central Asia, the USA and Russia engage in political activity in Central Asia and the South Caucasus.[25]

Another essential aspect that shows an interest in this region is a noticeable enlargement of political actors in the established new political situation of the Caspian Region. The list of political actors contains "players" such as the USA, China, EU, Russia, Turkey, Iran, Saudi Arabia, and Pakistan. All the above-mentioned political actors are involved in the region's politics at the state level or take part through their energy companies.[26]

Abundant energy reserves are not the only factor making this region vital in the geopolitics of the area. This region is set in a critical geographical position. Due to its geopolitical location in the center of Eurasia, the Caspian region is perceived as essential to the system of land communications between the East and the West.

Some political experts[27] use the term the "Great Game"[28] to describe a modern political competition between different political actors in Central Asia and the South Caucasus.[29] It would be instructive to understand the "modern Great Game" in the Caspian Region in terms of the 19th century Great Game, a conflict between Tsarist Russia and the British Empire, for influence and power in this region.

2.2 "The Great Game" ("Bolshaya Igra")

The political and diplomatic confrontation between the British and the Russian Empires over power and influence in Central Asia is famous in history as "the Great Game" (see Map 5).[30] The British military historian Sir John Kaye[31] used the term "the Great Game" initially to define territorial competition between Russian and British Empires. However, in his turn, he was using Arthur Conolly's[32] definition. Conolly was an officer in the British army who served in Afghanistan during the

25 Bluth, C. (2013). US foreign policy in the Caucasus and Central Asia: politics, energy and security.

26 Ibid.

27 O'Hara, S. (2004). Great game or grubby game? The struggle for control of the Caspian. Geopolitics, 9(1), 138–160.

28 Karasac, H. (2002). Actors of the new Great Game', Caspian oil politics. Journal of Southern Europe and the Balkans, 4(1), 15–27.

29 Smith Stegen, K., & Kusznir, J. (2015). Outcomes and strategies in the 'New Great Game': China and the Caspian states emerge as winners. Journal of Eurasian Studies, 6(2), 91-106.

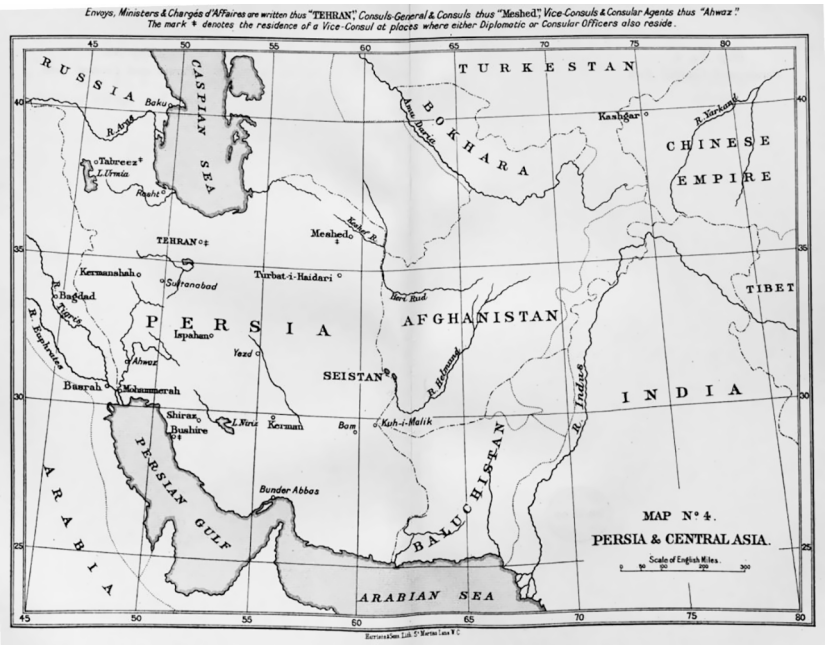
30 Halbach, U. (1999). Moskaus Südpolitik: Rußland und der Westen im Kaspischen Raum.

31 Sir John William Kaye was a British military historian, civil servant, and army officer.

32 The British officer was one of the very famous participants of the diplomatic struggle between the Russian and British empires in Central Asia. Captain Arthur Conolly and Colonel Charles Stoddart were tragically executed at the main square of Bukhara during "the Great Game."

"Great Game." He piously believed in his holy mission and was utterly persuaded that the British Empire must control Central Asia, so he characterized this rivalry between the two greatest Empires of his time as a "Great Game, a noble game."[33] Nevertheless, the "Great Game" concept got its worldwide popularity after Rudyard Kipling's very famous novel "Kim".

Map 5: The territory perceived as a region for the political and diplomatic confrontation between the British and Russian Empires from the end of 19 to the beginning of 20 century[34]



Historians also use other designations to define the historic rivalry between the two empires. For instance, one of them is the "tournament of shadows."[35] It is believed that the Russian foreign minister Charles de Nesselrode initially brought this

33 Meyer, K. E., & Brysac, S. B. (2009). Tournament of shadows: The great game and the race for empire in Central Asia. Hachette UK, p. 37.

34 https://www.loc.gov

35 Grewlich, K. (2010). Pipelines, Drogen, Kampf ums Wasser-greift die EU-Zentralasien-Strategie?: Neues" Great Game" von Afghanistan bis zum Kaspischen Meer?= Pipelines, drugs, struggles for water usage-the EU Central Asia Strategy?: New'Great Game'for Afghanistan to the Caspian Sea. ZEI Discussion Paper No. 200, 2010.

term into use.[36] This definition is used very often in a literary context to describe the political tension between two empires.[37]

The rivalry between Empires was about controlling this region and that it was vital for worldwide domination. Great Britain had naval superiority and was aiming to anchor its control over this region. Central Asia had tremendous meaning for the British Empire in terms of its authority in India. Consequently, the plan for further expansion to the East and the South depended on Great Britain's success in Central Asia. From its perspective, the Russian Empire considered this region as vital to its interests.[38] Peter I stressed the essential role of Central Asia in future Russian policy.[39] For the Russian Empire, Central Asia had tremendous political and economic importance.[40]

Several writers in both Russia and Great Britain described this geopolitical rivalry. Rudyard Kipling, whose name is closely connected with the "Great Game," was one of the most active proponents of the idea.[41] He is the author of the famous poem "The white man's burden."[42] Fyodor Dostoyevsky emphasized Central Asia's enormous importance for Russia's future, as he regarded a conquest of Central Asia as an essential mission for the Russian Empire.[43]

The "Great Game" ended in August 1907. The Anglo-Russian Convention of 1907, which divided Persia into a Russian-controlled northern zone, a nominally independent central zone, and a British-controlled southern zone, was signed in Saint Petersburg, Russia. The agreement created a block of three countries Great Britain, France, and Russia.[44] However, this was not the end of the Great Game. As Kipling's well-known phrase, which the author used in his novel "Kim," says: "*When everyone is dead, the Great Game is finished. Not before.*"[45]

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36 Charles de Nesselrode was a very famous diplomat of the Russian Empire of German descent.

37 Meyer & Brysac (2009).

38 Kreutzmann, H. (2005, June).
Paper 2: The Significance of Geopolitical Issues for Development of Mountainous Areas of Central Asia. In Strategies for Development and Food Security in the Mountainous Areas of Central Asia'international workshop sponsored by Inwnet, AKF, and GTZ, Dushanbe, Tajikistan, June (pp. 6-10).

39 Hauner, M. (1989). Central Asian geopolitics in the last hundred years: a critical survey from Gorchakov to Gorbachev. Central Asian Survey, 8(1), 1–19.

40 Saray, M. (1982). The Russian conquest of central Asia. Central Asian Survey, 1(2-3), 1–30.

41 Kreutzmann (2005, June).

42 Kreutzmann, H. (1997). Vom great game zum clash of civilizations? Wahrnehmung und Wirkung von Imperialpolitik und Grenzziehungen in Zentralasien. Petermanns Geographische Mitteilungen, 141(3), 163–186.

43 Hauner (1989).

44 Kreutzmann (2005, June).

45 Edwards, M. (2003). The New Great Game and the new great gamers: disciples of Kipling and Mackinder. Central Asian Survey, 22 (1), 83–102, p. 84.

Picture 1: Second Afghan War, 1878. "Save Me from My Friends!" Amir Sher Ali of Afghanistan endeavors to stand between the Russian bear and the British lion as each eye the other with suspicion. Sir John Tenniel's cartoon, 1878, Shortly after the outbreak[46]

According to Mattew Edward, the classical "Great Game" consisted of three phases:[47]

- The first phase (from the end of the 18 century to the beginning of the 19 century) was characterized by the Russian Empire's invasion of the Caucasus and Central Asia. This stage came to an end with the signing of the Anglo-Russian Convention.
- The second phase consists of the "Drang nach Osten"[48] of Germany. The secret services of Great Britain tried to manipulate local inhabitants and tribes, trying to establish control over this region and India.
- The Bolshevik Revolution characterized the third and last phase under the direction of Lenin. The Bolsheviks wanted to free the Central Asian states from feudalism and imperialism and change their fundamental nature. The "new Great Game" was implemented in the context of geopolitical interests, given the area's

46 https://www.granger.com

47 Edwards (2003).

48 "Drive to the East."

new political realities. Consequently, the current political situation in the region is compared to the "classic Great Game," and there are some parallels between them. Drawing an exact analogy between the "new Great Game" and "classic Great Game" would not be a realistic approach because of the difference between the historical periods. However, it is worthwhile to make some general observations about the two periods.

2.2.1 "The new Great Game"

The "new Great Game," which started after the end of the SU, is multifaceted and encompasses many areas such as economic, political, as well as social, and cultural. Unlike in the 19th century, the confrontation of not two, but many political actors for the region's political domination, is another essential aspect of this geopolitical competition. The "new Great Game" is perceived as a continuation of the historical "Great Game," so the establishment of "the new Great Game" proves once more a very well-known dictum: *if "the Great Game" comes to an end, a "new Great Game" starts with its new rules and different actors*.[49]

One of the most critical aspects of the geostrategic situation is an attempt by different political actors to exercise control over transport routes. Therefore, the control over transit and pipeline routes plays a tremendous role in the region's new political situation. For instance, the BTC oil pipeline (see Map 6) is an excellent example of transport routes' significance. This project was built with the close support of the American and Turkish governments. The project, which covers three countries' territory: Azerbaijan, Georgia, and Turkey, and has a total length of 1768 km, was accompanied by an inconceivable political resonance during and after its construction. Such severe political tensions were not part of any other project.[50]

Consequently, the BTC building enabled Azerbaijan to transport its oil resources to Europe, bypassing Russia. The Russian government was seriously concerned with this situation, and the Kremlin demonstrated its discontent concerning the construction of this pipeline route.[51] The BTC pipeline route bypasses a massive part of Russia and Iran, which increases the importance of this project for the West significantly.[52]

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49 Edwards (2003).

50 Cornell, S. E., Socor, V., & Tsereteli, M. (2006). Geostrategic Implications of the Baku-Tbilisi-Ceyhan Pipeline. Oil, Gas & Energy Law Journal (OGEL), 4(4).

51 Spiegel.de. (2008, August 13). Fears over the stability of Georgian Pipeline: Russia should not have a stranglehold On Resources'. Retrieved April 23, 2023, from http://www.spiegel.de/international/world/fears-over-stability-of-georgian-pipeline-russia-should-not-have-a-stranglehold-on-resources-a-571855.html

52 Halbach (2004).

Former National Security Advisor Zbigniew Brzezinski analyzes this region's political situation and the involvement of different political actors in the region's geopolitics in the "Eurasians Balkans" chapter of his book: "*The Grand Chessboard*." He emphasizes the strategic importance of five Central Asian states, Iran, the Caucasus, and the Eastern part of Turkey, and defines these regions as the "Eurasian Balkans."[53] According to Brzezinski, this region serves as an arena for competition between different political powers because of its crucial geographical position.[54]

There are several interpretations about the "new Great Game" in the Caspian Region. Above all, most scientists believe that the main political conflicts are between "great powers" or "large powers." The terms "great power" and "large power" signify the most influential political players, such as the USA, China, and Russia. However, some political experts also include the EU and India in the list of the states mentioned above. The second group of experts claims that it is not just one game being played in this region but also several "small games" between three states: the USA, China, and Russia, while another group is convinced that there is neither a "Great Game" nor a "Small Game."[55]

Map 6: BTC pipeline[56]

In the first years after the collapse of the SU, there was significant conflict between Russia and the USA,[57] while the interests of other actors such as the EU, In-

53 Brzezinski (1997).
54 Ibid., pp. 123–143.
55 Smith & Kusznir (2015).
56 https://www.eurasianet.org
57 Halbach (1999).

dia, China, and Turkey emerged over the last 15–20 years.[58] The world's powers like China, the USA, and Russia claim leading roles, while for their part, the traditional political actors, Turkey and Iran,[157] follow their independent political course in the region.[59]

China was not actively involved in the Caspian Region's geopolitics in the first years after the USSR's collapse. However, in recent years China has played a more prominent role, becoming one of the most active political players of the region, striving to maintain close economic relations with all countries in the area.[60] China has more significant interests in Central Asia than in the South Caucasus because of its prominent geographical position and abundant oil and natural gas resources.[61]

The Kremlin attempts to achieve its political and economic goals with all possible tools. Some of them are:[62]

- Protection of the Russian population in these countries. In particular, in Kazakhstan;
- Control over production and transport of energy resources;
- Manipulation of natural gas and oil prices. In particular, in Turkmenistan. Moscow uses its organizations as a "soft power" tool to influence the regional states' policy.

The Eurasian Economic Community (EAEC)[63] is a Russian project, which was established in 2000. The EAEC consists of Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Belarus. The Eurasian Economic Union (EAEU or EEU)[64] is another organization founded in 2014 with the direct support of Russia and Kazakhstan, and Belarus's participation. The organization was established to create a so-called "common economic space," which assists economic integration between the member states.[65]

58 Smith & Kusznir (2015).

59 Halbach (1999).

60 Grewlich (2010).

61 Smith & Kusznir (2015).

62 Olcott, Martha Brill. "China's Unmatched Influence in Central Asia." Carnegie Endowment for International Peace. last accessed 14 (2013): 14.

63 The economic alliance consisted of some former republics of the Soviet Union. Kazakhstan, Kirghizstan, Russia, Tajikistan, and Belarus are permanent members of the association, while Moldavia, Armenia, and Ukraine had the observation status from 2003 to 2014.

64 The union of economic integration was intended for the establishment of a common customs territory. The union consists of Armenia, Belarus, Kazakhstan, Kirgizstan, and Russia.

65 Smith & Kusznir (2015).

Moreover, the existing and potential ethno-territorial conflicts[66] are used by the Kremlin skillfully to achieve its vital political ambitions in the space. For instance, a natural gas agreement between Russia and Azerbaijan was signed during Russia's former President Dmitry Medvedev's official visit to Azerbaijan in 2010. Due to this contract between the two states, Azerbaijan increased its natural gas transportation to Russia up to 4 bcm/a. According to Stephen J. Blank,[67] the agreement between these states was signed "thanks" to Russia's political pressure on the Azerbaijani government. The Russian government might have used the Lezgi and Avar minorities' issue, living in Azerbaijan, to apply pressure on Azerbaijan's government.[68]

In particular, Russia's expansion and rebuilding of its control over the states in this region became very noticeable after Vladimir Putin's first term as a president of the Russian Federation (RF) in 2000. For this reason, the creation of the Collective Security Treaty Organization (CSTO)[69] as well as the establishment of Russia's economic project, the "Eurasian Union" should be considered as an attempt to get back the Kremlin's lost authority and influence in this region.[70]

The following points sum up the political situation and interests of international and regional actors in the Caspian Region:[71]

- The West tries to offset its dependence on natural gas reserves from Russia and oil reserves from the Organization of the Petroleum Exporting Countries (OPEC) countries through the preservation of access to the energy reserves of the Caspian region.
- China's government considers this region as a potential area for the diversification of its energy import sources.
- Even though the Kremlin officially lost its control over the region's countries with the end of the USSR, the new states are still considered by the Russian government as its backyard and zones of its influence.[72] For this reason, Moscow strives to achieve absolute political control over these states through its political and economic organizations, energy pipelines, use of conflicts, and other tools.

66 Freitag-Wirminghaus (1998).

67 Stephen J. Blank is a Strategic Studies Institute of the US Army War College professor. He studies Russian and the former Soviet Union policy.

68 Blank, S. (2013). Azerbaijan's security and US interests: Time for a reassessment. Central Asia-Caucasus Institute, Paul H. Nitze School of Advanced International Studies.

69 CSTO is a military organization. The member states are Armenia, Kazakhstan, Kirgizstan, Russia, Tajikistan, and Belorussia. Afghanistan and Serbia are observer states.

70 Cooley, A. (2012). Great games, local rules: the new power contest in Central Asia. Oxford University Press.

71 Cooley (2012).

72 Freitag-Wirminghaus, R. (2002). "Great game "am Kaspischen Meer. Eine Region zwischen Europa und dem indischen Subkontinent. na.

- Although states like India, Pakistan, and some others are active in the region's geopolitics, they are pretty weak in this region's political processes compared to other "powers" like the USA, China, the EU, and Russia.

2.2.2 Comparison between the "classical" and "new Great Game"

It has already been mentioned that there are some parallels between the "classical" and "new Great Games." For this reason, it would be pretty interesting to compare them. The most critical difference between the "classical" and "new Great Games" is the number of states or actors taking part in both "games." In the "historical Great Game," only two"great powers" took part: Great Britain and the Russian Empire. Both empires used other participants and actors, such as the local populations, to attain their political purposes.[73]

Therefore, in contrast to the "classic Great Game," the number of political actors involved in the "new Great Game" in the Caspian Region is relatively high. China, Turkey, Iran are the new political actors competing for political domination in the South Caucasus and Central Asia. Additionally, once the nature of the "Great Game" was changed by the emergence of five new states in Central Asia and three in the South Caucasus because of the fall of the SU, the newly independent states also participate in the "new Great Game" on account of own interests.[74]

Mattew Edwards has quite an interesting point of view concerning this issue. According to him, two parallels exist between the "Great Games." The classical "Great Game" should be considered within the context of "high politics," namely the colonization and military occupation of space, a vital aim of both empires. However, the "new Great Game" does not deal with the "high politics" concept and imperial policy of political actors. The most significant difference is the rules governing relations between the states. The "classic Great Game" cannot be played out in the contemporary world because, according to international norms, states cannot be controlled and occupied by other states. Consequently, the modern political constellation in the Caspian Region should be contemplated in the context of "low politics."[75]

In contrast to Mattew Edwards, the work's author has an entirely different opinion. Taking into account Russia's aggressive policy[76] in the post-Soviet region, it is evident that the Russian government does not wish to give up its imperial ambitions. The typically aggressive imperial policy of Russia began to be felt clearly after

73 Edwards (2003).

74 Ibid.

75 Edwards (2003), p. 89.

76 Russia's ongoing aggression in the region and illegal occupation policy against Ukraine, Georgia, Azerbaijan, and Moldovia are examples of aggressive Russian policy in the Post-Soviet Region.

Vladimir Putin came to power.[77] It means that there are still some elements of "high politics" in the "new Great Game" in the Caspian Region.

However, if the most determined purpose in historical opposition was territorial conquest and control over this space, the "new Great Game" is more about management. Today the political struggle is classified as a diplomatic confrontation between political actors.[78] There are critical differences between both games. For example, in the way, the politics, economics, and military situations in the "classic" and "new" games are hugely different.

2.3 Conflicts as the major impediments to the regional security of the South Caucasus

In contrast to Central Asia, where there are no active wars or conflicts, all South Caucasus states: Azerbaijan, Armenia, and Georgia, are engaged in disputes.[79] There are the Abkhazian and South-Ossetian conflicts in Georgia, while there is a conflict between Armenia and Azerbaijan over the Nagorno-Karabakh region.[80] These conflicts result from the post-Soviet identity of regional states that reached their apogee with "perestroika," so the causes of the political disputes are found in the Soviet past of this region.[81] According to German experts U. Halbach U. and F. Smolnik, "perestroika" and "glasnost" originally played an active role in the "stimulation" of the ethno-territorial conflicts in this space.[82]

These conflicts have an extraordinarily negative impact on the democratic transformation of all regional states. They tend to halt the local and interstate cooperation between the states of the South Caucasus and the region's economic progress.[83] Consequently, this region's permanent stability is the first and most crucial factor for the region's future.[84]

77 McNabb, D. (2017). Vladimir Putin and Russia's imperial revival. Routledge.

78 Freitag-Wirminghaus (1998).

79 Kogan, E. (2013). The South Caucasus Countries and their Security Dimension. International Security Network, 5.

80 Grigas, A. (2016, July). Frozen Conflicts. Retrieved April 23, 2023, from http://web.archive.org/web/20210309042623/https://www.atlanticcouncil.org/wpcontent/uploads/2016/06/Frozen_Conflicts_web_0727.pdf

81 Meister, S. (2013). Sicherheitspolitische Stagnation im Südkaukasus: Berg-Karabach im Spannungsfeld regionaler und internationaler Akteure.

82 Halbach, U., & Smolnik, F. (2013). Der Streit um Berg-Karabach: Spezifische Merkmale und die Konfliktparteien.

83 Halbach, U. (2010). Ungelöste Regionalkonflikte im Südkaukasus.

84 Gorgiladze, R. (1998). Georgian Politics and the Conflicts in Abkhazia and South Ossetia. Demokratizatsiya, 6(1)

Map 7: The South Caucasus[85]

The Nagorno-Karabakh region of Azerbaijan was occupied by Armenian military troops, though Azerbaijan recaptured a significant part in 2020.[86] In these conflicts, economic factors do not play an essential role.[87] Consequently, the conflicts reached their apogee with "perestroika" and must be considered in the context of ethno-territorial conflicts.[88]

The conflicts around Abkhazia, South Ossetia, and Nagorno-Karabakh are a menace to the regional security of the Caucasus and the whole of Europe. These conflicts minimize the efficiency of regional cooperation. Moreover, the region suffers from international and global problems like terrorism and illegal migration that are very widespread in conflict regions.[89]

2.3.1 Russia's role

Despite the fall of the SU, Russia still has a significant influence on regional governments. As a result, Russia's role in continuing conflict and the regulation of the conflicts is crucial. Russia has adopted the strategy of the ancient Roman Empire.

85 https://www.georgiatoday.ge

86 USAN Factsheet on the occupation of the Nagorno-Karabakh region of Azerbaijan by Armenia, (2008, August 13).

87 Halbach, U. (2002). Erdöl und Identität im Kaukasus. Friedrich£ bert Stiftung Studie.

88 Halbach & Smolnik (2013).

89 German, T. C. (2007). Visibly invisible: EU engagement in conflict resolution in the South Caucasus. European Security, 16(3-4), 357–374.

The Russian government perceives the whole region with the slogan "divide et imperia" even after the USSR's fall.[90]

Frozen conflicts create some extra political levers for Russia, which the Russian government skillfully uses to influence this region's independent states' policy. The possible solution to the conflicts would mean the potential loss of Russia's influence over the South Caucasian countries.[91] Given its continued wish to play a vital role in the South Caucasus, Russia has no interest in regulating these conflicts.[92]

For instance, even though Russia is one of three member states of the so-called Minsk Group, which is supposed to work towards a peaceful solution to the conflict between Azerbaijan and Armenia, the Kremlin is the primary weapon supplier to Azerbaijan as well as to Armenia. This fact proves that the peaceful regulation of the "frozen conflicts" does not suit the Kremlin's policy in the South Caucasus.[93] Moreover, it is no secret that Russia's government supports the separatist directions of Transnistria, Abkhazia, South Ossetia, and Nagorno-Karabakh politically, militarily, and economically.[94]

2.3.2 The first Nagorno-Karabakh war between Armenia and Azerbaijan

The bloodiest conflict in the region occurred between Armenia and Azerbaijan around Nagorno-Karabakh (see Map 8).[95] As the result of the first war, which took place from 1988 to 1994, about 30000 people died from both sides.[96] Over million of people left their homes. Armenian military troops occupied not only Nagorno-Karabakh but also surrounding Azerbaijani districts. Therefore, Azerbaijan lost approx. 20% of its territory because of Armenian aggression.[97]

There had been an official peace agreement between Azerbaijan and Armenia since May 1994.[98] To understand how complex any possible peaceful solution to the conflict can be, the following point must be understood. If official Baku promoted the resolution of the dispute in the frame of its territorial integrity, which all international organizations accept, before the second war, the Armenian government

90 Halbach, U. (2006). Säbelrasseln und Friedenspolitik in Europas neuer Nachbarschaft. Stiftung Wissenschaft und Politik. Deutsches Institut für internationale Politik und Wirtschaft. SWP-Aktuell, 32.

91 Kogan (2013).

92 Halbach (2006).

93 Meister (2013).

94 Halbach (2006).

95 Naumkin, V. V. (1994). Central Asia and Transcaucasia. Ethnicity and Conflict.

96 Halbach & Smolnik (2013).

97 Nuriyev, E. (2010). The Geopolitics of Azerbaijan. Universitäts-und Landesbibliothek Sachsen-Anhalt.

98 Halbach & Smolnik (2013).

offered only two possibilities in settlement of the conflict, either recognition of the independence of the Nagorno-Karabakh region or joining of the Nagorno-Karabakh to Armenia.[99] Consequently, no progress could be made in the peaceful regulation of "frozen conflict" because of an absence of any constructive dialogue between the governments and trust between both states' people.

Map 8: Territories of Azerbaijan occupied by Armenia after the first Nagorno-Karabakh war[100]

The region's industry was destroyed due to the occupation, which made a quick return of the Azerbaijani population to this region almost impossible. Another important factor that complicates the settlement of refugees' problem and returning refugees to occupied territories is the military and political support of Armenia by Russia.[101]

Russia stations its military troops in the zones of these conflicts. For example, there is an army base in Gumri, Armenia. According to Reuters Agency, the num-

99 Paul, A. (2010). Nagorno-Karabakh-A Ticking Time Bomb. European Policy Centre.

100 https://barassociation.az

101 Nixey, J. (2012). The Long Goodbye: Waning Russian Influence in the South Caucasus and Central Asia. Chatham House.

ber of Russian armed troops on Armenia's territory was more than 3000 soldiers for February 2021.[102] However, due to some regional experts, the military contingent varies between 8000–10000 soldiers.[103] There is a bilateral military agreement between the Armenian and Russian governments. According to this agreement, Russian military troops may remain in Gumri at least until 2044.[104]

Because this conflict remained unsolved, and there was no cooperation and political dialogue between the conflict sides, both countries paid acute attention to improving their military potential.[105] The military budget of Azerbaijan still comprises 20% of the whole budget of the country. In its turn, there is a military agreement between Armenia and the RF. Moreover, Armenia is a member of the CSTO.

As long as no final settlement in the Nagorno-Karabakh problem between Armenia and Azerbaijan was reached, establishing political and economic interstate relations between states seemed impossible.[106] Azerbaijan is not the only neighbor having closed borders with Armenia. Armenian-Turkish borders has also been closed for many years because of Turkey's protest against the Azerbaijani territories' occupation.

2.3.3 Madrid Principles

Before the second war, for the regulation of conflict between two states, the Organization for Security and Cooperation in Europe (OSCE) Minsk Group furnished the Madrid Principles in 2007. The governments of Azerbaijan and Armenia accepted

102 Reuters.com. Armenia seeks bigger Russian military presence on its territory. (2021, February 22). Retrieved April 23, 2023, from http://web.archive.org/web/20210314114528if_/https://www.reuters.com/article/armenia-azerbaijan-russia-base-int-iduskbn2am1dy

103 Menabde, G. (2020, February 19). Russia boosts its military contingent in Georgia's occupied territories. Retrieved April 23, 2023, from http://web.archive.org/web/20210308204946/https://jamestown.org/program/russia-boosts-its-military-contingent-in-georgias-occupied-territories/

104 Peña-Ramos, J. A. (2017). The impact of Russian intervention in post-Soviet secessionist conflict in the South Caucasus on Russian geo-energy interests. International Journal of Conflict and Violence (IJCV), 11, a464-a464.

105 Halbach & Smolnik (2013).

106 1news.az. (June 18, 2014). Karabakhskaya problema ne imeet otnoshenia k evraziyskim ekonomicheskim problemam [Karabakh problem has nothing to do with Eurasian economic integration]. Retrieved April 23, 2023, from http://web.archive.org/web/20140713084315/http://1news.az/politics/20140618022408810.html

the Madrid Principles as the basis for regulating the conflict between the two countries.[107] The principles included the following points:[108]

- Return of the territories surrounding Nagorno-Karabakh to Azerbaijani control;
- An interim status for Nagorno-Karabakh providing guarantees for security and self-governance;
- A corridor linking Armenia to Nagorno-Karabakh;
- Future determination of the final legal status of Nagorno-Karabakh through a legally binding expression of will;
- The right of all internally displaced persons and refugees to return to their former places of residence;
- International security guarantees that would include a peacekeeping operation.

Even though both sides accepted the Madrid Principles as the framework for settlings the Nagorno-Karabakh conflict a long time ago, no progress towards the peaceful regulation of the conflict had been achieved.

2.3.4 The second Nagorno-Karabakh war between Armenia and Azerbaijan

The recent escalation of the conflict between Armenia and Azerbaijan around Nagorno-Karabakh was the most severe escalation since the first war. The conflict in the South Caucasus had broken out again. Dozens of soldiers died from both sides due to the new tension between Armenian and Azerbaijani armed forces from 27 September to 10 November 2020. The second war changed the status quo, so the OSCE's Madrid Principles are not actual anymore. Both governments accepted a new reality around the conflict of Nagorno-Karabakh.

After the second war, Azerbaijan regained control over Agdam, Fuzuli, Jabrayil, Kalbajar, Lachin, Qubadli, and Zangilan, four settlements, and 286 villages.[109] Even though a second ceasefire agreement between Baku and Yerevan was signed on 10 November 2020, a renewed escalation of the conflict happened in September 2023. Azerbaijan regained control over its internationally recognized territories: Aghdara, Khojaly, Khojavend, and Khankendi. However, the conflict between Azerbaijan and Armenia is far from being over and can occur any time soon.[110]

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107 Meister (2013).

108 OSCE.org. (July 10, 2019). Statement by the OSCE Minsk group Co-Chair countries. Retrieved April 23, 2023, from http://web.archive.org/web/20210303235231/https://www.osce.org/mg/51152

109 Ministry of Defense of Azerbaijan, https://mod.gov.az/az/news/isgaldan-azad-olunan-seher-qesebe-ve-kendlerimiz-28583.html

110 Semercioğlu, H. The New Balance of Power in the Southern Caucasus in the Context of the Nagorno-Karabakh Conflict in 2020. R&S-Research Studies Anatolia Journal, 4(1), 49–60.

To avoid the danger of a renewed escalation, the OSCE Minsk Group must engage more actively in a peaceful solution to the conflict. The fact that Russia uses this conflict as a political instrument to remain the mightiest power in the South Caucasus and possesses absolute control over the Azerbaijani and Armenian governments proves that the negotiations in the frame of the Minsk Group were insufficient. Therefore, the OSCE Minsk Group, which currently plays no significant role in regulating the problem, must take on greater responsibility to win back the lost trust on both sides of the conflict. Otherwise, the danger of another war in the near future is considerable.

Chapter 3. Geopolitics in the Caspian Region

Abstract *The chapter spans the geopolitics of the Caspian Region. In this chapter, the interests of the world policy's primary political actors: China, the USA, the EU, and Russia, towards Central Asia and the South Caucasus are considered. Then, the reasons behind their geopolitical involvement in the Caspian Region are analyzed. Besides, the policies of the traditional political actors in the region, Turkey and Iran, are looked at. The last part of the chapter covers the policy of the newly independent countries of the region.*

The Caspian Region became a significant area for international energy companies in the 1990s due to the region's rich energy resources. In their turn, the governments of all the regional states of the Caspian Sea perceived energy deals with international energy companies as a quick and adequate strategy to rebound after the SU's breakup.[1]

The signing of key energy agreements between the region's new states and international energy companies to extract and export oil and natural gas resources gave the region tremendous importance.[2] *Moreover, the Caspian Region has essential reserves of oil and natural gas resources and some significant amounts of chemical elements such as copper, ore, iron, chlorides, etc.*

The Caspian Region's energy issue is not only an economic question but also a political one because all actors involved consider energy diplomacy as an essential political tool.[3] *In her study of the region, Shaffer argues that "energy and politics are intrinsically interlinked."*[4] *Therefore, energy diplomacy in the region is an integral part of geopolitical competition between states,*[5] *and is used primarily by the new states of the Caspian Basin as a significant "political weapon" to secure their independence and neutralize Russian political influence in the region.*[6]

1 Kalyuzhnova, Y. (2008). Economics of the Caspian oil and gas wealth: Companies, governments, policies. Springer.

2 Hoffman, D. I. (1999). Oil and development in post-Soviet Azerbaijan. NBR ANALYSIS, 10, 5-28.

3 Shaffer, B. (2011). Energy politics. University of Pennsylvania Press.

4 Ibid.

5 Yazdani, E. (2006). Competition over the Caspian oil routes: Oilers and Gamers perspective. Alternatives: Turkish Journal of International Relations, 5(1&2), 51-64.

6 Kubicek, P. (2013). Energy politics and geopolitical competition in the Caspian Basin. Journal of Eurasian Studies, 4(2), 171–180.

The political and economic dynamics of the Caspian Region depend not only on political processes in the region but on political developments in other vital regions of the world, such as the Middle East and Central Asia, that undeniably influence opposition intensity for domination over the Caspian Region. For this apparent reason, the current meaning of this region has to be defined in the context of the general political constellation in world policy.[7]
There are some critical regional problems in the Caspian region. For instance, the lack of consistent economic development and secure energy transport pipelines,[8] *and general security problems,*[9] *especially in the South Caucasus.*[10] *Therefore, the problems mentioned above in the region create an enormous opportunity for regional and international actors to manipulate them according to their state interests and regional policy. Russia and Iran mainly use these complications as a political tool for their statehood interests.*[11]
Another interesting indicator of this region's political nature is a strategic political cooperation between states involved in the region's geopolitics. For instance, Muslim majority but secular Azerbaijan has close relations with Israel and the USA. In their turn, Russia, Iran, and Armenia are allies and have close political and economic ties. The next chapter of this chapter closely looks at the interests of the region's significant political actors.

3.1 China's policy in Central Asia

The collapse of the SU called for a revision of Beijing's policy towards Central Asian countries. In the 1990s, several issues emerged in the relationship between China and Central Asia.[12] These include establishing new political and economic relations with the region's newly independent states, regulating territorial issues, establishing security, controlling the Uyghur population in Xinjiang, etc.[13] China managed to establish new diplomatic relations with all the region's newly independent states

7 Ziegler, Charles E., and Rajan Menon. "Neomercantilism and great-power energy competition in Central Asia and the Caspian." Strategic Studies Quarterly 8.2 (2014): 17–41.
8 Bahgat, G. (2002). Pipeline diplomacy: The geopolitics of the Caspian Sea region. International Studies Perspectives, 3(3), 310–327.
9 Čufrin, G. I., & Chufrin, G. I. (Eds.). (2001). The security of the Caspian Sea region (No. 1). Oxford University Press on Demand.
10 Kakachia, K. K. (2011). Challenges to the South Caucasus regional security aftermath of Russian–Georgian conflict: Hegemonic stability or new partnership?. Journal of Eurasian Studies, 2(1), 15–20
11 Ghafouri, M. (2008). The Caspian Sea: rivalry and cooperation. Middle East Policy, 15(2), 81.
12 Xing, G. (1998). China and Central Asia: towards a new relationship. In Ethnic Challenges Beyond Borders (pp. 32-49). Palgrave Macmillan, London.
13 Pradhan, R. (2018). The Rise of China in Central Asia: The New Silk Road Diplomacy. Fudan Journal of the Humanities and Social Sciences, 11(1), 9–29.

by the beginning of 1992. Consequently, Beijing signed numerous essential agreements with the regional states on economic cooperation, security, energy industry, cultural issues, etc.[14]

The unquenchable thirst for energy resources to power its rapid economic development, crucial to the establishment of internal stability of China,[15] are other significant points making critical China's active engagement in Central Asia.[16] Therefore, bilateral economic interests and the continuously developing economic power of China have led to the development of state relations between China and the region's states.[17]

In the last 10 to 15 years, Chinese power has emerged as a critical element in Central Asian politics. The Central Asian states are also very interested in economic and energy partnerships with China.[18] Thus, in contrast to the other essential political actors involved in Central Asia's geopolitics: the USA, Russia, and the EU, China invests enormous sums towards infrastructure and the energy sector of the regional states.[19] Therefore, for the Central Asian states, close cooperation with China is a critical factor in their foreign policy. China has forged close energy partnerships in the region, especially with Turkmenistan and Kazakhstan.[20]

In contrast to the EU and the US, which demand democratic reforms from the Central Asian states, such as the establishment of civil society and free market and the development of primary political institutions,[21] China has no political demands on Central Asian states. As a result of this, Beijing has emerged as a desirable partner for regional states.[22]

The core of Chinese diplomacy in Central Asia consists of using "soft power." Thus, the development of economic relations with regional states, active involvement in the energy industry, especially in Kazakhstan, Turkmenistan, and Uzbek-

14 Xing (1998).

15 Peyrouse, S. (2016). Discussing China: sinophilia and sinophobia in Central Asia. Journal of Eurasian Studies, 7(1), 14–23.

16 Hoh, A. (2019). China's Belt and Road Initiative in Central Asia and the Middle East. Digest of Middle East Studies, 28(2), 241-276.

17 Pradhan (2018).

18 Cooley, A. (2012). Great games, local rules: the new power contest in Central Asia. Oxford University Press.

19 Ibid.

20 Overland, I., Kjærnet, H., & Kendall-Taylor, A. (Eds.). (2010). Caspian Energy Politics: Azerbaijan, Kazakhstan and Turkmenistan (Vol. 22). Routledge.

21 Bossuyt, F., & Kubicek, P. (2011). Advancing democracy on difficult terrain: EU democracy promotion in Central Asia. European Foreign Affairs Review, 16(5).

22 Sharshenova, A., & Crawford, G. (2017). Undermining Western democracy promotion in Central Asia: China's countervailing influences, powers and impact. Central Asian Survey, 36(4), 453–472.

istan, and construction of transport and communication systems are some of the numerous instruments of Beijing's "soft power."[23]

China is an initiator of different economic projects in Central Asia. For instance, "the Silk Road Economic Belt and the 21st-century Maritime Silk Road" or "the Belt and Road Initiative" is a development strategy initiated by China during the Chinese president's official visit to Kazakhstan.[24] The project covers connectivity and cooperation between the Eurasian states and China.[25] The development strategy of the project aims to promote the free flow of economic factors. Besides, it encourages countries involved in the project to manage economic policy coordination.[26]

The problem of security in the region is one of the most challenging issues in Central Asia. The Central Asian states are located close to the world's most unstable areas, such as the Middle East, Afghanistan, and Pakistan. Among the problems that bedevil them are drug traffic, terrorism, and organized crime. Fighting these problems has an important place in the political agenda of the region. However, such external troubles are not the only problems faced by the regional states after the SU's collapse. The lack of fundamental principles of democracy, and democratic institutions, the undeveloped state economy, the critical unemployment rates, and uncontrolled labor migration are several internal problems existing in Central Asia's states.[27]

The establishment of the "Shanghai Five" after the signing of the Treaty on Deepening Military Trust in Border Regions in Shanghai on 26 April 1996 stimulated a transition of diplomatic relations between Central Asian states and China.[28] The "Shanghai Five" comprises the Central Asian states: Kazakhstan, Kyrgyzstan and Tajikistan, and China with Russia.[29] The Shanghai Cooperation Organization (SCO) was established based on "the Shanghai Five" in 2001. The main goal of establishing the SCO was to declare a fight against terrorism in the region, which is one of Cen-

23 Dorian, J. P., Wigdortz, B., & Gladney, D. (1997). Central Asia and Xinjiang, China: Emerging energy, economic and ethnic relations. Central Asian Survey, 16(4), 461–486.

24 Zhiping, P. (2014). Silk Road Economic Belt: A dynamic new concept for geopolitics in Central Asia. China Int'l Stud., 47, 33.

25 Li, P., Qian, H., Howard, K. W., & Wu, J. (2015). Building a new and sustainable "Silk Road economic belt." Environmental Earth Sciences, 74(10), 7267-7270.

26 Dave, B., & Kobayashi, Y. (2018). China's silk road economic belt initiative in Central Asia: economic and security implications. Asia Europe Journal, 16(3), 267–281.

27 Russian International Affairs Council, (n.d.). Retrieved from https://russiancouncil.ru/upload/riac-wp-ru-cn-centralasia-28-en.pdf

28 Hansen, F. S. (2008). The shanghai co-operation organisation. Asian Affairs, 39(2), 217-232.

29 Cohen, A. (2006). The Dragon Looks West: China and the Shanghai Cooperation Organization. Heritage Foundation.

tral Asia's central problems.[30] The potential of the SCO increased significantly with the joining of India and Pakistan in June 2017.[31]

Chinese President Xi's statement on the SCO' role during the summit in 2014:[32]

> "The members of the SCO should take it as our responsibility to safeguard regional security and stability, enhance our ability to maintain stability, continue to boost cooperation on law enforcement and security, and improve the existing cooperation mechanisms."

The critical aspects concerning Chinese policy in the region can be summed up with the following points:

- *Economic interests of China*. The economic partnership with regional states is the most critical aspect of interstate cooperation between China and the five regional states of Central Asia;[33]
- *A stable energy supply* has an essential meaning for country's development. For this reason, the states of the region: Turkmenistan, Kazakhstan, and Uzbekistan, along with Russia, play an enormously important role in China's oil and natural gas supply;[34]
- *The creation of lasting security*.[35] China is one of two political actors alongside the EU that is welcomed by the regional states.[36] Thus, given the interests of the regional states in economic cooperation with China, it might be proposed that Beijing's active involvement in the region and influence over Central Asian states would gradually rise.[37]

30 Wang, J., & Kong, D. (2019). Counter-Terrorism Cooperation Between China and the Central Asian States in the Shanghai Cooperation Organization. China Quarterly of International Strategic Studies, 5(01), 65–79.

31 Adnan, M., & Fatima, B. (2020). Strategic and economic interests of Pakistan and India in Central Asia. South Asian Studies, 30(2).

32 Cordesman, A. H. (2015). Afghanistan at Transition: The Lessons of the Longest War. Rowman & Littlefield.

33 Chung, C. P. (2004). The Shanghai Co-operation organization: China's changing influence in Central Asia. The China Quarterly, 989–1009.

34 Pop, I. I. (2010). China's Energy Strategy in Central Asia: Interactions with Russia, India and Japan. Revista UNISCI, (24), 197–220.

35 Ong, R. (2005). China's security interests in Central Asia. Central Asian Survey, 24(4), 425–439.

36 Chen, Y. W. (2015). A research note on Central Asian perspectives on the rise of China: the example of Kazakhstan. Issues and Studies, 51(3), 63.

37 Blank, S. J. (2011). Dragon Rising: Chinese Policy in Central Asia. American Foreign Policy Interests, 33(6), 261–272.

3.1.1 China's policy in the South Caucasus

Since China has no direct borders with the South Caucasus, Beijing had limited geopolitical contact with its regional states. No Chinese president or Prime Minster has paid an official visit to the South Caucasus. Therefore, the relations between China and the regional states are not well developed. The South Caucasus is not a priority region for Beijing like Central Asia, where China has some vital interests because of the geopolitical importance and rich energy resources of the area.

However, the regional states see in the face of Beijing as a rising essential trading partner and a source of investment that all the states in the region sharply need. In contrast to Western political actors such as the EU and the USA, who make demands on human rights and the development of civil society issues, especially in Azerbaijan and Armenia, China does not have any political demands on the newly independent states of the South Caucasus.[38] Consequently, the only issue China is keen on is economic cooperation with Armenia, Azerbaijan, and Georgia.[39]

As illustrated in the second chapter of the work, the South Caucasus is one of the world's most troubled areas. There are three ethno-territorial conflicts despite the small area and population of only 17 million. Beijing avoids any active participation in the reconciliation of these conflicts. As a rule, China does not make any official statements regarding these conflicts or call upon the dispute to be resolved by peaceful negotiations within international law frames. Consequently, China insisted on resolving the Nagorno-Karabakh conflict within the relevant United Nations (UN) Security Council's resolutions and international law principles.[40]

Even though China pursues almost no political interests in the South Caucasus, China has a strong economic presence in the region. For instance, the "One Belt One Road" initiative is one of Beijing's economic projects covering the South Caucasus alongside Central Asia.[41] Georgia has signed a Free Trade Agreement with the Chinese government, which came into play on 1 January 2018,[42] while Azerbaijan is strategically important for China because of its energy resources and, most im-

38 Chiragov, F., Gasimli, V., Kakachia, K., Karimov, R., Makarychev, A., Mammadov, F., ... & Veliyev, C. (2015). The South Caucasus-Between integration and fragmentation.

39 Chung, C. P. (2004). The Shanghai Co-operation organization: China's changing influence in Central Asia. The China Quarterly, 989–1009.

40 Azernews.az. (September 16, 2015). China backs settlement of Nagorno-Karabakh conflict under UNSC resolutions. Retrieved April 25, 2023, from http://web.archive.org/web/20190611140742/https://www.azernews.az/nation/87904.html

41 Inan, F., & Yayloyan, D. (2018). New Economic corridors in the South Caucasus and the Chinese one belt one road.

42 Avdaliani, E. (2018). Growing Chinese Interests in Georgia. CACI Analyst, 15.

portantly, Azerbaijan's access to the Caspian Sea.[43] Moreover, China is involved in the motor industry in Azerbaijan and the financial sector in Georgia. In its turn, Armenia has signed some agreements with China in the political, economic,[44] and especially in the military-technical spheres.[45]

China's New Silk Road is a trade route linking China with Europe through Kazakhstan, Azerbaijan, Georgia, and Turkey. There are two possible routes of the Silk Road. The first route goes from North China to Russia before reaching Europe, while the second route goes East-West across China and Kazakhstan.[46] Baku-Tbilisi-Kars (BTK) grandiose railway project, a part of the New Silk Road, went into service in October 2017 and is supposed to increase Chinese engagement in the South Caucasus.[47] This project makes it possible to connect the territories stretching from the east coast of China to the west coast of Europe. The route allows people to get to Europe from China in 15 days. It is twofold faster compared to the seaway and more than twice cheaper than air travel. Therefore, the trains will depart from China and arrive through Kazakhstan's Khorgos Gateway at the New Port of Baku in Azerbaijan.[48]

The project was planned to start in 1993. However, the key steps were taken only in 2007 when the heads of Azerbaijan, Turkey, and Georgia signed an appropriate agreement on realizing the project.[49] The BTK, which possesses one million passengers capacity, extends from Azerbaijan, Baku to Georgia, and Tbilisi before carrying on to Turkey. Moreover, it is expected to transport almost 6.5 million tons (mt) of cargo annually. The Azerbaijani and Turkish governments financed the construction of the project.[50] One of the most significant aspects of the BTK railroad is the bypassing of Russian territory completely.

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43 Lianlei, B. (2016). Azerbaijan in the Silk Road Economic Belt: A Chinese Perspective. Caucasus International, 6(1), 27-39.

44 Zank, W. (2017). The Eurasian Economic Union: A Brittle Road Block on China's" One Belt–One Road"-A Liberal Perspective. Journal of China and International Relations, 5(1).

45 Jensen, J., & Tarr, D. G. (2012). Deep trade policy options for Armenia: The importance of trade facilitation, services, and standards liberalization. Economics: The Open-Access, Open-Assessment E-Journal, 6, 1.

46 Shepard, W. (2017). How Azerbaijan, Georgia and Turkey Subverted Russia and Isolated Armenia with New Railway. Forbes, https://www.forbes.com/sites/wadeshepard/2017/10/30/newsilk-road-azerbaijan-georgia-and-turkey-unite-over-new-rail-linearmenia-further-isolated

47 Avdaliani (2018).

48 Shahbazov, F. (2017). Baku-Tbilisi-Kars Railway to Become Central Asia's Gateway to Europe. Central Asia-Caucasus Analyst Institute.

49 Lussac, S. (2008). The Baku-Tbilisi-Kars railroad and its geopolitical implications for the South Caucasus. Caucasian Review of International Affairs, 2(4), 212-224.

50 Ibid.

The Central Asian countries have already indicated their interest in joining the BTK project. The main reason for their interest in the project is that the BTK is the shortest track connecting Central Asia with Europe, so the route makes it possible to transport the local goods through the BTK railway.[51]

Being located in the center of Eurasia, which in itself is a vast market covering 65% of the population, 75% of the energy resources, and 40% of the Gross Domestic Product (GDP) of the world, the South Caucasus can turn into a significant region for China soon.[52]

3.2 EU's Central Asia policy

Central Asia emerged as a critical region in EU foreign policy after the end of the SU. However, it took some time to develop a concrete program. Therefore, the relations between the EU and Central Asia entered into a new stage in June 2007. Hence, the Council of the EU adopted two strategies concerning the EU's policy in Central Asia. The first strategy was initiated in 2007. It adopted a so-called "Strategy for a New Partnership with Central Asia" by the European Commission (EC) of the EU on 21–22 June 2007. Due to the adopted strategy, the EU has some priorities in Central Asia:[53]

- Increase the resilience of the region;
- Political dialogue;
- Rule of law, education, environment;
- Security and stability.

The strategy covers cooperation in some fields like:[54]

- education
- the rule of law
- energy and transport
- environment and water
- threats and challenges that affect both sides (including border management & combating drug trafficking)
- trade and economic relations.

51 Shahbazov (2017).

52 Shepard (2017).

53 Council of the European Union. (June 22,2015). Retrieved April 25, 2023, from http://web.archive.org/web/20200921010118/https://data.consilium.europa.eu/doc/document/ST-10191-2015-INIT/en/pdf

54 European External Action Service (EEAS). (May 17, 2015). Central Asia. Retrieved April 25, 2023, from https://eeas.europa.eu/delegations/georgia/2068/central-asia_ka

A stable Central Asia is a strategically important region for the energy and transport interests of the EU. On the other hand, if there is destabilization, the situation would be accompanied by a widening of instability in the direction of Europe.[55] Therefore, as the security of the entire Eurasian continent partially depends on Central Asia's stability, this region has an essential meaning in the foreign policy of the EU.[56]

One of the critical spheres concerning Brussel's policy in Central Asia is the energy sector, especially in Kazakhstan and Turkmenistan. The drilling, transport of energy resources, and energy security establishment are crucial aspects concerning the EU's energy policy in the region. Consequently, the "Strategy for a New Partnership with Central Asia," adopted in June 2007 regarding collaboration between the EU and Central Asia, reflects the energy interests of the EU in Central Asian states. According to the adopted strategy, the EU has the following interests in the energy sector of the region:[57]

- Enhancing energy security by addressing the issues of energy exports/imports, supply diversification, energy transit, and energy demand;
- Transparency and capacity-building in statistics and the governance of the energy sector;
- Supporting and enhancing technological cooperation between the EU and the Central Asian states in the energy sectorSupporting sustainable energy development, including the development of energy efficiency;
- Renewable energy sources and demand-side management;
- Attracting investment towards energy projects of common and regional interest;
- Supporting the rehabilitation of existing pipelines and constructing new pipelines and electricity transportation networks inside the region and towards Europe.

In June 2017, the new strategy of the EU towards Central Asia was adopted after ten years of initiating the first strategy by the EC. The so-called "reviewed and renewed" strategy covers some aspects like geopolitical developments, Central Asia's preferences, and the EU's 2016 Global Strategy. It is a golden chance for all the actors involved: the EU, the governments of Central Asian states, human rights orga-

55 Mihalka, M. (2007, May). Not Much of a Game: Security Dynamics in Central Asia. In China & Eurasia Forum Quarterly (Vol. 5, No. 2)

56 Apokins, I. (2015). Reviewing the EU strategy for Central Asia: results and future prospects. L'Europe en Formation, (1), 10–17.

57 Council of the European Union. (2007, May 31). The EU and Central Asia: Strategy for a New Partnership. Retrieved April 25, 2023, from http://web.archive.org/web/20180514203337/http://aei.pitt.edu/38858/1/st10113.en07.pdf

nizations, and research communities to input the formation of the EU's new policy towards the region's states.[58]

A paper on the outcomes of proceedings by the EC was published in June 2017. The report explains the development of relations between the EU and the Central Asian states since adopting the first strategy in Central Asia. According to the document, the EU has achieved many goals in Kazakhstan, Kirgizstan, Tajikistan, Turkmenistan, and Uzbekistan. Besides, it defines the forms of the partnership: the EU very welcomes the ministerial meetings between the EU and states of the region, the Cooperation Councils with the individual countries, and the political and security dialogues between actors.[59]

However, despite the adopted two strategies, the relatively active participation of the EU in the political processes of Central Asia, and the region's significance in the EU's policy, the EU still needs to achieve its previously established goals towards the region. There are some objective and subjective reasons for the unsuccessful policy of the EU towards the area.[60]

Goals such as the establishment of the rule of law, human rights, continuous stability, the foundation and development of democratic institutes and stability, and economic development of Central Asian states[61] have not been achieved yet.[62] The primary reason is that authoritarian regimes still perceive the democratic transition of the region as a threat to their further existence.[63]

The EU has been in dialogue on counterterrorist activity, the fight against extremism, and drug traffic since 2013. The meeting dedicated to counterterrorism activity issues, the fight against extremism and drug trafficking, was organized in Bishkek on 8 June 2017. However, the security problem, which is a crucial point of the EU's policy in Central Asia, is still significant. Religious radicalism[64] has increased,

58 EUCAM Watch. (February 2018). Towards a new EU Strategy for Central Asia. Retrieved April 25, 2023, from http://web.archive.org/web/20200323194309/https://biblio.ugent.be/publication/8548965/file/8548973.pdf

59 Council of the European Union. (June 19, 2017). Council Conclusions on the EU strategy for Central Asia. Retrieved April 25, 2023, from http://web.archive.org/web/20201216111522/https://www.consilium.europa.eu/media/23991/st10387en17-conclusions-on-the-eu-strategy-for-central-asia.pdf

60 Axyonova, V. (2014). The European Union's Democratization Policy for Central Asia: Failed in Success Or Succeeded in Failure? (Vol. 11). Columbia University Press.

61 Bossuyt, F. (2019). The EU's and China's development assistance towards Central Asia: low versus contested impact. Eurasian Geography and Economics.

62 Axyonova (2014).

63 Boonstra, J., & Tsertsvadze, T. (2016). Implementation and review of the European Union-Central Asia strategy: Recommendations for EU action. European Parliament Think Tank, 4.

64 Baran, Z., Starr, F. S., & Cornell, S. E. (2006). Islamic radicalism in Central Asia and the Caucasus: Implications for the EU. Uppsala University.

and Europe has undergone some terrifying terror attacks in the last few years.[65] Given the fact that Central Asians have joined groups such as Al Qaeda and ISIS in large numbers[66] and also fought in the Middle East and Russia, it is evident that the established goals like fighting terrorism and extremism in Central Asia remain relatively unaccomplished.

In terms of achieving established goals, official Brussels must engage more actively in the region's policy if it wants to establish security in Central Asia. Active political cooperation with important international policy actors, such as NATO and OSCE, would be very productive for Brussels in following its regional policy. Therefore, the lack of permanent security in Central Asia can be solved only through close cooperation with NATO and OSCE.[67]

3.2.1 EU in the South Caucasus

Having some severe security problems and consisting of the states with a "weak" and "fragile" economy, the South Caucasus is not in the list of the priority regions for the EU. However, the South Caucasus is a "buffer zone"[68] between Europe and West and South-West Asia. Moreover, this region possesses a modest amount of oil and natural gas resources,[69] and may connect Europe with Central Asia. Consequently, access to this region means isolation of Russia from the Middle East and partly from Iran and provides access to the Caspian Sea and Central Asia.[70]

However, the critical aspects of the EU's involvement in this region are the support of democratization, the establishment of continuous stability, and economic and commercial relations with Armenia, Azerbaijan, and Georgia.[71] The EU also is a

65 Voskopoulos, G. (2021). Soft Power, European Security Strategy and Radicalism: Cultural, Religious and Dimensional Challenges. In European Union Security and Defence (pp. 3-24). Springer, Cham.

66 Jani, M. H. (2017). Counter terrorist trends and analyses. Journal of the International Centre for Political Violence and Terrorism Research, 9(1), 18-19.

67 Warkotsch, A. (2006). Die Zentralasiatische Politik der Europäischen Union: Interessen, Strukturen und Reformoptionen. Frankfurt aM: Peter Lang.

68 Dekanozishvili, M. (2004). The EU in the South Caucasus: By What Means, to What Ends?. EuroJournal. org-Journal of Foreign Policy of Moldova, (06).

69 Jin, C., & Zhang, Z. (2018, November). Regarding the role of oil & gas industry on social infrastructure development in Azerbaijan and ecological problems. In IOP Conference Series: Earth and Environmental Science (Vol. 189, No. 5, p. 052004). IOP Publishing.

70 Cornell, S. E., Starr, S. F., & Tsereteli, M. (2015). A Western Strategy for the South Caucasus. Central Asia-Caucasus Institute, Paul H. Nitze School of Advanced International Studies.

71 Delcour, L., & Duhot, H. (2011). Bringing South Caucasus closer to Europe? Achievements and challenges in ENP implementation. Achievements and Challenges in ENP Implementation (April 7, 2011). College of Europe Natolin Research Paper, (2011/3).

decisive player in the development of civil-democratic society and free trade.[72] The relations between the EU and countries of the South Caucasus have strategic significance in energy security spheres and fighting terrorism.[73]

EU possesses some "soft policy" levers concerning this region. For instance, all three countries of this region are members of the European Neighborhood Policy (ENP) program initiated by the EU. Eastern Partnership (EaP), which covers the EU's policy concerning the countries of East Europe and the South Caucasus, is another crucial political tool of the EU. The EaP was founded at the Paris Summit in May 2009.[74] The main goals of the establishment of the EaP are an acceleration of the political union and deepening of the economic integration between EU and six states of the Post-Soviets Space: Armenia, Azerbaijan, Belarus, Georgia, Moldavia, and Ukraine.[75]

Therefore, the EaP intends to address some critical issues, such as:[76]

- Stabilizing the neighborhood;
- Stronger neighborhood, stronger partnerships;
- Good governance, democracy, rule of law, and human rights;
- Proposed joint priorities for cooperation;
- The regional dimension;
- More effective delivery.

The work programs of the four EaP multilateral thematic platforms were established to achieve effectiveness in the partnership between the EU and member countries of the EaP. The work programs cover the following issues:[77]

72 Paul, A. (2015). The EU and the South Caucasus–Time for a stocktake. The South Caucasus, 77.

73 EFE, A. P. D. H. (2012). Foreign Policy of the European Union Towards the South Caucasus. International Journal of Business and Social Science, 3(17).

74 Opitz, C. (2014). Die Europäische Union in unruhigem Fahrwasser: Eine deutsch-nordisch-baltische Reformpartnerschaft in Zeiten innen und außenpolitischer Herausforderungen. integration, 37(4), 365–370.

75 Kerikmäe, T., & Chochia, A. (Eds.). (2016). Political and legal perspectives of the EU Eastern Partnership policy. Springer International Publishing.

76 European Commission. (November 18, 2015). Review of the European Neighbourhood Policy. Retrieved April 25, 2023, from http://web.archive.org/web/20190209045802/https://ufmsecretariat.org/wp-content/uploads/2015/11/20151118_joint-comm_-review-of-the-european-neighbourhood-policy.pdf

77 European Union External Action. (January 2010). Eastern Partnership thematic platforms get down to work. Retrieved April 25, 2021, from http://web.archive.org/web/20160628074048/http://eeas.europa.eu/delegations/belarus/press_corner/all_news/news/2010/20100119_01_en.htm

- Democracy, good governance, and stability;
- Economic integration and convergence with EU policies;
- Energy security;
- Contacts between people.

Energy security is one of the central aspects of the EU policy towards the South Caucasus.[78] The involvement of the EU's energy companies in the development and production of the energy resources of Azerbaijan and the back of Azerbaijan by the EU in the establishment of safe and stable export routes to Europe are the central goals of the EU regarding its energy policy in the region.[79]

Azerbaijan and the EU signed a Memorandum of Understanding on reforming and modernizing the Azerbaijani domestic energy sector in 2006.[80] The EU perceives Azerbaijan as a new energy source for the diversification of its energy export sources.[81] However, given Azerbaijan's modest energy resources, it is clear that the country cannot play any significant role in the EU's energy security. Nevertheless, the two oil projects of Azerbaijan: BTC, Baku-Tbilisi-Erzurum (BTE), and Southern Gas Corridor (SGC) natural gas project, demonstrates Azerbaijan's interest in having close energy cooperation with the EU.[82]

These projects also have the US's significant political support. The former senior adviser of the US State Department Bureau of Energy, Daniel Stein, stressed Azerbaijan's essential role in the energy security of Europe during his speech at the 21st Caspian International Oil and Gas Conference in Baku on 4 June 2014. According to him, Baku's role even increased after the natural gas crisis between Russia and Ukraine in 2006, jeopardizing the energy security of Europe.[83] Besides, he stressed that the SD 2 natural gas project is an essential step towards the establishment of the energy security of the EU.[84] German former Chancellor Angela Merkel also stressed the increasing role of Azerbaijan as an essential partner for the EU during

78 Alieva, L., & Shapovalova, N. (2015). Energy security in the South Caucasus: views from the region. CASCADE, http://weg.ge/sites/default/files/cascade-d8.3-working-paper-energy-security.pdf, Workingpaper-Energy-Security.pdf [in English].

79 Van Gils, E. (2018). From 'Unilateral'to 'Dialogical': Determinants of EU–Azerbaijan Negotiations. Europe-Asia Studies, 70(10), 1572–1596.

80 EU-Azerbaijan (n.d.). Retrieved April 25, 2023, from http://web.archive.org/web/20181014071930/https://www.consilium.europa.eu/media/21862/eu-azerbaijan.pdf

81 Van Gils (2018).

82 Bocse, A. M. (2019). EU energy diplomacy: Searching for new suppliers in Azerbaijan and Iran. Geopolitics, 24(1), 145–173.

83 Stern, J. (2006). The Russian-Ukrainian gas crisis of January 2006. Oxford Institute for Energy Studies, 16(1).

84 Azernews.az. (June 4, 2014). U.S. says Azerbaijan to play important role in Europe's energy security. Retrieved April 25, 2023, from http://web.archive.org/web/20140825180837/http://www.azernews.az/oil_and_gas/67700.html

her meeting with the Azerbaijani President: "*Azerbaijan is an increasingly important partner, partly because of its growing economic momentum.*"[85]

However, despite the ENP and EaP projects and close cooperation in the energy sphere, the EU does not have any uniform strategy and a clear plan in its regional policy towards the peaceful regulation of the conflicts, which are the essential hurdle on the way of development and economic prosperity of the South Caucasus.[86]

Since the regional countries accept the EU as a constructive partner in different spheres, the EU should increase its active involvement in the peaceful settlement of the conflicts, which have remained unsolved for many years. Instead of it, the EU supported only OSCE and the UN's activity in regulating the conflict between Azerbaijan and Armenia. The active involvement of the EU could undoubtedly play a crucial role in the settlement of the disputes, which are a central cause of the instability and absence of regional cooperation between states of this region.[87]

According to Stefan Meister, the EU's activity in the South Caucasus should be characterized as "half-hearted." Therefore, the political activity of the EU only consists of some recommendations in the frames of economic and political transformation. However, the political and economic engagement of the EU in the sphere of democratization and the development of the market economy could be more productive if official Brussels could bring a significant contribution to the peaceful solution of the "chronic problems" of the region.[88] The participation of the EU through France in the peaceful negotiation of the conflict between Azerbaijan and Armenia in the context of the OSCE Minsk Group was another aspect that diminished the effectiveness of the EU's involvement in the peaceful solution of the conflict.[89]

Establishing lasting security in the region and energy questions is in the USA and the EU's mutual interests in the South Caucasus. However, the actors should follow a more active policy to limit the Russian government's influence on the region's political processes. An effective policy of the EU towards the South Caucasus states is simply impossible only through political rhetoric. The EU should use all political tools and be more insistent in achieving stability and prosperity in the region.[90]

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85 Bundeskanzlerin.de. (January 1, 2015). An Increasingly Important Partner. Retrieved April 25, 2023, from https://web.archive.org/web/20190509184203/https://www.bundeskanzlerin.de/bkin-en/news/-an-increasingly-important-partner--428260

86 German, T. (2016). Regional Cooperation in the South Caucasus: Good Neighbours Or Distant Relatives?. Routledge.

87 Haydar, E. F. E. (2012). Foreign Policy of the European Union Towards the South Caucasus. Uluslararası Kafkasya Kongresi Programı, 60.

88 Freizer, S. (2017). The revised European Neighbourhood Policy and conflicts in the South Caucasus: The EU's growing conflict transformation role. In The Revised European Neighbourhood Policy (pp. 157-176). Palgrave Macmillan, London.

89 Meister (2013).

90 Ibid.

3.3 US policy towards Central Asia

The USA is the only superpower involved in the geopolitics of Central Asia. The establishment of democracy, the rule of law, a market economy, and the international community's regional states' integration are the USA's central goals in Central Asia.[91] However, two crucial aspects make this region vital to the foreign policy of the USA:

Firstly, the fight against terrorism is the most critical reason for the USA's presence in Central Asia. The terrorist attack of 9/11 in New York changed American foreign policy's direction thoroughly, so the US started having a more active policy in the region.[92] Considering the critical geostrategic position of Central Asia as a border region to unstable states like Afghanistan and Pakistan, this region has exceptional value in the USA's foreign policy.[93]

Secondly, the presence of the USA in Central Asia makes it possible to fight terrorism. Thirdly, the USA seeks to restrict its primary political opponents' influence in the world policy: China and Russia in the region.[94]

The region's significance for the USA increased dramatically after the breakdown of the USSR, but the apogee was reached after the terrorist attack in September 2001. The USA stationed its military contingents in Afghanistan after the 9/11 terror attack. Central Asia became a priority region in the USA's foreign policy with the beginning of the operations in Afghanistan to fight terrorism and create stability in the area.[95]

However, compared to the Indo-Pacific Region,[96] Central Asia is a less critical region for the foreign policy of the USA. So, a crucial political competition between the new world policy's two mightiest political actors, the USA and China, is observed in the Indo-Pacific region. Nevertheless, Central Asia also is a region that has tremendous meaning for the foreign policy of the USA because of its geographic location. The area is bordered on the North by Russia, on the East by China, and the South by

91 Mankoff, J. (2013). The United States and Central Asia after 2014. Washington, DC: Center for Strategic and International Studies.

92 Nichol, J. (2010, August). Central Asia: regional developments and implications for US interests. LIBRARY OF CONGRESS WASHINGTON DC CONGRESSIONAL RESEARCH SERVICE.

93 Tanrisever, O. F. (Ed.). (2013). Afghanistan and Central Asia: NATO's Role in Regional Security Since 9/11 (Vol. 106). IOS Press.

94 Chen, X. and Fazilov, F., 2018. Re-centering Central Asia: China's "new great game" in the old Eurasian heartland. Palgrave Communications, 4(1), pp.1-12.

95 Rumer, E. B., Sokolsky, R., & Stronski, P. (2016). US policy toward Central Asia 3.0 (Vol. 25). Washington, DC: Carnegie Endowment for International Peace.

96 He, K., & Li, M. (2020). Understanding the dynamics of the Indo-Pacific: US–China strategic competition, regional actors, and beyond. International Affairs, 96(1), 1-7.

"fragile" states such as Afghanistan and Pakistan. All these states are of tremendous importance to the US foreign policy.

Russia and China see the USA's presence in Central Asia as a significant political threat to their regional interests.[97] While Washington supports the states in preserving their sovereignty, and improving the democratic atmosphere in these countries, the establishment of security in the area, and fighting against terrorism, Russia's interests predominantly carry an imperialistic character.[98]

According to the former head of government of the department for the democracy Human Rights Lorne Craner, the USA pursues the following interests in Central Asia:[99]

> "The primary strategic goal of the United States in Central Asia is to see the development of independent, democratic, and stable states committed to the kind of political and economic reform that is essential to modern societies and on the path to integration and the world economy. The strategy that we follow is based on the simultaneous pursuit of three related goals. The first of these goals is security. Our counterterrorism cooperation bolsters these states' sovereignty and independence and provides them with the stability needed to undertake the reforms that are in their long-term interest. However, for these nations to be truly stable over the long term and to be fully integrated into the international community, to achieve their potential, they must allow for greater transparency, respect for human rights, and movement toward democratic policy. Finally, the development of Central Asia's economic potential, including its extensive natural resources, requires free-market economic reforms and foreign direct investment. This is the only way to improve the well-being of the region's people, diversify world energy sources, and facilitate these countries' movement into the world economy."

During the presidency of Barack Obama, it was expected that American troops would withdraw from Afghanistan. However, projects like the "New Silk Road" initiated by the Obama administration and the "C5+1" initiative plan for cooperation with Central Asian states during Obama's second precedency showed how critical Central Asia was in the foreign policy of the USA.[100] Secretary of State John Kerry and the five foreign ministers of the Central Asian states met within the "C5+1"

97 Petersen, A., & Barysch, K. (2011). Russia, China and the geopolitics of energy in Central Asia. Centre for European Reform.

98 Blank, S. (2007). US Interests in Central Asia and Their Challenges. Demokratizatsiya, 15(3).

99 Ibid.

100 U.S. Department of State. (August 3, 2016). U.S.-Central Asia (C5+1) Joint Projects. Retrieved April 25, 2023, from http://web.archive.org/web/20210322075951/https://2009-2017.state.gov/r/pa/prs/ps/2016/08/260805.htm

initiative in August 2016. Moreover, a further five agreements between the USA and the Central Asian states were formed.[101]

The meaning of this region for Washington slightly decreased after the presidential election of 2016.Furthermore, since the Biden administration was new in the White House, it was difficult to predict the new administration's policy towards Central Asia and regional states. However, according to the White House, on 30 August 2021, the US troops officially left Afghanistan.[102] Nevertheless, given that this region's stability is a priority issue for the White House, it could be predicted that more active involvement of the USA in Central Asia will be observed in the future.

3.3.1 US policy in the South Caucasus

After the fall of the SU, the US became the most influential player in the area, and though it has some significant interests in the area, none of them can be considered vital for the USA.

The US interest in the South Caucasus is driven by factors such as averting the reactivation of frozen conflicts in the region, supporting the establishment of democratic reforms, and good governance tendencies in Armenia, Azerbaijan, and Georgia.[103] In their turn, the regional states are more than interested in close cooperation with the USA.[104] Therefore, they need Washington to keep their sovereignty and neutralize Russian dominance in the South Caucasus.[105]

If the USA had no clear policy towards the South Caucasus and Central Asia states in the first years after acquiring their independence, Washington's active involvement started in the 90s of the last century. Therefore, the USA's active engagement in the South Caucasus began with singing "The Contract of the Century" in 1994.[106] This energy agreement between the Azerbaijani government and international energy companies was the first large-scale energy deal in the Caspian region. Three years later, a so-called Partnership for Peace (PfP) was signed, which became

101 Rakhimov, M. (2018). Complex regionalism in Central Asia: Local, regional, and global factors. Cambridge Journal of Eurasian Studies, 2, J6Y3O7.

102 Whitehouse.gov. (31 August, 2021). Remarks by President Biden on the End of the War in Afghanistan. Retrieved April 25, 2023, from https://www.whitehouse.gov/briefing-room/speeches-remarks/2021/08/31/remarks-by-president-biden-on-the-end-of-the-war-in-afghanistan/

103 Kuchins, A. C., & Mankoff, J. (2016). The South Caucasus in a Reconnecting Eurasia: US Policy Interests and Recommendations. Rowman & Littlefield.

104 Cornell et al. (2015).

105 Chiragov, F., & Karimov, R. (2015). Policies from afar: the US options towards greater regional unity in the South Caucasus. The South Caucasus, 95.

106 Ok, N., & Kocaman, S. (2013). The Economic Relations between the USA-Azerbaijan and Baku-Tbilisi-Ceyhan Project. In The 2013 WEI International Academic Conference Proceedings.

another essential point that caused the USA's activity in the South Caucasus. PfP implied military cooperation between NATO,[107] European countries, and the former states of the SU, which are not members of NATO.[108]

The attacks of 11 September 2001 and the military operations against the Taliban and Al-Qaida in Afghanistan, and Saddam Hussein's dictatorship in Iraq in 2004 substantially increased the stakes for US foreign policy in the region. Moreover, this region plays a significant role in fighting terrorism not only in Afghanistan and Pakistan[109] but also in other crisis regions of the world, especially in the North Caucasus and the Middle East.[110]

NATO plays a very crucial role in energy security in this region.[111] In May 2003, NATO Secretary-General Lord Robertson stressed the vital role of the Caucasian states in the fight against terrorism and the creation of regional stability.[112] Moreover, after the acceptance of the concept at the Riga summit in 2006,[113] NATO follows an active foreign policy in the region for the diversification of energy sources.

Azerbaijan plays a crucial role in establishing energy security and the development of the energy industry in the South Caucasus. Within the framework of NATO, the country is involved in several initiatives.[114] The concept of Azerbaijan's national security, which was confirmed by the Azerbaijani government still in 2007, reflects the importance of the partnership between Azerbaijan and NATO. According to this concept, integration with NATO and creating a collective security system within Europe are the central aims of the Azerbaijani state.[115] NATO is also an important political actor in some issues like strengthening military security and Azerbaijan's energy security.[116]

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107 Priego, A. (2008). NATO cooperation towards South Caucasus. Caucasian Review of International Affairs, 2(1), 1–8.

108 Nixey, J. (2010). The South Caucasus: drama on three stages (pp. 125–142). Universitäts- und Landesbibliothek Sachsen-Anhalt.

109 Yalowitz, K., & Cornell, S. E. (2004). The critical but perilous Caucasus. Orbis, 48(1), 105-116.

110 Nixey (2010).

111 NATO.int. (April 7, 2016). Relations with Azerbaijan. Retrieved April 25, 2023, from http://web.archive.org/web/20170313012510/http://www.nato.int/cps/en/natohq/topics_49111.htm?selectedLocale=en

112 NATO.int. (May 2003). Speech by NATO Secretary General-Lord Robertson. Retrieved April 25, 2023, from http://web.archive.org/web/20180628054949/https://www.nato.int/docu/speech/2003/s030515a.htm

113 Monaghan, A. (2009). NATO and energy security after the Strasbourg-Kehl summit. NATO Defense College.

114 Melek, M. (2008). NATO and the South Caucasus: Armenia, Azerbaijan, and Georgia on Different Tracks. Connections, 7(3), 30-51

115 Azizaga, T. O. G. Z. (2020). Azerbaijan-NATO relations 1991–2003.

116 Welt, C. (2019, October). Georgia: Background and US Policy. In Congressional Research Service Report for Congress.

If Georgia is undoubtedly the closest ally of the USA in the region,[117] different international organizations often criticize the Azerbaijani government because of freedom of speech, human rights, and free media in Azerbaijan.[118] However, interstate relations between the USA and Azerbaijan have a strategic nature. For Azerbaijan, US backing is essential to fight Russian influence in the region. Another critical point, which must be considered, is the USA's active involvement in Azerbaijan's energy industry. Therefore, the USA's political and economic support played a critical role in realizing all significant energy projects. For instance, the USA played a crucial role in realizing some vital energy projects like "the Contract of the Century," the BTC oil project, etc. Additionally, the USA was one of the three co-chairs of the Minsk group responsible for the Nagorno-Karabakh conflict's peaceful settlement.[119]

Different political experts and public figures emphasize the critical role of Azerbaijan in the South Caucasus. For instance, Dan Burton, the former chair of the House Government Reform and Oversight Committee, in his article for Washington Times, underlines Azerbaijan's important role in the region and policy of the USA in the South Caucasus:[120]

> "Why is that important to America? It's in a part of the world that is in a chaotic state. After a mere 23 years of independence, Azerbaijan stands out as a friend to America and a stabilizing force in the region. Russia and Iran border Azerbaijan, and those countries' policies make it even more critical that the United States and the rest of the free world have a stalwart friend in the region. There are many other reasons why we should value our relationship with Azerbaijan. As America and Azerbaijan continue to face common challenges to our increasingly common values and goals, US officials should congratulate them for their total commitment to religious tolerance, freedom, and democracy. America and the rest of the free world need more friends like Azerbaijan. Azerbaijan, a 96 percent majority Muslim country, has demonstrated a commitment to religious tolerance and understanding."

117 Van Gils (2017).

118 Thepolitic.org. (August 21, 2013). An Interview with Richard Morningstar, U.S. Ambassador to Azerbaijan Retrieved April 25, 2023, from http://web.archive.org/web/20161103220919/http://thepolitic.org/an-interview-with-richard-morningstar-u-s-ambassador-to-azerbaija/

119 Meister (2013).

120 Washingtontimes.com. (January 28, 2015). Why Azerbaijan is important to America and the free world. Retrieved April 25, 2023, from http://web.archive.org/web/20191206152053/https://www.washingtontimes.com/news/2015/jan/28/dan-burton-why-azerbaijan-is-important-to-america-/

Also, Jim Nichol, in his work[121] describes Azerbaijan as a country among the states supporting US anti-terror presence in Iraq, offering its airbase and playing an active role in the rebuilding of Iraq. Additionally, Azerbaijan supported US troops financially, militarily, and 50 Azerbaijani soldiers served until 2008 and pulled out in late 2008.[122]

The USA should follow a more active policy in such a "fragile" region to establish security in the area and stimulate the regional states' political and economic development. Thus, there are some essential principles, which the US government should follow in the region:[123]

- *Prevention of conflicts from further escalation*. An attempt to prevent the frozen conflicts into an active stage should be a priority of the US policy in the region;
- *Further promotion of democratic values*. Since it is a relatively new region and Russian political influence over the region's states is still very strong, and given Russian aversion to further democratization of the region, the USA should be more actively involved in its democratization.
- *Support of the EU's engagement*. The USA should further promote democratization, the rule of law, and good governance policy in very close collaboration with the EU.

If the USA is seriously concerned about the development and democratization of the area, it should support the regional countries in their internal transformation and integration into the international community. Consequently, the USA should back these changes, not for a short period, but to establish long-term cooperation with the regional states to achieve the settled goals.

3.4 Russia's policy towards Central Asia

Russia considers Central Asia, along with the South Caucasus and the Middle East, as one of the most critical regions in its foreign policy, so the importance of Central Asia for Russia consists of numerous political and economic aspects.[124] There-

121 Nichol, J. (2012, September). Armenia, Azerbaijan, and Georgia: Political developments and implications for US interests. Library of Congress Washington DC. Congressional Research Service.

122 Nichol (2012, September).

123 Rumer et al. (2016).

124 Kozhemiakin, A. V., & Kanet, R. E. (Eds.). (2016). The foreign policy of the Russian federation. Springer. 335 Gabuev, A. (2016). Crouching bear, hidden dragon:"One Belt one Road" and Chinese-Russian jostling for power in Central Asia. Journal of Contemporary East Asia Studies, 5(2), 61-78.

fore, Russia uses all political and economic levers to keep the region's states under its control, and the Kremlin strives to prove, by its presence in the region, that it is still the most important political player of Central Asia, even after the fall of the USSR.[125] Consequently, Russia has often carried out its policy to show the USA and China that this is a Russian influence sphere.

Western experts were wrong in thinking that Russia would leave the region after the fall of the USSR. On the contrary, it started to follow vigorous policy towards Central Asia. Russia's policy in the region has an enormous impact on some priority issues like labor migration, economic integration, and the regional states' political coordination.[126]

Russia lost its official control over the regional states with the fall of the USSR. However, the situation changed dramatically after the first two presidencies of Vladimir Putin in 2000 and 2004. Russia won back its strategic position in Central Asia. It became one of the most influential political powers of the region because of Vladimir Putin's administration's systematic foreign policy towards Central Asia's states.[127]

In general, the Russian policy towards the region after the collapse of the SU can be divided into three stages:[128]

- *The first stage* spans the period after the fall of the USSR to the first half of the 90th of the last century. This period's primary characteristic was the lack of a clear concept in Russian foreign policy toward regional states. The Kremlin established the Commonwealth of Independent States (CIS) not as an instrument to achieve political control over regional countries but rather as a tool to procure a so-called "civilized divorce" between Russia and other new states region. Russia did not even attempt to defend the Russian minority population.[129]
- *The second stage*. Russia started to follow a more confident regional policy in the second half of the 1990s. Central Asia became a region of vital interest in Russian foreign policy, according to the decree issued on 14 September 1995. According to the so-called "Primakov doctrine," the rebuilding of lost Russian authority in world policy after the decline of the Soviet Empire started with recover-

125 Gabuev, A. (2016). Crouching bear, hidden dragon:"One Belt one Road" and Chinese-Russian jostling for power in Central Asia. Journal of Contemporary East Asia Studies, 5(2), 61-78.

126 Kavalski, E. (2010). The new Central Asia: The regional impact of international actors. World Scientific.

127 Buszynski, L. (2005). Russia's new role in Central Asia. Asian Survey, 45(4), 546–565.

128 Kavalski (2010).

129 Putin pretexts Russia's aggressive policy towards the former states of the Soviet Union very often for the sake of protecting the Russian minority in these countries. For instance, in the case of the crisis in Ukraine.

ing Moscow's influence over the post-Soviet countries, including Central Asian states.[130]

- *The third stage.* The Russian foreign policy towards the region changed dramatically after Putin came to power. Putin paid visits to Tajikistan, Uzbekistan, and Turkmenistan in the first years of his presidency. According to Russia's newly formulated foreign policy concept, the Kremlin invested significant investments in CIS and established closer political and economic relations with its strategic partners: India, Iran, and China. Putin's Russia strengthened control over the South Caucasus and Central Asia to fight terrorism in the regions. Turkmenistan and Uzbekistan became the allies of Russia in the region. At the same time, the other three countries, in the face of Kazakhstan, Kyrgyzstan, and Tajikistan tried to follow a more balanced foreign policy between Russia and the West. However, the governments of these states also started taking Russia's increasing role in the region seriously. Even Kyrgyzstan, the most democratic state of the area, had to consider Russia's growing political influence over regional states. Therefore, Russia recovered its lost authority in Central Asia and became the most reliable political actor for Central Asia governments.[131] Moreover, organizations like the EEU[132] and the CSTO[133] established an excellent ground for the Russian government's "soft power."

The Kremlin policy consists of supporting the Central Asian states characterized by their pro-Russian political course. Therefore, the process of Central Asia's potential democratization through the modernization and liberalization of the regional states might mean the Kremlin's losing its political control over these states.[134]

Another critical factor, which brought Central Asia's autocratic regimes close to Russia, is the wave of "colored revolutions" in Georgia, Ukraine, and Kyrgyzstan in the 2000s. The governments of Uzbekistan, Kazakhstan, and Turkmenistan real-

130 Rumer, E. (2019). The Primakov (not Gerasimov) doctrine in action (Vol. 5, No. 06). Carnegie Endowment for International Peace.

131 Malashenko, A. (2013). The fight for influence: Russia in Central Asia. Brookings Institution Press.

132 Kuznetsova, A. (2017). Greater Eurasia: Perceptions from Russia, the European Union, and China. Core Europe and Greater Eurasia: A roadmap for the future/Ed. by P. Schulze. Frankfurt am Main, 177-191.

133 Dubnov, A. (2018). Reflecting on a Quarter Century of Russia's Relations with Central Asia (Vol. 19). Washington, DC: Carnegie Endowment for International Peace.

134 Omelicheva, M. Y. (2015). Competing perspectives on democracy and democratization: assessing alternative models of democracy promoted in Central Asian states. Cambridge Review of International Affairs, 28(1), 75–94.

ized that without Russia's support, the "colored revolutions" could also occur in their countries.[135]

The US and the EU have made support conditional on reforms like civil society and a free-market economy, political transformation, etc. On the other hand, Russia does not have any demands from the regional governments. Therefore, the Central Asian states consider Russia a reliable partner because of the Russian government's autocratic regimes' political support. In general, some aspects of Russia's presence in the region give impulse to such issues:[136]

- the parliamentary democracy as a system in Western countries is not applicable in the regional states of Central Asia, except Kyrgyzstan;
- Political reforms cannot be realized;
- A permanent crackdown on civil society;
- The restriction of the activities of the Non-Governmental Organizations (NGO).

3.4.1 Russia in the South Caucasus

Even after the SU's collapse and the involvement of Western political actors in the region's geopolitics, Russia is still one of the significant political actors in the South Caucasus. Since the South Caucasus, like other regions of the post-Soviet space, is considered by Russia as its own "backyard," the Kremlin,[137] even after the USSR's downfall, is an outside player and still follows its imperialistic interests in the region. Therefore, the Kremlin is persuaded that other political actors like the USA, EU, and Turkey will have a more active regional policy if Russia is not present in the area.[138]

The South Caucasus is one of the few regions on the world's geopolitical map where two of three neighboring states have no interstate relations with each other. There are no diplomatic relations between Azerbaijan and Armenia, while the Georgian state has no "functional" interstate ties with the Kremlin. Due to the existence of "frozen conflicts," the South Caucasus is easy for Russia to intervene.[139] It is possible that the South Caucasus could turn into a very peaceful and prosperous if the conflicts are resolved.

135 Laruelle, M. (2009). Russia in Central Asia: Old history, new challenges?. EU-Central Asia Monitoring (EUCAM) Working Paper, 2(3), 20–39.

136 Laruelle (2009).

137 Peña-Ramos (2017).

138 Boonstra, J. (2015). The South Caucasus and its wider neighbourhood. FRIDE, Cascade Working Paper.

139 Ibid.

However, the conflicts keep this region extremely vulnerable and unstable. The Kremlin's interest in resolving the disputes would be a crucial step toward their regulation.[140]

The war against Georgia in 2008 was a demonstration of power by Russia and a strong message to the West. The Kremlin achieved its short-term tasks, such as the increase of "military spirit" in Russia, an attempt at self-affirmation as a world power, a demonstration of its military strength to the West, etc.[141] Besides, given the fact that Georgia has a close partnership with NATO[142] and it is expected that Georgia might become a member of NATO in the future, Russia's aggression can be seen as a demonstration of power to avoid a potential expansion of NATO in the region.[143] Long-term goals such as Russia's acceptance as a part of the international community and Russia's peaceful intentions towards other countries of the post-Soviet Region failed unambiguously because of the Russian government's aggressive policy towards neighbor states.[144] Simultaneously, the violence against its neighbors has increased the international community's suspicion of Russia.[145]

Russia is very interested in instability in the region.[146] Therefore, the military troops of Russia train permanently in by Russian military troops' occupied territories. For instance, in the summer of 2017, 16000 soldiers participated in the training held in Georgia's officially recognized territory. Russian military actions in Georgia's occupied territories violated Russia and Georgia's agreement after the war in 2008.[147]

Georgia cannot afford an open military confrontation with Russian military power due to its relatively modest potential. However, the West also tries to avoid a confrontation with the Kremlin to prevent damaging its political and especially economic interests with Russia. For instance, since Russia is the largest natural gas supplier for the EU, Brussels is involved in stabilizing the South Caucasus "half-

140 Peña-Ramos (2017).

141 Cornell, S. E., & Starr, S. F. (Eds.). (2009). The guns of August 2008: Russia's war in Georgia. ME Sharpe.

142 Nilsson, N. (2018). Russian hybrid tactics in Georgia. Central Asia-Caucasus Institute and Silk Road Studies Program. http://isdp.eu/content/uploads/2018/01/Russian-Hybrid-Tactics-in-Georgia.Pdf (Accessed June, 2018).

143 Karagiannis, E. (2013). The 2008 Russian–Georgian war via the lens of Offensive Realism. European Security, 22(1), 74–93.

144 Jonsson, O., & Seely, R. (2015). Russian full-spectrum conflict: An appraisal after Ukraine. The Journal of Slavic Military Studies, 28(1), 1–22.

145 Nixey, J. (2012). The Long Goodbye: Waning Russian Influence in the South Caucasus and Central Asia. Chatham House.

146 Ibid.

147 Phillips, D. (2011). Six Point Ceasefire Agreement between Russia and Georgia (pp. 1–30). The National Committee on American Foreign Policy.

hearted."[148] Consequently, the EU indirectly recognizes Russia as the dominant power in the South Caucasus.

Russia sees the USA and EU's political presence as a danger to its interests in the region. In that case, Turkey is a relatively less dangerous political actor for the Kremlin. Turkey is an active member of NATO, but at the same time, it has strategic relations with Moscow while there are several sanctions of the EU and the USA against Russia.[149]

The USA is a key political actor in the South Caucasus. The former Vice-President of the USA, Mike Pence, pointed out that Georgia has an essential meaning for the USA and is a strategic partner of the USA in the region during his visit to Georgia:[150]

> "At this very moment, just 40 miles from where we stand, Russian tanks stand on occupied territory in South Ossetia. Today, Russia continues to occupy one-fifth of Georgian territory. To be clear, the United States of America strongly condemns Russia's occupation on Georgia's soil. The United States supports Georgia's sovereignty and territorial integrity within its internationally recognized borders. And under President Donald Trump, the United States of America will reject any claim, at any time, by any nation that undermines this enduring principle."

A couple of days later, the chief of the Kremlin answered the former Vice President of the US during his visit to Abkhazia:*"Russia reliably guarantees the safety and independence of Abkhazia."*[151]

Because of Azerbaijan's crucial strategic position[152] in the continent of Eurasia between the North and the South, the East and the West,[153] Russia pays attention to Baku in its South Caucasian policy. Several critical policy decisions by the Russian government show that the Kremlin is very much interested in:

148 Meister S, (2013), p. 3.

149 Boonstra (2015).

150 Georgiaembassyusa.org. (August 18, 2017). US Vice President Mike Pence Visits Georgia. Retrieved April 25, 2023, from http://web.archive.org/web/20180523033502/http://georgiaembassyusa.org/2017/08/18/us-vice-president-mike-pence-visits-georgia

151 Novosti.ru. (n.d.). (August 8, 2017). Retrieved April 25, 2023, from http://web.archive.org/web/20181123003924/https://www.ntv.ru/novosti/1893658/

152 Mehdiyeva, N. (2003). Azerbaijan and its foreign policy dilemma. Asian Affairs, 34(3), 271–285.

153 Ibrahimov, R. (2014). US-Azerbaijan Relations: A View from Baku. Rethink Paper, 17.

- The establishment of Russian military bases in Azerbaijan;[154]
- The acceptance of Russia by the Azerbaijani government as the only political actor in the resolution of the Nagorno-Karabakh conflict between Azerbaijan and Armenia;[155]
- The export of Azerbaijani oil and natural gas resources via Russian territory;[156]
- Azerbaijan joining the EEU and CSTO.[157]

The Azerbaijani government understands that it has to adhere to a realistic political vision that integrating with the West is the only possible policy to neutralize Russian hegemony towards the state.[158] However, the Kremlin possesses essential leverages against Azerbaijan, which should also be taken into consideration:

- Russia is the most important trade partner for Azerbaijan. Almost half of its trade rate falls to Russia's share, so the Russian market has vital meaning for Azerbaijan.[159]
- A substantial ethnic Russian minority population lives in Azerbaijan.
- The ethnic minorities, Lezgins and Talyshs[160] living in Azerbaijan can also be used by the Kremlin to destabilize the situation in Azerbaijan.[161]

Russia has a crucial role in resolving conflicts in the region. However, the disputes will only be resolved if Russia sees them as essential leverage to intervene in Armenia's, Azerbaijan's, and Georgia's internal issues. Therefore, Russia proved with its so-called "5-day war" against Georgia and the ongoing war in the territory of Ukraine once again that the Kremlin is ready to use all possible ways to keep its dominance

154 Norberg, J., Westerlund, F., & Franke, U. (2014). The Crimea operation. Implications for future Russian military interventions. A Rude awakening. Ramifications of Russian aggression towards Ukraine, 41–50.

155 Cornell, S. E. (1999). The Nagorno-Karabakh Conflict. Uppsala Universitet.

156 Ibrahimov, R. (2010). Azerbaijan Energy Strategy and the Importance of the Divercification of Exported Transport Routes. Journal of Qafqaz University, (29).

157 Oxford Analytica. (2020). Russia reviews Karabakh priorities to remain relevant. Emerald Expert Briefings, (oxan-db).

158 Cornell, S. E. (2015). Azerbaijan since independence. Routledge.

159 Huseynov, H. H., Jafarov, I. H., Vermeer, M., & Gaplaev, M. S. (2021, January). The modern pace of development and perspectives of horticulture in Azerbaijan. In IOP Conference Series: Earth and Environmental Science (Vol. 624, No. 1, p. 012197). IOP Publishing.

160 Starr, S. F., & Cornell, S. E. (Eds.). (2014). Putin's grand strategy: the Eurasian Union and its discontents. Central Asia-Caucasus Institute & Silk Road Studies Program, Joint Transatlantic Research and Policy Center, Johns Hopkins University, School of Advanced International Studies (SAIS).

161 Blank, S. (2013). Azerbaijan's security and US interests: Time for a reassessment. Central Asia-Caucasus Institute, Paul H. Nitze School of Advanced International Studies.

in the region.[162] Russian diplomacy and its military presence in the South Caucasus serve to keep the current limbo and prevent the region's continuous stability.[163]

3.5 Turkey

Being an important political actor in the South Caucasus and Central Asia, Turkey has a tremendous political influence on the Caspian Region's regional states alongside other international political actors: the USA, China, Russia, and the EU. In addition, Turkey has close linguistic and historical ties with the region, and this "soft power" gives it extra leverage in its foreign policy toward the regional states.

In general, two points characterize the interests of Turkey in the Caspian Region:

- Functional political[164] and economic[165] relations with the regional states;
- The diversification of its energy sources by making use of the significant energy reserves of the region;

The policy of Turkey in the region can be divided into two periods:

- The first period spanned the Cold War when Turkey was not a significant political player in Central Asia because the USSR's existence did not enable Turkey to pursue an active policy in the Caspian Region.
- However, Central Asia became significant for Turkey after the Cold War and the USSR's fall. Nevertheless, since the Turkish government was not ready for the SU's collapse, Turkey had no strategic approach regarding its policy toward the new state of the region.[166]

Turkey possesses some "soft power" instruments regarding its regional policy. A shared language and historical ties make Turkey a desirable partner for Azerbaijan, Kazakhstan, Uzbekistan, Turkmenistan, and Kyrgyzstan. Consequently, all Turkic-

162 Mearsheimer, J. J. (2014). Why the Ukraine crisis is the West's fault: the liberal delusions that provoked Putin. Foreign Aff., 93, 77.

163 Boonstra (2015).

164 Mearsheimer, J. J. (2014). Why the Ukraine crisis is the West's fault: the liberal delusions that provoked Putin. Foreign Aff., 93, 77.

165 Boonstra (2015).

166 Mikail, E. H., Atun, Y., & Atun, A. (2019). Turkey-Azerbaijan Economical and Political Relations. Open Journal of Political Science, 9(3), 512–524.

speaking countries consider Turkey a kind of model state because of its secular statehood model and close cooperation with the West.[167]

Pan-Turkism[168] covers more than 120 million Turkic people and the area from West China to the Mediterranean Sea. In the first years after the SU's collapse, there was an idea to establish a union of Turkic states with a common market. Moreover, an international organization was founded to coordinate the Turkic culture's collective development in 1992. The states of the Post-Soviet Region: Azerbaijan, Turkmenistan, Uzbekistan, and Turkey, became member countries. Consequently, the Parliamentary Assembly of Turkic-Speaking Countries (TurkPA) was established in 2008,[169] and one year later, in 2009, the Council of Turkic Speaking Countries, or with its other name, the "Turkic Council."[170]

Turkey started to follow a more "offensive" policy in the Caspian Region after the Justice and Development (AKP) Islamic conservative party came to power. Turkey created close relations with the states of the Caspian Region.[171] In the 1990s and the 2000s, Turkey was trying to move closer to the West. However, Ankara adheres to a more independent political course today.[172]

The energy resources of the region are of tremendous importance to Turkey. Turkey's role as a middleman between the Caspian region's energy exporters and the energy market is continuously growing as Turkey's geopolitical assertiveness increases in the area. Turkey is the primary opponent of Russia in the "pipeline policy" of the Caspian Region.[173] Since the USA is very interested in undermining Russia's energy transport monopoly, Washington supports Turkey's role as a critical energy transport country.

Consequently, Turkey is still a close partner of the West, especially of the USA in the region,[174] despite a relatively stagnate period in relations between the two coun-

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167 Kardaş, Ş., & Macit, F. (2015). Turkey-Azerbaijan relations: The economic dimension. Journal of Caspian Affairs, 1(1), 23–46.

168 The ideological movement appeared in the 80th of the 19 century and implied all Turkic peoples' cultural and political unification.

169 Durdular, E. (2017). Parliamentary Assembly of Turkic-speaking Countries TurkPA: Beyond Parliamentary Diplomacy. PERCEPTIONS: Journal of International Affairs, 22(1), 115-142.

170 Voeten, E., Strezhnev, A., & Bailey, M. (2010). TURKPA Commission on International Relations, and "Recommendation on Basic Aspects and Prospects of TURKPA's International Cooperation."

171 Erşen, E. (2013). The evolution of 'Eurasia'as a geopolitical concept in post–cold war Turkey. Geopolitics, 18(1), 24-44.

172 Kutlay, M., & Dogan, S. (2011). Turkey and Central Asia: Modern Economic Linkages along the Silk Road. Revue Analyse Financiere Q, 1, 2011.

173 Orazgaliyev, S. (2017). Competition for pipeline export routes in the Caspian region: The new Great Game of the new Silk Road?. Cambridge Journal of Eurasian Studies, 1(5B75G8).

174 Öniş, Z., & Yılmaz, Ş. (2016). Turkey and Russia in a shifting global order: cooperation, conflict and asymmetric interdependence in a turbulent region. Third World Quarterly, 37(1), 71-95.

tries during the presidency of Barack Obama and Donald Trump. Even though it could be expected that the Biden administration will follow more reserved political and economic ties with Ankara, the years of Biden's presidency showed that Turkey is still a significant partner for Washington. Meanwhile, Turkey profits from the partnership relations with the Kremlin. Russia's position is undeniable in Ankara's energy security policy.[175] For this reason, the AKP government tries to keep a "balance" in its policy between the West and Russia.

Turkey's geographical location between the European energy market and the rich energy sources in the north, east, and south of the country creates an excellent opportunity for Turkey to be considered an "energy bridge" between Asia and Europe.[176] Even though there are some substantial disagreements between the EU and the Turkish government on some issues like the refugee crisis, the internal and foreign policy of Turkey, the essential role of Turkey as a transit hub for crucial natural gas and oil projects of the EU makes collaboration between Ankara and Brussels vital for both sides. Therefore, Turkey has emerged as one of the key political actors in the region in the last 10–15 years and plays a crucial role in exporting natural gas and oil resources from the Caspian region to the European energy market, and has become the "energy hub" for Europe.[177]

The EU has invested significant capital in energy projects with the participation of Turkey. For instance, one of the recent years' critical projects, the SGC natural gas project, is a strategic project increasing Turkey's importance for the EU. The natural gas transported from Azerbaijan goes through Turkey to the EU countries. Bypassing massive Russian territory is another essential point for all participating political actors. Therefore, the natural gas project helps the EU diversify its natural gas supplier sources and decreases its dependency on Russia, if not significantly. However, it is still a positive sign for the energy security of the EU.[178]

> Turkey has implemented a somewhat successful energy policy, which has secured significant volumes of hydrocarbons and attracted enormous investments for the realization of ambitious energy transportation projects.[179]

175 Yermekbayev, A., Khairullayeva, V., Iztayeva, V., Zhuztayeva, B., & Doszhanova, A. (2020). Relations Between Turkey and Russia in the Context of Energy Partnership. International Journal of Energy Economics and Policy, 10(4), 166.

176 Austvik, O. G., & Rzayeva, G. (2017). Turkey in the geopolitics of energy. Energy Policy, 107, 539-547.

177 Fischer, S. (2016). Turkey and the Energy Transit Question ". Carnegie Europe, 23.

178 Ala'Aldeen et al. (2018).

179 Koranyi, D., & Sartori, N. (2013). EU-Turkish energy relations in the context of EU accession negotiations: focus on natural gas. Global Turkey in Europe II, 23.

Turkey is a transport country for some projects like the BTC oil pipeline. Parallel to the BTC is the SGC pipeline from Azerbaijan, the Kirkuk–Ceyhan oil pipeline from Iraq, and the Tabriz–Ankara gas pipeline from Iran also go through the Turkish territory. It is around 3% of the world's energy export.[180]

Ankara's active involvement in the region's political and energy spheres is outside Moscow's interest, even though they are strategic partners in some spheres. For this reason, the Kremlin tries to prevent Turkey's active role in energy projects.[181]

3.6 Iran

Iran is one of the five states of the Caspian Sea. Iran is the region's second most important political actor considering its economic and political strength. The Islamic Republic of Iran (IRI) policy often varies from other regional states' approaches.

In general, the policy of the IRI in the Caspian Region is divided into some stages:

- *The first stage* spans some significant political events like the Islamic Revolution in Iran in 1979,[182] which changed not only the internal and foreign policy of Iran[183] but also the existence of the country, the fall of the USSR, and the acquisition of independence by Azerbaijan, Kazakhstan, and Turkmenistan.
- *The second stage* is associated with the Iranian government's understanding of the importance of the Caspian Region. By the end of the 1990s, Iran became very interested in realizing energy projects and having close bilateral relations with Russia.[184] Meanwhile, relations with Russia are vital for Iran because of its hostile relations with the West, especially with the USA. By that time, the political confrontation between Russia and the USA in the Caspian Region reached its highest intensity. Iran has become an active political actor in this political confrontation.[185]

180 Ala'Aldeen et al. (2018).

181 Ivanova, I. (2019). Turkey in Central Asia: a Partner or a Rival?. Asia and Africa today, (7), 39–47.

182 Dabashi, H. (2017). Theology of discontent: The ideological foundation of the Islamic revolution in Iran. Routledge.

183 Rakel, E. P. (2007). Iranian foreign policy since the Iranian Islamic revolution: 1979-2006. Perspectives on Global Development and Technology, 6(1-3), 159-187.

184 Tabatabai, A., & Esfandiary, D. (2018). Triple-Axis: Iran's Relations with Russia and China. Bloomsbury Publishing.

185 Rasoulinezhad, E. (2016). Investigation of sanctions and oil price effects on the Iran-Russia trade by using the gravity model. Вестник Санкт-Петербургского университета. Экономика, (2).

- *The third stage* might have started with the removal of most UN sanctions against Iran in January 2016 because Iran agreed with the conditions of the international community regarding its nuclear program.[186] However, the presidential administration of Donald Trump decided to prolong the sanctions package.

Iran possesses significant oil and natural gas reserves. The energy reserves of Iran are tremendous. Iran is the only state in the Caspian region that is a member of OPEC. After Saudi Arabia, Iran has the largest oil reserves in the world. Consequently, Iran is among the ten oil and five natural gas wealthiest countries in the world.[187]

According to the EIA's report, Iran's crude oil output reached 4.7 million barrels per day (mbd) and 7.2 tcf (trillion cubic feet) of dry natural gas in 2017.[188] The BP's Statistical Review of World Energy 2017 reports that Iran possesses around 18% of the total proven world natural gas reserves, while Russia, with its 33.5 tcm (trillion cubic meters), and Qatar with 24.3 tcm natural gas reserves follow Iran and hold the second and third places respectively. According to EIA's report, Iran possesses the world's fourth-largest proved crude oil reserves. At the same time, Iran is the second-largest natural gas holder in the world.[189]

Iran's oil production decreased because of numerous sanctions against the Iranian government. However, after the lifting of sanctions, it had been considered an increase in oil production by 2017, even for a short period, so the oil production reached more than 3.8 million bpd by 2017.[190]

Despite its wealthy natural gas and oil resources, Iran cannot attract international investors to develop its energy resources. Other new Caspian Sea states have collaborated with major global energy companies since the USSR's fall. The international economic sanctions are the main hurdle towards involving international energy companies in Iran's energy sector.[191]

Iran was the closest ally of the West, especially of the USA, until 1979. The neighboring USSR, as well as Communism, was seen as a significant threat to Iranian

186 Katzman, K., & Kerr, P. K. (2016). Iran nuclear agreement. Washington, DC: Congressional Research Service.

187 EIA.gov. (January 7, 2019). Country Analysis Executive Summary: Iran. Retrieved April 25, 2023, from http://web.archive.org/web/20210308112051/https://www.eia.gov/international/content/analysis/countries_long/i ran/pdf/iran_exe.pdf

188 Ibid.

189 IENE.eu. Iran Holds 18% of Total Global Proven Gas Reserves. Retrieved April 25, 2023, from http://web.archive.org/web/20200223055919/http://www.iene.eu/iran-holds-18-of-total-global-proven-gas-reserves-p3510.html

190 EIA.gov. (January 7, 2019).

191 Ahmadi, A. (2018). The impact of economic sanctions and the JCPOA on the energy sector of Iran. Global Trade and Customs Journal, 13(5).

statehood. However, the Islamic Revolution and the USSR's fall changed the geopolitical balance in the region dramatically.[192]

Jimmy Carter's administration implemented the first sanctions against the Iranian government in 1979. The sanctions restricted the bilateral relations between the USA and Iran in financial, trade, energy, and other spheres.[193] The international sanctions against Iran were adopted in 2006 when the International Atomic Energy Agency (IAEA) found centrifuges for uranium enrichment in Iran. As a result, it was guessed that Iran intends to create a weapon of mass destruction. With the election of Hassan Rouhani after the presidency of Mahmoud Ahmadinejad,[194] who was well known for his offensive political course against the West, the situation started to change slightly.[195] The Iranian government announced its readiness to corporate with the international community and discussed its "nuclear program."[196]

In July 2015, the USA, China, Great Britain, France, Russia, and Germany signed an agreement on removing economic sanctions against Iran. According to this agreement, Iran accepted the conditions concerning its refusal to develop the nuclear program further. It allowed access of the UN to its nuclear development and military bases.[197] However, the final decision on Iran's sanctions was made only in January 2017 when the IAEA announced that Iran fulfilled its obligations.[198]

The lifting of the sanctions might have influenced the economy of Iran in a very positive way. It would have allowed Iran to export its oil and natural gas resources to the world energy market. The relations between the USA and Iran started going in a positive direction close to the end of Barack Obama's presidency. However, the situation changed once more under Donald Trump's administration. Consequently, the new administration announced the pulling out of the USA from the nuclear deal with Iran.[199]

192 Blight, J. G., Banai, H., Byrne, M., & Tirman, J. (2012). Becoming enemies: US-Iran relations and the Iran-Iraq war, 1979–1988. Rowman & Littlefield Publishers.

193 Ibid.

194 Beeman, W. O. (2006). After Ahmadinejad: the prospects for US–Iranian relations. Iranian challenges, Chaillot Papers, 89, 96.

195 Ansari, A. M. (2019). Iran, Islam and democracy: The politics of managing change. Gingko Library.

196 Katzman & Kerr (2016).

197 BBC News. (11 June, 2019). Iran nuclear deal: Key details. Retrieved April 25, 2021, from (n.d.). Retrieved from http://web.archive.org/web/20210320230915/https://www.bbc.com/news/world-middle-east-33521655

198 Daugirdas, K., & Mortenson, J. D. (2016). Contemporary practice of the United States relating to international law.

199 Pompeo, M. (2018). After the Deal: A New Iran Strategy. US Department of State, 21.

Internationally isolated Iran looked for new partners to avoid a political and economic crisis in the country. Therefore, Iran joined the SCO still in 2004.[200] The other member countries of the SCO are China, Russia, Uzbekistan, Kazakhstan, Kyrgyzstan, and Tajikistan. The SCO's role for Tehran is characterized by the following aspects:[201]

- Tehran sees its membership in the organization as a good chance to establish its influence in Central Asia through collaboration with Beijing and Moscow.
- SCO is a military alliance. Therefore, Iran protects itself against the West through its membership in the organization.
- The economic relations, especially with two "locomotive political actors" of the SCO: China[202] and Russia[203] is the only possible way for Iran's economic "survival."
- SCO makes it possible for Tehran to take an active role in the region's energy projects so that Iran can export its energy resources to growing energy markets like India and China.

The state relations between Tehran and Baku were always very intense.[204] For instance, the two countries' relationships deteriorated once more because of an adverse incident between the two countries in 2001.[205] Iranian ships threatened an Azerbaijani vessel and did not allow the vessel to accomplish its mission in the Caspian Sea.[206] It was not the only case when Iran showed its aggressive attitude toward its neighbor. For instance, Iran's airplanes have violated Azerbaijani space many times since Azerbaijan became independent. Another essential aspect of unfriendly Iranian policy against the Azerbaijani state is the strategic relations

200 Song, W. (2014). Interests, power, and China's challenging game in the Shanghai Cooperation Organization (SCO). Journal of Contemporary China, 23(85), 85-101.

201 Allison, R. (2018). Protective integration and security policy coordination: Comparing the SCO and CSTO. The Chinese Journal of International Politics, 11(3), 297–338.

202 Nejhadi, F. (2016). An elaboration on the Iran-China relations in the path towards and after Joint Comprehensive Plan of Action. International Journal Series in Multidisciplinary Research (IJSMR) (ISSN: 2455-2461), 2(4), 57-63.

203 Koolaee, E., Mousavi, H., & Abedi, A. (2020). Fluctuations in Iran-Russia Relations During the Past Four Decades. Iran and the Caucasus, 24(2), 216-232.

204 Hasanli, J. (2006). At the Dawn of the Cold War: The Soviet-American Crisis over Iranian Azerbaijan, 1941–1946. Rowman & Littlefield Publishers.

205 New York Times. (July 25, 2001). Iran is accused of threatening research vessel in Caspian Sea. Retrieved April 25, 2023, from https://www.nytimes.com/2001/07/25/world/iran-is-accused-of-threatening-research-vessel-in-caspian-sea.html

206 Nassibli, N. (2003). IRAN\'S CASPIAN POLICY: TIME TO MAKE A DECISION?. Central Asia-Caucasus Analyst, 10.

between Azerbaijan and Israel, so official Tehran treats the strategic partnership between these states as a significant threat to its security.[207]

3.7 Azerbaijan

The SU's fall made Azerbaijan an independent country on 18 October 1991, alongside the other 14 states of the former SU. The country faced many problems during the first years of its freedom. The economic difficulties, occupation of almost 20% of the territory in Nagorno-Karabakh and seven surrounding districts-Kalbajar, Lachin, Qubadli, Jabrayil, Zangilan, Agdam, Fuzuli, which are officially recognized by international law as an integral part of Azerbaijan, the problem of one million refugees, the overthrow of a democratically elected president, the civil war in the country, and social issues were some of many issues that Azerbaijan faced in the first years of its independence.[208]

Due to its crucial geostrategic position bordering one of the world's two energy-richest basins, the Caspian Sea, between Europe and Asia, and on the crossroad of the "Silk Road," Azerbaijan plays an essential role in the political and economic constellation of Eurasia.[209] Additionally, the traditional and new communication, transport, and energy corridors also pass through this country.[210]

Therefore, Azerbaijan connects the North with the South and the East with the West. Azerbaijan's strategic geographical location enables the USA and Russia to fight terrorism by establishing security in the region and controlling close-located unstable areas.[211] Consequently, Azerbaijan is located on the North Caucasus's border, one of the terroristic groups' central locations. The terrorists from the North Caucasus fight in Iraq,[212] Afghanistan, Syria, and other unstable parts of the Middle East for the Islamic State of Iraq and Syria (ISIS), Jabhat al-Nusra, and other terror groups.[213]

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207 Göksel, O. (2015). Beyond countering Iran: A political economy of Azerbaijan-Israel relations. British Journal of Middle Eastern Studies, 42(4), 655–675.

208 Cornell, S. E. (1998). Turkey and the conflict in Nagorno Karabakh: a delicate balance. Middle Eastern Studies, 34(1), 51–72.

209 Llanelli, B., 2016. Azerbaijan in the Silk Road Economic Belt: A Chinese Perspective. Caucasus International, 6(1), pp.27-39.

210 Cornell (2015).

211 Nichol (2012, September).

212 International Crisis Group. (2016). The North Caucasus Insurgency and Syria: An Exported Jihad?. Report no. 238 Europe and Central Asia.

213 Ratelle, J. F. (2016). North Caucasian foreign fighters in Syria and Iraq: Assessing the threat of returnees to the Russian Federation. Caucasus Survey, 4(3), 218–238.

The NATO army troops and planes can fly to Afghanistan through Azerbaijani territory. For instance, almost 40% of fuel, arms, food, and other cargo destined for Afghanistan's NATO mission were transported through Azerbaijan. Moreover, Azerbaijani peacekeeping forces have fought with other peacekeeping troops of NATO in Iraq, Kosovo, and Afghanistan.[214]

Azerbaijan is crucial to these political actors' policies as the largest economy and energy-rich country in the South Caucasus. For this reason, being located in such a complex region and the neighborhood of some critical states of the Eurasian continent, such as Iran, Russia, and Turkey,[215] Azerbaijan has to adhere to a stringent foreign policy because a bit of carelessness in its foreign policy might have fatal consequences for its existence.

The EU is the only political actor in the South Caucasus that adheres to a "soft policy," so it is probably one of Azerbaijan's most reliable and welcomed political actors. The relations between Azerbaijan and the EU have a strategic character for both political actors.[216] Consequently, the EU is more interested in an equal bilateral partnership than political dominance over Azerbaijan. The Azerbaijani Republic has been a member of the EC since 2001. The Azerbaijani government is aware that having a close partnership with the West can soften Russia's political and economic dominance.[217] However, the Kremlin's influence over the Azerbaijani government is so noticeable that Baku rejected signing an association agreement with the EU in 2014.[218]

Azerbaijan has been one of the member countries of the EU's ENP since 2004. An action plan was signed between Azerbaijan and the EU in 2006, consisting of a memorandum of understanding in the energy branch. The EU and Azerbaijan concluded another protocol within the Production Sharing Agreement (PSA) for Azerbaijan's participation in selected EU programmers and agencies.[219]

Baku is interested in having an active bilateral partnership with the EU, mainly in trade and economic collaboration,[220] and energy cooperation. However, the Azer-

214 Azernews. (December 4, 2017). Defense Ministry: Azerbaijan will increase its peacekeeping contingent in Afghanistan. Retrieved April 25, 2023, from http://web.archive.org/web/20190201035523/https://www.azernews.az/nation/123389.html

215 Cornell et.al. (2015).

216 Altunışık, M. B., & Tanrisever, O. F. (Eds.). (2017). The South Caucasus-Security, Energy and Europeanization. Routledge.

217 Hasanov et.al. (2020)

218 Cornell (2015).

219 Gurbanov, I. (2017). Strategic Partnership Agreement: A New Chapter in EU-Azerbaijan Relations. Eurasia Daily Monitor, 14(84).

220 European Parliament. (April 2017). Azerbaijan: Geopolitics and challenging dialogue. Retrieved April 27, 2023, from http://web.archive.org/web/20190527184836/http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/599418/EPRS_BRI(2017)599418_EN.pdf

baijani government intends to refrain from joining the EU.[221] It is a fundamental reason for the unwillingness of Baku to have more functional political relations with the EU. Angela Merkel's words pronounced during her official meeting with the Azerbaijani president in Berlin in 2015 indirectly stress the influence of the Kremlin over the Azerbaijani government:[222]

> "Azerbaijan would like – if I have understood correctly – to have positive cooperation with the EU."

EU sees Azerbaijan as an alternative energy supply source to the traditional energy sources: Russia and the Middle East.[223] The BTC oil pipeline connecting Central Asia with the Mediterranean Sea via Azerbaijan, Georgia, and Turkey is an excellent example of an energy partnership between the EU and Azerbaijan. Another grandiose energy deal is the South Caucasus Pipeline (SCP) natural gas pipeline. To this project was invested €42 bn. investment.[224]

Azerbaijani natural gas is the only new natural gas source for Europe.[225] Since the natural gas project will play a modest role in ensuring of energy security of Europe[226] and relatively decrease the energy dependence of Europe from Russia, the SGC is supported by Europe very actively.[227] The USA also supports the project because of energy security in Europe. Therefore, the former president of the USA, Donald Trump, expressed his support for this project during its construction. He emphasized that this project has an essential meaning for the energy security of Europe:[228]

> "I really appreciate our partnership with Azerbaijan, and I expect it to develop further. The US remains committed to the implementation of the "Southern Gas Corridor" project. I appreciate the significant efforts of Azerbaijan in maintaining energy security. I am ready for cooperation with you."

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221 Bocse, A. M. (2019). EU energy diplomacy: Searching for new suppliers in Azerbaijan and Iran. Geopolitics, 24(1), 145-173.

222 Euractiv.com. (January 23, 2015). Germany calls Azerbaijan 'an increasingly important partner. Retrieved April 26, 2021, from http://web.archive.org/web/20210211021458/https://www.euractiv.com/section/sports/news/germany-calls-azerbaijan-an-increasingly-important-partner/

223 Baran, Z. (2007). EU energy security: time to end Russian leverage. Washington Quarterly, 30(4), 131-144.

224 Bocse (2019).

225 European Parliament, http://web.archive.org/web/20190527184836/http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/599418/EPRS_BRI(2017)599418_EN.pdf

226 Bocse (2019).

227 Hasanov et.al. (2020).

228 Siddi, M. (2019). The EU's botched geopolitical approach to external energy policy: The case of the Southern Gas Corridor. Geopolitics, 24(1), 124–144.

Energy resources are not the only factor that makes Azerbaijan important in Western states' policy towards Azerbaijan. The unfriendly relations between the West and Iran make Azerbaijan an important political actor in the West's regional policy, especially of the USA.[229] Therefore, even though Azerbaijan is criticized by US officials often because of human rights, free media, and freedom of speech policies in the country, Azerbaijan has a critical role in the USA's regional policy.[230] Besides, Israel, the closest ally of the US in the international political arena, has warm and perspective relations with Azerbaijan.[231]

In its turn, Azerbaijan tries to keep neutral relations with Iran. Even though both countries' population belongs predominantly to the Shia sect of Islam, the two states' relationships were always "distanced." In Iran, almost 35 million ethnic Azerbaijanis live.[232] However, the relations between Iran and Azerbaijan are not "friendly" because of some crucial factors:

- The secular and liberal form of Islam in Azerbaijan is perceived skeptically[233] by the fundamentalist regime of Iran;[234]
- Azerbaijan's strategic relations with Israel;[235]
- Cooperation between Iran and Armenia. Iran supports Armenia politically. Moreover, there are close economic relations between the two states. Additionally, the lion's share of Armenian natural gas need is supplied by Iran;[236]

229 Eu.eot.su. (May 31, 2017). The US will continue to support the "Southern Gas Corridor" project. Retrieved April 26, 2021, from https://web.archive.org/web/20171123203329/http://eu.eot.su/2017/05/31/the-us-will-continue-to-support-the-southern-gas-corridor-project/

230 Valiyev, A. (2017). Azerbaijan's Foreign Policy: What Role for the West in the South Caucasus?. Eastern Voices: Europes's East Faces an Unsettled West, 135-149.

231 Alizada, U. (2015). The Geopolitics of Azerbaijan: From Rivalry to Partnership between US and Iranian Interests (Doctoral dissertation, Central European University).

232 Murinson, A. (2014). The ties between Israel and Azerbaijan. Ramat Gan, Israel: Begin-Sadat Center for Strategic Studies.

233 Shaffer, B. (2002). Borders and brethren: Iran and the challenge of Azerbaijani identity. MIT Press.

234 Fateminasab, A. (2014). Investigating the challenges and barriers of convergence between Iran and republic of Azerbaijan. Journal of Social Sciences and Humanities Research, 2(01), 51–57.

235 Souleimanov, E., & Ditrych, O. (2007). Iran and Azerbaijan: A contested neighborhood. Middle East Policy, 14(2), 101–116.

236 Fateminasab (2014).

Constant pressure by the Iranian government against the ethnic Azerbaijani population.[237]

Azerbaijan has to follow an accurate political course in the post-oil era. Considering the fall in prices of energy resources and Russia's aggressive policy towards its neighboring countries, the Azerbaijani government has to establish closer relations with the Western countries. Active ties with Western political actors such as the USA and the EU would play an essential role in Azerbaijan's political and economic development and decrease Russia's influence over Azerbaijan.

3.8 Kazakhstan

Kazakhstan is one of the five coastal states of the Caspian Sea, and it became independent after the decay of the SU, like Azerbaijan and Turkmenistan. Even though Kazakhstan is located on the Caspian Sea shore, it has some difficulties exporting energy to the world energy market due to the lack of direct access to the Caspian Sea. Like the other four states of the Caspian Sea, Kazakhstan possesses substantial energy resources, especially oil reserves. According to the Oil &Gas Journal (OGJ) report, the country possesses 30 bn. barrels (bb) of proved oil reserves.[238]

The importance of the energy industry for the country is tremendous. Therefore, the sudden collapse of the USSR put the newly independent state in a challenging situation. Kazakhstan suffered from a total absence of state institutions, unformed internal and foreign policy courses, economic difficulties, etc., like other former states of the former USSR.[239] However, the country's abundant energy resources enabled it to overcome some severe financial challenges in the first years of its independence.[240] Therefore, the binding energy contracts signed with the western energy companies helped the newly independent country maintain its sovereign

237 Kouhi-Esfahani, M. (2019). Iran's Foreign Policy in the South Caucasus: Relations with Azerbaijan and Armenia. Routledge.

238 EIA.gov. (May 10, 2017). Country Analysis Kazakhstan. Retrieved April 26, 2023, from http://web.archive.org/web/20201217133324/http://www.ieee.es/en/Galerias/fichero/OtrasPublicaciones/Internacional/2017/EIA_Country_Aanlysis_Kazakhstan_10may2017.pdf

239 Legvold, R. (Ed.). (2003). Thinking strategically: The major powers, Kazakhstan, and the Central Asian nexus. MIT Press.

240 Pomfret, R. (2005). Kazakhstan's economy since independence: Does the oil boom offer a second chance for sustainable development?. Europe-Asia Studies, 57(6), 859-876.

existence.[241] Moreover, an essential part of the state budget consists of incomes from the energy industry.[242]

Kazakhstan's former president, Nazarbayev's statement clearly describes the meaning of energy resources for Kazakhstan and its foreign policy:[243]

> "At this time, our country is among the world's top ten countries by recoverable oil reserves. Kazakhstan holds the second-largest oil reserves outside OPEC… Apparently, such resources potentially place Kazakhstan among the world oil powers. We must become aware of our new geostrategic role in the global energy market, and develop our energy policy accordingly over the next ten to fifteen years. We find it essential to conduct an optimal, balanced, and transparent foreign policy. In the future, we are going to strengthen the reputation of Kazakhstan as a forward-looking, reliable international partner that contributes to global energy security with due consideration to its national interests stated.

There are some significant successes in the country's foreign policy achieved by the Kazakh government after over 30 years of sovereignty despite numerous troubles in the country's internal policy and democratic transformation. Therefore, Kazakhstan can be characterized as the most successful political actor among Central Asian states because of its achievements in the so-called "balanced policy"[244] between the West, China, and Russia.[245] Nazarbayev's government was keen to call this differentiated political partnership with different political actors a"multi-vector policy."[246] According to the Kazakh government, Astana has moderate political and economic relations with different political actors thanks to a "balanced policy." Consequently, the Kazakh government adheres to the"multi-vector policy" with various political actors that make it possible for Astana to maneuver between geopolitical actors and avoid its dependency on one particular actor.[247] The former prime

241 Luong, P. J., & Weinthal, E. (2001). Prelude to the resource curse: Explaining oil and gas development strategies in the Soviet successor states and beyond. Comparative Political Studies, 34(4), 367-399.

242 Jumadilova, S. (2012). The Role of Oil and Gas Sector For The Economy of Kazakhstan. International Journal of Economic Perspectives, 6(3).

243 Cohen, A. (2008). Kazakhstan: The Road to Independence: Energy Policy and the Birth of a Nation. Silk Road Studies Program, Institute for Security and Development Policy [distributör].

244 Diyarbakırlıoğlu, K., & Yiğit, S. (2014). Kazakh Multi Vector Foreign Policy in Action. Alternatives: Turkish Journal of International Relations, 13(4), 70-82.

245 Konopelko, A. (2018). Eurasian Economic Union: a challenge for EU policy towards Kazakhstan. Asia Europe Journal, 16(1), 1–17.

246 Hanks, R. R. (2009). 'Multi-vector politics' and Kazakhstan's emerging role as a geo-strategic player in Central Asia. Journal of Balkan and Near Eastern Studies, 11(3), 257-267.

247 Ibid.

minister and Director-General of the UN's Office at Geneva and current president of Kazakhstan, Kassym-Jomart Tokayev, has the following opinion due to the "multi-vector policy" of Kazakhstan:[248]

> "Several years ago, a blunt attitude to our relationship with Russia and China prevailed in some circles of the American establishment. They framed the issue this way "You are either with them or with us." We kept explaining that as a key Central Asian state, Kazakhstan could not afford to have tense relations with its neighbors. This would contradict the country's long-term national interests and undermine regional security and stability… For us, relations with Russia, China, and the Central Asian countries are strategically important. Another policy course is simply not possible; it would be contrary to Kazakhstan's national interests."

Some of the main directions of the "multi-vector" foreign policy of the country for 2014–2020 according to the concept of the foreign policy of the Republic of Kazakhstan approved by the Decree of the President of Kazakhstan of 21 January 2014 No. 741 are:[249]

- The ensuring of national security, defense potential, sovereignty, and territorial integrity of Kazakhstan.
- The strengthening of peace, regional and global security.
- The establishment of the democratic world order under the central and coordinating role of the UN.
- The further integration of the country to the world trade and economic system.
- The development of the economic potential of Kazakhstan etc.

The strategic paper: "Kazakhstan's way – 2050: common aim, common interests, common future" reflects the vital importance of cooperation and partnership with different political actors such as Russia, China, the Central Asian states, the EU, and the USA.[250]

248 Cohen (2008).

249 Mfa.gov.kz. Concept foreign policy of the Republic of Kazakhstan for 2014–2020 years. Retrieved April 25, 2023, from http://mfa.gov.kz/en/content-view/kontseptsiya-vneshnoj-politiki-rk-na-2014-2020-gg

250 Nazarbayev, N., & COURSE, N. P. (2013). Address by the President of the Republic of Kazakhstan, Leader of the Nation. Nazarbayev "Strategy Kazakhstan-2050": new political course of the established state" Retrieved from http://www.akorda.kz/en/page/page_address-bythe-president-of-the-republic-of-kazakhstan-leader-of-the-nation-n-nazarbayev-"strategy-kazakhstan-2050"-new-political-courseof-the-established-state"_1357813742

Even though Kazakhstan's first president often underlined that Kazakhstan had to keep on a multi-vector approach between the West, China, and Russia, Russian political and economic influence on Kazakhstan and its government is undeniable.[251] The Kremlin possesses some tools of "soft power,"[252] which can be used in the case of a deterioration of interstate relations between Russia and Kazakhstan.[253] For instance, according to the World Population Review statistics for 2021, 23.7% of Kazakhstan's population consists of ethnic Russians.[466] The Russian language still has some privileges in Kazakhstan,[254] so it is unofficially the primary language of governmental institutions.[255]

Being Kazakhstan's ally, Russia has significant political and economic relations with Kazakhstan, and the two states cooperate in military, security, and even in cultural spheres.[256] The strategic cooperation between Russia and Kazakhstan covers some economic and political organizations and alliances like the Council of Heads of the CIS, CSTO, and SCO. Moreover, Kazakhstan is one of the key political actors of the EUU initiated by Moscow.

The establishment of the EEU was proposed by the end of 2011. However, the agreement for establishing the EUU was signed between the presidents of Russia, Vladimir Putin, Belarus, Alexander Lukashenko, and Kazakhstan Nursultan Nazarbayev in Kazakhstan in May 2014. The agreement started to function in January 2015, and the member states of the EEU are Russia, Belarus, Kazakhstan, Kyrgyzstan, and Armenia.[257]

The primary purposes of the establishment of the EEU are:[258]

- Initiation of stable economic development of member countries.
- The member countries formed a united financial market for service, capital, and labor.

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251 Laruelle, M., Royce, D., & Beyssembayev, S. (2019). Untangling the puzzle of "Russia's influence" in Kazakhstan. Eurasian Geography and Economics, 60(2), 211-243.

252 Zogg, B. (2019). Kazakhstan: A Centrepiece in China's Belt and Road. CSS Analyses in Security Policy, 249.

253 The Russian government has experience of leading of hybrid war in East Ukraine. http://web.archive.org/web/20201230202750if_/https://worldpopulationreview.com/countries/kazakhstan-Population

254 Sabitova, Z., & Alishariyeva, A. (2015). The Russian language in Kazakhstan: status and functions. Russian Journal of Communication, 7(2), 213–217.

255 Laruelle et al. (2019).

256 Stevens, C. A. (2020). Russia–Kazakhstan Relations in the Early Post-Soviet Era: Explaining the Roots of Cooperation. Europe-Asia Studies, 72(7), 1153–1185.

257 Balakishi, S. (2016). Eurasian Economic Union: Russia's New Foreign Policy in the South Caucasus. Maastricht School of Management Working Paper, (2016/1).

258 Wilson, J. L. (2016). The Eurasian Economic Union and China's silk road: implications for the Russian– Chinese relationship. European Politics and Society, 17(sup1), 113–132.

- Economic cooperation between member states for modernization and increase of competitiveness of national economies.

Despite close relations with the Kremlin, Astana was very concerned with the annexation of Crimea and the "hybrid war"[259] leading by Russia in the territory of Ukraine.[260] The war initiated by the Russian government in February 2022 was accepted as another alarm signal by the current government of Kazakhstan. Therefore, the Russian government's destructive policy in Ukraine[261] and in other former post-Soviet countries forced Kazakhstan to pursue a more cautious policy towards Moscow.[262]

One of the important actors in Kazakhstan's multi-vector policy is the EU. The country is very interested in developing partnerships and cooperation with the EU. The EU and Kazakhstan signed an Enhanced Partnership and Cooperation Agreement (EPCA) in Astana in December 2015. It was the first signed agreement between Brussels and a Central Asian state. The deal was ratified by all member states of the EU and the European Parliament (EP). The provision application started on 1 May 2016 and replaced the Partnership and Cooperation Agreement of 1999.[263]

Despite close bilateral relations with Russia and China, the EU is the largest trade partner of Kazakhstan. Over 30% of the trade of Kazakhstan is with the EU. Kazakhstan exports to the EU predominantly energy and some minerals, chemicals, and food products and the EU supplies Kazakhstan with machinery, transport equipment, and pharmaceuticals.[264] Kazakhstan imports from the EU some chemical products, plastics, medical devices, and furniture. The EU is the largest trade partner for Astana, and Brussels is Kazakhstan's most significant foreign investor source. Therefore, over 50% of Kazakhstan's Foreign Direct Investment (FDI) is from Brussels.[265]

China is a special political actor for Astana.[266] Its energy security and economic partnership in the region play a significant role for the Chinese government. There-

259 Brletich, S. (2015). The Crimea model: will Russia annex the northern region of Kazakhstan?. Geopolitics, History, and International Relations, 7(1), 11–29.

260 Ibid.

261 Mearsheimer (2014).

262 Brletich (2015).

263 EEAS. (November 17, 2020). EU-Kazakhstan relations. Retrieved April 26, 2021, from http://web.archive.org/web/20201228093014/https://eeas.europa.eu/headquarters/headquarters-homepage_en/4076/EU-Kazakhstan%20relations

264 Kembayev, Z. (2016). Partnership between the European Union and the Republic of Kazakhstan: Problems and perspectives. European Foreign Affairs Review, 21(2).

265 Kembayev (2016).

266 Alff, H. (2014). Embracing Chinese modernity? Articulation and positioning in China-Kazakhstan trade and exchange processes.

fore, since Kazakhstan possesses the largest economy in Central Asia, Beijing pays special attention to its economic cooperation with Astana.[267] China's fast-growing raw material and energy demand and plentiful energy and natural resources are other factors making Kazakhstan a desirable partner for China. Alongside the country's energy industry, China has invested funds into the development of transport, uranium, heavy and light, and other industries.[268] Moreover, Kazakhstan is located at the crossroads of strategic overland routes connecting European and Middle East markets.

"The Silk Road Economic Belt" (SREB) project is an essential project between two states. SREB was suggested as a project by the Chinese president during his visit to Kazakhstan in 2013.[269] The project's primary goal is to establish transport corridors between China and Europe through Kazakhstan, Russia, Azerbaijan, Georgia, and Turkey. The realization of the project needs the building of appropriate infrastructure along with transport ways.[270]

Kazakhstan is also relevant to Chinese security. Due to its geographical, ethnic, and confessional proximity to the Xinjiang Uyghur Autonomous Region (XUAR), the Chinese government leads a fight against Xinjiang's session movement in the territory of Kazakhstan.[271]

The Kazakh government understands that Washington's political support is crucial in counterbalancing the consistently increasing Chinese and Russian role in Kazakhstan.[272] In its turn, the USA is interested in its political presence in Central Asia. After the fall of the USSR and the USA's energy companies' involvement, including Chevron, in the development and production of the country's precious energy resources, the destruction of Kazakhstan's nuclear weapon enabled Kazakhstan to have moderate political relations with the USA.[273] The largest energy company in the USA, Chevron, possesses significant shares in giant energy fields of Kazakhstan such as Tengiz, Karachaganak. Therefore, Chevron has a 50% stake in

267 Álvarez, C. B. M. (2015). China-Kazakhstan Energy Trade Relations. Journal of International Affairs, 69(1), 57-69.

268 Kaiser, M. J., & Pulsipher, A. G. (2007). A review of the oil and gas sector in Kazakhstan. Energy policy, 35(2), 1300-1314.

269 Blanchard, J. M. F., & Flint, C. (2017). The geopolitics of China's maritime silk road initiative.

270 Na-Xi, L., Meng-Fang, H., & Shan-Bing, L. (2019). How the Belt and Road Initiative Can Help Strengthen the Role of the SCO and Deepen China's Cooperation with Russia and the Countries of Central Asia. India Quarterly, 75(1), 56–68.

271 Clarke, M. (2010). China, Xinjiang and the internationalisation of the Uyghur issue. Global Change, Peace & Security, 22(2), 213–229

272 Karasayev, G. M., Yensenov, K. A., Kaliyeva, M. S., Bagdatova, S. A., & Ermukhanova, H. K. (2020). HISTORY OF KAZAKHSTAN–USA PARTNERSHIP RELATIONS (1991-1996). PalArch's Journal of Archaeology of Egypt/Egyptology, 17(6), 590-600.

273 Kaiser & Pulsipher (2007).

Tengizchevroil (TCO),[274] the consortium runs the Tengiz energy field.[275] Moreover, the energy company possesses 18% of the shares in the Karachaganak field.[276]

Kazakhstan's current importance cannot be compared to the period right after the terror attack of 11/9. However, Kazakhstan is still crucial to the US's "War on Terror" in the region. Moreover, limiting Chinese and Russian influence in Kazakhstan and Central Asia is another factor stimulating the USA's active involvement in Kazakhstan.

3.9 Turkmenistan

Turkmenistan is the country with the smallest population in the Caspian Region. At the same time, after the RF, it is the second most richly endowed natural gas country among the former SU states. Unlike the other Central Asian countries, Kazakhstan, Uzbekistan, and Kyrgyzstan, Turkmenistan is not keen to have close bilateral relations with Russia and the West, the USA, and the EU. Consequently, if other Central Asian states have an economic and diplomatic partnership, at least with the Kremlin, Turkmenistan is closed even to Russia's involvement.[277]

The former first president of the country, Saparmurat Niyazov, who became the Turkmenistan president after independence in 1991, established the current state governance system. The significant income, mainly from natural gas and cotton exports, made it possible for Niyazov[278] to get absolute power over the country.[279] Niyazov's government made electricity, gas, and water-free in 1993. Besides, the Turkmen people could use public transport at a meager price. As a logical conclusion of the process, the people's Council of Turkmenistan declared him the country's lifelong president on 28 December 1999. The first president of Turkmenistan died on 21 December 2006. The reason for his death is still unknown.

274 Tengizchevroil is a joint venture between Chevron, ExxonMobil, KazMunayGas, and LukArco.

275 Financial Times. (July 6, 2016). Chevron and Kazakhstan see mutual benefits to oilfield expansion. Retrieved April 26, 2023, from http://web.archive.org/web/20210227045259/https://www.ft.com/content/6b7c86fc-4305-11e6-9b66-0712b3873ae1

276 Financial Times. (July 2, 2016). Oil groups offer $300m to settle Kazakh dispute. Retrieved April 26, 2023, from http://web.archive.org/web/20200812013601/https://www.ft.com/content/d7b881f4-2893-11e6-8ba3-cdd781d02d89

277 Sullivan, C. J. (2016). Halk, Watan, Berdymukhammedov! Political Transition and Regime Continuity in Turkmenistan. Region, 35–51.

278 Polese, A., & Horák, S. (2015). A tale of two presidents: personality cult and symbolic nation-building in Turkmenistan. Nationalities Papers, 43(3), 457-478.

279 Polese, A., Ó Beacháin, D., & Horák, S. (2017). Strategies of legitimation in Central Asia: regime durability in Turkmenistan. Contemporary Politics, 23(4), 427-445.

After the death of Turkmenbashi, Gurbanguly Berdimuhamedow, who won the first election with 89% of votes in 2007,[280] became the country's new president. He had served as Minister of Health and the Vice Chairman of the cabinet before. The country's new president appeared in hopes of reforms towards creating a relatively "transparent" society to open the country to the world community, so Berdimuhamedow even started implementing some reforms. However, there are almost no changes after many years of Berdimuhamedow's governance. Therefore, the reforms had a predominantly "cosmetic character," and Turkmenistan is still far from a democratic society. It is enough to mention that he got 97,69% of votes in his last precedential elections in 2017.[281]

Turkmenistan adheres to "permanent neutrality" in its foreign policy alongside other European states like Austria, Malta, and Switzerland. In contrast to the other Central Asia countries, "absolute neutrality" in its foreign policy is a critical factor for Turkmenistan's foreign policy.[282] The "permanent neutrality" of Turkmenistan was recognized by the Resolution of the UN № 50/80 in December 1995.[283]

"Permanent or positive neutrality" means the active involvement of Turkmenistan's state in establishing peace and stability in the world and mutual relations between different countries of the world on equal and reciprocal principles of respect. Also, the concept of "positive neutrality" means that Turkmenistan has no hostile relations with any state and does not have any territorial claims.[284]

Due to this foreign policy concept as a UN member state, Turkmenistan considers its neutrality in foreign policy according to the UN's Resolution, and the Turkmen government accepts the priority of this international organization in all global political issues. For this reason, Turkmenistan defines its state strategies and principles of foreign policy in accordance with its international neutral position.[285]

According to Anceshi,[286] the foreign policy history of Turkmenistan consists of some stages:[287]

1992–1995 when the first president of the country took control over the foreign policy of Turkmenistan and established "the neutral foreign policy." Also, this time

280 Riss.ru. (February 13, 2017). Itoqi prezidentskix viborov v Turkmenii ne stali neojidannostyu (The presidential election results in Turkmenistan did not come as a surprise). Retrieved April 26, 2023, from http://web.archive.org/web/20171226185135/https://riss.ru/analitycs/39109/

281 Olcott, M. B. (2013). Turkmenistan: Real Energy Giant or Eternal Potential?.

282 Anceschi, L. (2008). Turkmenistan's foreign policy: Positive Neutrality and the consolidation of the Turkmen regime. Routledge.

283 Anceschi (2008).

284 Shikhmuradov, B. O. (1997). Positive Neutrality as the basis of the foreign policy of Turkmenistan. PERCEPTIONS: Journal of International Affairs, 2(2).

285 Shikhmuradov (1997).

286 Dr. Luca Anceschi is a Senior Lecturer in Central Asian Studies at the University of Glasgow.

287 Anceschi (2008).

was associated with the active backing of Turkmenistan by political actors and mainly by the UN and Russia. Moreover, the country had some functional interstate relations with Turkey and Iran.

1996–1999, this stage is characterized by restoring of close bilateral ties with Russia, mainly in the energy sphere. At the same time, a decrease in the intensity of relations with Turkey and Iran took place.

2000–2007 became an economically and politically challenging period in Turkmenistan's foreign policy because the Western media sharply criticized the country for establishing an absolute dictatorship. In 2003, the Russian and Turkmen governments signed a natural gas contract for 25 years. However, because of the West's sanctions against the Russian government, Russia was not able to invest in the building of the East-West and Caspian gas pipelines, and Turkmenistan blamed Russia for not adhering to the contract conditions. As a reaction to the Turkmen government's statement, Moscow decreased the volume of imported natural gas from Turkmenistan by 4 bcm in 2015, followed by a total stoppage of gas export.

The presidency of Berdimuhamedow was the fourth stage starting after the death of Niyazov. However, there were no changes in the country's political and economic life even after the first president's death. The government has absolute control over all spheres in the country, and Turkmenistan adheres to the same "neutral foreign policy" strategy. Meanwhile, the national currency's devaluation has worsened the difficult economic situation of Turkmen citizens even more, and all quotas and subsidies were stopped in 2015 by the decree of the Turkmen president.

The country's foreign policy means that Turkmenistan is not a member of the military and international organizations and does not belong to regional organizations like the SCO or the EEU. It is believed that Ashgabat is not a member of any organization because of its political and economic interests so that Turkmenistan can maneuver between different political actors.[288] However, there is a valid reason for the non-participation of Turkmenistan in any kind of organization at the regional or international level. The reason is the extreme autocratic character of the Turkmen government,[289] so the neutral foreign policy strategy creates an excellent excuse for Ashgabat to follow its authoritarian policy. Thus, the government does not provide any space for political influence from the international community.

Although it has no common borders with Turkmenistan, China is a significant political actor for Ashgabat. Thanks to its abundant energy reserves, especially natu-

288 Kiepenheuer-Drechsler, B. (2006). Trapped in permanent neutrality: looking behind the symbolic production of the Turkmen nation. Central Asian Survey, 25(1-2), 129–141.

289 Koch, N. (2016). The "Personality Cult" problematic: Personalism and mosques memorializing the "Father of the Nation" in Turkmenistan and the uae. Central Asian Affairs, 3(4), 330-359.

ral gas reserves, Turkmenistan is crucial to China's energy security.[290] If China sees Turkmenistan as another partner country for cooperation, in its turn, China has vital importance to Turkmenistan in such a challenging economic and political period. A key challenge to the energy reserves of Turkmenistan is caused by fast-growing energy consumption, the continually developing infrastructure of the country, and partly a rejection of coal by the government of China.[291]

Turkmenistan is very interested in the Chinese presence in its energy sector because of some key reasons:

- Chinese participation in the country's energy sector makes it possible for Turkmenistan to achieve a diversification of export sources.[292]
- Since the Turkmen government does not want to lose its absolute control over the country and Beijing is not interested in a political presence in Turkmenistan in contrast to Russia, China is the most desirable partner for Berdimuhamedow's government.[293]

However, despite a close partnership between the two countries in the energy sector, the relations between Ashgabat and Beijing in other spheres can be characterized as either weakly developed or having no partnership.

Russia has a significant influence on the states of the former SU. However, the Russian role in Turkmenistan is entirely irrelevant in contrast to the other countries of Central Asia. A disagreement between the Turkmen government and Gazprom on natural gas prices led to the loss of Russia, which was one of the two largest natural gas importers of Turkmenistan. Consequently, the Russian stoppage of importing gas from Turkmenistan became one of the two main reasons for the difficult economic situation of Turkmenistan alongside the fall of the energy prices in the world energy market.

Before the crisis in the world economy in 2008, Russia was buying most of Turkmen's gas. The export volume of natural gas had fallen from the point of 50 bcm/y to 10 bcm/y. This indicator was only 4 bcm/y before Russia stopped buying Turkmen

290 Stronski, P. (2017). Turkmenistan at twenty-five: The high price of authoritarianism. Carniege Endowment for International Peace.

291 Kong, Z., Lu, X., Jiang, Q., Dong, X., Liu, G., Elbot, N., ... & Chen, S. (2019). Assessment of import risks for natural gas and its implication for optimal importing strategies: A case study of China. Energy policy, 127, 11–18.

292 Stronski (2017).

293 Esen, V., & Oral, B. (2016). Natural gas reserve/production ratio in Russia, Iran, Qatar and Turkmenistan: A political and economic perspective. Energy Policy, 93, 101–109.

gas in 2015.[294] The refusal of Russia to import Turkmen natural gas made an economically difficult situation of Ashgabat even worse.[295] However, Gazprom announced the restoration of the natural gas import from Turkmenistan in April 2019.[296]

In contrast to US relations with Kazakhstan, Kyrgyzstan, and Uzbekistan, Turkmenistan ties can be characterized as "weakly developed."[297] For instance, while the other states of Central Asia expressed their readiness to help the US government fight terrorism in Central Asia after the terror attack in New York, Turkmenistan reacted very "frostily" to the plea of the US government.[298] Niyazov's government expressed its readiness to lend its airspace and land corridors just for humanitarian help, so the Turkmen government did not accept any plea to establish military bases and use of its airspace for military jets of the USA.[299]

The USA tried to involve Turkmenistan in the gas project to export gas through Azerbaijan and Georgia to Turkey, which would have positively influenced US-Turkmen relations because there were some hopes to "attract" Turkmenistan and make possible a democratic transition of the country. However, Niyazov had proclaimed himself the "lifelong" president of Turkmenistan by the end of the 1990s, so the government chose not to carry out economic and political reforms but instead established a totalitarian regime.[300]

The natural gas, oil, and textile industries are the most important spheres for Turkmenistan's state budget. The sharp fall in energy prices in the world energy market has severely influenced the country's already weak economy. Therefore, according to the government of Turkmenistan, the growth rate of Turkmenistan in 2017 was only 6,4%, while this indicator was 10,3% in 2014 before the fall of energy prices on the world energy market.[301] Therefore, Turkmenistan's national currency's deval-

294 Vesti.ru. (January 4, 2016). "Gazprom" otkazalsya pokupat turkmenskiy qaz ("Gazprom" refused to buy Turkmen gas). Retrieved April 26, 2023, from https://www.vesti.ru/doc.html?id=2705305

295 However, in July 2019, Gazprom announced that the company and the Turkmen government reached a new agreement concerning the gas export from Turkmenistan.

296 Thediplomat.com. (April 25, 2019). Russia is buying Turkmen gas again. Why? Retrieved April 26, 2023, from https://thediplomat.com/2019/04/russia-is-buying-turkmen-gas-again-why/

297 Bohr, A. (2016). Turkmenistan: Power, politics and petro-authoritarianism. Chatham House, Royal Institute of International Affairs.

298 Nichol, J. (2010). Central Asia s Security: Issues and Implications for US Interests. DIANE Publishing.

299 Nichol, J. P. (1997). Turkmenistan: Recent Developments and US Interests. Congressional Research Service, Library of Congress.

300 Bohr, A. (2003). Independent Turkmenistan. Oil, Transition, and Security in Central Asia.

301 Tfeb.gov.tm. Temp ekonmiceskoqo rosta Turkmenistana po itoqam 8 mesyatsev qoda sostavil 6,4 protsenta (According to the results of 8 months of the year, the economic growth rate of Turkmenistan amounted to 6.4 percent). Retrieved April 26, 2023, from https://web.archive.org/web/20171109170742/http://tfeb.gov.tm:80/index.php/ru/2013-09-20-04-46-10/6

uation made 22% at the beginning of 2015, which is the deepest devaluation among the former SU.[302]

The Turkmen government sees the Chinese government's loans as the only "rescue" in this challenging stage for Turkmenistan's economy. As a result, Turkmenistan is increasingly dependent on China.[303] Beijing gave Ashgabat some essential loans in the near past to investigate and develop one of the largest natural gas fields in the world: Galkynysh.[304]

According to the agreement between the China National Petroleum Corporation (CNPC), a major state-owned Chinese oil and gas corporation, and the Turkmen government, 25 bcm of 30 bcm from the Galkynysh field extracted natural gas had to be supplied to China.[305] Since 2017, Turkmenistan has been delivering to China natural gas to pay out its loans.[306]

Turkmenistan imports mainly technology from China to implement energy projects, computers, and other technological goods. Alongside energy resources, raw materials for textiles are the second-largest export goods of Turkmenistan to China. China has tremendous influence in Turkmenistan, so Chinese energy companies' active participation implements even the investigations, development, and export of natural gas resources.[307]

The Turkmenistan-Afghanistan-Pakistan-India (TAPI) is the largest natural gas project, and Turkmenistan has some critical concerns regarding this pipeline. The building of Turkmenistan's part of the enormous TAPI gas pipeline started in December 2015. The volume of exported natural gas is estimated at 33 bcm/a. The entire length of the pipelines crossing the territories of Turkmenistan, Afghanistan, Pakistan, and Iran reach 1800 km. The pipeline is seen as an essential project for accessing the South Asian market. It will connect Central with South Asia and decrease

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27-temp-ekonomicheskogo-rosta-turkmenistana-po-itogam-8-mesyatsev-goda-sostavil-6-4-protsenta

302 Sputnik.com. (February 12, 2015). Iz natsvalyut stran TSA bolshe vseqo devalviroval turkmenskiy manat (Of the national currencies of CA countries, the Turkmen manat devalued the most). Retrieved April 26, 2023, from https://ru.sputnik-tj.com/economy/20150212/1014356430.html

303 Stronski (2017).

304 Mammadov, Q., 2015. Turkmenistan positions itself as Eurasian natural gas power. Oil and Gas Journal, 12.

305 Fergananews.com. (17 April, 2018). Debt from the East. How it turned out that Central Asia is bogged down in Chinese loans. Retrieved April 06, 2021, from http://web.archive.org/web/20200808172732/https://fergananews.com/articles/9902

306 Anceschi, L. (2017). Turkmenistan and the virtual politics of Eurasian energy: The case of the TAPI pipeline project. Central Asian Survey, 36(4), 409–429.

307 Jakóbowski, J., & Marszewski, M. (2018). Crisis in Turkmenistan A test for China's policy in the region. OSW Commentary, 31.

Turkmenistan's export dependency on Beijing and, in the future, on Russia.[308] It is essential to mention that the project's realization does not seem realistic without establishing absolute security in Afghanistan despite all favorable prognoses.[309]

308 Indeo, F. Turkmenistan's Energy Strategy: Aiming to the Diversification of Export Routes.

309 Huda, M. S., & Ali, S. H. (2017). Energy diplomacy in South Asia: Beyond the security paradigm in accessing the TAPI pipeline project. Energy research & social science, 34, 202–213.

Chapter 4. The Caspian region's energy resources and the history of their production and meaning for the world energy market

Abstract *The energy industry has tremendous significance for the newly independent states. Even after almost 30 years since the acquisition of their independence, the predominant part of the budget of Azerbaijan, Turkmenistan, and Kazakhstan depends on energy exports. Therefore, most of this chapter is devoted to considering the energy industry of Azerbaijan.*
The chapter looks at the energy industry of Azerbaijan, Kazakhstan, and Turkmenistan. A significant part of it covers the oil history of Azerbaijan. The current amount of proven and expected oil and natural gas reserves, considerable oil and natural gas pipelines, oil, and natural gas production, and all three states' export potential are considered. Kazakhstan and Turkmenistan's oil- and energy resources are also considered. These issues are examined using information from different sources. This chapter primarily relies on online resources because of dynamic changes in the world energy market. Despite the existence of controversial opinions on these states' natural gas and oil reserves' capacity, this chapter is based on current information, primarily and predominantly from the US EIA, accepted as one of the most reliable energy agencies in the world.

4.1 Azerbaijan

Azerbaijan is one of the oldest energy lands in the world. Azerbaijani oil started to be extracted many centuries ago.[1] Many travelers and scholars who visited Azerbaijan noted in their memoirs the abundant oil resources in this country's territory.[2] Since the country has been always associated with its abundant hydrocarbon resources reserves, it is titled a "Land of Fire," not without reason.[3] Almost 50% of the world's oil

1 Babayev, B. (2020). Main Directions of the Non-Oil Export Sector in Azerbaijan. Journal of Economic Sciences: Theory & Practice, 77(1).

2 Alakbarli, F. Health Protection in Ancient and Medieval Azerbaijan.

3 Haiko, H., & Biletsky, V. (2019). The History of Industrial Oil Extraction in Azerbaijan (the 19th-beginning of the 20th centuries). Схід, (4), 35–40.

resources were being extracted in Azerbaijan at the end of the 19th and the beginning of the 20th century.[4]

Azerbaijani oil played an enormous role in the industry of the USSR. The SU won the war between Nazi Germany and the USSR because of Azerbaijani oil.[5] The occupation plan of Hitler Germany did not end with success because Nazi Germany could not occupy Baku. Otherwise, the victory of the SU over fascism might not have ended with a win.[6]

After the USSR's fall, oil and gas played a vital role in the Azerbaijani economy, with energy exports being the government's critical source of revenue. Since the Azerbaijani economy depends on energy exports, the country's economy needs to be diversified. The uneven development of the national economy and the strong backwardness of the non-oil sector from the oil branch has an irreversible negative effect on the entire economy's growth.

4.1.1 Oil industry history of Azerbaijan

The oil industry of Azerbaijan is 176 years old.[7] The first oil well (Bibi-Heybat) near the modern capital city of Azerbaijan Baku was drilled in Azerbaijan over ten years before the first oil field in Pennsylvania, so Azerbaijan became the oldest oil-producing country in the world in 1848.[8] However, oil had been known in Azerbaijan many centuries before the first oil well in Bibi-Heybat. The oil was used mainly for medical purposes.[9]

There are different opinions concerning the oil history eras of Azerbaijan. However, the history of the oil/energy industry of the country is generally divided into five stages:[10]

4 Minenergy.gov.az. (31 January 2020). History of Development of Oil Industry. Ministry of Energy of Azerbaijan. Retrieved April 26, 2023, https://minenergy.gov.az/en/neft/neft-senayesinin-inkisaf-tarixi

5 Salmanova, S. N., & Asadova, T. B. (2020). Azerbaijan's contribution to the Victory in the World War II, (pp. 103–106).

6 Khalilzada, J. (2019). Modernization and Social Change in Azerbaijan: Assessing the Transformation of Azerbaijan through the Theories of Modernity. New Middle Eastern Studies, 9(2).

7 Mir-Babayev, M. Y. (2002). Azerbaijan's Oil History. A Chronology Leading up to the Soviet Era. Azerbaijan International, 10(2), 34-40.

8 Zhiltsov, S. S., Zonn, I. S., & Kostianoy, A. G. (Eds.). (2016). Oil and gas pipelines in the Black-Caspian Seas Region. Springer International Publishing.

9 Vagif, B. S., & Saleh, A. F. The Ministry of Education of the Republic of Azerbaijan.

10 Narimanov, A. A., & Palaz, I. (1995). Oil history, potential converge in Azerbaijan. Oil and Gas Journal, 93(21).

The first stage of well oil production continued from 1848 until 1871. This period was before the start of the use of mechanical drilling to extract oil. Its low productivity characterized the output because of the lack of technology for oil production.

The second stage is mechanical oil extraction. This period from 1872 to 1920 lasted until the nationalization of the oil industry in the SU.[11] New energy fields in Binagadi, Ramana, Balakhany, etc., were discovered. Therefore, oil production rose significantly, leading to the development of the modern oil industry in Azerbaijan.

The third stage was from 1920 (nationalization of the oil industry) to 1950, when the Caspian deposits, known as the Neft Dashlari (the Oil Rocks), were discovered. These newly discovered oil fields spurred the development of the energy industry of Azerbaijan.[12]

The fourth stage started after 1950 (Neft Dashlari), and it continued until the singing of the first large-scale international energy agreement[13] between the Azerbaijani government and global energy enterprises after Azerbaijan's independence.[14]

The fifth stage started the signing of the big deal between Azerbaijan and international energy companies in September 1994. The agreement was called "the Contract of the Century" because of its significant meaning for the Azerbaijani Republic and the country's oil industry.[15] This energy agreement played an enormous role in developing the energy industry of Azerbaijan and the involvement of international investment in the development of the Azerbaijani energy industry.

4.1.2 "Neft Dashlari"

Oil platforms on the waters of the Caspian Sea opened a new era in Azerbaijan's oil history. The "Neft Dashlari" ("Oily Rock") oil platform was built on a tiny island in the Caspian Sea in 1949, four years after the end of WW2. High-quality oil reserves were discovered at 1100 meters below the seabed on 7 November of 1949.[16] This was the first large-scale offshore oil project in the world. The exploration of the first offshore

11 Kobrin, S. J. (1984). The nationalisation of oil production, 1918–80. In Risk and the political economy of resource development (pp. 137–164). Palgrave Macmillan, London.

12 Sultanov, L., Narimanov, N., & Samadzadeh, A. (2019). The Geological Structure and the Analysis of the Regularity of the Change in the Reservoir Properties of the Neft Dashlari Deposit. EUREKA: Physics and Engineering, (1), 55–62.

13 Ciarreta, A., & Nasirov, S. (2012). Development trends in the Azerbaijan oil and gas sector: Achievements and challenges. Energy Policy, 40, 282-292.

14 Ibrahimov, R. (2014). US-Azerbaijan Relations: A View from Baku. Rethink Paper, 17.

15 Ciarreta & Nasirov (2012).

16 Azer.com. Ibrahimov, S. (1997, Summer). Oil Rocks, Legends and Reality. Retrieved April 26, 2023, from http://web.archive.org/web/20210323104120/http://azer.com/aiweb/categories/magazine/52_folder/52_articles/52_oily.html

oil project in November 1949 meant starting the new oil era in the USSR. The newly explored oil platform was called "Black Rocks." However, it was renamed "Oil Rocks" later.[17]

The project was unique as the trestles were constructed on the water for the first time in the oil industry's history. The distance between the trestles and the central hub reached many kilometers. The trestles made it possible to create access to numerous wells, stations to collect oil resources, and pipelines.[18] The extensive use of modern technologies was made possible through the realization of this project. For instance, the multi-bore drilling method was used first in the "Oil Rocks." This project became the first offshore oil field in the history of the oil industry.[19]

The foundation of the "Neft Dashlari" oil platform had seven sunken ships. One of them was the "Zoroaster" ship, which was constructed in Sweden. In fact, it was the first oil tanker in the world. The island possessed its private factory, soccer pitch, library, bakery, laundry, cinema hall for 300 workers, bathhouse, etc. Besides, apartments for 5000 workers of the"Neft Dashlari" were constructed on the island.[20]

The "Neft Dashlari" oil platform extracted over 170 mt of crude oil and almost 15 bn. m^3 of associated natural gas by 2010. Geologists guess that there are nearly 30 mt of recoverable hydrocarbon resources in "Neft Dashlari."[21]

4.1.3 ACG

The 1970s became one of the most productive stages in the oil industry of Azerbaijan. Construction of the semi-submersible floating drilling rigs: "Shelf" and "Khazar," made a possible exploration of not only oil but also natural gas fields at a depth of up to 70 and 200 meters, respectively. Consequently, oil production went up by 50%.[22]

The Azeri-Chirag-Deepwater Gunashli field was discovered at the beginning of the 1970s. These oil fields are the largest in the Azerbaijani part of the Caspian Sea. The ACG field is located nearly 120 km to the East of Baku and at a depth of 120 meters. The operator of the project is BP. The contract was signed between 11 companies: BP, Amoco, Unocal, LUKoil, Statoil, Exxon, TPAO, Pennzoil, McDermott, Ramco, Delta Nimir, a joint venture from six countries: UK, USA, Russia, Norway, Turkey, and Saudi Arabia.[23]

17 Ibrahimov (1997, Summer).

18 Igorev, V. (2010). A Man-made island of oil treasures. Oil of Russia, 3.

19 Spiegel.de. (2012, November 14).

20 Igorev (2010).

21 Ibid.

22 Rzayeva, G. (2015). The Outlook for Azerbaijani Gas Supplies to Europe: Challenges and Perspectives.

23 BP.com. Azeri-Chirag-Deepwater Gunashli. Retrieved April 26, 2023, from https://www.bp.com/en_az/caspian/operationsprojects/acg.html

The Azerbaijani oil industry took off in the 1980s. The number of constructed floating oil rigs reached 11. Such rigs helped in the discovery of new fields. Floating oil rigs made exploring at depths from 80 to 350 m possible. It became possible with an enormous technological progress.[24]

The recoverable oil capacity of the field is estimated at 5.4 bb. The production from the energy fields started in November 1997.[25] Until now, capital estimated at $33 bn. has been put into the project, while the produced oil is estimated at 3.2 bb. The total output of the ACG fields in 2020 was averaged 477,000 barrels per day (b/d), which is almost half of the initially estimated volume.[26]

ACG consists of:[27]

- 6 production platforms: Chirag 1, Central Azeri, West Azeri, East Azeri, Deepwater Gunashli, West Chirag;
- Two processes, gas compression;
- Water injection and utilities (PCWU) platforms;
- Equipment of the latest technologies.

Oil is transported to the Sangachal terminal through subsea pipelines from the bottom of the Caspian Sea. The further development of extracted oil is refined in the Sangachal terminal, one of the world's immense oil terminals. The Sangachal possesses the capability of up to 1.2 million b/d.[28]

The agreement on developing the ACG fields was signed in September 1994 between the Azerbaijani government and international oil companies such as BP, Statoil, Exxon, etc. The deal was extended for the next 32 years on 14 September 2017. The contract was signed between the Azerbaijani President, the National Oil Company of Azerbaijan President, and the member companies' representatives. According to the signed agreement, the member companies will pay $3.6 bn. to SOCAR as a

24 Rzayeva (2015).

25 Offshore-technology.com. Azeri-Chirag-Gunashli Oilfield. Retrieved April 26, 2023, from http://web.archive.org/web/20210125213721/https://www.offshore-technology.com/projects/acg/

26 Shaban, I. (2021, February 05). Oil Production from ACG Block Decreased by 10.3% in 2020. Retrieved April 26, 2023, from http://web.archive.org/web/20210216011731/http://caspianbarrel.org/en/2021/02/oil-production-from-acg-block-decreased-by-10-3-in-2020/

27 BP.com. Azeri-Chirag-Deepwater Gunashli, https://www.bp.com/en_az/caspian/operationsprojects/acg.html

28 Ramazanov, M., Ahmadov, I., Hasanova, U., di Palma, L. U. C. A., & Chianese, A. N. G. E. L. O. (2018). Environmental problems of Absheron peninsula and Caspian Sea causedby oil and gas production. Dimensional systems, 2, 55.

bonus. In addition, SOCAR's share will rise from 11.65% to 25%. The capital invested in the project's development for the next 32 years is estimated at $40 bn.[29]

According to the new singed agreement, the member companies' shares are listed as follows:[30]

- BP – 30.37%;
- SOCAR – 25.00%;
- Chevron – 9.57%;
- INPEX – 9.31%;
- Statoil – 7.27%;
- ExxonMobil – 6.79%;
- TP – 5.73%;
- ITOCHU – 3.65%;
- ONGC Videsh Limited (OVL) – 2.31%.

The amendment will extend the agreement up to 2049 and has been approved by Azerbaijani Parliament. The operator of the first agreement, BP, will also stay as the project's primary operator after its extension.[31]

4.1.4 Energy industry after the acquisition of independence

The years after the collapse of the SU were marked by turmoil in the post-Soviet space. Additionally, the Armenian army occupied Nagorno-Karabakh and some adjacent territories, which "de-jure" belong to the Azerbaijani Republic. Due to this political instability in Azerbaijan, two governments fell in the first years of the 1990s.

The Azerbaijani oil industry was paralyzed because of some negative factors like the lack of modern technology for the exploration of the new oil fields, the undeveloped internal energy market, the breakdown of relations with other countries of the former SU, an absence of appropriate investment into the recovery of the failed energy industry, etc. Oil production fell dramatically.[32] The signing of new energy contracts with international energy companies was considered the most appropriate strategy to overcome these political and economic challenges.

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29 Worldoil.com. (September 14, 2017). Azerbaijan, co-venturers sign amended PSA for Azeri, Chirag and deepwater Gunashli. Retrieved April 06, 2021, from http://web.archive.org/web/20190212075658/https://www.worldoil.com/news/2017/9/14/azerbaijan-co-venturers-sign-amended-psa-for-azeri-chirag-and-deepwater-gunashli

30 Statoil.com. (2017, September 14). 25 more years in the ACG field. Retrieved April 26, 2023, from http://web.archive.org/web/20181225235056/https://www.euro-petrole.com/statoil-25-more-years-in-the-acg-field-n-i-15425

31 Ibid.

32 Ciarreta & Nasirov (2012).

The first stage of extracting the Chirag field's oil resources started in 1997, while the Azeri and Guneshli oil fields began giving their first fruits in 2005 and 2008, respectively. In 2010, the peak of oil extraction in Azerbaijan was reached with 1 million barrels per day (b/d) oil production from these energy fields.[33]

The Baku-Supsa and BTC oil pipeline construction, was completed in 1999 and 2006, respectively, and played a significant role in developing the oil sector. The Baku–Supsa is an 830 km long pipeline known as the Western Route Export Pipeline and Western Early Oil pipeline. The pipe exports the oil from the ACG fields (Sangachal Terminal) to Georgia's Supsa port. BP is the operator of the pipeline.[34]

BTC, built by the BTC CO Company, is Azerbaijan's most critical oil pipeline. BTC exports the oil extracted from the primary energy fields ACG and condensates from the SD field of Azerbaijan (Sangachal terminal) to Georgia and Turkey. Additionally, BTC exports the crude oil of Turkmenistan, which started in 2013. Furthermore, according to some favorable prognoses, Kazakhstan's crude oil can also be carried via BTC in the future. The entire oil pipeline length is 1768km: Azerbaijan-443km, Georgia-249km, and Turkey-1067km.

4.1.5 Oil production

The volume of oil extraction between 2004 and 2014 rose by almost 700.000 b/d. Thus, if Azerbaijan produced 300.000 b/d in 2004, this indicator became more than 1 b/d in 2010 when the oil extraction from gigantic ACG oil fields have already reached their peak level.[35]

Therefore, since oil production had already reached its highest point, the output has declined consistently. For instance, crude oil output dropped to 628 thousand barrels per day (BBL/D/1K) in March 2023, while this indicator was 644 BBL/D/1K in February 2023 (see Figure 1). Considering the oil production volume in the different years, it is evident that oil production decreases slowly.[36]

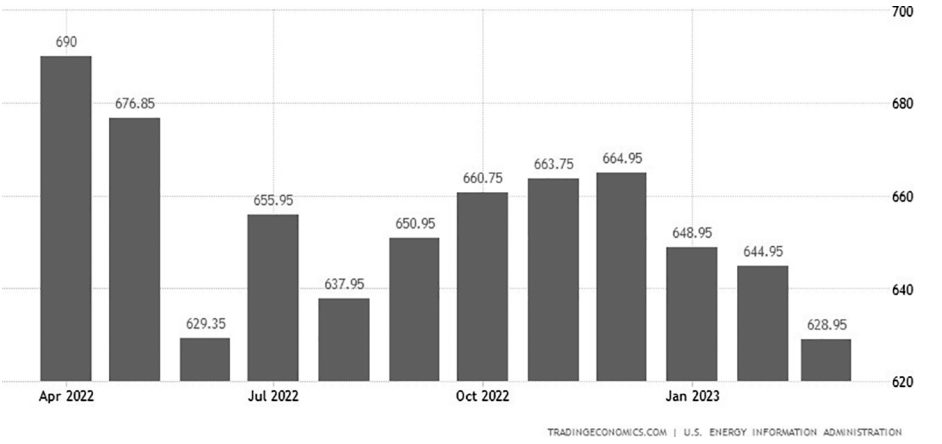
33 BP.com. Azeri-Chirag-Deepwater Gunashli. Retrieved April 26, 2023, from https://www.bp.com/en_az/azerbaijan/home/who-we-are/operationsprojects/acg2.html

34 BP.com. Western Route Export Pipeline (WREP). Retrieved April 26, 2023, from http://www.bp.com/en_ge/bp-georgia/about-bp/bp-in-georgia/western-route-export-pipeline--wrep-.html

35 Indexmundi.com. Azerbaijan Crude Oil Production by Year. Retrieved April 26, 2023, from https://www.indexmundi.com/energy/?country=az&product=oil&graph=production

36 Tradingeconomics.com. Azerbaijan Crude Oil Production. Retrieved April 26, 2021, from http://web.archive.org/web/20210202074603/https://tradingeconomics.com/azerbaijan/crude-oil-production

Figure 1: Azerbaijan crude oil production[37]



Due to Trading Economics's statistical information, crude oil production peaked in June 2009 (1072 BBL/D/1K), while the lowest point was in February 1997 (168 BBL/D/1K).[38] According to the total proved oil reserves statistics[39] of different sources,[40] for the end of 2023, the proven oil reserves of Azerbaijan are calculated as 7 bb.[41]

ACG is the largest oil field in Azerbaijan, so the oil fields' production equals almost 75% of Azerbaijan's entire oil production.[42] Azerbaijan produced 24,100 barrels per day in the first quarter of 2023.[43] Based on the EIA's projections, Azerbaijan was expected to have an average daily oil production ranging from 640,000 to 670,000 barrels in 2023. The production trend throughout the year in 2022 was as follows: It started at 670,000 b/din the first quarter, then gradually decreased to 650,000 barrels in the second quarter, followed by a further decrease to 640,000 barrels b/din the third quarter. However, in the fourth quarter, there was a slight rebound, and oil production increased to 650,000 barrelsb/d.[44]

37 https://www.tradingeconomics.com

38 Tradingeconomics.com. (2021, April 26, 2023).

39 https://www.worldometers.info

40 https://www.iea.org

41 Wisevoter.com. (September, 2023). Oil Reserves by Country. Retrieved March 6, 2024, from https://www.reuters.com/article/azerbaijan-gas/azerbaijans-gas-exports-to-turkey-to-reach-10-2-bcm-in-2023-ifx-cites-minister-idUKR4N3AW02G/.

42 Ibid.

43 BP.com. (April 02, 2023). Azeri-Chirag-Deepwater Gunashli. Retrieved April 26, 2023, from https://www.bp.com/en_az/azerbaijan/home/who-we-are/operationsprojects/acg2.html

44 Azernws.az. (January 13, 2023). Azerbaijan to produce over 600,000 barrels of oil per day in 2023 – EIA forecasts. Retrieved April 26, 2023, from https://www.azernews.az/oil_and_gas/204934.html

The expected production volume from the ACG was estimated at 1 b/d for the first phase of the production-sharing agreement. However, peak production, at 823,100 b/d, was reached in 2010. This volume dropped to 477,000 b/d in 2020.[45] The development of the Chirag Oil Project started in January 2014. The expected production capacity of the platform was 183,000 b/d.[46]

A significant part of the oil extracted from the Caspian Sea's Azerbaijani sector is medium-light and sweet crude oils. Azerbaijan is predominantly a crude oil and condensate seller, but the country supplies a limited amount of refined petroleum products to some countries like Russia, Greece, and Bulgaria.[47]

The lion's share of the extracted oil is exported via BTC and sold as a BTC blend (36.8° API gravity, 0.15% sulfur). The relatively limited amount is transported through the Baku-Supsa pipeline as Azeri light (35.2° API gravity, 0.14% sulfur).[48]

The Azerbaijani oil is exported mainly through three oil export pipelines (Figure 2), while a very insignificant part of the extracted oil is shipped by rail. The BTC pipeline exports account for almost 80% of Azerbaijan's entire oil export[49] and it plays a unique role not only in exporting a significant share of Azerbaijani oil to the world energy market[50] but neutralizing the Russian monopoly at least in part.[51]

BTC exported over 1 million b/d (mbd) of crude oil in July 2010, which is an absolute record in its history. However, the pipeline was initially constructed with its maximal export capacity of 1.2 mbd.[52] According to BP, from the first day of oil transport via BTC till the end of the first quarter of 2020, the pipeline transported 3.41 bb or 455 mt of crude oil.[53] The pipeline predominantly transports oil extracted from ACG and condensate from SD fields. However, some crude oil volumes and condensate from Kazakhstan and Turkmenistan are also exported via this pipeline.[54]

45 EIA.gov. (Janurary 2019).

46 Ibid.

47 Ibid.

48 Ibid.

49 Yesevi, C. G., & Tiftikcigil, B. Y. (2015). Turkey-Azerbaijan energy relations: A political and economic analysis. International Journal of Energy Economics and Policy, 5(1), 27.

50 Ciarreta & Nasirov (2012).

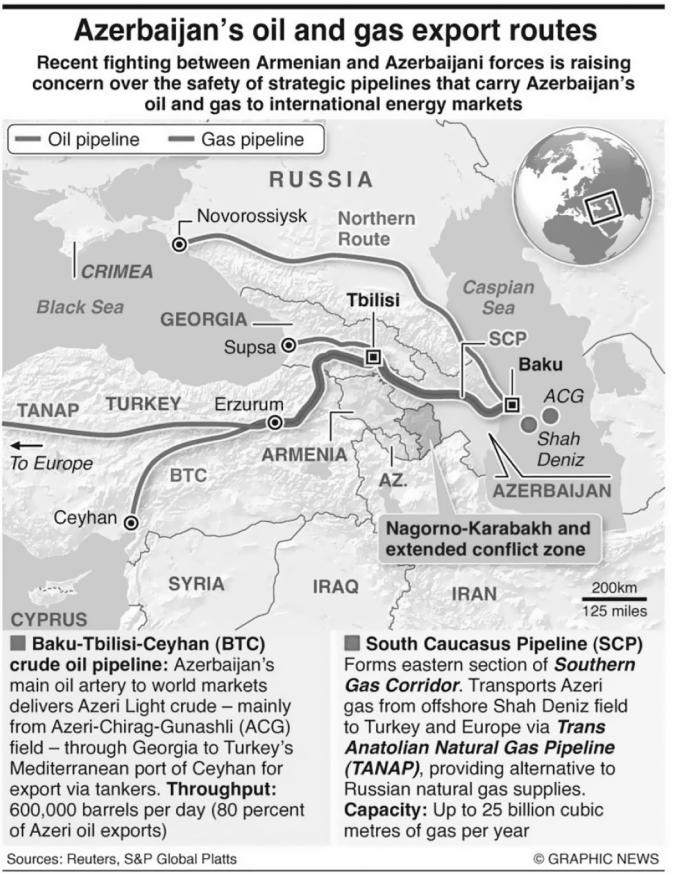
51 Petersen, A., & Barysch, K. (2011). Russia, China and the geopolitics of energy in Central Asia. Centre for European Reform.

52 EIA.gov. (Janurary 2019).

53 BP.com. (April 02, 2020). Baku-Tbilisi-Ceyhan Pipeline. Retrieved April 26, 2023, from http://web.archive.org/web/20201127034830/https://www.bp.com/en_az/azerbaijan/home/whoweare/operationsprojects/pipelines/btc.html

54 Ibid.

Figure 2: Azerbaijan's oil and gas export routes[55]



4.1.6 Azerbaijan's oil dependence

The main factors that stimulated the fast development of the country's GPD in the first years of its independence were the existence of the tremendous onshore and offshore oil and natural gas resources and significant energy contracts with transnational energy corporations.[56] Therefore, with the development of the energy fields,

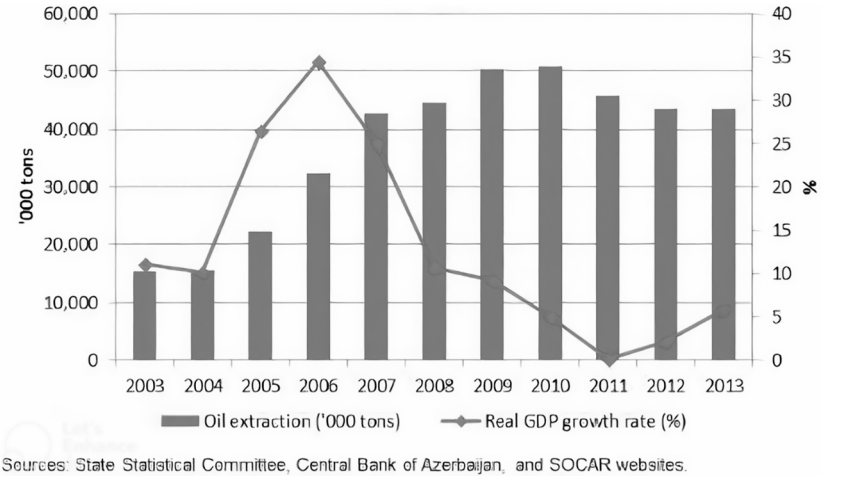
55 https://www.spglobal.com

56 Hasanov, F. (2013). Dutch disease and the Azerbaijan economy. Communist and Post-Communist Studies, 46(4), 463–480.

the Azerbaijani economy became one of the world's fast-developing economies that brought relative prosperity to the newly independent country.[57]

The high prices of oil resources in the world energy market in the 1990s and 2000s were another critical factor that led to the rise of state income. Thus, the increase in oil prices in the world energy market was accompanied by the entrance of "petrodollars" to the country's state budget and the speedy development of the energy industry. To illustrate, if the price of the Brent oil mark was, on average, $16/b before the singing of the "Contract of the Century," 1 barrel of Brent oil cost already $111.63 in 2012, which was its highest point in history.[58] Therefore, the economy of the country started growing significantly in the 2000s[59] (see Figure 3).

Figure 3: Oil production and gross domestic product growth rates, 2000–2013[60]



Sources: State Statistical Committee, Central Bank of Azerbaijan, and SOCAR websites.

The GDP of the country from 1994 to 2016 averaged $24.87. The highest point of the GDP with $75.24 was in 2014, when the world energy market's oil prices reached their highest mark in history. The energy contracts signed with the international energy companies did not immediately bring significant income to the Azerbaijani

57 Humbatova, S. I., Gasimov, R. K., Gadim, N., & Hajiyev, O. (2019). The impact of oil factor on Azerbaijan economy. International Journal of Energy Economics and Policy, 9(4), 381.

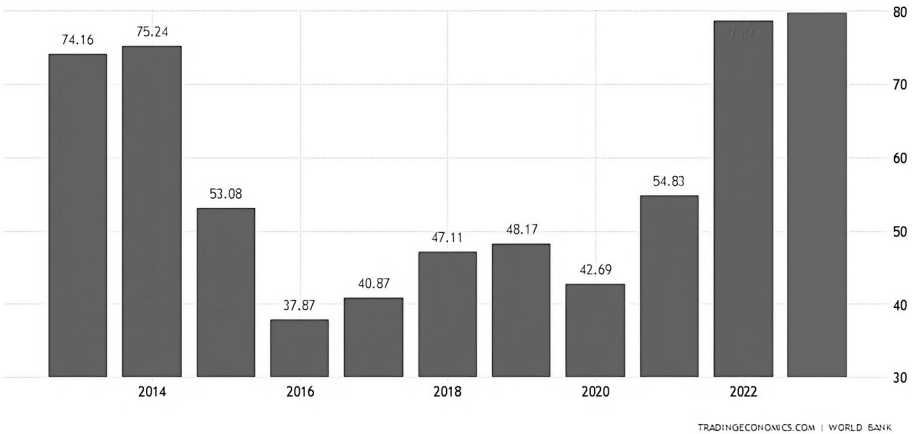
58 Statista.com. (2020, March 9). Average annual Brent crude oil price from 1976 to 2017. Retrieved April 26, 2023, from http://web.archive.org/web/20210328020852/https://www.statista.com/statistics/262860/uk-brent-crude-oil-price-changes-since-1976/

59 Chubrik, A., & Walewski, M. (2010). Oil money vs. economic crisis: The case of Azerbaijan. CASE Network E-Briefs, (6), 1.

60 State Statistical Committee, "Central Bank of Azerbaijan and SOCAR."

budget, so the lowest point of the GDP was in 1995 at $3.05.[61] According to the figure of the Trading Economics agency (see Figure 4), the volume of GDP for 2022 was $78.72.[62] It demonstrates the crucial role of the energy sector in the Azerbaijani economy.

Figure 4: Azerbaijan GDP[63]



According to the State Statistical Committee of the Republic of Azerbaijan on GDP per capita in Azerbaijan, the Azerbaijani GDP per capita per year rose from $98.30 in 1991, right after the fall of the SU, to $8000 in 2014. The years 2014–2015 were when the oil price was the highest. Consequently, the enormous growth of the GDP became possible thanks to the financial profit that Azerbaijan received from the export of oil resources.[64]

However, despite enormous income from the energy sector, other non-energy areas did not reach the same rapid development level as the energy sector. Moreover, "oil money" was not appropriately invested in developing non-energy industries. Instead,"oil money" was used to organize some international sports tournaments, cultural events, music festivals, etc.[65]

61 Ceicdata.com. Azerbaijan GDP per Capita. April 26, 2023, from http://web.archive.org/web/20210127065025/https://www.ceicdata.com/en/indicator/azerbaijan/gdp-percapita

62 Tradingeconomics.com. Azerbaijan GDP, 1990-2017. Retrieved April 06, 2021, from http://web.archive.org/web/20210309160109/https://tradingeconomics.com/azerbaijan/gdp

63 https://www.tradingeconomics.com

64 Ceicdata.com. Azerbaijan GDP per Capita. April 26, 2023, from http://web.archive.org/web/20210127065025/https://www.ceicdata.com/en/indicator/azerbaijan/gdp-percapita

65 Organization of Eurovision Song Contest in 2012, the first European Games in 2015, Formula 1 Azerbaijan Grand Prix, and the Islamic Solidarity Games in 2017 are some of them.

Azerbaijan is not the only state of the Caspian Region suffering from oil or natural gas export dependence, but it is an enormous problem for all regional states.[66] Therefore, even though all these countries' energy sector contributes significantly to the state budget of the states, the non-oil sector remains either completely undeveloped or weakly developed.[67]

$33 bn. was invested into developing the most significant energy project in the country, ACG oil fields, and extracted 3.2 bb of oil since the signing of the "Contract of the Century." The average production capacity declined to 24,100 b/d by the first quarter of 2023.[68] As reported by the agency Report.az, the SOFAZ has accumulated a total revenue of $158.658 billion since the ACG field began its operations in 2001.[69]

The decline in oil production is not the only factor that negatively influences the country's national budget. Moreover, Azerbaijan does not possess any new energy fields except for the newly explored natural gas fields.[70] Therefore, some international experts predict a further decline in the future. For instance, the figure published by Carnegie Endowment for International Peace shows energy production declining significantly in the following years (see Figure 5).

Due to the statistics of the SOFAZ, oil incomes dropped from 12.3 bn. manats in 2014 to 7.4 bn. manats in 2015 that means the profits were reduced by around 40%.[71] The statistical information illustrates how the budget income of Azerbaijan depends on the oil price in the world energy market. Therefore, it is relatively easy to predict that the oil incomes of SOF will decline further because of current oil prices in the world energy market and the country's decline in oil production. Some local[72] and international[73] energy and economy experts predicted that Azerbaijan might have severe economic troubles because of its undeveloped non-oil sector.[74] For in-

66 Czech, K. (2018). Oil dependence of post-Soviet countries in the Caspian Sea Region: the case of Azerbaijan and Kazakhstan. Acta Scientiarum Polonorum. Oeconomia, 17(3), 5-12.

67 Köse, N., & Ünal, E. (2020). The impact of oil price shocks on stock exchanges in Caspian Basin countries. Energy, 190, 116383.

68 BP.com. (April 02, 2023). Azeri-Chirag-Deepwater Gunashli. Retrieved April 26, 2023, from ht tps://www.bp.com/en_az/azerbaijan/home/who-we-are/operationsprojects/acg2.html

69 Report.az. (june 3, 2022). sofaz more than doubles its revenues from acg. retrieved april 26, 2023, from http://web.archive.org/web/20220608185741/https://report.az/en/energy/sofaz-more-than-doubles-its-revenues-from-acg1/

70 Apa.az. (July 13, 2017). Azerbaijan gets 9% decline in oil production. Retrieved April 26, 2021, from http://en.apa.az/azerbaijan_energy_and_industry/azerbaijan-gets-9-decline-in-oil-production.html

71 EIA.gov. (Janurary 2019).

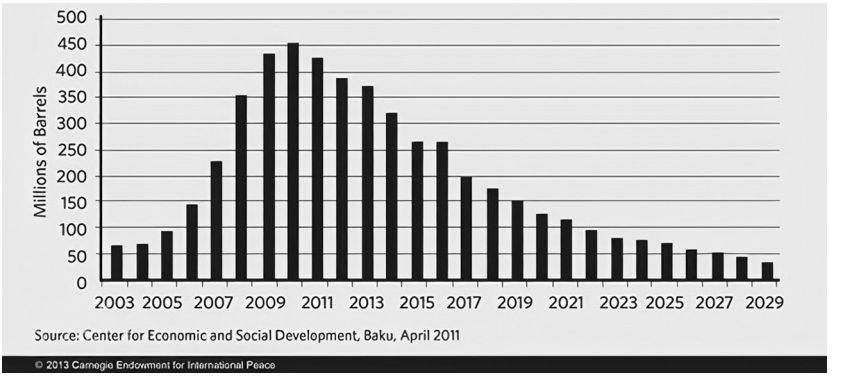
72 Humbatova et.al. (2019).

73 Ciarreta & Nasirov (2012).

74 Le Borgne, M. E., Aturupane, M. C., Gvenetadze, M. K., Hobdari, M. N., Wakeman-Linn, M. J., & Danninger, M. S. (2004). Managing Oil Wealth: The Case of Azerbaijan. International Monetary Fund.

stance, Azerbaijan's oil sector is analyzed in the book"Managing Oil Wealth: The Case of Azerbaijan" in detail.[75]

Figure 5: Oil production forecasts in Azerbaijan [76]



This work gives some practical advice concerning the management of the Azerbaijani economy during the so-called post-oil period. Consequently, the paper discusses issues like the countries' common problems with abundant natural resources and the importance of establishing long and short-term strategies in the oil sector for the country's prosperity. This book's fundamental argument is the crucial importance of budget establishment policy due to the oil production decline in Azerbaijan.[77]

The Azerbaijani President approved a decree on 27 September 2004 concerning the long-term strategy for managing the oil and gas revenues.[78] Nevertheless, Azerbaijan began transferring "oil money" from the Azerbaijani Oil Fund to the budget starting from 2008 that contradicts the long-term strategy of establishing energy revenues.[79]

The figure for the budget revenues, spending, and deficit shown below clearly demonstrates that the gap in Azerbaijan's budget is increasing consistently against

75 Ibid.

76 https://www.carnegieendowment.org

77 Ibid.

78 Ibadoghlu, G., Alasgarov, K., & Bayramov, G. (2013). Oil and gas revenue management in Azerbaijan. Policy Paper on Revenue Management in Azerbaijan, November.

79 Resourcegovernance.org. (July 13, 2017). State Oil Fund of the Republic of Azerbaijan. Retrieved September 26, 2023, from http://web.archive.org/web/20201101044538/https://resourcegovernance.org/sites/default/files/NRF_Azerbaijan_ September2013.pdf

the background of the budget revenues and spending starting from 2013 (see Figure 6).

It is evident that if oil and gas resources are not managed well in the long-term period,[80] the Azerbaijani economy will have some extremely negative consequences. For instance, it could lead to the entire liquidation of the SOF budget or the appearance of a permanent budget deficit. Considering these two consequences, the Azerbaijani government has to avoid transferring from SOF to the country's budget.[81]

Nevertheless, the Azerbaijani government claims that diversification of the economy[82] and the development of the non-oil sector is one of the crucial priorities of the Azerbaijani government.[83] Ilham Aliyev, the president of Azerbaijan, has said that the state is concerned about the economy's diversification very much, so it adopted the development concept "Azerbaijan-2020 Outlook for the Future" in 2014. According to the concept, the petrochemical industry, renewable energy sources, the national economy's diversification are still some of the most critical priorities for the government alongside the modernization of the energy sector. However, the Azerbaijani state's transition policy to the so-called post-oil era has not been realized yet.[84]

Concerning the development of the non-energy sector, some regulations have been adopted. Nevertheless, Azerbaijan does not have a significant export of non-oil products.[85] The high income from oil export helped Azerbaijan to overcome the economic crisis in the world economy in 2009. However, considering the crucial factor that the Azerbaijani economy cannot permanently exist purely on the oil industry, so the Azerbaijani government has to develop the non-energy sector as soon as possible because the oil production will further decline.[86]

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80 Aslanli, K. (2015). Fiscal sustainability and the state oil fund in Azerbaijan. Journal of Eurasian Studies, 6(2), 114–121.

81 Ibadoghlu, G. (2019). Azerbaijan: A Rentier State. Available at SSRN 3489621.

82 Ahmadov, I. (2016). Azerbaijan's New Macroeconomic Reality: How to Adapt to Low Oil Prices.

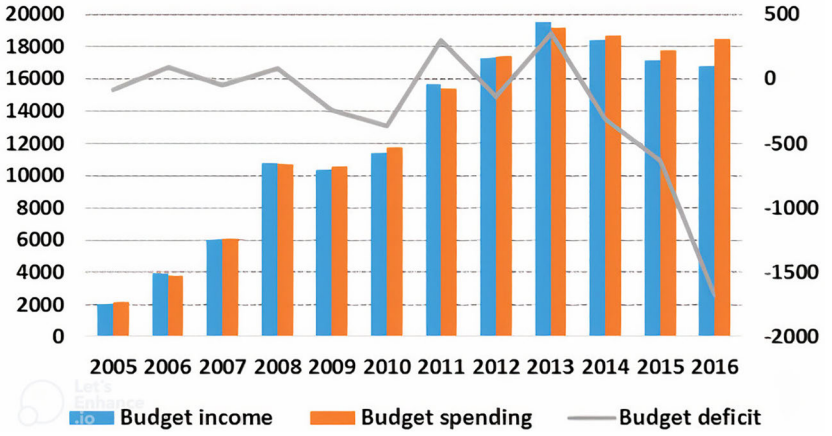
83 Babayev, B. (2019). Studying The Case of The UAE in Economic Diversification and Non-Oil Export Growth: Public Policy Lessons for Azerbaijan. Journal of Economic Sciences: Theory & Practice, 76(2).

84 Nadjafova, Z. (2019). The main structure and directions of diversification of the economy of Azerbaijan.

85 Vidadili, N., Suleymanov, E., Bulut, C., & Mahmudlu, C. (2017). Transition to renewable energy and sustainable energy development in Azerbaijan. Renewable and Sustainable Energy Reviews, 80, 1153–1161

86 Mahmudova, I. M. (2019). STRUCTURAL ANALYSIS OF NON-OIL SECTOR FIELDS IN THE REGIONS OF THE REPUBLIC OF AZERBAIJAN. Economic and Social Development: Book of Proceedings,
435–443.

Figure 6: Budget revenues, spending, and deficit in Azerbaijan (bln. AZN)[87]



4.1.7 Natural gas

It is difficult to find up-to-date information from verified international sources about the actual oil and gas reserves of the Caspian states. The available information is generally 2–3 years old. However, since oil and natural gas reserves are not subject to fast change, relatively old information from verified sources can be used. For instance, Azerbaijan has 2.5 tcm of natural gas based on the information provided by BP in 2021.[88] More than 90% of Azerbaijan's total natural gas production is extracted from offshore natural gas fields in the Azerbaijani part of the Caspian Sea.[89] The natural gas is located in a more diverse area in comparison to the oil reserves of the country, while the central part of the natural gas resources is extracted in the offshore fields of the Caspian Sea and partly in the Absheron Peninsula. Almost all main natural gas fields were discovered during the last few years, namely, after independence. For instance, some remarkable natural gas fields like "SD" and "Umid" were discovered in 1999 and 2010, respectively.

According to the European Institutional Investor Company (CEIC), which is the agency of global economic data, indicators, charts, and forecasts, in December 2022,

87 https://www.socialwatch.org

88 IEA.org. (21 September). Retrieved March 5, Azerbaijan energy profile Energy security, from https://www.iea.org/reports/azerbaijan-energy-profile/energy-security

89 Karatayev, M., & Hall, S. (2020). Establishing and comparing energy security trends in resource-rich exporting nations (Russia and the Caspian Sea region). Resources Policy, 68, 101746.

Azerbaijan's natural gas consumption was reported at 1.200 Cub ft/Day bn, marking an increase compared to the previous year's consumption of 1.193 Cub f/d bn.[90]

The consumption data for Azerbaijan's natural gas is updated annually and has been recorded from December 1985 to 2022, comprising a total of 37 observations. Over this period, the average daily consumption of natural gas stood at 0.913 Cub ft/Day bn. The highest consumption level was reached in 1990, reaching a record high of 1.492 Cub ft/Day bn, while the lowest consumption occurred in 1998, with a record low of 0.493 Cub ft/Day bn.[91] Natural gas is the most consummated energy product in Azerbaijan, according to US EIA.[92]

SOCAR is the state energy company responsible for the processing, transport, distribution, and other processes concerning the oil sector of Azerbaijan. The company is also the leading energy entrepreneur in Azerbaijan, transporting natural gas to importing countries like Georgia, Turkey, Albania, Greece, and Italy. The Tariff Council of Azerbaijan balances the prices of these services.[93]

An essential role in natural gas development played agreements with Western oil companies after 1991. For instance, Azerbaijan's national oil company signed a deal worth $425 million with the US Trade and Development Agency (USTDA) in October 1999. The USTDA agreement stipulated financial support to Azerbaijan for exploration. It estimated the consumption needs, production, and possible export capacity of the country through this study.[94]

Another vital energy contract for the Azerbaijani natural gas sector was signed between Azerigaz and energy companies Statoil and Royal Dutch/Shell in 1996.[95] The companies agreed to support Azerbaijan in developing its natural gas sector and exporting natural gas.[96] Azerbaijan would export natural gas. However, Azerbaijan had to develop its natural gas infrastructure and solve the problem of natural gas flaring. It was predicted that if Azerbaijan could achieve an appropriate development level in its natural gas sector, it would be able to produce up to 1 tcf of gas[97] by the end of the 00th and become a natural gas exporter for its neighbor countries.[98]

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90 CEIC.com. (28 July,2023). Retrieved April 26, 2023, from http://web.archive.org/web/20210301004436/https://www.ceicdata.com/en/indicator/azerbaijan/natural-gas-consumption

91 Ibid.

92 EIA.gov. (Janurary 2019).

93 Ibid.

94 IBP USA. (19 April 2018). Azerbaijan Business and Investment Opportunities Yearbook Volume 1 Strategic, Practical İnformation and Opportunities.

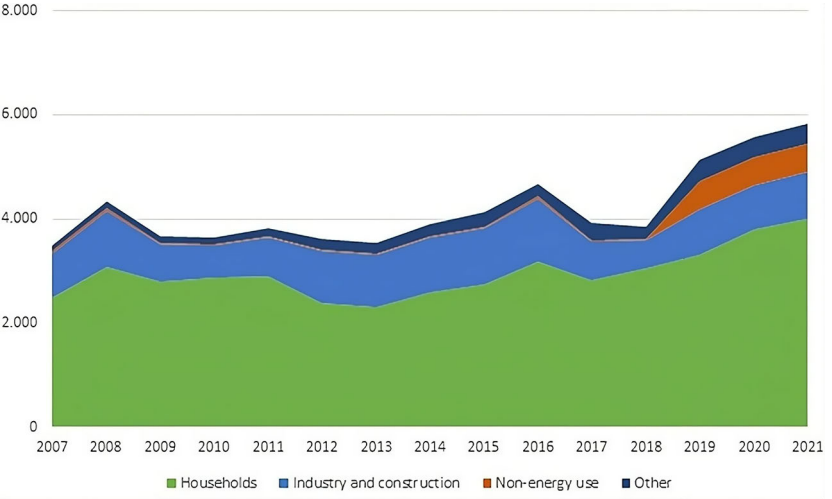
95 Shatskaya, Z., Melnyk., & Olshanska, O. Bussiness Structures of Azerbaijan: Experience on Functioning and Development Prospects. İqtisadi və Siyasi Elmlər Jurnalı, 224.

96 Joseph, I. B. (1998). Caspian Gas Exports: Stranded Reserves in a Unique Predicament.

97 IBP USA (19 April 2018).

98 Gelb, B. A. (2005, March). Caspian oil and gas: production and prospects. LIBRARY OF CONGRESS WASHINGTON DC CONGRESSIONAL RESEARCH SERVICE.

Figure 7: Azerbaijan natural gas consumption by sector[99]



Azerbaijan could not meet even its domestic natural gas demand before discovering the SD natural gas field, and the largest natural gas field of the Azerbaijani natural gas sector, the Bahar field, could only meet 50% of the entire Azerbaijani gas demand.[100] Besides it, the output dropped significantly at the end of the 1990s because of a lack of modern drilling technology to explore the new natural gas fields.[101]

The Nakhichevan gas field's proven potential is estimated at almost 300 bn. cubic feet (bcf) in the 1990s.[102] Consequently, there were only two natural gas fields: Guneshli and SD, which could have increased Azerbaijan's natural gas potential radically. The production from the SD should have been realized in 2004.[103] However, the production had to be postponed for some time because of technical problems.[104]

The proven natural gas reserves balance of Azerbaijan changed significantly with starting the production from the SD field in 2006. For instance, according to BP

99 https://www.researchgate.net

100 Rzayeva (2015).

101 Griffths, A. E., Begliarbekov, V. R., Shakbazov, M. A., & Sultanov, P. (2001). Increasing production from old, onshore oil fields, Azerbaijan–a case study. Petroleum Geoscience, 7(1), 65–73.

102 Trend.az. (March 10, 2010). RWE: Development of perspective offshore structure Nakhchivan in Azerbaijan to contribute to project Nabucco project. Retrieved April 26, 2023, from https://en.trend.az/business/energy/1651488.html

103 Pirani, S. (2016). Azerbaijan's gas supply squeeze and the consequences for the Southern Corridor.

104 Abdullayev, G. (2004). Current Status of Natural Gas Sector. In Security of Natural Gas Supply through Transit Countries (pp. 47–60). Springer, Dordrecht.

statistics, Azerbaijan's proven gas resources are 2.5 tcm for 2021 after discovering the field.[105]

Due to the prices that oil and natural gas command on the international market, the Azerbaijani government considers natural gas export a significant profit source, which would help Azerbaijan have a stable positive budget account. However, the country's modest natural gas resources are insufficient to replace oil, which has been the most significant and so-called "locomotive branch" of the Azerbaijani economy for many years.

4.1.8 Perspective natural gas fields

The Azerbaijani government spent almost $3.5 bn. to explore the new natural gas fields. Thanks to the significant investments, some remarkable natural gas fields like Babek, Absheron, Nakhchivan, Zafar, Mashal, Karabakh, Ashrafi, and Dan Ulduzu were discovered.[106] The exploration of new energy fields made Azerbaijan a new natural gas exporter, so the significant investment by Azerbaijan and different energy companies in this sector significantly increased productivity.

There are only three crucial natural gas sources: SD 1 and SD 2 and Umid fields. The SD field, which was explored in 1999, is the largest natural gas field in Azerbaijan. However, natural gas production from this field started only eight years later, in 2007.[107] If the first stage of the field's capacity was initially estimated within 9 bcm/a, according to BP, Stage 2 should have reached 16 bcm/a of gas production due to the estimations.[108]

If, before the starting of the production from the SD 1 and SD 2 fields, Azerbaijan was a net natural gas importer and had to meet its demand through Russian imports, while the output from these fields made it possible for Azerbaijan to transport natural gas not only to its neighbor countries but also to some European countries as well.[109]

Alongside SD 1 and 2 Stages, one of the potential energy fields among new gas fields is the Umid field, the second-largest natural gas field in Azerbaijan. It is the first natural gas project independently developed by the country. According to the Oil and Gas Journal published in 2010, this field possessed 1.2 tcm of gas capacity.[110]

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105 EIA.gov. (Janurary 2019).

106 Vision.az. (2010, November/December). Oil and Gas Prospects. The Umid Fulfils Hopes. Retrieved April 26, 2023, from http://web.archive.org/web/20200808012030/http://www.visions.az/en/news/225/00400ff7/

107 Baran, Z. (2007). EU energy security: time to end Russian leverage. Washington Quarterly, 30(4), 131–144.

108 Macit, F. (2014). Caspian energy outlook. Caspian Strategy Institute.

109 Pirani, S. (2018). Let's not exaggerate–Southern Gas Corridor prospects to 2030

110 Vision.az. (2010, November/December)

The Umid field was discovered in the South of the Caspian Sea and at a depth of 170 meters. The first exploration in the area was in 1953. Further investigation was done in 1972. Additionally, nine new wells were drilled from 1977 to 1992, but then exploration stopped. The construction of Umid Co Ltd in 2009 made it possible to continue the development of the field.[111]

According to the former Vice-President of SOCAR, Khoshbakht Yusif-Zadeh, the renewal of the exploration in this field confirmed that this energy field is rich with natural gas resources. Consequently, the area possesses 200 bcm of gas and 30–40 mt of condensate.[112] SOCAR possesses 80% of the field's total shares, while the Nobel Oil Exploration & Production Company has 20%.

The Absheron field is another essential natural gas field, explored in 2011. The Absheron field was discovered in the Caspian Sea, and it is located 100 km southeast of Baku. The entire square of the natural gas field is 270 km^2.[113]

SOCAR has 40%, while a French energy company, Total, possesses 60% of the Absheron field shares. The agreement between SOCAR and Total for developing the natural gas field was signed on 27 February 2009. The first exploration was done from the Heydar Aliyev drilling rig and was operated by the Danish Maersk Drilling Company.

4.1.9 Azerbaijan as a significant natural gas exporter for the neighboring countries

Azerbaijan exports its natural gas to Europe through the SGC for the first time in the country's history. Nine energy companies from Italy, Greece, and Bulgaria agreed to buy the Azerbaijani natural gas extracted from the SD 2 field, so the Azerbaijani government hopes to get considerable revenue from this project.[114]

Azerbaijan started exporting its first natural gas resources in 2007. The lion's share of the exported natural gas is transported via Georgia, transit for the significant oil and natural gas pipelines of Azerbaijan like BTC oil and BTE natural gas pipelines. Therefore, Azerbaijani natural gas will be transported through Georgia and Turkey to Europe via the SCP. The pipeline runs parallel to the BTC oil pipeline.[115]

The volume of natural gas exported from Azerbaijan to Georgia is 800 million cubic meters (mcm), while Georgia's total natural gas demand is nearly 2.5

111 Ibid.

112 Ibid.

113 IEA.org. (21 September).

114 Trend.az. (September 12, 2011). SOCAR names volume of Absheron field's gas reserves. Retrieved April 26, 2023, from https://en.trend.az/business/energy/1930101.html

115 BP.com. (2013, September 19). Shah Deniz major sales agreements with European gas purchasers, concluded. Retrieved April 26, 2023, from https://en.trend.az/business/energy/1930101.html

bcm/a. Since Georgia is a leading transit country for Azerbaijan's oil and natural gas resources, Georgia receives Azerbaijani gas, not for a market price but relatively cheaper.[116] The volume of the natural gas exported to Georgia reached up to 1.6. bcm/a by 2020 with the startup of the SD 2 project.[117] According to information on Georgia's natural gas balance, there are plans to import 3.217 bcm in 2024, with 3.017 bcm of that expected to come from Azerbaijan, as stated in a report by Azernews.[118]

Turkey is another vital transit land for the export of Azerbaijani resources. There is an agreement between Azerbaijan and Turkey.[119] Due to this contract, Azerbaijan exports to Turkey up to 6.6 bcm/a of natural gas via the BTE pipeline.[120] According to Turkey's Energy Market Regulatory Authority (EPDK), Azerbaijan shipped to Turkey about 3.94 bcm between January and July of 2017. Azerbaijan increased the volume of natural gas exported to Turkey due to the export statistics of 2020. Therefore, the export volume reached 2.7 bcm/a in the first quarter of 2020.[121] Furthemore, according to Azerbaijan's energy minister Parviz Shahbazov, natural gas exports to Turkey have hit 7.4 bcm in 2023, with projections to reach 10.2 bcm by 2024, as reported by the Interfax news agency.[122]

The SGC project is a massive natural gas project comprising of four projects.[123] The first project is the development of the second stage of the SD field. Meanwhile, the natural gas reserves of this field are estimated at more than 1 tcm.[124] The expansion of the SCG pipeline between Azerbaijan and Georgia is the second part of

116 EIA.gov. (Janurary 2019).

117 Omonbude, E. (2016). Cross-border oil and gas pipelines and the role of the transit country: economics, challenges and solutions. Springer.

118 Azernews.com. (January 9, 2024) Retrieved February 26, 2024, from https://web.archive.org/web/20240109051604/https://www.azernews.az/oil_and_gas/220067.html

119 Reuters.com. (September 9, 2017). Georgia says Azerbaijan to suspend Shah Deniz gas exports for a month. Retrieved April 26, 2023, from https://www.reuters.com/article/us-azerbaijan-shahdeniz-suspension/georgia-says-azerbaijan-to-suspend-shah-deniz-gas-exports-for-a-month-idUSKBN190128

120 Bilgin, M. (2010). Turkey's Energy Strategy: What Difference Does it Make to Become an Energy Transit Corridor, Hub or Center? Revista UNISCI, (23), 113-128.

121 Rzayeva, G. (2014). Natural Gas in the Turkish Domestic Energy Market–Policies and Challenges.

122 Reuters.com. (September 29, 2024). Retrieved February 26, 2024, from https://www.reuters.com/article/azerbaijan-gas/azerbaijans-gas-exports-to-turkey-to-reach-10-2-bcm-in-2023-ifx-cites-minister-idUKR4N3AW02G/

123 Euractiv.com. (August 24, 2020). Azerbaijani gas in the Turkish market, perspectives for partnership. Retrieved April 26, 2021, from http://web.archive.org/web/20210120203648/https://www.euractiv.com/section/energy/opinion/azerbaijani-gas-in-turkish-market-perspectives-for-partnership/

124 Hasanov, F. J., Mahmudlu, C., Deb, K., Abilov, S., & Hasanov, O. (2020). The role of Azeri natural gas in meeting European Union energy security needs. Energy Strategy Reviews, 28, 100464.

the project, while the TANAP project is the third part of the project.[125] The expansion comprises the area between Turkish-Georgian and Turkish-Greek borders. The fourth part of the project consists of the TAP project.[126]

The memorandum of understanding for TAP was signed not only by the states mentioned above but also by Montenegro, Bosnia and Herzegovina. Croatia also took part in the signing of this memorandum.[127] The entire volume of natural gas exported through TANAP and further through TAP will reach 16 bcm/a. The whole length of the pipelines is 3500 km.[128]

The Regional President of BP for Azerbaijan, Georgia, and Turkey-Gordon Birrell, called the export from the SD field to Europe as one of the biggest energy deals in the history of the oil and gas industry:[129]

> "The Shah Deniz consortium is proud to be involved in the conclusion of one of the biggest gas deals in the history of the oil and gas industry. The deep cooperation that has led to the signing of these gas sales agreements sets the foundation for many years of partnership. The strong demand for Shah Deniz gas gives us confidence in the long-term development of Azerbaijan's gas resources."

Azerbaijan transported a modest volume of natural gas to Russia via the Hajiqabul-Mozdok pipeline from 2007 to 2011. However, it currently exports no natural gas to the Russian market. Azerbaijan also exported a small volume to Iran. In its turn, Iran supplied the same quantity of natural gas to Azerbaijan's Nakhchivan Autonomous Republic (NAR), located between Iran and Turkey, while NAR has no direct connection to Baku because of Nagorno-Karabakh's occupation by Armenian troops. For this reason, NAR is utterly dependent on Iran's export.[130]

125 Tagliapietra, S. (2014). Turkey as a regional natural gas hub: Myth or reality? An analysis of the regional gas market outlook, beyond the mainstream rhetoric.

126 Oxford Analytica. Pipeline to Italy will change Balkan energy market. Emerald Expert Briefings, (oxan-db).

127 Aras, B. (2014). Turkish-Azerbaijani energy relations.

128 Gurbanov, I. (2013). Between taP and the Nabucco: Who is the 'Winner'? Azerbaijan or Russia?. Bilgesam– Wise Man Center for Strategic Studies.

129 Bp.com. (September 19, 2013). Shah Deniz major sales agreements with European gas purchasers concluded.

130 EIA.gov. (Janurary 2019).

4.2 Kazakhstan

Kazakhstan is the second most prosperous oil country in the Caspian Region. The country's natural gas sector is relatively weakly developed because of insignificant natural gas resources in Kazakhstan, while the oil sector dominates the country's economy. The production of oil in Kazakhstan started more than 100 years ago, in 1911.

4.2.1 Oil sector

In March 2023, Kazakhstan's crude oil production slightly declined to 1902.63 BBL/D/1K compared to 1911.84 BBL/D/1K in February 2023, according to statistics of Trading Economics for 2023[131] (see Figure 8). From its independence in 1991 until 2017, the 60% of total investment in Kazakhstan was invested directly into its energy sector.[132] It is an important indicator showing how crucial the oil sector is to the economy of the country.[133]

The real "oil boom" in Kazakhstan emerged in the 1960s and 1970s when Kazakhstan's oil industry produced almost 500,000 b/d. Hence, the country became the largest oil-producing republic in the former USSR. The oil production potential of Kazakhstan is still enormous. For instance, the production reached a remarkable output of 1.000.000 b/d still in 2003.[134] However, Kazakhstan's petroleum and other liquids production has been stable for the last 13–14 years. Moreover, this number is bound to increase, given the large energy fields.

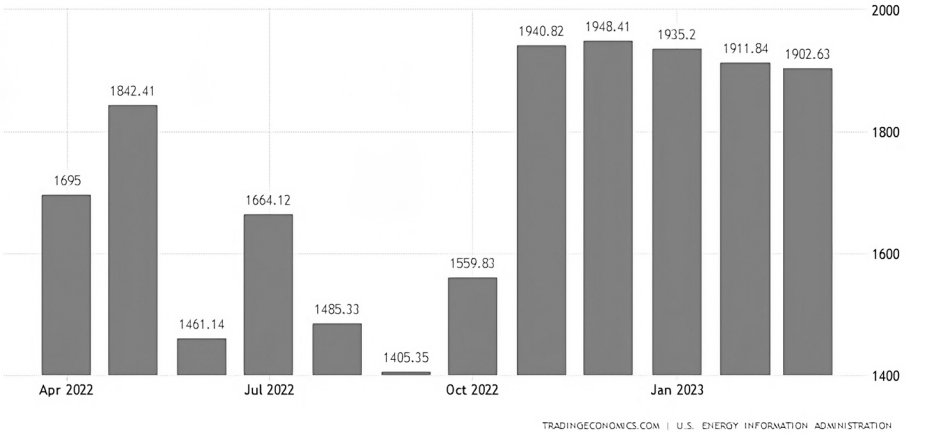
131 Tradingeconomics.com. (March 23, 2023). Trading Economics, Crude Oil Production in Kazakhstan decreased to 1902.63 BBL/D/1K in March from 1911.84 BBL/D/1K in February of 2023. Retrieved April 26, 2023, http://web.archive.org/web/20230427081924/https://tradingeconomics.com/kazakhstan/crude-oil-production

132 International Trade Administration Export Solutions. Retrieved April 26, 2023, from http://web.archive.org/web/20210406181204/https://www.trade.gov/export-solutions

133 Khalitova, M. M., Praliev, G. S., Panzabekova, A. Z., Andreeva, Z. M., & Dzhubaliyeva, Z. A. (2014). Financial instruments of state regulation industrial and innovative development of Kazakhstan economy. Life Sci J, 11(10s), 369–378.

134 Khalitova, M. M., Praliev, G. S., Panzabekova, A. Z., Andreeva, Z. M., & Dzhubaliyeva, Z. A. (2014). Financial instruments ofstate regulation industrial and innovative development of Kazakhstan economy. Life Sci J, 11(10s), 369–378.

Figure 8: Kazakhstan Crude Oil Production between April 2022-March 2023[135]



Until 2020, Kazakhstan has discovered 172 oil fields.[136] All these reserves are located in six provinces and 15 main oil fields. However, there are some difficulties in developing these energy fields.[137] OGJ reports that Kazakhstan possesses 30 bb proven oil reserves and the second-largest endowment in Eurasia, ceding only Russia. In addition, Kazakhstan is in the 12th position on the list of the wealthiest oil countries in the world. However, between May and July in 2023, the oil production was low, and August was the record low. (See Figure 9).

In 1970, the largest Karachaganak and Tengiz fields and other relatively small oil fields were discovered. However, developing these energy fields properly was impossible due to the lack of modern technology. The situation changed after involving some international oil companies in Kazakhstan's energy industry after the acquisition of its independence.[138]

Kazakhstan's State Oil Company is KazMunaiGaz (KMG). The company has been functioning since 2002 and possesses shares in the Karachaganak (10%), the Kashagan (16.88%), and the Tengiz (20%) oil fields. The company's interests in other oil and gas projects are estimated to be from 33% to 100%.[139] The state-owned oil and

135 https://www.tradingeconomics.com

136 International Trade Administration Export Solutions. Retrieved April 26, 2023, from http://web.archive.org/web/20210406181204/https://www.trade.gov/export-solutions

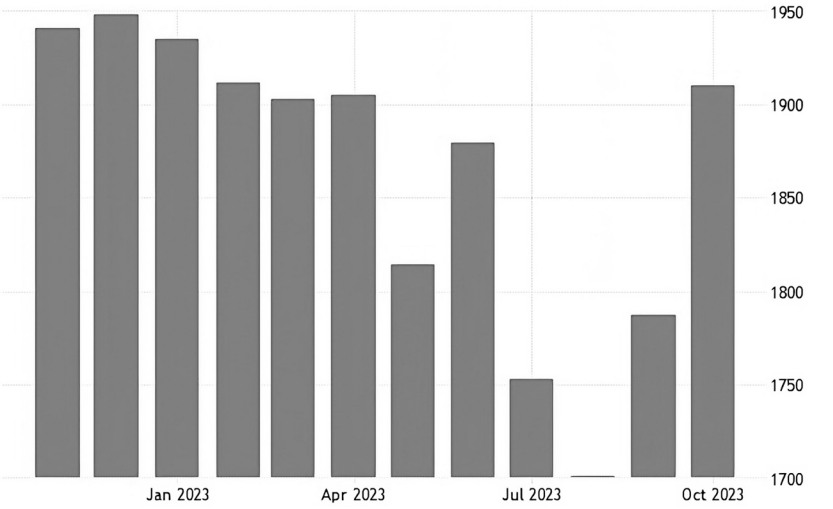
137 Eia.gov. (January 7, 2019). Country Analysis Brief: Kazakhstan. Retrieved April 26, 2023, from https://www.eia.gov/beta/international/analysis_includes/countries_long/kazakhstan/kazakhstan.pdf

138 Eia.gov. (January 7, 2019).

139 Ibid.

gas company, KMG, operates the main oil areas.[140] In its turn, Chevron is the primary private oil producer in Kazakhstan and possesses significant shares in two of the three largest oil fields of Kazakhstan: Tengiz (50%) and Karachaganak (18%). Additionally, Chevron remains the most significant private energy company in the Caspian Pipeline Consortium (CPC). The CPC pipeline deals with the export of crude oil from TCO and Karachaganak.[141]

Figure 9: Kazakhstan's oil production between October 2022-October 2023[142]



KazTransOil (KTO) is the state oil transporter of Kazakhstan. The leading pipeline system operator, KTO, is a subsidiary of KMG. The entire length of the pipelines operated by KTO reaches 3400 miles.[143] Even though the oil industry is an essential sector of Kazakhstan, it still suffers from the weak developed pipeline system.[144] Kazakhstan still exports its oil and natural gas resources through pipelines that date back to Soviet times. The main crude oil export pipelines are CPC, Kazakhstan-China, and Uzen-Atyrau-Samara. The economy of Kazakhstan, like all

140 Kaiser & Pulsipher (2007).

141 Eia.gov. (January 7, 2019).

142 https://www.tradingeconomics.com

143 Syzdykov, M., & Ozkan, E. (2019, September). Industry-university collaboration to develop sustainable petroleum engineering program and meet the industry needs in Kazakhstan. In SPE Annual Technical Conference and Exhibition. Society of Petroleum Engineers.

144 Kaiser & Pulsipher (2007).

other countries of the Caspian Sea,[145] is highly dependent on the export of oil resources.[146] Consequently, the fall in oil prices negatively hit the production of oil in Kazakhstan.[147] The Kazakh government had to cut oil production after the drastic reduction of oil prices in the world energy market. The expansion and development of the Kashagan, Tengiz, and Karachaganak oil fields are directly connected with the oil revenue from the export of oil resources,[148] Kazakhstan might have some difficulties with the realization of their expansion unless oil prices get stable.[149]

4.2.2 Oil reserves and prospective oil fields

Kazakhstan's total proven oil resources are estimated at around 30 bb.[150] However, it is expected that the country's oil export potential can notably rise by discovering new oil fields. According to energy experts, offshore areas of Kazakhstan may possess oil resources up to 60–100 bb. The Kashagan field may have up to 35–50 bb of crude oil reserves by itself.[151]

The oil production of Kazakhstan rose significantly from 2004 to 2014. The country produced 59.5 mt of oil in 2004, while the oil output reached 81.8 mt by 2014, shortly before an extreme decline of the oil prices in the world energy market.[152]

62% of Kazakhstan's territory consists of oil and natural gas zones. Fifteen oil fields of the country: Tengiz, Kashagan, Karachaganak, Uzen, Zhetybai, Zhanazhol, Kalamkas, Kenkiyak, Karazhanbas, Kumkol, North Buzachi, Alibekmola, Eastern Prorva, Kenbai, and Korolevskoye contain over 90% of the country's oil reserves. Oil reserves have been discovered in six regions of Kazakhstan, but the western part of

145 Temizel, C., Canbaz, C. H., Palabiyik, Y., Moreno, R., Najy, A. K., Xie, J. & Mukanov, A. (2018, October). An Economical and Technical Analysis of Oil and Gas Resources of Central Asia Under Demand and Supply Dynamics of World Hydrocarbon Production. In SPE Annual Caspian Technical Conference and Exhibition. Society of Petroleum Engineers

146 Pomfret, R. (2005). Kazakhstan's economy since independence: Does the oil boom offer a second chance for sustainable development? Europe-Asia Studies, 57(6), 859-876.

147 Palazuelos, E., & Fernández, R. (2012). Kazakhstan: Oil endowment and oil empowerment. Communist and Post-Communist Studies, 45(1-2), 27-37.

148 Nurseiit, N. A., & Charman, K. (2018). Selection of the optimal way of development for the oil dependent economy of Kazakhstan. Eurasian Journal of Economics and Finance, 6(1), 25–34.

149 Dikkaya, M., & Doyar, B. V. (2017). Causality among oil prices, GDP and exchange rate: evidence from Azerbaijan and Kazakhstan. Bilig, (83), 79–98.

150 International Trade Administration Export Solutions, http://web.archive.org/web/20210406181204/https://www.trade.gov/export-solutions

151 Ibid.

152 Oilprice.com. (July 24, 2016). Kazakhstan moves towards becoming a top 10 oil producer. Retrieved April 26, 2023, from http://web.archive.org/web/20210406183124/https://oilprice.com/energy/crude-oil/kazakhstan-moves-towards-becoming-a-top-10-oil-producer.html

the country is the wealthiest energy province, and it has almost 70% of the entire energy resources of Kazakhstan.[153]

One of the largest oil fields in Kazakhstan is the Tengiz field. The development of the energy reservoir is still going on. It is expected that the expansion will allow an increase in oil production for an extra 260,000 bpd.[678] In July 2016, it was announced that some oil companies, including Chevron, had invested a sizeable capital of $36.8 bn. for realizing development in the Tengiz field.[154]

The wealthiest energy province of Kazakhstan is the Atyrau province. There are 75 fields in the area. The entire amount of reserves is estimated at 930 mt. The Tengiz oil field alone contains 781.1 mt of recoverable resources, while other energy fields possess almost 150 mt of recoverable energy stocks. Over 50% of 150 mt of recoverable resources are interestingly located in two energy fields. The Korolevskoe field contains 55.1 mt oil reserves. Furthermore, there are also 30.9 mt of oil stocks in the Kenbai energy field.[155]

There are many active oil wells in Kazakhstan. Kashagan oil field is one of them. The output was renewed in October 2016 after years of delay. The area produced 31.3 mt of crude oil just between January and April 2020.[156] The Karachaganak oil field is one of the largest energy fields in the West Kazakhstan region. The enormous energy field contains 320 mt of liquid energy reserves and more than 450 bcm of gas stocks.[157]

4.2.3 Production

The country's proven oil resources are estimated between 30–35 bb, while it is believed that the potential oil reserves of Kazakhstan might be three times more than it is calculated. The country possesses 3% of the world's proven recoverable oil resources.[158]

153 Kmgep.kz. Oil and gas sector. (September 2017). Retrieved April 026, 2023, from http://kmgep.kz/eng/about_kazakhstan/oil_and_gas_sector/

154 Kazakhstan – Oil and Gas. (january 7, 2019). retrieved april 26, 2023, from http://web.archive.org/web/20210406184125/https://www.export.gov/apex/article2?id=kazakhstan-oil-and-gas

155 Oilprice.com. (July 24, 2016). Kazakhstan moves towards becoming a top 10 oil producer.

156 Kmgep.kz. Oil and gas sector. (September 2017).

157 Caspiannews.com. (May 30, 2020). Kazakhstan plans to build gas plant at giant Kashagan field. Retrieved April 26, 2023, from http://web.archive.org/web/20210406185149/https://caspiannews.com/news-detail/kazakhstan-plans-to-build-gas-plant-at-giant-kashagan-field-2020-5-30-17/

158 Iclg.com. (May 30, 2020). Oil & Gas Laws and Regulations 2021. Retrieved 26, 2023, from http://web.archive.org/web/20210406185440/https://iclg.com/practice-areas/oil-and-gas-laws-and-regulations/Kazakhstan

There are also some other undiscovered energy offshore fields in Kazakhstan, according to the forecasts of the energy experts.[159] Given that the country has undiscovered energy stocks alongside the proven energy reserves, Kazakhstan's energy production might rise to 17 bt by discovering the new energy fields.[160]

However, the country's energy output declined to 1.65 mbd in 2016 because of tough challenges for the country's energy sector, such as the decline of the prices for crude oil and new energy market conditions. Meanwhile, Kazakhstan's Oil and Gas Ministry announced the expected increase of oil production in the country by 10000 b/d in 2022.[161]

Nevertheless, because of the extreme decline of the oil prices in the world energy market, an agreement between OPEC and non-OPEC countries: Azerbaijan, Bahrain, Bolivia, Brunei, Equatorial Guinea, Kazakhstan, Malaysia, Mexico, Oman, Sudan, and South Sudan about the cutting of oil output in 2016 was signed. Since 2014 oil prices have fallen. Nevertheless, Kazakhstan did not keep its promise to cut its oil production to 20.000 b/d, according to "Diplomat" political magazine.[162]

Kazakhstan's oil future mainly depends on three oil fields: Karachaganak, Kashagan, and Tengiz (See Table 1). The volume from these oil fields produced will equal 60% of Kazakhstan's total oil production if full capacity at these three oil fields is reached.[689] The development in the largest oil fields of the country, Tengiz, and Karachanaganak, which contain almost 50% of the entire oil stocks of Kazakhstan,[690] has been delayed for some years due to some factors.

The expansion at the Tengiz field was started in July 2016, while the Kashagan oil field's development was renewed in October 2016 after many years of delay.[163] The TCO Company has renewed the Tengiz oil field. Initially, it was estimated that the oil production from this field could rise to 260,000 b/d between 2022–2024.[164] The production of oil from the large Kashagan oil field was restarted in the fourth quarter of 2016.[165]

159 Karnkowski, P. H., & Smabaeva, R. K. (2015, June). Burial and Thermal History of the South Torgay Basin, Kazakhstan. In 77th EAGE Conference and Exhibition 2015 (Vol. 2015, No. 1, pp. 1-5). European Association of Geoscientists & Engineers.

160 Andarova, R. K. (2012). Oil and Gas Sector as The Prepotent Factor of Economic Growth in The Republic of Kazakhstan. Education and Science Without Borders, 4(6), 11.

161 Astanatimes.com. (January 6, 2021). Kazakhstan to increase oil production under OPEC agreement. Retrieved April 26, 2023, from http://web.archive.org/web/20210406185440/https://iclg.com/practice-areas/oil-and-gas-laws-and-regulations/Kazakhstan

162 Thediplomat.com. (April 14, 2017). Kazakhstan breaks oil production cut promise. Retrieved April 26, 2023, from http://web.archive.org/web/20210406194907/https://thediplomat.com/2017/04/kazakhstan-breaks-oil-production-cut-promise/

163 Eia.gov. (January 7, 2019).

164 Ibid.

165 Ibid.

Table 1: Kazakhstan major oil and gas fields[166]

Field name	Companies	Start year	Liquids production	Natural gas production
Tengiz (& Korolev)	Chevron, ExxonMobil, KazMunaiGaz, LukArco (Lukoil and BP)	1991	570,000 thousand bbl/d total liquids production in 2016 Expansion project to add 260,000 b/d of crude production beginning in 2022	274 Bcf drymarketed gas production in 2013
Karachaganak	BG, Eni, Chevron, Lukoil, KazMunaiGaz	1984	206,000 b/d total liquids production in 2016 An expansion project is under consideration, but potential production volumes are uncertain	About 300 Bcf wet marketed gas production in 2016
Kashagan	KazMunaiGaz, Eni, ExxonMobil, Shell, Total, China National Petroleum Corporation, Inpex	2016	370,000 b/d liquids processing capacity with current development	Over 100 Bcf gas production capacity

Source: U.S. Energy Information Administration based on data from TengizChevroil, Chevron, Karachaganak Petroleum Operating (KPO), and Eni

According to Trading Economics, Kazakhstan's crude oil output between 1994 and 2020 averaged 1113.53 BBL/D/1K. The highest production was in February 2020, with a volume of 1976BBL/D/1K, while the lowest 407 BBL/D/1K was observed in November 1995.

The production of crude oil in Kazakhstan was estimated as 1787 BBL/D/1K in September 2023. Even though oil production in the world suffered enormously starting in February 2020 because of the pandemic, Kazakhstan's oil production did not decrease very much during this period. However, as the figure clearly illustrates, production before the pandemic in the beginning of 2020 was relatively higher than the production by the end of the same year.[167]

Nevertheless, according to the Energy Minster of the country, the oil production has a good potential to rise to the level of 130,000 bpd in the near future and the oil production in Kazakhstan will achieve its natural production capacity.[168] Since Kazakhstan is undoubtedly rich in hydrocarbons, the rise of this country's production is a realistic scenario, especially taking into account gigantic energy fields, such as Kashagan, Tengiz, and Karachaganak.

4.2.4 Export

Kazakhstan has announced its decision to extend its additional voluntary cut of 82 thousand b/d for the second quarter of 2024, aligning with certain OPEC+ participating countries. This extension will maintain Kazakhstan's production at

166 https://www.eia.gov

167 Tradingeconomics.com. (December 1, 2020). Kazakhstan Crude Oil Production. Retrieved April 26, 2023, from http://web.archive.org/web/20210406195542/https://tradingeconomics.com/kazakhstan/crude-oil-production

168 Astanatimes.com. (April 3, 2021). Kazakhstan will continue to increase oil production under OPEC+ agreement. Retrieved April 26, 2023, from http://web.archive.org/web/20210406215119/https://astanatimes.com/2021/04/kazakhstan-will-continue-to-increase-oil-production-under-opec-agreement/

1,468 mb/d until the conclusion of June 2024. Following this period, Kazakhstan intends to gradually restore these additional cut volumes, contingent upon market conditions, with the aim of bolstering market stability.[169] As a rule, the lion's crude oil share is shipped to the European oil markets (see Figure 10).[170]

Suppose plans to build a new "Silk Road" are successful. In that case, the export of Kazakhstan's oil to Europe can be realized without the payment of additional export fees to Russia for the passage of oil through the RF's territory. In its turn, Europe will also profit from this project significantly. The realization of the project would play a vital role in the diversification of the energy sources for Europe.[171]

Even though crude oil export of Kazakhstan by destinations statistics provided by EIA belongs to 2017, the statistics of oil export destinations are almost the same with identical percentage proportions. Consequently, it can acknowledge the oil export destinations for Kazakhstan's oil. For instance, according to provided statistics, China is the largest energy consumer in the world energy market, and Beijing is one of Astana's most remarkable energy partners, which ships nearly 5% of its crude oil to China through the pipeline route.[172] Kazakhstan exports its natural resources to China via the Sino-Kazakhstan and the China-Central Asia gas pipelines.[173]

Kazakhstan exports crude oil from Western Kazakhstan to the Dushanzi refinery of China, located in the Xinjiang Province of China, through the Kazakhstan-China pipeline. The length of the Kazakh-China pipeline is 2798 km, while its diameter reaches 813 mm. The volume of exported crude oil via this pipeline was initially defined as 10 mt/a reached still in January of 2011.[174]

169 Gov.kz. (March 3, 2024). Kazakhstan will extend an additional voluntary production cut of 82 thousand barrels per day into the second quarter of 2024, Retrieved March 12, 2024, from https://www.gov.kz/memleket/entities/energo/press/news/details/718873?lang=en

170 Eia.gov. (January 7, 2019).

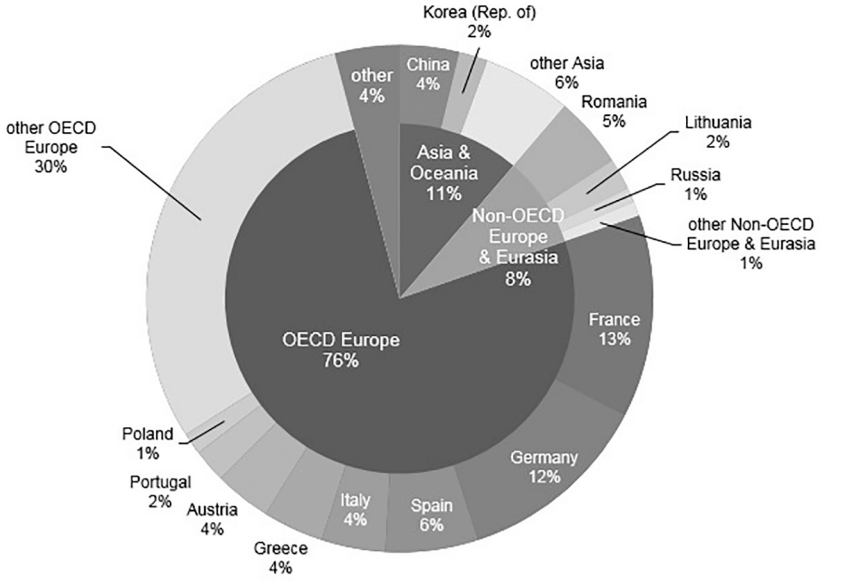
171 Kassenova, N. (2017). China's Silk Road and Kazakhstan's Bright Path: Linking Dreams of Prosperity. Asia Policy, 24(1), 110–116.

172 Eia.gov. (January 7, 2019).

173 Xuanli Liao, J. (2019). China's energy diplomacy towards Central Asia and the implications on its "belt and road initiative". The Pacific Review, 1–33.

174 Hydrocarbons-technology.com. (April 3, 2017). Kazakhstan-China crude oil pipeline. Retrieved April 26, 2023, from http://web.archive.org/web/20210406220005/https://www.hydrocarbons-technology.com/projects/kazakhstan-china-crude-oil-pipeline/

Figure 10: Kazakhstan crude oil exports by destination[175]



Source: U.S. Energy Information Administration based on Kazakh export statistics and partner country import statistics, Global Trade Tracker

The Chinese CNPC and KMG built the pipeline in collaboration.[176] The entire expenditure for constructing the Kazakhstan-China pipeline reached almost $3bn. The building of the pipeline was initially planned in three segments and two phases.[177]

The project was inked in 1997, while the first section of the project finished in 2003 includes the area from Aktobe to Atyrau. The crude oil was extracted from the oil fields in Aktobe. The pipeline building had areas from Atasu to Alashankou.[178] The construction began in September 2004 and finished in December of 2005.[179] Therefore, the building of the Kenkiyak–Kumkol part of the pipeline started in December 2007 and finished in July of 2009.[180]

175 https://www.eia.gov

176 Rakhmetova, K. Kazakhstan-China Oil Pipeline Project. Energy Charter, http://www.energycharter.org/fileadmin/DocumentsMedia/Presentations/CBP-KZ-CN.pdf 7, 100.

177 https://www.hydrocarbons-technology.com, (April 3, 2017).

178 Gulomova, L. (2001). The prospects and perils of the Kazakhstan-China pipeline route. Caspian Brief, (19), 3.

179 Rabinowitz, P. D., Yusifov, M. Z., Arnoldi, J., & Hakim, E. (2004). Geology, oil and gas potential, pipelines, and the geopolitics of the Caspian Sea Region. Ocean Development & International Law, 35(1), 19-40.

180 https://www.hydrocarbons-technology.com, (April 3, 2017).

The country also exports a modest amount of natural gas to China. The trade agreement was signed between Kazakhstan and China in Beijing in October 2017. The agreement stipulates that Kazakhstan should export to China 5 bcm/a natural gas due to this agreement. Two energy companies KazTransGas (KTG) and CNPC, took part in the singing of the contract. It is expected that the profit from the export of natural gas will be nearly $1 bn. The gas is extracted in western Kazakhstan and transported to China through the Khorgos border point, the leading trade border between China and Kazakhstan.[181] According to Petro China West Pipeline Company, it exported more than 10.88 mt of crude oil still in 2019.[182]

The oil reserves of Kazakhstan are additionally transported through the Caspian Sea (see Map 9). Moreover, Kazakhstan ships a small volume of its crude oil through the railway. Consequently, oil resources are transported from the Aktau or Atyrau ports across the Caspian Sea to BTC or Baku-Novorossiysk for further export, primarily to Europe.[183]

Kazakhstan also delivered crude oil to Iran, namely to Iran's port Neka in the past. The exported oil is refined in Tehran and Tabriz, and the refined oil was later consumed in the North of Iran. In its turn, Iran exported the same volume of crude oil from the Persian Gulf to Kazakhstan. A so-called "swap arrangement" was canceled because of sanctions against Iran established by the international community. Some meetings between Iran and Kazakhstan have been taking place since 2013 to restore the arrangement. However, there have not been any positive results yet.[184]

Due to the agreement between the OPEC and non-OPEC countries, Astana agreed to cut its oil production until April 2018. Therefore, according to the Kazakh First Deputy Prime Minister and Minister of Finance, in 2020, the established oil price in budget planning was $20 p/b considering the actual low oil prices in the energy market.[185]

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181 Thestatesman.com. (October 4, 2017). Kazakhstan to start exporting gas to China on October 15. Retrieved April 26, 2023, from http://web.archive.org/web/20210406222202/https://www.thestatesman.com/world/kazakhstan-start-exporting-gas-china-october-15-1502504786.html

182 Hellenicshippingnews.com. (January 10, 2019). China-Kazakhstan oil pipeline transports 10.88 mln tonnes in 2019. Retrieved April 26, 2023, from http://web.archive.org/web/20210406221655/https://www.hellenicshippingnews.com/china-kazakhstan-oil-pipeline-transports-10-88-mln-tonnes-in-2019/

183 Eia.gov. (January 7, 2019).

184 Eia.gov. (January 7, 2019).

185 Astanatimes.com. (May 14, 2020). Oil price plunge may bring Kazakh GDP down 2.7 percent. Retrieved April 26, 2023, from http://web.archive.org/web/20210406223120/https://astanatimes.com/2020/05/oil-price-plunge-may-bring-kazakh-gdp-down-2-7-percent/

Kazakhstan's oil export products are light and sweet crude oil, while the most exported oil is the CPC Blend that is a somewhat very light, sweet crude oil. Almost 60% of the CPC blend oil is extracted from the Tengiz field.[186]

Map 9: The major crude oil pipelines of Kazakhstan[187]

4.2.5 Natural gas production

In contrast to its substantial oil reserves, Kazakhstan does not have significant natural gas reserves like Russia, Turkmenistan, and Iran. According to the Ministry of Energy of Kazakhstan, the proven natural gas capacity of the country for 2023 is 3 tcm.[188] Due to the Ministry of Energy of Kazakhstan, the country comes 22nd in the list of the largest natural gas countries globally, and it is the third natural gas richest country in the post-Soviet region.[189]

The natural gas sector in Kazakhstan is in the stage of its development. The gas sector is more modest in comparison to its gigantic oil sector. Nevertheless, it has started showing significant growth since 2017. For instance, if the produced natural gas volume was 19.0 bcm in 2015, this indicator reached 19.9 bcm and increased by 4.5% within two years.[190]

186 Eia.gov. (January 7, 2019).

187 https://www.eia.gov

188 Carnegieendowment.org. (March 13, 2024). Is Putin about to get his gas union with Kazakhstan and Uzbekistan? Retrieved March 12, 2024, from https://carnegieendowment.org/politika/89256

189 Parkhomchik, L. (2016). Natural gas industry of Kazakhstan: Key features and future prospects.

190 Thediplomat.com. (June 15, 2017). Energy in Central Asia: Who has what? Retrieved April 26, 2023, from http://web.archive.org/web/20210406222602/https://thediplomat.com/2017/06/energy-in-central-asia-who-has-what/

Consequently, the gas output continuously increases from year to year. In its turn, the US EIA reports the rise of natural gas output in Kazakhstan has doubled from 2005 to 2015. Therefore, if the production volume was estimated at 0.8 tcf in 2005, 1.5 tcf was extracted in 2015.[191] The lion's share of Kazakh natural gas is transported to Russia[192] through the pipeline, and a relatively modest amount is exported to China.[193]

The Karachaganak and Tengiz fields are not only the largest oil fields of Kazakhstan, but these energy fields also contain a significant volume of natural gas.[194] The lion's share of Kazakhstan's natural gas resources is also extracted from these two energy fields.[195]

The main share of the extracted natural gas is reinjected into oil fields to increase oil production.[196] As the central part of the extracted natural gas from Tengiz and Kashagan is high in sulfur, for this reason, the gas production entails an appropriate approach, and output is relatively expensive.[197] Since production from the Kashagan energy field was delayed because of some technical problems, natural gas extraction declined significantly. However, the output from this field was renewed in October 2016.[198] It is believed that the gas production capacity of the energy field might grow up to 100 bcf/a. The produced volume will be used for the country's domestic consumption.[199]

30% of the natural gas is produced for domestic consumption. The following 30% is used for export, while another 30% is serviced to increase crude oil production by reinstalling natural gas with reservoir pressure in the fields. Kazakhstan's Energy Minister predicted the stagnation and even a decrease in natural gas production

191 Eia.gov. (January 7, 2019).

192 Zhang, Q., Li, Z., Wang, G., & Li, H. (2016). Study on the impacts of natural gas supply cost on gas flow and infrastructure deployment in China. Applied Energy, 162, 1385–1398.

193 Kassenova (2017).

194 Ibid.

195 Badykova, N. (2015). Karachaganak and Kazakhstan's oil policy. Karachaganak and Kazakhstan's Oil Policy.

196 Ybray, D., Galiyeva, G., & Ibragimov, F. (2011, September). Raw Gas Injection Principles and Challenges in Kashagan Field. In Atyrau 2011-First EAGE Caspian Region Workshop (pp. cp-260). European Association of Geoscientists & Engineers.

197 Abou-Sayed, A. S., Zaki, K., & Summers, C. (2004, January). Management of Sour Gas by Underground Injection-Assessment, Challenges and Recommendations. In SPE International Conference on Health, Safety, and Environment in Oil and Gas Exploration and Production. Society of Petroleum Engineers.

198 Meidan, M. (2016). China's loans for oil: asset or liability?.

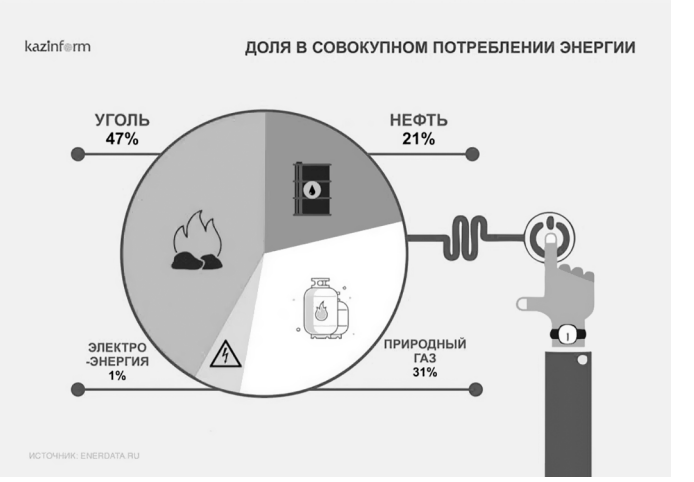
199 Eia.gov. (January 7, 2019).

starting from 2025.[200] However, the Kazakh government announced in 2019 that the country did not expect a significant decrease in natural gas production.[201]

Kazakhstan received almost €294 million from the European Bank for Reconstruction and Development (EBRD) for two domestic projects to increase natural gas production in the country. The Kazakh government took some steps to decrease coal consumption in the country by developing the natural gas sector because its output is relatively cleaner than coal production.[202]

Kazakhstan got another €52 million from EBRD to realize an important project for natural gas infrastructure. KazTransGas-Aimak did the project to expand and upgrade the distribution network of natural gas in many regions of Kazakhstan.[203] Coal accounts for the highest energy consumption in Kazakhstan, at 47%. Natural gas is second, with 31%, followed by oil and electroenergy, with 21% and 1%, respectively (See Figure 11).

Figure 11: Share of natural gas usage in energy consumption.[204]



200 Ibid.

201 Pirani, S. (2019). Central Asian Gas: prospects for the 2020s.

202 Erbd.com. (May 26, 2016). EBRD finances natural gas storage and distribution in Kazakhstan. Retrieved April 26, 2023, from http://web.archive.org/web/20210406224237/https://www.ebrd.com/news/2016/ebrd-finances-natural-gas-storage-and-distribution-in-kazakhstan.html

203 Erbd.com. (May 26, 2016).

204 https://www.inform.kz

4.2.6 Natural gas pipelines

There are two main domestic natural gas networks in Kazakhstan. One of these networks functions in the west of the country and serves the production fields, while another system is located in the south of Kazakhstan.[205] The main domestic pipeline is the Bukhara-Tashkent-Bishkek-Almaty (BTBA) pipeline that delivers natural gas for domestic consumption to the south of the country (see Map 10).[206]

There were no internal natural gas pipelines to transport gas from the natural gas-rich west of Kazakhstan's country and industrial regions. Therefore, the Kazakh government had to import natural gas from Uzbekistan through the BTBA pipeline to supply the south of the country with natural gas. The pipe's operator is the state natural gas company of the country KTG that is a subsidiary of KMG.[207]

The Kazakh government accomplished constructing the Beineu-Bozoy gas pipeline (311 km long in 2022, which belongs to the Beineu-Shymkent gas pipeline system. The Beineu-Shymkent pipeline has a length of 1477 km. The pipeline supplies gas from the west to the south of the country. It is the most significant natural gas pipeline in the country's energy history, and its role is enormous in providing natural gas to the south of Kazakhstan.[208]

From the west of the country, natural gas extracted is transported via the Beineu-Bozoi-Shymkent (BBS) pipeline to the southeast of Kazakhstan, where it connects with the Kazakhstan-China pipeline that is a Lot 1 of the substantial Turkmenistan-Uzbekistan-Kazakhstan-China trunk pipeline. The entire length of the pipe is 7500 km.[209]

The Central Asia Centre (CAC) pipeline transports natural gas from West Kazakhstan to Russia and further to the west. In its turn, the Turkmenistan–China natural gas pipeline crosses the south of the country and transports natural gas to China.[210] Both pipes transport the gas through Turkmenistan and Uzbekistan, and both of them are the pipelines for the regional Caspian export infrastructure.[211]

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205 Karatayev, M., & Clarke, M. L. (2016). A review of current energy systems and green energy potential in Kazakhstan. Renewable and Sustainable Energy Reviews, 55, 491-504.

206 Eia.gov. (January 7, 2019).

207 Sahib, H. M. B. A Concise Interpretive Analysis of Us–Kazakhstan Relations.

208 Kaztransgaz.kz. (May 26, 2020). Gas pipeline system of Kazakhstan is recognized as the best in the Central Asia. Retrieved April 26, 2023, from http://web.archive.org/save/https://www.kaztransgas.kz/index.php/en/press-center/press-releases/978-gas-pipeline-system-of-kazakhstan-is-recognized-as-the-best-in-the-central-asia

209 Pirani (2019).

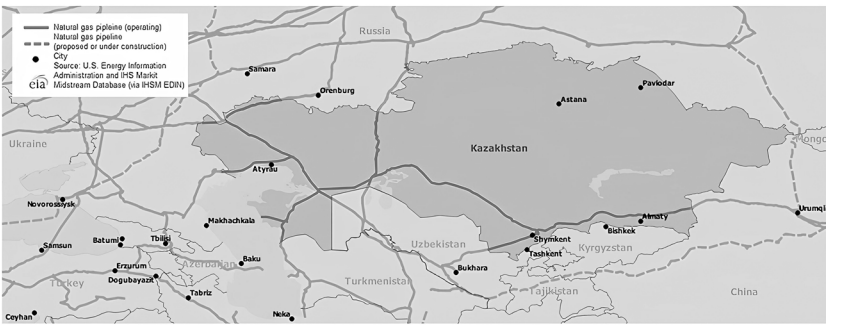
210 Yenikeyeff, S. M. (2011). Energy Interests of the 'Great Powers' in Central Asia: Cooperation or Conflict? The International Spectator, 46(3), 61-78.

211 Kolb, R. W. (2014). The natural gas revolution and Central Asia. In Perspectives on energy risk (pp. 71-87). Springer, Berlin, Heidelberg.

Besides, CAC transports natural gas to the West of Kazakhstan used for domestic consumption within the country.[212] The pipeline connects with CNPC's Second West-East Pipeline in the northwest of China, located in the Xinjiang province on the border with Kazakhstan.[213]

The most crucial reason for Kazakhstan's modest natural gas consumption is a very weak-developed natural gas infrastructure. Only 15 energy fields in Kazakhstan were connected to Gas-supply Unique System (GUS). Consequently, there were no gas pipelines in the four provinces of Kazakhstan at all. According to the Ministry of Energy of Kazakhstan's report for 2015, only 43% of Kazakhstan's population had access to natural gas.[214]

Map 10: The major natural gas pipelines of Kazakhstan[215]



Four provinces of Kazakhstan-Kyzylorda, Southern Kazakhstan, Zhambyl, and Almaty had a problem with the undeveloped natural gas infrastructure and no access to the natural gas system. Therefore, the south of the country met its natural gas demand by importing natural gas from Turkmenistan and Uzbekistan. However, the situation changed after the last stage of the newly constructed BBS was finished.[216] The construction of the last phase of the pipeline made it possible to provide natural gas to the south of the country. The constructed BBS reduced the blue fuel dependency of the country from Turkmenistan, and Uzbekistan exported natural gas.[217]

The construction of the pipeline solved the natural gas problem in the south of the country. The pipeline made it possible to connect the natural gas fields with the

212 Eia.gov. (January 7, 2019).
213 Chen & Fazilov (2018).
214 Eia.gov. (January 7, 2019).
215 https://www.eia.gov
216 Ibid.
217 Ibid.

natural gas infrastructure located in the northwest. Moreover, the completion of the construction allowed the transporting of natural gas from Kazakhstan to China.[218] The compressor stations on the third line of the Kazakhstan-China pipeline were constructed to export blue fuel to China. It is expected to ship almost 30 bcm/a gas from Turkmenistan, Uzbekistan, and Kazakhstan.[219]

Kazakhstan signed a contract with Russia to import about 5000 metric tons of liquefied natural gas (LNG) from Russia in 2017.[220] According to the signed agreement, Russia exports the contracted volume of natural gas to Astana and the north of the country.

4.3 Turkmenistan

Turkmenistan is extremely rich in natural gas. It is believed that the Pliocene and Miocene complexes in the southwestern part of Turkmenistan contain a significant amount of energy stocks. There are 300 potential oil and gas fields in the country ready for deep drilling, according to the chair of the state corporation, Turkmengeology, Shahim Abdrakhmanov.[221]

4.3.1 Oil sector

In contrast to its tremendous natural gas reserves, Turkmenistan also possesses modest oil reserves. Since Turkmenistan is a closed country ruled by an authoritarian regime, it is difficult to find verified information on its oil and gas reserves. Nevertheless, according to BP Statistical Review of World Energy 2020, the country's proven oil resources for 2020 were estimated at 600 million barrels (mb).[222] Furthermore, as of the last update in January 2022, according to the Oil and Gas Journal, Turkmenistan has proven oil reserves estimated at around 600 mb.[223]

218 Eurasianet.org. (March 24, 2021). Can Central Asian gas exporters rely on China? Retrieved April 26, 2023, from http://web.archive.org/web/20210406015323/https://eurasianet.org/analysis-can-central-asian-gas-exporters-rely-on-china

219 Parkhomchik (2015).

220 Eia.gov. (January 7, 2019).

221 Azernews.az. (November 6, 2017). New promising oil and gas structures discovered in Turkmenistan. Retrieved April 26, 2023, from http://web.archive.org/web/20210406225214/https://www.azernews.az/region/121747.html

222 Trade.gov. (October 15, 2020). Turkmenistan – Country Commercial Guide. Retrieved April 27, 2023, from http://web.archive.org/web/20210116165644/https://www.trade.gov/country-commercial-guides/turkmenistan-oil-gas

223 EIA.gov. (2022, January 22). U.S. Energy Information Administration – EIA – independent statistics and analysis. Retrieved March 26, 2024, from https://www.eia.gov/international/overview/country/TKM

Turkmennebit is the national oil company of Turkmenistan and extracts the lion's share of the country's oil.

A weakly developed infrastructure characterizes the oil sector of Turkmenistan. International oil companies are not interested in actively developing the country's oil sector because of the need for sufficient oil pipelines in Turkmenistan. Another issue that stands in the way of the growth of the oil sector in Turkmenistan is the Turkmenistan government's uncooperative attitude towards international energy companies.[224]

However, a few international companies are involved in the energy sector of the country. For instance, companies like CNCP (China), Dragon Oil (Dubai), Eni (Italy), and Petronas (Malaysia) are involved in Turkmenistan's energy sector. The Italian oil and natural gas company Eni is one of Turkmenistan's two largest energy companies. An agreement was signed between Eni and the Turkmen government in 2014. According to this deal, the PSA with regard to the Nebit Dag area was extended until 2032.[225]

The country's main oil fields are the Koturdepe, the Nebitdag, and the Chekelen fields located near the Caspian Sea. Chekelen field became the first oil of Turkmenistan explored in 1909. Other significant oil fields explored in Turkmenistan are the Nebitdag, the Kumdag, and the Koturdepe fields in 1930, 1948, and 1959.[226]

Turkmenistan possesses two oil refineries. One of them is located in Turkmenbashy, while another refinery is in Seydi, in the Lebap province of Turkmenistan. The Turkmenbashy refinery can refine up to 7.5 mt of oil annually. Moreover, this refinery produces unleaded gasoline, petroleum coke, road bitumen, laundry detergent, diesel, and lube oil. The refinery products are shipped primarily to Russia, China, Iran, Afghanistan, Turkey, Pakistan, Tajikistan, and Japan.[227] $900 million has been invested to increase the refining capacity in the country.[228]

There is also a modest domestic crude oil pipeline in Turkmenistan. Crude oil extracted from the onshore oil fields of Turkmenistan is transported via this pipeline to the Turkmenbashi refinery and Turkmenistan ports located in the Caspian Sea.[229] There are no international oil pipelines in the country. Nevertheless, the pipe, which

224 Hays, J. Oil and energy in Turkmenistan. (April 2016). Retrieved April 27, 2023, from htt p://factsanddetails.com/central-asia/turkmenistan/sub8_7d/entry-4836.html

225 Hays (April 2016).

226 Ibid.

227 Export.gov. (July 21, 2019). Turkmenistan – Oil and natural gas refining. Retrieved April 27, 2023, from http://web.archive.org/web/20210407083054/https://www.export.gov/apex/article2?id=Turkmenistan-Oil-and-Natural-Gas-Refining

228 Ibid.

229 Olcott, M. B. (2004). International Gas Trade in Central Asia: Turkmenistan, Iran, Russia and Afghanistan.

lies between the Seidi refinery in Turkmenistan and the Shymkent refinery in Kazakhstan and passes through Uzbekistan, is an exception.[230]

Turkmenistan was participating in a "swap oil deal" with its neighboring countries. The "oil swap" agreement with Iran was one of them. According to the deal, Turkmenistan transported oil via tankers to Iranian refineries and even further to other customers. The shipped oil was consumed in the northern part of Iran and Tehran. Turkmenistan exported its oil reserves to the growing Asian energy market via Iran thanks to the swap oil arrangement between the two countries.[231] However, the economic sanctions against Iran made a "swap deal" between Turkmenistan and Iran impossible. Another positive side of the swap deal was that the countries could realize the swamp deal without having pipelines for the export of Turkmen oil resources. There was almost a similar swap oil deal with Russia.[232]

The volume of consumed oil is not so high, as in other countries of the Caspian Sea, because of its relatively small Turkmenistan population. The country consumes 60% of its production volume.[233] According to CEIC, Turkmenistan consumed 150.000 b/d in Dec 2021, while the country's oil consumption for December 2022 was by 154.000 b/d. The oil consumption from December 1985 to 2022 averaged to 105.500b/d. The highest point of oil consumption with 154.000 b/d in Turkmenistan was in 2019, while the lowest was in 1995 with 54.80 b/d.[234]

148.819BBL/D/1K of crude oil was produced in Turkmenistan in 2018, while the production of crude oil was at 162.575 BBL/D/1Kin 2019.[235] The crude oil production reached its peak in 2015 and decreased slightly in the next four years. However, 2020 was one of the most productive years for Turkmenistan's oil production (see Figure 12).[236]

The Turkmen government is interested in exporting its oil production through the BTC pipeline despite its modest oil reserves. According to the head of the Marketing and Economic Operations Department at SOCAR, Adnan Ahmadzade, an

230 Atai, F., & Azizi, H. (2012). The Energy Factor in Iran–Turkmenistan Relations. Iranian Studies, 45(6), 745–758.

231 Ibid.

232 Barylski, R. V. (1995). Russia, the West, and the Caspian Energy Hub. The Middle East Journal, 217–232.

233 USA International Business Publications. (2011). Turkmenistan Privatization Programs and Regulations Handbook: Strategic Information and Developments.

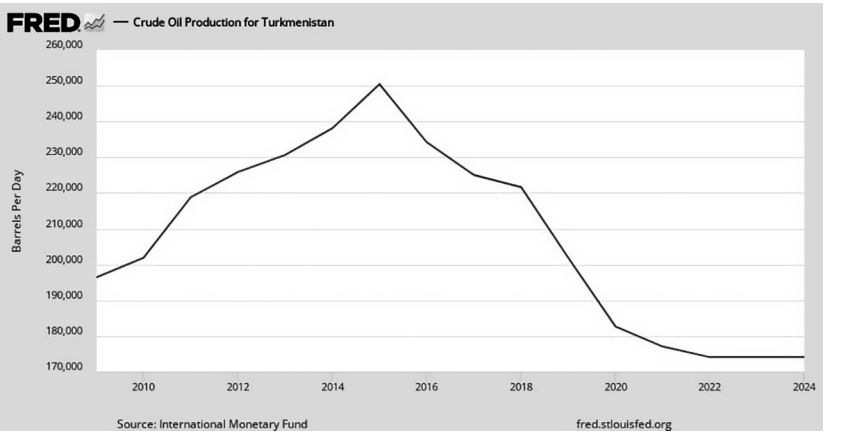
234 Export.gov. (July 21, 2019). Turkmenistan – Oil and natural gas refining. Retrieved April 27, 2023, from http://web.archive.org/web/20210407083054/https://www.export.gov/apex/article2?id=Turkmenistan-Oil-and-Natural-Gas-Refining

235 Tradingeconomics.com. (December 30, 2020). Turkmenistan Crude Oil Production 1994–2020 Data. Retrieved April 27, 2023, from http://web.archive.org/web/20201113062740/https://tradingeconomics.com/turkmenistan/crude-oil-production

236 Ibid.

agreement between Azerbaijani and Turkmen governments was signed. Turkmen oil will be exported via the BTC pipelines due to the deal. The volume of oil is estimated at nearly 3–4 mt that equal 100% of oil export potential for Turkmenistan.[237]

Figure 12: Turkmenistan crude oil production[238]



4.3.2 Natural gas

Turkmenistan is the richest natural gas country in Central Asia and is the fifth most natural gas abundant state in the world. According to Statista, the natural gas reserves are estimated at 13950 bcm for 2023.[239]

The largest natural gas field in Turkmenistan is the Galkynysh field. It is the world's second largest gas field and is crucial to the gas sector of Turkmenistan. It started commercial production in the natural gas field in September 2013.[240] It is expected that the field will produce about 3.3 Tcf/a when all three phases are ready for production.[241]

237 APA.az. (October, 2017). Turkmenistan to resume oil transportation via BTC, Kazakhstan holding negotiations. Retrieved April 27, 2023, from http://web.archive.org/web/20171104223022/http://en.apa.az/azerbaijan_energy_and_industry/turkmenistan-to-resume-oil-transportation-via-btc-kazakhstan-holding-negotiations.html

238 https://www.imf.org

239 Statista.com. (2023, January 24). Leading countries by proved natural gas reserves worldwide in 1960 and 2022. Retrieved March 07, 2024, from https://www.statista.com/statistics/265329/countries-with-the-largest-natural-gas-reserves/

240 Ibid.

241 Aydin, U. Southern Gas Corridor: The Importance of Turkmen Natural Gas1.

Even though Turkmenistan, in 2015, exported more natural gas than other countries of the Caspian Sea, Turkmenistan is still going to increase its oil production mainly through this field.[242]

Turkmenistan also possesses some other significant natural gas fields besides Galkynysh. For instance, there are the Garakel and Bagli fields located close to the Galkynysh reservoir. Generally, the natural gas richest regions of Turkmenistan are located in the southeast and south of the country and in Turkmenistan's part of the Caspian Sea.[243]

A natural gas export through pipelines is the only way to export Turkmen gas because of its landlocked geographical position. Consequently, there are three significant natural gas export routes in Turkmenistan. If a natural gas export to Russia is realized through Central Asia – Center (CAS), while via Central Asia – China Pipeline (CACP) is shipped natural gas to China. In their turns, Korpedzhe-Kurt Kui (KKK) and Dauletabad-Sarakhs-Khangiran (DSKP) pipelines deliver natural gas to Iran.[244]

A pipeline for exporting natural gas from the second-largest natural gas field in the world to the West, for increasing the volume of transported natural gas to China, and probably for exporting gas to Pakistan and India in the future was finished in December 2015. Thus, the East-West pipeline was constructed to create a connection between the Galkynysh and other eastern energy fields of Turkmenistan. The pipeline cost $2.5 bn. The length of the pipe connecting the Galkynysh field and the East of the country is 773 km, with an export capacity of 30 bcm/a. The pipeline makes it possible to export gas to Azerbaijan and, further on, to Europe.[245]

Taking into account its tremendous natural gas reserves, Turkmenistan might be a significant natural gas source[246] not only for the growing Asian natural gas market[247] but also for European countries as well, so the EU states could decrease their

242 Vepayev, A., & Deniz, O. (2020). Production and Consumption Trends of Natural Gas of Turkmenistan the Years from 2009 to 2019. Journal of Scientific Perspectives, 4(4), 237–244.

243 Eia.gov. (July 2016). Turkmenistan. Retrieved April 27, 2023, from http://web.archive.org/web/20210318055301if_/https://www.eia.gov/international/analysis/country/tkm

244 Azernews.az. (June 1, 2017). Turkmenistan seeks to supply more gas to China in 2017. Retrieved April 27, 2023, from http://web.archive.org/web/20180825144551/https://www.azernews.az/region/114065.html

245 Reuters.com. (December 23, 2015). Turkmenistan boosts gas export capacity with East-West link. Retrieved April 27, 2023, from http://web.archive.org/web/20210309204105if_/https://www.reuters.com/article/turkmenistan-pipeline/turkmenistan-boosts-gas-export-capacity-with-east-west-link-idusl8n14c0gt20151223

246 Jakóbowski, J., & Marszewski, M. (2018). Crisis in Turkmenistan A test for China's policy in the region. OSW Commentary, 31.

247 Stronski, P. (2017). Turkmenistan at twenty-five: The high price of authoritarianism. Carniege Endowment for International Peace.

natural gas dependency on Russia[248] significantly through transporting gas from Turkmenistan.[249]

The TAPI natural gas project is a potential grand project to export natural gas from Turkmenistan to Afghanistan, Pakistan, and India.[250] However, even though the TAPI natural gas project has been discussed for many years, this project exists only on paper because of financial and security barriers.[251]

Iran and TAPI projects are alternative routes to export Turkmenistan's gas. However, it is unlikely that any of these routes will be used soon. It means that Turkmenistan's dependence on China will increase further as the only available significant export source.[252] In May 2023, Turkmenistan exported 2.73 bcm of natural gas to China, marking a 5% increase compared to the same period in the previous year. This information was obtained from the customs of the People's Republic of China, as reported by the Interfax news agency.[253]

Despite the growing natural gas demand of Europe and Turkmenistan's need to export its natural gas resources, it is unlikely that the Trans Caspian Pipeline (TCP) project will be built soon. The main obstacle is Russia's unwillingness.[254] Russia sees Turkmenistan's natural gas potential export to Europe as a significant challenge to the Kremlin's energy interests in Europe, while the natural gas export to Afghanistan, Pakistan, and India does not have any significant impact on Russian energy interests.[255]

248 Aminjonov, F. (2018). Central Asian gas exports dependency: Swapping Russian patronage for Chinese. The RUSI Journal, 163(2), 66-77.

249 Lee, Y. (2017). Interdependence, issue importance, and the 2009 Russia-Ukraine gas conflict. Energy Policy, 102, 199–209.

250 Anceschi, L. (2017). Turkmenistan and the virtual politics of Eurasian energy: The case of the TAPI pipeline project. Central Asian Survey, 36(4), 409–429.

251 Rejepova, T. (2013). Turkmenistan and Afghanistan sign agreement over TAPI gas pipeline. The Central Asia-Caucasus Analyst, 7

252 Zhao, Y., Liu, X., Wang, S., & Ge, Y. (2019). Energy relations between China and the countries along the Belt and Road: An analysis of the distribution of energy resources and interdependence relationships. Renewable and Sustainable Energy Reviews, 107, 133–144.

253 Orient.tm. (2023, July 21). Turkmenistan increased natural gas supplies to China by 5%. Retrieved March 08, 2024, from https://orient.tm/en/old/post/57377/turkmenistan-increased-natural-gas-supplies-china-5-may

254 Shlapentokh, D. (2017). Turkmenistan's Gas Export Dilemma. Central Asian Caucasus Analyst.

255 Naturalgasworld.com. (December 16, 2015). Turkmenistan: The diversification of gas export. Retrieved April 27, 2023, from http://web.archive.org/web/20210122104840/https://www.naturalgasworld.com/turkmenistan-the-diversification-of-gas-export-market-27160

4.3.3 China as the primary natural gas importer for Turkmenistan

Energy relations with China are essential for Turkmenistan. An agreement was signed between the Turkmen and Chinese governments in June 2007 to construct a pipeline exporting natural gas from Turkmenistan to China. Expanding the existing pipeline running via Russia and Kazakhstan was possible. However, the president of Turkmenistan did not sign an agreement concerning the expansion of the pipe.[256]

Turkmen natural gas is supplied through CACP to China, crossing the neighboring countries, Uzbekistan and Kazakhstan. The pipeline includes four lines. The export capacity of the pipeline is estimated at 25 bcm/a. The pipeline started to function in May 2014. The export volume to China should have reached 85 bcm/a according to the multilateral agreement signed between China and Central Asian countries. Therefore, it is expected that Turkmenistan will meet 65 bcm of the project's total export volume by 2020.[257] However, Turkmenistan exported only 30 bcm in 2019. The pandemic situation in the world also influenced the export of natural gas to China negatively.[258]

The operation of the CACP started in 2009. The natural gas export to China was only 4 bcm/a in 2010, while the export volume reached about 30 bcm/a by 2015. As a result, China's imported natural gas average price declined significantly, so the average price for blue fuel dropped from $160 to $100.[259] One of the crucial reasons for the decline is that China does not have any concurrency in importing Turkmen gas.

Moreover, as China is the only largest natural gas importer, and there are no other consumers, creating the CACP's prospective D line does not seem realistic.[260] Additionally, another proposed gigantic natural gas project, TAPI, will not be realized soon because of its numerous challenges.[261] Consequently, even though Turkmenistan possesses sizeable natural gas reserves, the country is unlikely to become one of the world's leading natural gas exporters.

In case the proposed D pipeline is realized, an export of nearly 30 bcm/y of natural gas from Turkmenistan to West China through Uzbekistan, Tajikistan, and

256 Shlapentokh, D. (2017).

257 Naturalgasworld.com. (December 16, 2015).

258 Fpri.org. (2020, June 16).

259 Engp.ro. (August 14, 2017). Turkmenistan's gas hurdles: No end in sight. Retrieved April 27, 2023, from http://web.archive.org/web/20201024111129/https://www.enpg.ro/turkmenistans-gas-hurdles-no-end-in-sight/

260 Da Silva, V. B. (2021). Broken Dreams in Ashkabad: An Overview of Turkmenistan's Post-Independence Political Contradictions and the Challenges of Central Asian Migrants in Russia. Eurasian Research Journal, 3(1), 63-79.

261 Pradhan, S. K. (2020). Pipelines: Challenges Many, Progress Slow. In India's Quest for Energy Through Oil and Natural Gas (pp. 151-174). Springer, Singapore.

Kyrgyzstan to China[262] would have made it one of the most significant natural gas projects in the world.[263] However, China and Uzbekistan postponed the discussions on the construction of the pipeline. Lines A, B, and C transport natural gas from Turkmenistan to China. The D line is supposed to cross the other Central Asian states, Tajikistan and Kyrgyzstan, before reaching China's territory.[264]

There are some disagreements between Kyrgyzstan, Tajikistan, and China's energy companies concerning the project's route. According to the deal, the participating Central Asian countries should not get any natural gas. However, they would profit financially from the project. In its turn, Uzbekistan's part of the D line's construction is also delayed because of the disagreement between Uzbekistan's state energy corporation and CNPC.[265]

China also backs Turkmenistan in developing appropriate energy infrastructure in the country. Thus, the natural gas is shipped to China by the Turkmen government to pay off loans.[266] Turkmenistan became one of the two largest natural gas supplier countries for China by 2021 (see Figure 13).

Back in 2013, BMI Research looked at the role that Turkmenistan could play as a major gas supplier for China, forecasting that the exported volume will reach 283 bcm/a by 2020.[267] The forecasts did not come true. Considering the current situation of the country's natural gas sector, Turkmenistan has to look for some alternative export sources.[268] Otherwise, an export dependency of Turkmenistan from China will grow enormously.[269]

262 Vakulchuk, R., & Overland, I. (2019). China's Belt and Road Initiative through the lens of Central Asia. In Regional Connection under the Belt and Road Initiative. Taylor & Francis.

263 Batsaikhan, U., & Dabrowski, M. (2017). Central Asia—twenty-five years after the breakup of the USSR. Russian Journal of Economics, 3(3), 296–320.

264 Rferl.org. (March 06, 2017). The end of the (gas pipe-)line for Turkmenistan. Retrieved April 27, 2023, from http://web.archive.org/web/20210321133733/https://www.rferl.org/a/turkmenistan-gas-pipeline-china-berdymukhammedov-iran-russia/28353522.html

265 Rferl.org. (March 06, 2017).

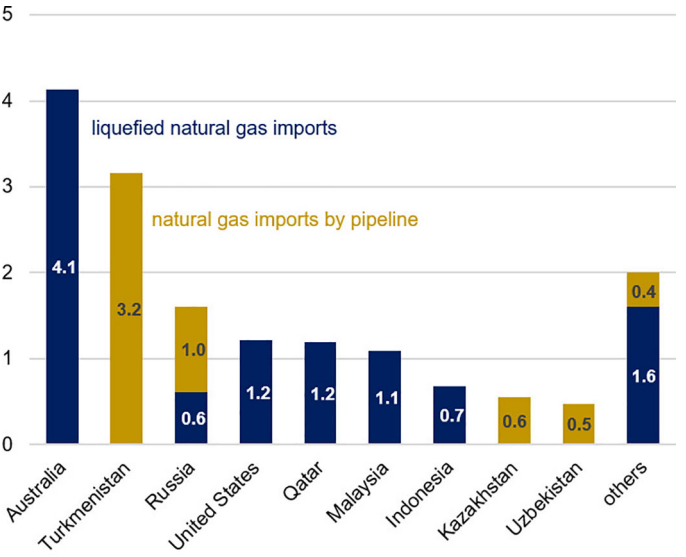
266 Jakóbowski et al. (2018).

267 Naturalgasworld.com. (December 16, 2015).

268 Bohr, A. (2016). Turkmenistan: Power, politics and petro-authoritarianism. Chatham House, Royal Institute of International Affairs.

269 Aminjonov (2018).

Figure 13: China's natural gas import by source, 2021[270]



Sources: Graph created by the U.S. Energy Information Administration, based on data from China's General Administration of Customs and Global Trade Tracker

4.3.4 Natural gas export to Russia

Despite an increase in gas production in Turkmenistan since 2015, according to International Information Group, the export volume of natural gas in Turkmenistan was 40bcm in 2023, while the natural gas output was about 80 bcm.[271] The main reason for the decline in the export volume was Russia's refusal to import Turkmenistan's gas. Russia was the largest natural gas importer of Turkmenistan's gas until the pipeline explosion in 2010. Consequently, nearly 90% of the entire natural gas production was imported by Moscow for further export to the European natural gas market.[272]

A bilateral agreement between the countries was signed in 2003 for 25 years. According to this deal, Russia would have bought and reexported Turkmen's natural

270 https://www.eia.gov

271 Interfax.com. (2023, October 26). Turkmenistan will maintain gas output in 2023 at over 80 bcm, while exports will top 40 bcm. Retrieved March 8, 2024https://interfax.com/newsroom/top-stories/95847/

272 Vasánczki, L. Z. (2011). Gas exports in Turkmenistan.

gas. The imported natural gas from Turkmenistan should have transported through the CAC pipeline that crossed Uzbekistan and Kazakhstan.[273]

Moreover, Gazprom was the primary operator of natural gas transport. Gazprom's import strategy was built to purchase Turkmen natural gas at meager prices and sell it to other countries for an extremely high price. However, because of disagreements between the Russian and Turkmen governments, Gazprom stopped buying Turkmen gas in 2016.[274]

The natural gas partnership between Russia and Turkmenistan started declining gradually. For instance, if Turkmenistan exported 40 bcm/a natural gas to Russia in 2008, this indicator fell to 4 bcm in 2015. Consequently, the Kremlin stopped the transport of blue fuel from Turkmenistan in 2016. According to Gazprom, Russia was not keen to renew its natural gas import from Turkmenistan anytime soon.[275] However, there is an excellent possibility to export Turkmenistan's natural gas to Eastern Europe through Russia if the energy cooperation between the Russian and the Turkmen governments is renewed.[276] Since Turkmenistan's economy strongly depends on natural gas exports, its economy suffered from this situation.[277]

Russia has signed agreements with other Central Asian countries: Kazakhstan and Uzbekistan, for buying natural gas from these countries at $140 per 1000 m^3. Simultaneously, according to Gazprom, Russia refused to import Turkmen gas because of the Turkmen government's high price demand, as Turkmenistan insisted on $240 per 1000$m^3$.[278]

However, after the break, the Gazprom concluded a new agreement with the Turkmen government. According to the agreement, Gazprom would buy 5.5 bcm of natural gas every year. The contract was signed for five years.[279] Even though the amount of exported natural gas is not so significant and far away from the export capacity of 2008, especially taking into account the tremendous natural gas potential

273 Esen, V., & Oral, B. (2016). Natural gas reserve/production ratio in Russia, Iran, Qatar and Turkmenistan: A political and economic perspective. Energy Policy, 93, 101–109.

274 Sullivan, C. J. (2016). Halk, Watan, Berdymukhammedov! Political Transition and Regime Continuity in Turkmenistan. Region, 35–51.

275 Atlanticcouncil.org. Iran, Turkey key to Turkmenistan realizing its energy potential. (September 6, 2017). Retrieved April 27, 2023, from http://web.archive.org/web/20201021233820/https://www.atlanticcouncil.org/blogs/new-atlanticist/iran-turkey-key-to-turkmenistan-realizing-its-energy-potential/

276 Gurbanov, I. (2018). Caspian Convention and Perspective of Turkmenistan's Gas Export to Europe. Caucasus International, 8(2), 159-179.

277 Pirani, S. (2012). Central Asian and Caspian gas production and the constraints on export. Oxford Institute for Energy Studies.

278 Rferl.org. (March 06, 2017).

279 Reuters.com. (July 3, 2019). Gazprom signs five-year natural gas contract with Turkmenistan. Retrieved April 27, 2023, from http://web.archive.org/web/20190704044540/https://www.reuters.com/article/us-russia-gazprom-turkmenistan-deal-iduskcn1ty1x5

of Turkmenistan, the new agreement with Russia can somehow help Turkmenistan to decrease its dependence on China.

4.3.5 Turkmenistan as a potential natural gas supplier for Europe?

Turkmenistan needs new energy partners for exporting its natural gas resources, while the EU is very interested in transporting Turkmen gas through the TCP[280] to link it with the SGC to diversify its natural gas sources and decrease its natural gas dependency on Russia and China.[281] It is expected that the SGC is able to export in between 45 to 90 bcm/a, which would have met about 10–15% of the total natural gas consumption of the EU. There is already an agreement between the EC's Vice-President Šefčovič and Turkmenistan's President Berdimukhamedov. Azerbaijan, Turkey, and other member countries of the project also agreed to participate in the extension of the TCP. Therefore, the Memorandum of Understanding on Cooperation between the EU and Turkmenistan due to the energy partnership was signed in 2008 and includes some crucial points such as an exchange of information on energy policies, transit routes diversification, energy efficiency, etc.[282]

As Turkmenistan is a landlocked country, it is not able to export its natural gas reserves directly. Instead, there are some proposals to ship Turkmen natural gas to Europe via other countries. For instance, Turkmenistan can transport its natural gas through the existing pipeline via Azerbaijan, Georgia, and Turkey to Europe via the TCP.[283] Consequently, Turkmen natural gas might be exported to Azerbaijan via the TCP undersea pipeline with further shipment to Europe.[284]

In case the project is realized, then the TCP would bypass the two crucial natural gas competitors of Turkmenistan: Russia and Iran.[285] Avoiding the territories of these states would be a critical advantage for Turkmenistan. Therefore, Iran and Russia are not interested in realizing this grandiose project, which would have been a significant energy deal for Turkmenistan, the Caspian Region, and Europe.[286]

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280 Konarzewska, N. (2016). Turkmenistan advances westward natural gas export. The Central Asia-Caucasus Analyst, 19.

281 Ibrayeva, A. (2018). Importance of the Caspian countries for the European Union energy security.

282 Eeas.europa.eu. (November 17, 2020). EU-Turkmenistan relations. Retrieved April 27, 2023, from http://web.archive.org/web/20201228170041/https://eeas.europa.eu/headquarters/headquarters-homepage_en/4077/EU-Turkmenistan%20relations

283 Ibrayeva (2018).

284 EIA.gov. (July 2016). Turkmenistan. Retrieved April 27, 2023, from http://web.archive.org/web/20210318055301if_/https://www.eia.gov/international/analysis/country/tkm

285 Marketos, T. (2009). Eastern Caspian Sea energy geopolitics: a litmus test for the US-Russia-China struggle for the geostrategic control of Eurasia. Caucasian Review of International Affairs, 3(1), 2.

286 Ibrayeva (2018).

Taking into account its vast demand, Turkey also is very interested in importing natural gas from Turkmenistan. The TANAP pipeline creates an excellent opportunity for Turkmenistan to export its natural gas through Azerbaijan to Turkey. Additionally, Turkey and Turkmenistan's governments signed a memorandum of understanding on exporting natural gas by Turkmenistan in 2014.[287] However, the diversification of natural gas export sources for Turkmenistan has not been achieved until now, so China and Russia remain two primary export sources.

4.3.6 Economic difficulties of the country against the background of the gas sector

It is not surprising that the decline of energy prices in the world energy market has a highly negative impact on the economy of Turkmenistan.[288] Turkmenistan is affected by a radical reduction of natural gas prices in the world natural gas market. Russia's stoppage of the import of Turkmen gas in 2016 and Ashgabat's cancellation of exporting gas to Iran because of Iran's debt is one reason for Turkmenistan's difficult economic situation.[289]

The Turkmen government canceled the free natural gas, water, and electro energy that Turkmenistan citizens enjoyed, signed by former president Saparmurat Niyazov in 1993. While earlier, every citizen of Turkmenistan could get natural gas up to 50 m^3 for free. The new limit was imposed in 2015.[290] Citizens had to pay for natural gas, water, and energy by the end of 2015.[291] The president argued that people could afford to pay for such services.

According to the newly signed agreement between Gazprom and the Turkmen government, the export of natural gas to China and partly to Russia seems the only way to overcome this difficult economic period for Turkmenistan. However, even if natural gas export to China increased to 30bcm/a still by 2019, Turkmenistan exported only 2.73 bcm of natural gas to China in 2023.[292]

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287 https://www.atlanticcouncil.org (2017, September 6).

288 Skalamera, M. (2020). The 2020 oil price dive in a carbon-constrained era: strategies for energy exporters in central Asia. International Affairs, 96(6), 1623-1642.

289 Konarzewska (2016).

290 Cis-legislation.com. Presidential Decree of Turkmenistan. Retrieved April 27, 2023, from http://web.archive.org/web/20200813195640/https://cis-legislation.com/document.fwx?rgn=15323

291 Apnews.com. (February 4, 2020). Turkmenistan to build a $1.5-billion city amid spending cuts. Retrieved April 27, 2023, from http://web.archive.org/web/20201022215607/https://apnews.com/article/8d52a8a7d652ae6aff27d56e12e338a9

292 Orient.tm. (2023, July 21). Turkmenistan increased natural gas supplies to China by 5%. Retrieved March 08, 2024, from https://orient.tm/en/old/post/57377/turkmenistan-increased-natural-gas-supplies-china-5-may

Chapter 5. The essential energy contracts between international energy concerns of the world and countries of the Caspian Region. The significant energy fields

Abstract *This chapter is one of this project's most extensive and essential sections. It deals with a detailed analysis of the oil and gas projects. Moreover, the chapter covers some significant aspects of the projects, such as the construction, technical characterization, shareholders' share, etc. For instance, one of the most significant contracts in the energy history of the Caspian Sea, which is called the "pathbreaker" for the Caspian states after the fall of the USSR, is "the Contract of the Century" signed between Azerbaijan and different energy companies of the world in 1994. This chapter examines, in detail, not only the "Contract of the Century" but other essential energy deals such as the TANAP, the TAP, and "Shah Deniz 1," "Shah Deniz 2" projects between the Azerbaijani government and foreign energy companies. The Kashagan oil field of Kazakhstan and the Galkynysh gas field of Turkmenistan are also considered in this chapter.*

5.1 "The Contract of the Century"

The energy deal signed between Azerbaijan and international energy companies concerning the exploration and development of the ACG fields on 20 September 1994 led to substantial changes in the energy sector and Azerbaijan's political life, and it brought with itself a new political constellation to the Caspian Region. Consequently, the energy deal encouraged other newly independent states of the Caspian Region-Kazakhstan and Turkmenistan, to collaborate with the energy sector's critical international companies to drill and develop the oil and natural gas fields. Thus, this deal opened the way to private investment in the hitherto state-controlled oil sector.

However, Russia was against the involvement of Western energy companies in developing the Caspian Sea resources. The Russian and Iranian governments used the Caspian Sea's legal status as an effective political tool against international states and energy companies' participation in developing the region's oil and natural gas

resources. Consequently, both governments considered Western energy companies' involvement as a threat to their geopolitical interests.[1]

Ramco S. Remp, the British oil company representative, became the first official representative of one of the most significant Western oil companies who visited Azerbaijan's capital in 1989. He wrote later: "...Hundreds and hundreds of wells, all in bad condition. But nowhere is the presence of the West. As though time has stopped here."[2]

The authorities of the Azerbaijan Soviet Socialist Republic (Azerbaijan SSR) managed to establish some essential partnership connections with significant oil and gas companies such as BP, Statoil, and Amoco. These energy enterprises started playing an active role in the oil industry of Azerbaijan. Therefore, three Western energy companies: BP, Unocal, and Amoco, took part in the Baku-organized energy tender for oil and gas exploration in Azerbaijan in June 1991. Amoco won the bid, and the company's representatives later visited Baku.[3]

One of the most important events for that time was the official visit of the US minister of trade, T. McBride, in June 1991, who met with the president of Azerbaijan SSR, Ayaz Mutalibov. The cooperation between the two countries in the oil and gas sphere was the main topic of the meeting. Since nobody doubted the SU's temporal existence, as the West was actively seeking energy partners in the former SU, the visit was seen as a positive signal toward future partnerships between Azerbaijani and Western energy companies.[4]

Meanwhile, the political situation in Azerbaijan was characterized by absolute chaos and instability. Azerbaijani President Ayaz Mutalibov was forced to resign after the massacre and occupation of Khojaly by Armenian forces on the eve of the singing of "the Contract of the Century" by the first government of the newly declared Republic. Meanwhile, the occupation of Khojaly was realized with the close participation of the 366th infantry regiment of the former SU. At least 600 civilians were killed, and hundreds were injured or are still missing.[5]

The newly proclaimed state faced political problems, and there were numerous economic problems alongside political instability in the country. Consequently, Azerbaijan's financial situation was characterized by severe inflation issues at the

1 Aslanlı, A. (2009). Azerbaijan-Russia relations: Is the foreign policy strategy of Azerbaijan changing? Turkish Policy Quarterly, 9(3).

2 Polukhov, E. (1997). «Kontrakt veka» (problema v istoriecheskoz retrospektive). Kavkazskie Reqionalniye Issledovaniza, 2(1). ("The Contract of the Century," A problem in a historical retrospective, the Caucasian Regional Researches) Vol. 2, Issue 1, 1997.

3 Ibid.

4 Ipek, P. (2008). Azerbaijan: Oil boom and challenges. Turkey's neighborhood, 111–141.

5 Cornell, S. E. (2015). Azerbaijan since independence. Routledge.

highest level, low GDP, mass unemployment, etc.[6] It wouldn't have been possible to solve these significant problems without a close energy partnership with the West[7] and the western energy companies.[8] Additionally, another considerable dividend of the energy deal was a relative neutralization of Russian political influence over Azerbaijan.[9]

After the resignation of the communist president Ayaz Mutalibov, Abulfaz Elchibey, who became the first democratically elected president of the Republic, came to power. Even though Abulfaz Elchibey was elected through a democratic election, he faced tremendous political pressure from Russia and Iran because of his "panturkist"[10] political views. However, the most crucial reason for Russia and Iran's discontent was Elchibey's West-orientated political course.[11]

In August 1993, Abulfaz Elchibey was officially stripped of his presidency through a referendum. Heydar Aliyev, a former Soviet Politburo member, and former KGB General, was elected the Republic's president after the next election in October 1993.[12]

The traditional powers and neighboring countries of Azerbaijan, Russia, and Iran originally had no interest in participating in the energy deal between Azerbaijan and Western states due to Moscow's and Tehran's geopolitical interests. However, they agreed to be part of "the Contract of the Century" after the Azerbaijani government negotiated with the Russian and Iranian governments.[13] This, however, did not translate into trouble-free access for Azerbaijan to the world energy market. Creating the new pipeline routes to transport energy resources to the world energy markets was another critical issue that had tremendous significance for transporting Azerbaijani energy resources to the world energy market.[14] Nevertheless, an official agreement was signed between Azerbaijan and the international energy companies on 20 September 1994 despite all Azerbaijan's political and economic problems.

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6 Ibrahimov, R. (2010). Azerbaijan Energy Strategy and the Importance of the Diversification of Exported Transport Routes. Journal of Qafqaz University, (29).

7 Mammadov, S. (2013). Azerbaijan. EEJ, 3, 80.

8 Guliyev, F. (2014). The'Contract of the Century'20 Years after. Available at SSRN 2498276.

9 Ismailzade, F. (2006). Russia's energy interests in Azerbaijan. GMB Publishing Ltd.

10 The terminology implies the cultural and political unification of all Turkic peoples.

11 De Waal, T. (2018). The Caucasus: an introduction. Oxford University Press.

12 Ibrahimov, R. Azerbaijan Oil Production as a Main Locomotive of State Economy.

13 Nassibli, N. (2003). Iran's Caspian Policy: Time to Make a Decision? Central Asia-Caucasus Analyst, 10.

14 Ibrahimov, R. (2010). Azerbaijan Energy Strategy and the Importance of the Diversification of Exported Transport Routes. Journal of Qafqaz University, (29).

5.1.1 The signing of the contract and member companies of the agreement

The "Contract of the Century" was signed in Azerbaijan, Baku, in Gulistan Palace, in September 1994 and was valid for the next 30 years. This energy deal is known as the "Contract of the Century." The contract has this definition because of its significant political and economic resonance in Azerbaijani energy history and the energy companies in the oil and gas sector of the newly proclaimed countries of the Caspian Region to sign the new energy deals with the Western energy companies.

PSA concerning the development of the deep-water oil fields "Azeri," "Chirag," and "Gyuneshli" comprised 400 pages and four languages. The signing process of the contract took place with the participation of the 13 energy companies. Consequently, realizing such a significant deal gave an impetus for the signing of the following oil agreements in Azerbaijan. Soon after, 26 contracts with the participation of 41 oil companies from 19 countries were signed.[15]

Moreover, this project's realization initiated the creation of some essential working structures like the Steering Committee, Azerbaijan International Operating Company (AIOC), and the Consulting Council. The National Assembly of Azerbaijan ratified the energy agreements in December 1994.[16]

Members of the agreement initially taking part in the singing of "the Contract of the Century" and their shares:[17]

- SOCAR (Azerbaijan) – 20%,
- "British Petroleum" – (Great Britain)-17,127%,
- "Amoco" (USA) – 17,01%,
- "Lukoil" (Russia) – 10%,
- "Pennzoil" (USA) – 9, 82%,
- "Unocal" (USA) – 9, 52%,
- "Statoil" (Norway) – 8,563%,
- "McDermott International" (USA) – 2,45%,
- "Ramco" (Great Britain) – 2,08%,
- "TRAO" (Turkey) – 1,75%,
- "Delta-Nimir" (Saudi Arabia) – 1,68%.

It appeared some changes in the list of the members of the energy deal and their stocks in the agreement as time passed. Consequently, the Turkish company TPAO

15 Prezident.az. Oil and Gas Projects. Retrieved April 27, 2023, from http://web.archive.org/web/20210403003907/https://en.president.az/azerbaijan/contract

16 Prezident.az. Oil and Gas Projects.

17 Sagheb, N., & Javadi, M. (1994). Azerbaijan's 'Contract of the Century'finally signed with Western Oil Consortium. Azerbaijan International, 2(4), 26–28.

and Iran received 5%, respectively, in November 1994.[18] Since it was principally essential to adhere to a "balanced policy" between different political actors, Iran's participation in this project was considered as a strategic step of the Azerbaijani government to get Tehran's support.[19] However, the US government showed its apparent unwillingness concerning Iran's participation in the project. Azerbaijan refused Iran to participate in the "Contract of the Century." Nevertheless, Iran later got its share in the development of the SD natural gas field.[20]

5.1.2 Russia as the primary opponent of the singing of "the Contract of the Century"

The Russian Ministry of Foreign Affairs said Russia is not interested in being a part of this deal. As a reason for this decision, it was named the unclear legal status of the Caspian Sea. Despite such a negative view of the "Contract of the Century" by the Kremlin, Russia's largest energy company, "Lukoil" Oil Company, took part in the energy deal.[21] The Ministry of Foreign Affairs of the RF commented on the signing of the "Contract of the Century":[22]

> "Recently, Azerbaijan, Kazakhstan, and Turkmenistan make persistent attempts to conclude contracts with Western corporations to develop the bottom of the Caspian Sea. Besides, Azerbaijan and Turkmenistan have adopted the acts directed to the assignment of large Caspian spaces. The specified actions are incompatible with the operating legal status and restrain Russia's rights and interests."

After signing the energy agreement, Azerbaijani President H. Aliyev visited Russia on 17 November 1994. Meetings occurred between the Russian and Azerbaijani presidents and the Prime Minister of Russia, V. Chernomyrdin. The discussion's central topic was the peaceful negotiation of the Nagorno-Karabakh conflict between Azer-

18 Rovshan, I. (2011). Energy resource transportation by countries with no access to the open sea (an Azerbaijan case study). The Caucasus & Globalization, 5(1-2).

19 Bagirov, S. (2001). 10. Azerbaijan's strategic choice in the Caspian region.

20 De Waal (2018).

21 Smirnov A. (September 24, 1994). Bolshe nefti-xoroshey i raznoy [More oil – good and different one], Retrieved April 27, 2023, from Commersant newspaper, https://www.kommersant.ru/doc/90649

22 Kak razdelit kaspiyskuyu neft? [How to share the Caspian oil?]. (n.d.). Retrieved April 27, 2023, from http://web.archive.org/web/20200129200055/http://caspiy.net/dir3/west/4.html

baijan and Armenia and the newly signed energy contract discussed vigorously between both states' delegations.[23]

A journalist of Commersant newspaper, one of Russia's very famous newspapers, wrote concerning this issue the following:[24]

> "…there is nothing for Baku to worry about, and in this situation, the Russian Ministry of Foreign Affairs notes can just be ignored. And internationalization of the Caspian contract, which Azerbaijan managed to achieve, makes its position stronger". In this situation, Russia has to accept the new political constellation in this region that was created after the singing of "the Contract of the Century."

After the signing of the energy deal, a central problem was the transport issues for exporting Azerbaijani oil to the world energy market. There were two possible transport corridors: through Russia and Turkey. The second transport plan was a priority not only for the Azerbaijani government but also for the Western countries which were interested in constructing the pipeline. Moreover, the White House was looking for options to put an end to a Russian transport monopoly. Therefore, Turkey's transport corridor might have created an excellent possibility to decrease the region's energy transport dependence on Russia.[25]

5.1.3 Significance, positive and negative aspects

Since Azerbaijan was in a highly chaotic political situation in the first years of its independence and Azerbaijan's statehood and independence were under threat, the most significant benefit of the international energy agreement with the Western countries and energy companies became the reinforcement of the freedom of the Azerbaijan Republic. Therefore, the Azerbaijani government agreed to have a relatively modest share of oil production from the ACG oil fields to preserve its sovereignty.[26]

A temporary neutralization of Russia and its hegemonic role in the South Caucasus is another critical factor, considered the next significant aspect of the energy deal. Russia had been the region's mightiest political actor before the energy con-

23 Kommersant.ru. (November 19, 1994). Itoqi vizita v Moskvu Qeydara Aliyeva [Results of Heydar Aliyev's visit to Moscow]. Retrieved April 27, 2023, from https://www.kommersant.ru/doc/95587

24 Kommersant.ru. (November 19, 1994).

25 Ibrahimov, R. Azerbaijan Oil Production as a Main Locomotive of State Economy.

26 Nassibli, N. (1999). Azerbaijan's geopolitics and oil pipeline issue. Perceptions: Journal of International Affairs, 4(4).

tract's signing. However, international political actors such as the USA,[27] the EU, Turkey, and Israel also started playing an active role in the region's political life after the realization of the energy deal.[28] Additionally, this project stimulated the realization of some other significant projects such as PfP, the Silk Road Strategy Act, etc.[29]

The USA's active participation in the new political constellation of the South Caucasus became a significant factor in this region's economic and political development. According to Svante Cornell,[30] there were three main factors from the perspective of the White House to support the "Contract of the Century":[31]

- The significant role of the energy sector in reinforcing the independence of the South Caucasian states;
- US corporate interests in the region;
- The importance of the energy reserves of the Caspian Sea for the world energy market.

Moreover, "the deal of the Century" led to more significant connections between Azerbaijan and Western companies' oil industry. The oil industry became an essential part of Azerbaijan, and the country got a chance to have access to the world energy market thanks to this agreement. In their turn, the Western investors gained access to Azerbaijan's energy market that promoted the energy sector's development. They stimulated the realization of other significant oil and natural gas projects in the future.[32]

The positive aspects of the realization of the "Contract of the Century" for the newly independent country[33] should be summarized with the following points:[34]

- Definition of the geostrategic Westernized political course;
- Minimization of Russia's influence;

27 Cornell, S. (2005). US engagement in the Caucasus: Changing gears. Helsinki Monitor, 16(2), 111–119. 848 Murinson, A. (2008). Azerbaijan–Turkey–Israel Relations: The Energy Factor. Middle East Review of International Affairs, 12(3), 47–64.

28 Khalifa-Zadeh, M. (2014). The South Caucasus: Obama's Failed Russia 'Reset' and the Putin Doctrine in Practice. MERIA Journal, 18(3).

29 Ibid.

30 A Swedish political expert, who studies the politics and security issues of Eurasia. He is the author of some books like: "Small Nations and Great Powers: a Study of Ethnopolitical Conflict in the Caucasus," "Azerbaijan since Independence."

31 Cornell (2005).

32 Prezident.az. http://web.archive.org/web/20210403003907/https://en.president.az/azerbaijan/contract

33 Ibrahimov, R. (2014). US-Azerbaijan Relations: A View from Baku. Rethink Paper, 17.

34 Cornell (2005).

- Access to the world oil industry;
- Significant economic dividend;
- Excellent opportunity for the development of the non-oil sector.

There are some main negative aspects of the first largest energy deal of the Caspian Region alongside some positive effects of the agreement:

- *It postponed the definition of the Nagorno-Karabakh's problem's regulation* on relatively unwanted political conditions for Azerbaijan. Since Azerbaijan became an attractive energy country for the political actors and some energy companies, key political actors did not pay needed attention to change the existing "status quo" to achieve desired progress in this conflict's peaceful regulation.[35] Therefore, the contract's signing led to postponing the Nagorno-Karabakh conflict's regulation for an uncertain time.[36]
- *The frustration of Azerbaijani citizens*. The expected " Kuwaitisation" of Azerbaijan did not happen because of crucial negative factors like the large-scale corruption, stagnation, and monopolism in different spheres of the society and unfair and non-transparent distribution of income are just some of them.[37] Therefore, the immense influx of oil money to the country's budget did not bring expected economic prosperity to Azerbaijan.[38] Conversely, Azerbaijani oligarchs and western energy companies could profit from this energy deal enormously.[39]
- *An extreme increase in oil dependence of Azerbaijan*. From the moment of the singing of the "Contract of the Century," the Azerbaijani economy started developing in a "one-sided" way. Since the Azerbaijani government and people accepted oil export as the only possible solution to the economic problems, other non-energy sectors were not developed appropriately. Therefore, the Azerbaijani economy became more dependent on "oil money." It is unclear whether other spheres of the Azerbaijani economy will achieve the oil sector's progress tempo any time soon because of easy "oil money" coming to the country's budget from energy deals, including the "Contract of the Century."

35 Souleimanov, E., & Evoyan, L. (2012). Two Position on the Nagorno Karabakh war: Russian and Turkish (1990-1994). Central Asia and the Caucasus: Journal of Social and Political Studies, 13(4).

36 Özkan, B. (2008). Who gains from the "no war no peace" situation? A critical analysis of the Nagorno-Karabakh conflict. Geopolitics, 13(3), 572–599.

37 Rasizade, A. (2002). Azerbaijan after a decade of independence: less oil, more graft and poverty. Central Asian Survey, 21(4), 349-370.

38 Öge, K. (2015). Geopolitics and revenue transparency in Turkmenistan and Azerbaijan. Eurasian Geography and Economics, 56(1), 89–110.

39 O'lear, S. (2007). Azerbaijan's resource wealth: political legitimacy and public opinion. Geographical journal, 173(3), 207–223.

5.2 Shah Deniz natural gas project Stage-1

Shah Deniz, translated from Azerbaijani, means "the King of the Sea." It is the largest natural gas field in the Republic and one of the Caspian Region's biggest. The SD gas field is nearly 860 km^2 and occupies more than 140 km^2. The pool of the field is almost the same size and shape as Manhattan Island. The natural gas reserves of this shelf are calculated between 1.5 bn. (240,000,000 m^3) 3 bn. barrels (480,000,000 m^3).[40]

The SD field is located in the southern part of Baku and is nearly 70 km away from Azerbaijan's capital city (see Map 11). The area is located in the Caspian Sea's deep water and was discovered by Azerbaijani geologists in 1999. The depth of the natural gas field varies between 50 to 500 m.[41] The primary source for collecting, processing, and exporting natural gas from SD is the Sangachal terminal, located nearly 55km south of Baku.[42]

After discovering the oil field, international companies were interested in developing it. The agreement between the Azerbaijani government and foreign enterprises to develop the area became the second large-scale contract for the Azerbaijani Republic after independence.

The signing ceremony of the agreement was organized in Baku on 4 June 1996, and significant international energy enterprises such as BP, Statoil, SOCAR, NIOC, Total, and TPAO took part. According to the agreement's conditions, BP and Statoil took 25,5% of the shares, SOCAR, Lukoil, NICO and Total 10%, and TPAO 9%, respectively.[43] BP was initially confirmed in the role of the project operator on behalf of the other PSA partners.[44] The ratification of the SD agreement by the Azerbaijani parliament took place exactly four months later, on 4 October 1996.[45]

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40 Valve-world.net. (December 2014). Emerson to automate BP-operated Shah Deniz Stage 2 operations in Azerbaijan. Retrieved April 27, 2023, from https://www.valveworld.net/pdf/project_report_shah_deniz_platform.pdf

41 BP.com. (n.d.). Shah Deniz has been and still is BP's largest discovery since Prudhoe Bay. Retrieved April 27, 2023, from http://web.archive.org/web/20210307221213/https://www.bp.com/en_az/azerbaijan/home/who-we-are/operationsprojects/shaheniz.html

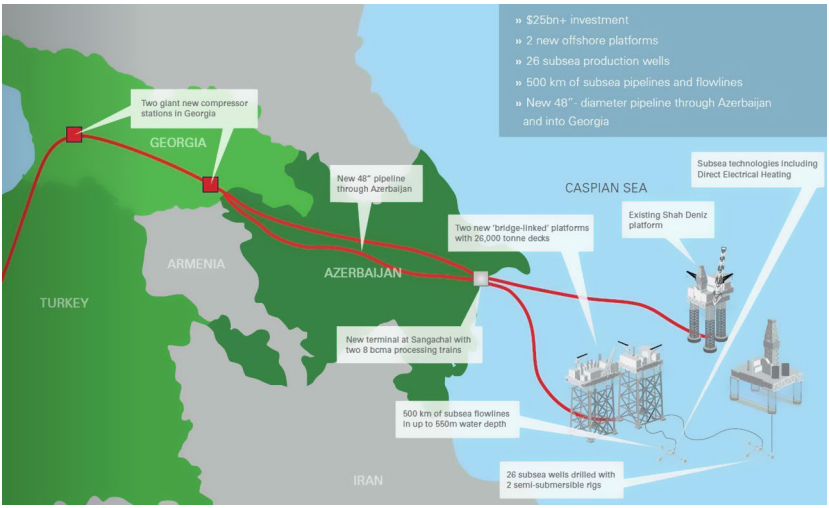
42 Iskandarov, K., Mahammadali, V. M., & Gardashkhan, A. G. (2020). Caspian Region: Geopolitical Arena. Clash of Interests and Energy Security. Civitas et Lex, 26(2), 7–22.

43 BP.com. (n.d.). Shah Deniz has been and still is BP's largest discovery since Prudhoe Bay.

44 Ebrd.com. (n.d.). Shah Deniz gas export Project Stage 1 Development Environmental & Socio-economic Impact Assessment. Retrieved April 27, 2023, from http://web.archive.org/web/20161020010821/http://www.ebrd.com/english/pages/project/eia/shahdeni.pdf

45 Unece.org. April 27, 2023, from https://unece.org/dam/env/documents/2019/ece/restart/azerbaijan/azerbaijan-response.pdf

Map 11: Shah Deniz Contract Area[46]



The exploration of the SDX-1, SDX-2, and SDX-3 wells started in 1999.[47] The first well drilling proved that the field was rich in natural gas reserves.[48] The second well drilling estimated the real potential of the SD.[49] However, the drilling of the SDX-3 did not bring desirable results. In contrast to the positive expectations, SDX-3 did not contain any amount of natural gas.

The negotiations between the Azerbaijani government and potential members of the project began only in 1999. Despite the fact that the exploration of the SD field started in 1999, the implementation of some essential issues like drilling, the building of platforms, and the building of an onshore terminal was done only after seven years.

Therefore, two binding agreements concerning natural gas extraction from SD in 2001 were signed. The first agreement, the so-called "Intergovernmental Agreement and a Sale and Purchase Agreement," was signed with Turkey in Ankara on 12

46 https://www.minenergy.gov.az

47 BP.com. (n.d.). Shah Deniz has been and still is BP's largest discovery since Prudhoe Bay.

48 Azakov, S. I. (2018, December). Contribution of Azerbaijan to the energy security of the European Union. In IOP Conference Series: Materials Science and Engineering (Vol. 459, No. 1, p. 012011). IOP Publishing.

49 Offshore-mag.com. (April 1, 2000). Shah Deniz's potential provides hope for other Caspian Sea operators. Retrieved April 27, 2023, from https://www.offshore-mag.com/business-briefs/equipment-engineering/article/16763348/shah-denizs-potential-provides-hope-for-other-caspian-sea-operators

March 2001.[50] According to this contract, the countries agreed to supply natural gas from the SD natural gas field to Turkey.[51] Consequently, due to the signed agreement between the Azerbaijani SOCAR and the Turkish BOTASH, Azerbaijan undertook to supply Turkey 6.6 bcm/a natural gas.[52] The next deal was signed between the Azerbaijani and the Georgian governments on"Intergovernmental Agreement and Related Accords for the Transit, Transportation, and Sale of Natural Gas" on 29 September of the same year. The signing of the contract documents was realized by the presence of the presidents of Azerbaijan and Georgia.[53]

Two final-stage agreements were signed, which significantly accelerated the project's implementation. A so-called "Host Government Agreement" between Azerbaijan and the member energy companies of the project concerning transit, transportation, and natural gas supply from SD 1 was reached in February 2001. The agreement with the same content on transit, transportation, and sale of natural gas, marking the transition into the final stage of engineering, tendering, and commercial development work, was signed between Georgia and SD member companies on 14 March of the same year.[54]

In 2005–2006 a gasket SCP was built between Sangachal terminal and Erzurum, Turkey, for transporting natural gas from the SD field. The length of the gasket reached about 690 km.[55] The construction of the entire part of the SD gas project was finished by 2006. Therefore, production started in 2006. The field has a producing capacity of nearly 10 bcm/a of natural gas and around 50,000 b/d of condensate.[56]

However, transport from the SD 1 started three months later than it was initially planned. The delay was caused because of technical problems in the natural gas field. For this reason, the Azerbaijani government announced the shutdown of the first

50 Intergovernmental Agreements and Host Government Agreements on Oil and Gas Pipelines. A Comparison. (2015). Retrieved April 27, 20213, from http://web.archive.org/web/20170909132434/http://www.energycharter.org/fileadmin/documentsmedia/legal/agreements_on_oil_and_gas_pipelines.pdf

51 BBC.co.uk. (March 12. 2001). Caspian gas deal signed. Retrieved April 27, 2023, from http://web.archive.org/web/20200218055259/http://news.bbc.co.uk/2/hi/europe/1217151.stm

52 Cohen, G. (July 2019). Natural gas import and export routes in South-East Europe and Turkey. Workingpaper, No26.

53 Jamestown.org. (October 3, 2001). Agreements on Shah-Deniz Gas Transit Signed. Retrieved April 27, 2023, from http://web.archive.org/web/20210227194954/https://jamestown.org/program/agreements-on-shah-deniz-gas-transit-signed/

54 Intergovernmental Agreements and Host Government Agreements on Oil and Gas Pipelines. A Comparison. (2015).

55 BP.com. (December 15, 2006). Production begins at Shah Deniz gas condensate field in the Caspian Sea. Retrieved April 27, 2023, from http://web.archive.org/web/20201023214734if_/https://www.bp.com/en_az/azerbaijan/home/news/press-releases/production-begins-at-shah-deniz-gas-condensate-field-in-the-casp.html

56 BP.com. (n.d.). Shah Deniz has been and still is BP's largest discovery since Prudhoe Bay.

stage of the SD field for a few weeks.[57] However, natural gas production was renewed by July 2007. The export to Turkey was restarted on 4 July 2007.[58]

5.2.1 Azerbaijan's economic profit

Azerbaijani officials announced in 2013 that Azerbaijan would not take any significant revenues from the SD 1 natural gas field for the following years. Consequently, the Deputy Minister of Finance of the Republic of Azerbaijan, Azer Bayramov, on 11 December 2013, stressed that Azerbaijan would get no revenue from the SD 1 in the next four years. He named the tremendous expenditure that Azerbaijan had to invest in developing and implementing the SD 2 field as the main reason. Consequently, the investment into SD 2 was calculated up to $60 bn.[59]

The total investment from 2003 to 2013 was calculated as $8.224 bn.[60] Considering that this was the first natural gas project of Azerbaijan, the Azerbaijani government and citizens had high expectations that this energy project could have a significant influence on natural gas extracted from the SD field constituted $66 million in 2020.[61] For comparison, Azerbaijan made economic gains of around $189.5 million in the first part of 2015.[62]

The entire economic profit of the SOFAZ from SD 1 from the day of its realization to May 2016 amounted to $2.506 bn. The modest income from the SD 1 was invested in the construction and development of the SD 2 project,[63] which supplies natural gas from the field to Europe. The Ministry of Energy of the Republic of Azerbaijan

57 Valve-world.net. (December 2014).

58 BP.com. (n.d.). Shah Deniz has been and still is BP's largest discovery since Prudhoe Bay.

59 Haqqin.az. (December 12, 2013). I. Shaban: Zamministra Azer Bayramov prav-deneq ot prodaji qaza ne budet [The Deputy Minister Azer Bayramov is right – there will be no money from the sale of gas]. Retrieved April 27, 2023, from http://web.archive.org/web/20131215034045/http://haqqin.az/news/14182

60 Naturalgaseurope.com. (November 19, 2014). Total investment in Shah Deniz gas field at $11.4 billion. Retrieved April 27, 2023 from https://www.naturalgaseurope.com/shah-deniz-gas-field-investments-profit

61 Azernews.az. (June 3, 2020). State Oil Fund announces revenues from ACG, Shah Deniz fields. Retrieved April 28, 2023, from http://web.archive.org/web/20200928220736/https://www.azernews.az/oil_and_gas/165701.html

62 Haqqin.az. (August 18, 2015). Pribil Azerbaydjana v Shah Deniz snizilas na tret [The profit of Azerbaijan in Shah Deniz has decreased on a third]. Retrieved April 27, 2023, from http://web.archive.org/web/20150820214442/http://haqqin.az/news/51191

63 Haqqin.az. (December 12, 2013).

states that it was extracted 12.3 bcm of natural gas from SD between January-August 2020.[64]

BP states that the field's production capacity is over 56 mcm/d or over 20 bcm/a of natural gas. From the day of the first extraction until the end of 2018, it has produced more than 100 bcm of natural gas.[65] SOFAZ garnered 534.7 million manat ($314.5 million) in revenue from the Shah Deniz field's gas and condensate sales, with condensate sales specifically contributing 58 million manat ($34 million).[66]

5.3 Shah Deniz Stage-2

SD 2 is the second stage of the natural gas field explored in the Azerbaijani part of the Caspian Sea. The SD 2 area is one of the world's most significant natural gas fields. It plays a considerable role in ensuring the energy security of Europe by transporting natural gas from Azerbaijan to the energy market of Europe.[67] The total expenditure for its realization is calculated to be up to $45 bn.[68]

The first stage's capacity is estimated at nearly 1,2 tcm, and its production capacity equals 9 bcm/a.[69] However, it is expected that the extraction from the second stage will increase the total capacity of the field for an extra 16 bcm/a and condensate capacity for 120,000 b/d.[70] An agreement was signed that entails an export of 10 bcm natural gas to Europe. It implies the export of 1 bcm of natural gas to Bulgaria and Greece and the rest to Italy.[71]

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64 Minenergy.gov.az. (September 22, 2020). Gas production increased over the eight months. Retrieved April 27, 2023, from https://minenergy.gov.az/en/xeberler-arxivi/bu-ilin-sekkiz-ayinda-qaz-hasilati-artib

65 BP.com. (n.d.). Shah Deniz has been and still is BP's largest discovery since Prudhoe Bay.

66 Trend.az. (March 5). Retrieved March 12, 2024, from Azerbaijani Sofaz airs its earnings from Shah Deniz field for 2M2024. https://en.trend.az/business/energy/3870288.html

67 BP.com. Shah Deniz Stage 2, Azerbaijan. (2018, June 30). Retrieved April 27, 2023, from http://web.archive.org/web/20210127165757/https://www.bp.com/en/global/corporate/investors/upstream-major-projects/major-projects-2018/shah-deniz-stage-2.htm

68 Emerson.com. (n.d.). Emerson to Automate BP-Operated Shah Deniz Stage 2 Operations in Azerbaijan. Retrieved April 27, 2023, from https://www.emerson.com/en-gb/news/corporate/shah-deniz-stage-2-operations

69 BP.com. (April 16, 2012). Shah Deniz stage 2 project enters the next phase of development. Retrieved April 28, 2023, from https://www.bp.com/en/global/corporate/news-and-insights/press-releases/shah-deniz-stage-project-enters-the-next-phase-of-development.html

70 Offshore-technology.com. (n.d.). Shah Deniz Stage Two, Caspian Sea. Retrieved April 28, 2023, from https://www.offshore-technology.com/projects/shah-deniz-stage-2-caspian-sea/

71 Pirani, S. (2018). Let's not exaggerate–Southern Gas Corridor prospects to 2030.

The implementation process of the field began still in December 2007. Nevertheless, the construction of the project's second stage started in April 2012. The last amount of capital invested in its development was announced in December 2013.[72] The long negotiations between energy enterprises and the lack of sufficient infrastructure for the export of the natural gas reserves caused the delay of its realization.

For the realization of the project, nearly 28$ bn was needed, according to BP's announcement in 2013, while exactly 28$ bn. the investment was spent on exporting natural gas from the SD field to the Georgian-Turkish border.[73]

The modern concept of the SD 2 contains the following processes:[74]

- Drilling of 26 wells functioning underwater;
- Building two new platforms;
- Underwater pipelines for the gas and condensate;
- Expansion of the Sangachal terminal;
- The construction of two gas-compressor stations.

The extracted natural gas from the SD field is delivered via a 3500 km long SGC pipeline. The SGC pipeline route system is one of the significant and expensive pipeline systems of the region and involves three essential projects to export gas to Europe.[75]

The SGC consists of the following projects:

a) South Caucasus Pipeline (SCP), which is expected to be extended through a newly constructed parallel pipeline across Azerbaijan and Georgia.
b) Trans Anatolian Pipeline (TANAP) that supplies from the SD extracted natural gas across Turkey.
c) The final stage, the so-called Trans Adriatic Pipeline (TAP), was constructed to transport the gas from Greece and Albania to Italy.

72 Offshore-technology.com, https://www.offshore-technology.com/projects/shah-deniz-stage-2-caspian-sea/

73 BP.com. (December 17, 2013). Shah Deniz investment decision paves way for Southern Corridor gas link. Retrieved April 28, 2023, from http://web.archive.org/web/20210119051926/https://www.bp.com/en/global/corporate/news-and-insights/press-releases/shah-deniz-final-investment-decision-paves-way.html

74 BP.com. Shah Deniz investment decision paves way for Southern Corridor gas link.

75 Offshore-energy.biz. Shah Deniz Stage 2 well underway. (August 14, 2015). Retrieved April 28, 2023, from https://www.offshore-energy.biz/video-shah-deniz-stage-2-well-underway/

5.3.1 Shareholders and agreements concerning the implementation

The negotiations around the SD gas field's second stage began in early 2008. The talks' main issue became the discussions around transport channels' definition to export the additional gas volume from the SD 2 to the European energy market.[76] The ceremony of the so-called Final Investment Decision (FID) took place in Azerbaijan's capital on 17 December 2013 after five years of continued and lively negotiations.[77]

The international energy companies: BP, SOCAR, TPAO, Petronas, Lukoil, and NICO became the member enterprises of the projectSome changes in the shares of the member companies have appeared since the signing of the agreement. Consequently, the Russian energy company LUKOIL bought 5% of Eni's shares in June 2004. Further, BP and SOCAR purchased the shares of Statoil in December 2013. Thus, BP and SOCAR acquired an extra 3.3% and 6.7%, respectively.[78] Moreover, Total SA sold its 10% share to Turkish TPAO in May 2014.[79]

According to the main shareholder and operator of the SD field BP, some essential agreements concerning the second stage's development have already been signed. The total value of the contracts equals more than $13 bn., reported Trend agency.[80]

The first contract, which includes the construction and commissioning of the SD 2, has been granted to Tekfen-Azfen Consortium. The worth of this agreement is estimated at around $998 million. The work started in January 2014.[81]

The work of the consortium includes some functions such as:[82]

76 Fackrell, B. (2013). Turkey and regional energy security on the road to 2023. Turkish Policy Quarterly, 12(2), 83-89.

77 Fackrell, B. E. (2013). Current Developments in Regional Energy Security and Turkey. Insight Turkey, 15(1).

78 Amirova-Mammadova, S. (2018). New Geopolitics of the Southern Gas Corridor. In Pipeline Politics and Natural Gas Supply from Azerbaijan to Europe (pp. 159-190). Springer VS, Wiesbaden.

79 Soltanov, E. (2011). South East Europe Pipeline: Greater Benefit for a Greater Number of Actors. Istituto Affari Internazionali (IAI).

80 Pomfret, R. (2012). Oil and power in the Caspian Region. Handbook of oil politics, 191–205.

81 Jamestown.org. (January 14, 2014). Shah Deniz Investment Decision Validates Commercial Agreements, Triggers Construction Contracts. Retrieved April 10, 2023, from http://web.archive.org/web/20210221083530/https://jamestown.org/program/shah-deniz-investment-decision-validates-commercial-agreements-triggers-construction-contracts/

82 BP.com. (December 19, 2013). Shah Deniz begins to award Stage 2 contracts. Retrieved April 28, 2023, from https://www.bp.com/en_az/azerbaijan/home/news/press-releases/shah-deniz-begins-to-award-stage-2-contracts.html

- Construction of the foremost gas and condensate processing facilities at the Sangachal terminal;
- Gas, condensate, and MEG pipeline installation from the offshore pipeline beach landing site to the terminal facilities;
- Brownfield works in the existing Sangachal Terminal

The second agreement of the SD 2 spans some essential processes like fabrication, load out and offshore hook-up, and commissioning of the top sides' units of the SD 2 platforms – Production and Risers platform (SDB-PR) and Shah Deniz Bravo, Quarters and Utilities (SDB-QU) platform was granted to the AMEC Tekfen Azfen (ATA) in December 2013.[83] The deal is worth about $974 million. This contract started to function in January 2014.[84]

Exploration Development and Production Sharing Agreement (EDPSA) was awarded to the consortiums by the Azerbaijani Republic. The awarded consortiums became an appropriate right to investigate and produce natural gas from the SD field. EDPSA provides:[85]

- Definition of the SD exploration area;
- Investment and work commitment scope;
- Application of the taxation principles;
- Involvement of the State in decision-making;
- Costs, which the Contractor Parties may recover against petroleum production and the profit-sharing formula.

5.3.2 Development during last years and expectations

According to BP, the project's primary operator, the first part of 2020 was relatively productive in developing the SD field. It was extracted nearly 4.7 bcm of natural gas and 1 mt (7.7 mb) of condensate from the Shah Deniz Alpha and Shah Deniz Bravo platforms.[86] For comparison, 5.2 bcm of gas and 1.2 mt of condensate were obtained in 2015. The expenditure for the development of the field in the first part of 2016

83 Ibid.

84 Patnaik, R. (January 29, 2014). AMEC Wins US$974 Million Service Contract for Shah Deniz II Gas Field, Oil Review Middle East, https://www.oilreviewmiddleeast.com/gas/amec-bags-us-974-million-service-contract-for-gas-field-in-caspian-sea

85 Rzayeva, G. (2015). The Outlook for Azerbaijani Gas Supplies to Europe: Challenges and Perspectives.

86 BP.com. (n.d.). Shah Deniz has been and still is BP's largest discovery since Prudhoe Bay.

reached $225 million, while significant amounts of money were invested, especially in the development of SD2.[87]

In general, BP estimated 2016 as one of the most fruitful years in developing the SD 2 stage. More than 89% of works concerning the critical stages, such as engineering, procurement, and construction of the SD 2 natural gas project were accomplished, particularly in this year. Over 24000 people were involved in developing the Azerbaijani part of the project, and more than 80% of workers were Azerbaijani citizens.[88]

According to the report of the project's primary operator, 2017 was the most successful year in developing the field. Thus, it accomplished more than 92% of the implementation regarding engineering, procurement, and construction by 2017.[89] BP states that it was produced over 121 bcm of gas and 28 mt of condensate since the beginning of the production. Moreover, the installation of subsea activities via the Khankendi vessel went on in the first quarter of 2020.[90]It was estimated that after the start of the natural gas output from SD 2, the volume of extracted and exported natural gas would grow significantly.[91]

Therefore, if the first stage's shipping capacity was 10 bcm/a, while the second stage's export capacity is estimated at 16 bcm/a, the total export potential of the field should reach up to 26 bcm/a. At the beginning of 2021, Azerbaijan started its direct natural gas supply to the European natural gas market for the first time in its history.[92]

Azerbaijan invested significant capital in the realization of the project. However, it needed an extra essential amount of investment to continue constructing other parts, so the Azerbaijani economy has experienced some challenges with further in-

87 Teknoblog.ru. (August 22, 2016). Britanskaya BP narashivaet dobichu qaza v Azerbaydjane [The British BP increases gas production in Azerbaijan]. Retrieved April 28, 2023, from h ttps://teknoblog.ru/2016/08/22/67509

88 Azernews.az. (August 17, 2017). BP: Shah Deniz Stage 2 project over 95pct complete. Retrieved April 28, 2023, from http://web.archive.org/web/20180922165504/https://www.azernews.az/oil_and_gas/117753.html

89 BP.com. (n.d.). Shah Deniz has been and still is BP's largest discovery since Prudhoe Bay.

90 BP.com. (n.d.). Business Update 1 st quarter 2020 results. Retrieved April 28, 2023, from https://www.bp.com/content/dam/bp/country-sites/en_az/azerbaijan/home/pdfs/business-updates/1q_2020_results-eng.pdf

91 Abc.az. (November 4, 2015). Pik dobichi qaza s mestorojdeniya Shah-Deniz budet dostiqnut in 2020 [The gas production peak from the field Shah-Denise will be reached in 2020]. Retrieved April 28, 2023, from http://web.archive.org/web/20160406204844/http://abc.az/rus/news/91931.html

92 Offshore-energy.biz. (January 4, 2021). Azerbaijan sends first gas export via TAP pipeline. Retrieved April 28, 2023, from http://web.archive.org/web/20210113200043/https://www.offshore-energy.biz/azerbaijan-sends-first-gas-export-via-tap-pipeline/

vestment because of the low prices of energy resources in the world energy market. Consequently, the profit from SD 1 was being used for the implementation of SD 2.[93]

Azerbaijan's economy has already suffered significantly from the "turbulence of oil prices," which has been considered since 2014. For this reason, the national currency of Azerbaijan lost half of its value and became the world's worst-performing currency in 2015.[94]

Since an essential part of the profit from the project will be used on the settlement of the expenses,[95] consequently, it is relatively challenging to anticipate whether the implementation of this expensive project brings expected substantial financial dividends to the Azerbaijani budget.

5.4 South Caucasus Pipeline

SCP, which was endorsed for the construction and operation in February 2003, is a critical phase of the first stage of the SD natural gas field. The project's development started in 2004 and was accomplished two years later, in the second part of 2006. It was invested nearly $1 bn. in constructing the entire project. The whole length of the pipeline is 691 km,[96] and its operation life was planned for up to 30 years.[97] According to BP, the operating costs constituted $47 million, while the capital costs were $13 million in 2020.[98] The primary purpose of SCP's design, which is well-known with its definition BTE pipeline, is the export of natural gas from Azerbaijan to Georgia and Turkey. The natural gas export starts in the Sangachal terminal in Azerbaijan, and

93 Offshore-technology.com. (August 14, 2016). Shah Deniz: The ace up Azerbaijan's sleeve. Retrieved April 28, 2023, from http://web.archive.org/web/20170705041412/http://www.offshore-technology.com/features/featureshah-deniz-the-ace-up-azerbaijans-sleeve-4978356/

94 FT.com. (December 21, 2015). Azerbaijani manat collapses after government abandons dollar peg. Retrieved April 28, 2023, from http://web.archive.org/web/20210108164259/https://www.ft.com/content/b5f46eac-a7c4-11e5-9700-2b669a5aeb83

95 Haqqin.az. (December 12, 2013).

96 443 km of the whole length of the pipe is located in Azerbaijan and 248 km in Georgia.

97 Hydrocarbons-technology.com. (n.d.). South Caucasus Pipeline (SCP), Georgia, Turkey, Azerbaijan. Retrieved April 28, 2023, from http://web.archive.org/web/20201001010226/https://www.hydrocarbons-technology.com/projects/south-caucasus-pipeline-scp-georgia-turkey-azerbaijan/

98 BP.com. (February 4, 2021). 2020 full year results. Retrieved April 28, 2023, from http://web.archive.org/web/20210204075538if_/https://www.bp.com/en_az/azerbaijan/home/news/business-updates/2020-full-year-results.html

it is exported via the SCP,[99] while the pipeline adjoins the Turkish gas distribution system in Turkey, namely to the domestic supply grid at Erzurum.[100]

Only one company, the South Caucasus Pipeline Company (SCPC), is obligated to build and operate the SCP pipeline system. Therefore, if BP has a technical operator function and is obliged to care about some critical issues, such as the construction and operation of the SCP facilities, SOCAR Midstream Operations Limited executes the project's business administration function.[101]

The original construction reason for the expansion of the SCP intends to prolong the SCP System's total length to deliver an additional amount of natural gas extracted from the SD 2 natural gas field to Georgia, Turkey, and further to Europe (see Map 12). The expansion of the SCP includes laying new pipelines in the Azerbaijan territory and building two new compressor stations in Georgia to increase the amount of exported natural gas three times. Consequently, the SCP expansion will increase the volume of exported natural gas up to 20 bcm/a.[102]

A 48-inch pipeline loop was built to accommodate other 16 bcm/a gas alongside the originally constructed SCP. The extension of the pipeline causes some additional vital facilities besides the construction of a 48-inch pipeline loop that is necessary to accomplish an extension of SCP:[103]

- Two new compressor stations in Georgia;
- Comprise two new compressor stations, one in Azerbaijan and another one in Georgia;
- Six 48-inch block valve stations, five in Azerbaijan and one in Georgia;
- Pressure reduction and metering stations at the international borders;
- Interconnection with TANAP at the Georgia-Turkey border.

It was initially intended to create a pipeline connection between SCP and TANAP in Eastern Turkey through the SCP extension. The construction of TANAP, which

99 BP.com. (2020). Sangachal terminal. Retrieved April 28, 2023, from http://web.archive.org/web/20210119043826if_/https://www.bp.com/en_az/azerbaijan/home/who-we-are/operationsprojects/terminals/sangachal_terminal.html

100 BP.com. (2020). BP history in Georgia. Retrieved April 28, 2023, from http://web.archive.org/web/20201130082609if_/https://www.bp.com/en_ge/georgia/home/who-we-are/history.html

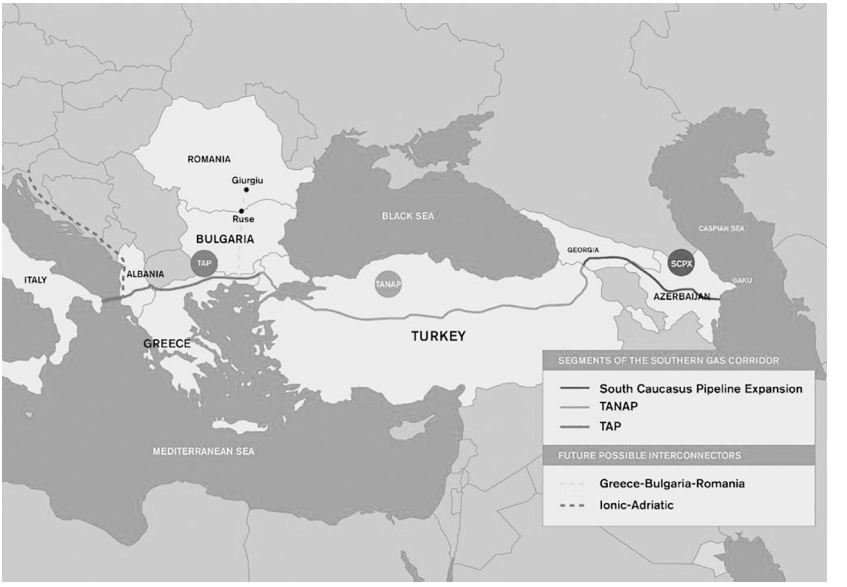
101 BP.com. (2020). South Caucasus Pipeline Project. Retrieved April 28, 2023, from http://web.archive.org/web/20200428091227/https://www.bp.com/en_ge/georgia/home/who-we-are/scp.html

102 BP.com. South Caucasus Pipeline Project.

103 BP.com. (2020). BP history in Georgia.

connects with TAP, was officially started in March 2015.[104] In its turn, TAP exports natural gas extracted from the SD to Greece, Albania, and under the Adriatic Sea to the Southern part of Italy. The entire length of TAP is about 1900 km, while its range reaches 870 km.[105]

Map 12: SCP expansion[106]



5.5 TANAP

TANAP is a critical lot of the entire SGC project. It is a pathbreaking pipeline that exports natural gas from the Azerbaijani part of the Caspian Sea to the energy market of Europe for the first time in the energy industry of Azerbaijan.

The entire amount of TANAP transported natural gas will reach 16 bcm/a. It was initially planned to supply 6 bcm/a to Turkey and 10 bcm/a from 16 bcm/a to the Eu-

104 Oilandgas360.com. (October 14, 2015). New pipeline will triple Azerbaijan's natgas piped to Europe, avoiding Russia. Retrieved April 28, 2023, from http://web.archive.org/web/20190806050832/https://www.oilandgas360.com/new-pipeline-will-triple-azerbaijans-natgas-piped-to-europe-avoiding-russia/

105 BP.com. (2020). BP history in Georgia.

106 https://www.offshoreenergytoday.com

ropean energy market.[107] The construction of the project was expected to be finished by the end of 2018.[108] The first export volume should have been supplied to Turkey by late 2018 and the EU in 2019. However, some reasons delayed the transport. Azerbaijan exported its first natural gas volume to the European energy market in early 2021.

TANAP starts in the Turkish village of Türkgözü, namely in the Posof district of Ardahan. The pipe further goes through 20 provinces: Kars, Erzurum, Erzincan, Bayburt, Gümüşhane, Giresun, Sivas, Yozgat, Kırşehir, Kırıkkale, Ankara, Eskişehir, Bilecik, Kütahya, Bursa, Balıkesir, Çanakkale, Tekirdağ, and Edirne (see Map 13) and connects with another pipeline. Consequently, the last point of TANAP is Edirne city, where TANAP connects with TAP, which exports natural gas through Albania and an offshore zone in the Adriatic Sea to Italy.[109]

An agreement was reached between the TAP and the TANAP consortiums about a partnership and cooperation between the consortiums on 22 November 2012. The signed Memorandum of Understanding and Cooperation between the two companies spans some vital aspects such as technical and commercial framework, the organization of cooperative activities, and the creation of a platform for the information exchange between TANAP and TAP.[110]

There are two off-take stations on Turkey's territory, which are used to transfer natural gas further. One of them was constructed in Eskisehir city. Another one is in Thrace. TANAP's length is about 1850 km and is one of the longest pipelines in the world, built 19 km under the Marmara Sea.[111] It is also one of the crucial natural gas pipeline routes for Turkey's energy industry. TANAP includes some fundamental technical stuff:[112]

- Seven compressor stations;
- Four measuring stations;
- 11 pigging stations;

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107 Caspianbarrel.org. (April 24, 2015). BP becomes shareholder of TANAP project. Retrieved April 28, 2023, from http://caspianbarrel.org/az/2015/04/bp-becomes-shareholder-of-tanap-project/

108 Reuters.com. (March 11, 2015). TANAP gas pipeline project sees shareholding deal with BP soon. Retrieved April 28, 2023, from http://web.archive.org/web/20160127095457/http://www.reuters.com/article/tanap-bp-idusl5n0wd3he20150311

109 TANAP.com. (n.d.). Trans Anatolian Natural Gas Pipeline Project. Retrieved April 28, 2023, from http://web.archive.org/web/20210322180706/https://www.tanap.com/tanap-project/why-tanap/

110 Euro-petrole.com. (n.d.). Statement by the OSCE Minsk group Co-Chair countries. Retrieved April 25, 2023, from http://www.osce.org/mg/51152

111 TANAP.com. (n.d.). Trans Anatolian Natural Gas Pipeline Project.

112 Ibid.

- 49 block valve stations;
- Two off-take stations to supply Turkey's national natural gas network.

Construction of the pipeline was initially suggested at the 3rd Black Sea Energy and Economic Forum, which took place in Istanbul in November 2011. Two memorandums of understanding were signed between Azerbaijan and Turkey to construct the pipeline. The first Memorandum was signed in December 2011, while the second was signed next year, namely in June 2012.[113]

The pipeline was expected to reach its maximum export capacity in 5–8 years after exporting its first natural gas volume. In January of 2021, the pipelines reached their planned capacity, 16bcm.[114] However, it is expected that the ability of the TANAP will reach up to 24bcm/a by 2023–2024[115] and a maximal export volume of 31bcm/a by 2026.[116]

TANAP runs through 20 provinces, 67 districts, and 600 villages, and the pipeline's construction has been realized in three lots. The first section of the pipeline is 375 km long and covers the territory from Türkgözü village, which is located in the Posof district of Ardahan province, to the Askale district of the Erzurum Province, while the length of the second lot is 450 km and runs through Sivas, Erzincan, Gümüshane, and Bayburt. Thelength of the final stretch is 509 km.[117]

The ILF Consulting Engineers realized the project's design and consulting services, while WorleyParsons provided the engineering, procurement, and construction management services. Consequently, all three sections of the project were constructed by different construction enterprises. Fernas Construction built the first section, and the second section was built for $540 million by three enterprises in collaboration: Italian enterprise Sicim, Turkish Yuksel, and Azerbaijani Akkord.

113 Hydrocarbons-technology.com. (n.d.). Trans Anatolian Natural Gas Pipeline Project (TANAP). Retrieved April 28, 2023, from http://web.archive.org/web/20210224180824/https://www.hydrocarbons-technology.com/projects/trans-anatolian-natural-gas-pipeline-project-tanap/

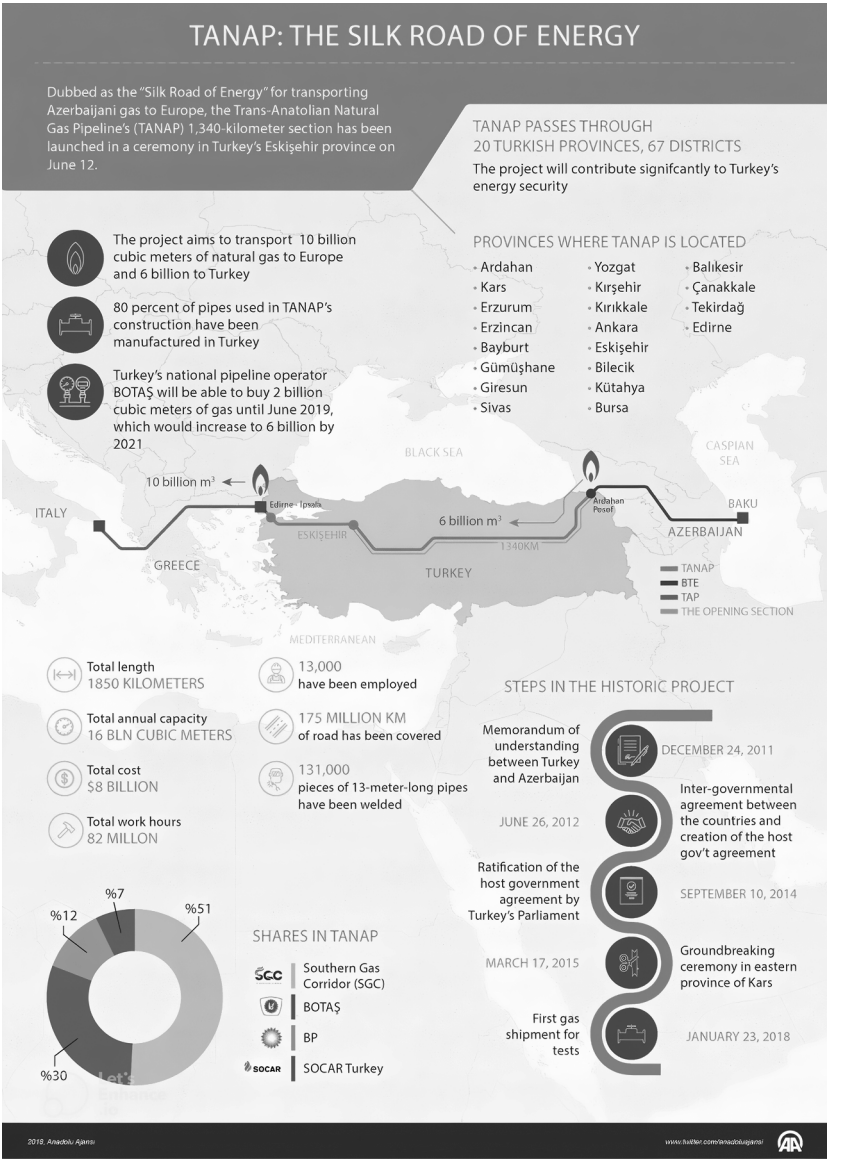
114 Hurriyetdailynews.com. (January 15, 2021). TANAP carrying gas in full capacity: CEO. Retrieved April 28, 2023, from http://web.archive.org/web/20210117085948/https://www.hurriyetdailynews.com/tanap-carrying-gas-in-full-capacity-ceo-161643

115 Socarmidstream.az. (n.d.). Trans Anatolian Natural Gas Pipeline (TANAP) Gas Export Pipeline. Retrieved April 28, 2023, from http://web.archive.org/web/20210109052148/http://www.socarmidstream.az/project/tanap/

116 Hurriyetdailynews.com. (January 15, 2021).

117 TANAP.com. http://web.archive.org/web/20210322180706/https://www.tanap.com/tanap-project/why-tanap/

Map 13: TANAP[118]



118 https://www.dailysabah.com

The Tekfen Turkish Construction and Installation consortium implemented the construction of the third, the last lot.[119]

A contract was signed between the project partners in March 2015, shortly before the construction of TANAP. According to the agreement, BP and BOTAS acquired 12% of TANAP's shares, respectively.[120] In its turn, the SGC Closed Joint Stock Company received 58% of shares. Consequently, the shareholders of the project are:[121]

- SGC (58%);[122]
- BOTAS (30%);
- BP (12%).

5.5.1 Significance for Turkey and the EU

The project is crucial to Turkey's economic and energy security and will also strengthen Turkey's political position as a vital transit hub.[123] Consequently, the Turkish government has stressed its importance for Turkey's energy security.[124]

Considering Turkey's rapidly fast-growing energy demand and population, it would only be realistic to argue that Turkey can partially satisfy its energy needs with this project's help. However, part of its energy demand will be covered through this project.[125]

The construction of the SGC was first planned in the EC's Second Strategic Energy Review in the frames of the EU Energy Security and Solidarity Action Plan way back in 2008.[126] However, the gas crisis between the Russian and Ukrainian governments in 2006 accelerated the project's realization significantly.[127]

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119 Ibid.

120 Caspianbarrel.org. (April 24, 2015). BP becomes shareholder of TANAP project. Retrieved April 28, 2023, from http://caspianbarrel.org/az/2015/04/bp-becomes-shareholder-of-tanap-project/

121 Aslanli, A., & Isayev, A. (2019). Tanap And Tap As Part Of Azerbaijan's Energy Strategy. Economic and Social Development: Book of Proceedings, 642–649.

122 Azerbaijani Republic possesses 51% of the Southern Gas Corridor Closed Joint Stock Company's shares, while 49% of shares belong to SOCAR.

123 Yorucu, V., & Mehmet, O. (2018). The southern energy corridor: Turkey's role in European energy security (pp. 66-67). Cham: Springer International Publishing.

124 Esen, Ömer. "Security of the energy supply in Turkey: Prospects, challenges, and opportunities." International Journal of Energy Economics and Policy 6.2 (2016). 951 Pirani (2018).

125 Pirani (2018).

126 Prontera, A. (2017). Forms of state and European energy security: diplomacy and pipelines in Southeastern Europe. European Security, 26(2), 273-298.

127 Jarosiewicz, A. (2015). The Southern gas corridor. The Azerbaijani-Turkish project becomes part of the game between Russia and the EU. Ośrodek Studiów Wschodnich im. Marka Karpia.

One of the essential issues that the EC confronted in its energy planning strategy for 2020 was improving energy cooperation with extant energy sources and exploring new energy sources for further collaboration.[128] The SGC is a new energy source, and it makes it possible for the EU to get access to the Caspian Region, which would connect the European energy market with the Middle East's energy market.[129] However, it is pretty unrealistic to assume that the EU would meet a significant part of its natural gas demand by realizing the project, as demand outstrips supply.[130]

Meanwhile, it is still hoped that some natural gas-rich countries like Iran and Turkmenistan can supply their natural gas via TANAP, increasing the importance of this project significantly.[131] However, it is not realistic that the plan[132] will make the European gas market utterly independent from Russian gas because the amount of natural gas imported from Russia is so vast that the European energy market cannot deny buying it at this point.[133]

The export of natural gas from other alternative sources can bring the energy security of Europe to another and more stable level and simultaneously decrease its dependency on Russia significantly.[134] Moreover, the SGC project's realization would lead to a fall in natural gas prices in the gas market.

The USA supports the SGC project as a strategic partner of the EU. Consequently, the support of the project by the White House aims at diminishing the natural gas dependency of Brussels on Russia. Washington adhered to the same political strategy when it tried to reduce the oil dependency of the EU on Russia by supporting the BTC oil pipeline.[135]

The amount of natural gas supplied via the TANAP is expected to go up by 31 bcm/a. However, considering Azerbaijan's modest natural gas reserves, the country cannot export more natural gas to the European energy market than initially planned. Nevertheless, there are some alternative natural gas sources. Thus, the TANAP can become one of the most significant natural gas projects of modern

128 Hasanov, F. J., Mahmudlu, C., Deb, K., Abilov, S., & Hasanov, O. (2020). The role of Azeri natural gas in meeting European Union energy security needs. Energy Strategy Reviews, 28, 100464.

129 Ibrayeva (2018).

130 Pirani (2018).

131 Siddi, M. (2019). The EU's botched geopolitical approach to external energy policy: The case of the Southern Gas Corridor. Geopolitics, 24(1), 124-144.

132 Pirani (2018).

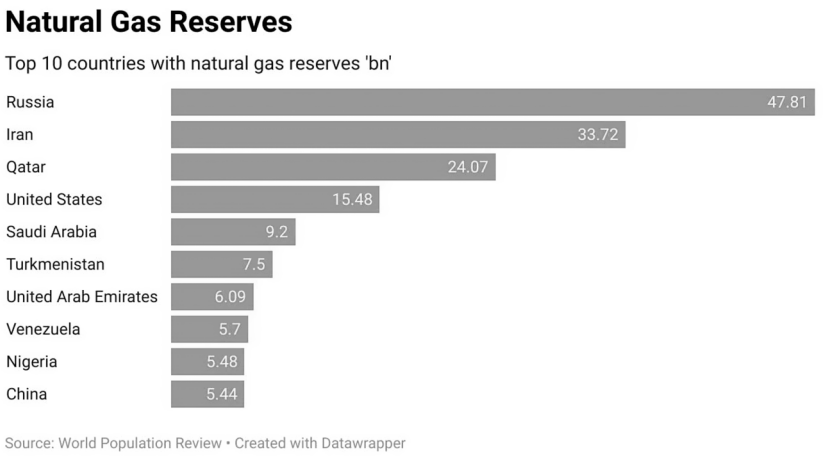
133 Richter, P. M., & Holz, F. (2015). All quiet on the eastern front? Disruption scenarios of Russian natural gas supply to Europe. Energy Policy, 80, 177–189.

134 Hafner, M. (2015). The Southern Gas Corridor and the EU Gas Security of Supply: What's Next. Natural gas europe, 28.

135 Ibid.

energy history if other natural gas suppliers increase the amount of trough pipeline transported gas.[136]

Figure 14: World natural gas reserves for the end of 2021[137]



The countries of the Caspian Region, like Iran and Turkmenistan that are rich in natural gas (see Figure 14), can increase the export capacity of the pipelines. Iran and Turkmenistan are two of the world's six natural gas wealthiest countries.[138] For instance, Iran is the second natural gas richest country on Earth,[139] and its natural gas reserves are over 16 times more than Azerbaijan's stocks.

Turkmenistan, which possesses 9.4% of the world's total proven gas reserves, can also contribute towards increasing the export capacity of TANAP.[140] The following two paragraphs consider the probability of Iran and Turkmenistan joining the TANAP project.

136 Southfront.org. (August 22, 2015). TANAP and the "Battle for Resources". Retrieved April 28, 2023, from http://web.archive.org/web/20201125195120/https://southfront.org/the-battle-for-resources/

137 https://www.worldpopulationreview.com

138 Worldpopulationreview.com. (n.d.). Natural Gas by Country 2021. Retrieved April 28, 2023, from http://web.archive.org/web/20210202233722/https://worldpopulationreview.com/country-rankings/natural-gas-by-country

139 Worldpopulationreview.com. (n.d.). Natural Gas by Country 2021.

140 Frontera.net. (April 1, 2017). Country with World's fourth largest Proven Gas Reserves now only has one Customer. Retrieved April 28, 2023, from https://frontera.net/news/asia/no-hot-air-this-turkmenistan-has-continued-to-lose-natural-gas-buyers/

5.5.2 Hypothetical probability of Tehran's joining

Even supposed all sanctions against Iran are lifted, some critical factors concerning Iran's participation in the project have to be taken into consideration:[141]

- **The strategic partnership between Russia and Iran**. The collaboration between Iran and Russia is essential not only in the Caspian region but also in the Middle East. Furthermore, Russia is a crucial political actor in Iran's policy towards the USA and Israel. If Iran joins the project, this would negatively affect the relations between the strategic partners. The Kremlin is not a supporter of the SGC project, which is initiated to reduce the Russian natural gas monopoly over the EU.[142] Therefore, in the case of its joining and exporting its natural gas through TANAP, Iran can jeopardize its relations with Russia, one of its closest allies alongside China.
- **Policy differences between Iran and Turkey**.[143] Iran has no constant natural gas market to export its gas reserves. Turkey is probably the most reliable and permanent energy market for Iran, so Turkey covers an essential part of its natural gas demand through natural gas imports from Iran. Even though there are relatively acceptable economic relations,[144] there are also some fundamental political differences between the two Muslim countries between Ankara and Tehran, especially in the Syrian crisis.[145]
- **"Poor relations" between Iran and Azerbaijan**. Historically political relations between Azerbaijan and Iran[146] are the most crucial reason why Iran would not be interested in participating in this project. The bilateral relations between the two countries have never been at a high level.[147] Therefore, the government of Iran often accuses Azerbaijan of political cooperation with the West.

141 Southfront.org. (August 22, 2015).

142 Siddi (2019).

143 Sinkaya, B. (2018). The Kurdish question in Iran and its effects on Iran-Turkey relations. British Journal of Middle Eastern Studies, 45(5), 840-859.

144 Akbarzadeh, S., & Barry, J. (2017). Iran and Turkey: not quite enemies but less than friends. Third World Quarterly, 38(4), 980-995.

145 Tür, Ö. (2016). Turkey-Syria relations: Between enmity and amity. Routledge.

146 Hasanli, J. (2006). At the Dawn of the Cold War: The Soviet-American Crisis over Iranian Azerbaijan, 1941– 1946. Rowman & Littlefield Publishers.

147 Hasanli, J. (2018). The Sovietization of Azerbaijan: The South Caucasus in the Triangle of Russia, Turkey, and Iran, 1920–1922. University of Utah Press.

5.5.3 Increasing of export through Turkmen gas

Considering Turkmenistan's tremendous natural gas reserves, Ashgabat's gas export via the TANAP project would dramatically increase the natural gas volume. In a meeting between the Foreign Ministers of Azerbaijan, Turkey, and Turkmenistan in February 2015, the central topic was to export Turkmen natural gas via TANAP.

The ceremony for laying the Turkish part of the project took place in the Turkish city of Kars on 17 March 2015. Nevertheless, there are also "barriers" to joining Turkmenistan in this project. Turkmenistan ships the lion's share of its natural gas resources to China[148] and Russia. Gazprom officially announced that it had stopped purchasing natural gas from Turkmenistan in January 2016.[149] However, it could have been predicted that Russia would not have refused to buy Turkmen gas for a moderate price for a long time, taking into account the Kremlin's critical political influence over the Turkmen government, so Russian restarted transporting natural gas from Turkmenistan in 2019.[150] Moreover, there is an agreement with Tehran about supplying Turkmen gas to Iran, so Turkmenistan provides to Iran about 9 bcm/a gas.[151]

Besides, a new agreement was signed with China to increase the amount of exported gas. Therefore, considering "poor" political relations with Europe and the relatively friendly political and economic ties with China and Russia, Ashgabat is more interested in supplying its natural gas to Beijing and Moscow than European countries.

Indeed, it would be a very optimistic scenario for Brussels to convince Turkmenistan to join the project. Consequently, the active involvement of the European energy enterprises in the gas production industry of Turkmenistan might be a positive step towards the future export of Turkmen gas through TANAP. However, it is believed that as the state budget of Turkmenistan loses the lion's share of "gas money" through the participation of the Western energy enterprises, Ashgabat is

148 Kong, Z., Lu, X., Jiang, Q., Dong, X., Liu, G., Elbot, N., ... & Chen, S. (2019). Assessment of import risks for natural gas and its implication for optimal importing strategies: A case study of China. Energy policy, 127, 11–18.

149 Thediplomat.com. (January 6, 2016). Russia's Gazprom stops buying gas from Turkmenistan. Retrieved April 28, 2023, from http://web.archive.org/web/20210209042051/https://thediplomat.com/2016/01/russias-gazprom-stops-buying-gas-from-turkmenistan/

150 Thediplomat.com. (April 25, 2019). Russia is buying Turkmen gas again. Why? Retrieved April 28, 2023, from http://web.archive.org/web/20210209042048/https://thediplomat.com/2019/04/russia-is-buying-turkmen-gas-again-why/

151 Reuters.com. (January 3, 2017). Turkmenistan limits natural gas supplies to Iran over arrears. Retrieved April 28, 2023, from http://web.archive.org/web/20190702071606/https://www.reuters.com/article/us-iran-turkmenistan-gas-violation-iduskbn14n1t9

not interested in a collaborative project with the EU and European energy companies.[152]

5.6 Nabucco

The idea to build a pipeline route to export natural gas from the SD 2 to Europe appeared after visiting Verdi's famous "Nabucco" Opera at the State Opera in Vienna. The shareholders were from Germany, Austria, Hungary, Romania, Bulgaria, and Turkey. Therefore, this project was named in honor of Verdi's well-known Nabucco Opera.

The Nabucco project was planned in 2002. This project's main target was the diversification of natural gas sources in Europe and diminishing the natural gas dependency of the European energy market on Russian natural gas. It was initially planned to export 31 bcm of natural gas by 2020, estimated as 5–10% of Europe's total natural gas consumption. However, only Azerbaijan announced its readiness to export almost 10 bcm/a natural gas via the Nabucco pipeline despite all favorable prognoses and expectations.[153]

However, since Azerbaijan could only export part of the planned 31 bcm/a natural gas volume, finding other natural gas sources was necessary to increase the pipeline's export capacity. Turkmenistan was considered the most probable country that could significantly increase the amount of exported gas. Nevertheless, the plan failed because of some political misunderstandings between official Baku and Ashgabat and the Caspian Sea's legal status.[154]

The Nabucco pipeline would have covered almost 4000 kilometers of area. Therefore, in the case of its realization, the planned pipeline would have crossed the territories of Azerbaijan, Bulgaria, Romania, Hungary, and Austria (see Map 14).[155] Considering the chosen TAP pipeline starts from the Turkish-Greek borders. It crosses Greece and Albania's territories and exports natural gas extracted from the SD 2 to

152 Frontera.net. (April 1, 2017).

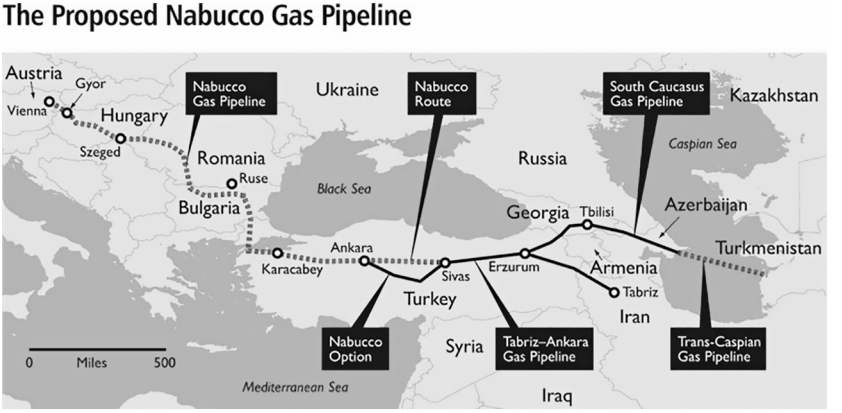
153 Balkaninsight.com. (July 1, 2013). Nabucco gas pipeline failure hits Romania, Bulgaria. Retrieved April 28, 2023, from http://web.archive.org/web/20131019090021/http://www.balkaninsight.com/en/article/failed-nabucco-project-to-affectromania-bulgaria

154 Marketos, T. (2009). Eastern Caspian Sea energy geopolitics: a litmus test for the US-Russia-China struggle for the geostrategic control of Eurasia. Caucasian Review of International Affairs, 3(1), 2.

155 Barysch, K. (2010). Should the Nabucco pipeline project be shelved?. Centre for European Reform.

Italy under the Adriatic Sea. Therefore, TAP distinguishes it from Nabucco with its fewer transit states.[156]

Map 14: Nabucco project[157]



Nabucco should have been a "bridge natural gas project" between Asia and Europe and the main pipeline of the SGC. Moreover, it would have been connected to two of the world's richest energy regions: the Caspian Region and the Middle East with Europe.[158] The project's realization would have meant the diversification of the natural gas sources for some European countries and the noticeable reduction of their natural gas dependency on Russia.[159] Meanwhile, Russia will remain the leading natural gas supplier for Europe in the near future,[160] despite all the progress achieved in diversified gas shipments to Europe, imported LNG from the USA, renewable energy resources, etc.[161]

156 Lajtai, R., Czinkos, A., & Dinh, T. (2009, October). Nabucco vs. South Stream: the effects and feasibility in the Central and Eastern European Region. In 24th World Gas Conference Buenos Aires, Argentina (pp. 5–9).

157 https://www.eurodialogue.org

158 Barysch (2010).

159 Fernandez, R. (2011). Nabucco and the Russian gas strategy vis-a-vis Europe. Post-Communist Economies, 23(01), 69-85.

160 DW.com. (February 4, 2019). Nord Stream 2 pipeline row highlights Germany's energy dependence on Russia. Retrieved April 28, 2023, from https://www.dw.com/en/nord-stream-2-pipeline-row-highlights-germanys-energy-dependence-on-russia/a-47344788

161 Popovic, N. (February 24, 2020). The Energy Relationship between Russia and the European Union. Retrieved April 28, 2023, from https://www.e-ir.info/2020/02/24/the-energy-relationship-between-russia-and-the-european-union/

On 26 June 2013, OMV, the internationally integrated Oil and Gas Company of Austria, officially reported the Nabucco project's failure and implementation of the new TAP project to replace Nabucco. After announcing Nabucco's loss, Azerbaijan, Turkey, Switzerland, Norway, and Germany announced their support for this more economically rentable project that can export natural gas through the shortest route from Azerbaijan to Italy via Turkey.[162]

5.6.1 Failure reasons

The final stage in eliminating the project was a capital investment in TANAP's favor. The costs of the Nabucco were estimated at almost $10 bn. Even after implementing some reforms like reducing expenditure costs, choosing a shorter export route, and using existing pipeline routes, it did not become possible to create an economically profitable pipeline route for Nabucco.[163] Consequently, the project's failure against TAP can be characterized as the economy's dominance over politics.[164]

Another crucial point of Nabucco's failure was the need for more solidarity and cooperation between European countries., Some European countries chose the South Stream project initiated by Russia. The South Stream was a critical competitive project against Nabucco. Russia increased its political pressure on Bulgaria, Romania, and Hungary to choose the South Stream project of Gazprom instead of Nabucco. Consequently, Russia achieved a more dominant and uncompetitive position in the Central and Eastern European energy markets with its victory over Nabucco.[165]

TAP was chosen in late 2013 as a project to export natural gas from Azerbaijan through Turkish-Greek borders to Italy. However, Italy possesses diversified gas sources, while East European countries like Bulgaria, Hungary, and Romania are still significantly dependent on Russian natural gas resources. Nabucco's implementation would have substantially reduced these countries' natural gas dependency on Russia.

The EU and the USA lost sight of their goals in the region too. For the last few years, the USA and Europe have forgotten their primary political goal of the 1990s. This meant Russia's prevention using its energy resources to dictate "its own game"

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162 Aa.com.tr. (June 27, 2013). Nabucco project fails, placed by Trans Adriatic Pipeline project. Retrieved April 28, 2023, from http://web.archive.org/web/20200223130827/https://www.aa.com.tr/en/turkey/nabucco-project-fails-placed-by-trans-adriatic-pipeline-project/235841

163 Skalamera, M. (2018). Revisiting the Nabucco Debacle: Myths and Realities. Problems of Post-communism, 65(1), 18–36.

164 Okumus, O. (2013). What did Turkey lose when EU lost Nabucco. Al Monitor Turkey Pulse.

165 Reuters.com. (May 1, 2014). Don't cry for the Nabucco pipeline. Retrieved April 28, 2023, from http://web.archive.org/web/20210125013237/http://blogs.reuters.com/great-debate/2014/05/01/dont-cry-for-the-nabucco-pipeline/

against the West. Consequently, Russia remains the primary energy supplier for Europe and the Western energy markets, and the Kremlin uses its gas resources as a political weapon.[166]

The USA had a more stable and active energy policy in the Caspian Region in the 1990s.[167] However, the Obama administration established other priorities to avoid direct political opposition with Russia.[168] Washington turned its attention to its internal issues after the broad usage of shale gas. Therefore, because of a lack of assertive political support,[169] official Baku had to avoid direct political opposition from Russia. Nevertheless, Azerbaijan could have been more decisive in its energy policy towards Europe to provide substantive political support from the USA and EU.[170]

5.7 TAP

The TAP pre-feasibility study started on January 1, 2003, so the Swiss EGL Energy Supplier Company undertook the project's feasibility study. TAP AG was officially registered as a joint venture TAP AG in Switzerland on March 13, 2007.[171] There were two route preferences for the export of natural gas from the Caspian Sea to Europe:[172]

- Northern pipeline route via Bulgaria-Macedonia-Albania;
- Southern pipeline route via Greece and Albania.

After all the intense discussions and negotiations, the southern route, the pipeline through Greece and Albania, was chosen as a more reliable route for realizing the TAP project.[173] This was a reconciliation between the Swiss energy company EGL Group and the Norwegian energy enterprise Statoil about creating the TAP AG on 13

166 Reuters.com. (May 1, 2014).

167 Kalicki, J. H. (2001). Caspian energy at the crossroads. Foreign Aff., 80, 120.

168 Olcott, M. B. (2009). A New Direction for US Policy in the Caspian Region. Carnegie Endowment for International Peace.

169 Ibid.

170 Ismail, M. A. (2009). Is the West Losing the Energy Game in the Caspian?. CA-CI Analyst, http.

171 Tap-ag.com. (n.d.). Feasibility and establishment of TAP (2003 – 2007). Retrieved April 30, 2023, from http://web.archive.org/web/20200920135608/https://www.tap-ag.com/the-pipeline/project-timeline/tap-project-milestones

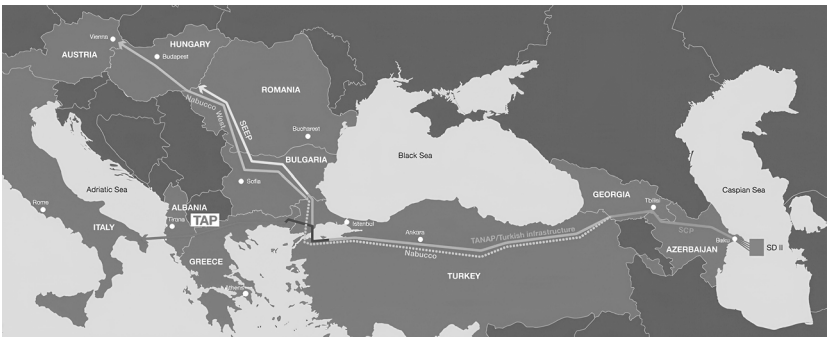
172 Egl.eu (March 13, 2007). Natural gas pipeline through Adriatic achieves major milestone. Natural Gas Pipeline through Adriatic Achieves Major Milestone, Retrieved April 30, 2023, from web.archive.org/web/20120308073539/www.egl.eu/eglch/en/home/media/news/archive/2007/2007_03_13.html

173 Giamouridis, Anastasios. Natural Gas in Greece and Albania: supply and demand prospects to 2015. Oxford Institute for Energy Studies, 2009.

February 2008.[174] A petition by the TAP AG and the Greek government in June 2008 on the design, construction, and ownership of an Independent Natural Gas System was filed.[175] The TAP country offices were established in January 2010 in all member countries of the project: Albania, Greece, and Italy.[176]

TAP was officially approved as a pipeline for gas export from the SD 2 natural gas field to Europe instead of the failed Nabucco in June 2013.[177] TAP crosses the territory of Northern Greece after the connection of TANAP with TAP. Meanwhile, it is the longest distance of the project. TAP will further go onwards, east to west through Albania to the Adriatic coast. Eventually, the pipeline will go from Italy to Western Europe[178] (see Map 15).

Map 15: TAP[179]



The entire TAP length is 878 km: Greece 550 km, Albania 215 km, the Adriatic Sea 105 km, and Italy 8 km, respectively.[180] The highest position (1800m) of the pipeline

174 Statoil.com. (2008). Joins EGL in Trans Adriatic Pipeline Gas Project. Retrieved April 30, 2023, from http://www.statoil.com/en/newsandmedia/news/2008/pages/transadriatic.aspx

175 Tap-ag.com. (June 19, 2008). Trans Adriatic Pipeline seeks approval to build gas system in Greece. Retrieved April 8, 2023, from http://web.archive.org/web/20160710084616/http://www.tap-ag.com/news-and-events/2008/06/19/trans-adriatic-pipeline-seeks-approval-to-build-gas-system-in-greece

176 Bilalli, M. (2016). Geopolitics of Albania–possibility of involving Republic of Kosovo in the pipeline–TAP.

177 Bocse, A. M. (2018). European gas supply security: Explaining the EU external Gas pipeline choices. In The international political economy of Oil and Gas (pp. 41-56). Palgrave Macmillan, Cham.

178 Ortis, A. (2015). Europe, Italy and TAP Project.

179 https://www.americansecurityproject.org

180 Naturalgasworld.com. Inauguration in Greece to take place may 17. (May 16, 2017). Retrieved April 28, 2023, from https://www.naturalgasworld.com/tap-inauguration-to-take-place-may-17-29582

is in Albania's mountains, while the lowest part (820 m) of the project is observed beneath the sea. The offshore part starts close to Albania's Fier city, crosses the Adriatic Sea, and further connects with Italy's natural gas system in the southern part of the country.[181]

The energy giants such as BP, SOCAR, Total, and Fluxys acquired the project's shares and officially joined the project on 30 June 2013. Therefore, TAP's shareholding consists of the following energy companies:[182]

- BP (20%)
- SOCAR (20%)
- Snam (20%)
- Fluxys (19%)
- Enagas (16%)
- Axpo (5%)

The EU supports the TAP project. The realization of this project is a very significant step towards the diversification of the natural gas sources of the EU. Hence, the EC Parliament granted this project and European Council (EUCO) the status of "Project of Common Interest."[183]

The natural gas export towards the European energy market via TAP was planned to start by early 2020. However, the commercial gas export was delayed and began by January 2021.[184] This project's realization is estimated as an excellent opportunity for some European countries to diversify their energy sources in the common European energy market. In its turn, Azerbaijan will have a unique occasion to profit economically from this project.[185]

According to the press release of the EC, TAP will have some advantages for the EU and participated countries:[186]

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181 Tap-ag.com. (n.d.). TAP route and infrastructure. Retrieved April 8, 2021, from http://web.archive.org/web/20210322180703/https://www.tap-ag.com/infrastructure-operation/tap-route-and-infrastructure

182 Naturalgasworld.com. Inauguration in Greece to take place may 17. (May 16, 2017).

183 EC.europa.eu (May 3, 2016). State Aid: Commission approves agreement between Greece and TAP allowing new gas pipeline to enter Europe. Retrieved April 28, 2023, from https://ec.europa.eu/commission/presscorner/detail/en/ip_16_541

184 Offshore-energy.biz. (January 4, 2021). Azerbaijan sends first gas export via TAP pipeline. Retrieved April 28, 2023, from http://web.archive.org/web/20210113200043/https://www.offshore-energy.biz/azerbaijan-sends-first-gas-export-via-tap-pipeline/

185 Keeptalkinggreece.com. (May 17, 2016). PM Tsipras inaugurates TAP gas pipeline, a $45-billion project. Retrieved April 28, 2023, from http://web.archive.org/web/20170921103649/http://www.keeptalkinggreece.com/2016/05/17/pm-tsipras-inaugurates-tap-gas-pipeline-a-45-billion-project/

186 EC.europa.eu. (May 3, 2016).

- The project will contribute to the further diversification of European energy supply sources and routes: it will bring gas from the Caspian Sea region, and potentially the Middle East, to the EU;
- Competition on the European gas market will be increased thanks to the extra volumes of gas and new supply route;
- The project will be funded entirely by private investment and will generate revenues in its Greek part only from the tariffs paid by clients shipping gas on the pipeline;
- The aid is in the form of a specific tax regime that, depending on whether tax rates increase or decrease, will lead TAP to pay more or less tax than it would without the aid. If the rates increase, the assistance will be limited to the minimum tax benefit for TAP;

5.7.1 Significance for host countries

The TAP realization will positively influence the host countries to get a particular volume of natural gas. Moreover, the project will also bring an essential economic dividend to the state budgets of the nations. For this reason, the realization of the project is in the common interest of all active participants.

The Albanian and Italian governments reached an interstate agreement on 10 March 2009. The contract was signed by Genc Ruli, the Minister of Economic, Trade, and Energy of Albania, and Claudio Scajola, Italy's Economic Development. The agreement is a project of common interests for both states. It implies the creation of energy cooperation between Albania and Italy and promotes the interconnection and integration of electric energy and natural gas systems.[187]

The Albanian, Greek, and Italian governments announced their political backing of the project on 28 September 2012, so support was officially confirmed through an agreement over the member countries' Memorandum of Understanding.[188]

Some main advantages of the TAP project for the host countries:[189]

187 Tap-ag.com. (March 12, 2009). Intergovernmental Agreement between Albania and Italy: Important Milestone for the Trans Adriatic Pipeline Project Achieved. Trans Adriatic Pipeline (TAP). Retrieved April 28, 2023 from https://www.tap-ag.com/news-and-events/2009/03/12/intergovernmental-agreement-between-albania-and-italy-important-milestone-for-the-trans-Adriatic-pipeline-project-achieved

188 Tap-ag.com. (September 28, 2012). Italy, Greece, Albania confirm political support for TAP with signing of MoU. Retrieved April 28, 2023, from https://www.tap-ag.com/news/news-stories/italy-greece-albania-confirm-political-support-for-tap-with-signing-of-mou

189 Tap-ag.com. (n.d.). Social and environmental investments. Retrieved April 28, 2023, from http://web.archive.org/web/20210115235715/https://www.tap-ag.com/sustainability/social-and-environmental-investments

- Direct contribution to GDP through taxes.
- Direct and indirect employment during construction and operation.
- Procurement of goods and services through eligible suppliers.
- Social and environmental investment: community investment programs.
- Access to roads and bridges in Albania.

Albania. TAP will initiate economic development in the country and advance the energy sector and play an essential role in stimulating foreign capital investments in the economy of one of the economically poorest countries of Europe. Consequently, the TAP project is one of the most significant projects in Albanian history.

Therefore, just in 2017, the TAP project brought to Albania's budget almost $430 million. It is awaited that the entire investment brought by the project to this country will be around €1.5 bn.[190] Further, Albania will have more sustainable political and economic relations with the European countries. However, Albania's most crucial dividend from the realization of this project is the increasing the significance of country's geographic position. Moreover, TAP will play a significant role in developing Albanian's internal energy market.

Greece. Greece started construction of its part of the pipeline on 17 May 2016. Greece has been in a deep economic crisis for the last few years. Therefore, the most crucial advantage of Greece's project, which needs significant foreign capital investment to overcome this difficult period in its economy, is a direct investment from the TAP. Moreover, TAP is an excellent source for Greece to stimulate the creation of new jobs. It is estimated that the total profit Greece will get from the realization of the project equals 8000 new jobs and €1.5 bn. direct investment, which in Greece's crisis period should be considered a vital economic profit for the country.[191]

Italy. Thanks to the project, Italy will get an additional volume of natural gas to diversify its natural gas sources and minimize its dependency on traditional energy sources. There are two crucial energy suppliers for Italy: Russia and Algeria. Both of them can be seen as unstable suppliers. Russian natural gas is imported via Ukraine, which cannot be counted as a secure natural gas source because of the war initiated

190 Seenews.com. (February 7, 2017). TAP project to bring 400 mln euro investments to Albania in 2017. Retrieved April 28, 2023, from http://web.archive.org/web/20170207133611/https://seenews.com/news/tap-project-to-bring-400-mln-euro-investments-to-albania-in-2017-557170

191 Euractiv.com (May 17, 2016). Greece starts work on Azeri gas pipeline. Retrieved April 28, 2023, from http://web.archive.org/web/20210213150618/https://www.euractiv.com/section/energy/news/greece-starts-work-on-azeri-gas-pipeline/

by the Kremlin against Ukraine.[192] The natural gas from Algeria, exported through Tunisia, is a second source, which suffers from terrorism, and especially Nord of Tunisia is very unstable.[193]

TAP will supply 8 bcm of natural gas. However, Italy will absorb only 10% of the imported volume, so the rest of the natural gas might be provided to other European countries.[194]

5.8 Kashagan

The Kashagan oil field is one of the largest oil fields in the Caspian Region and one of the world's largest energy fields, taking into account its enormous energy potential. The energy reservoir is located in the southeast part of Atyrau that belongs to Kazakhstan's part of the Caspian Sea. The field's energy reserves are estimated to be 9–13 bb and are expected to produce between 4.0-8.0 mt of oil annually.[195]

According to the New York Times, the Kashagan oil field was the most significant since the Prudhoe Bay oil field was discovered in Alaska in 1968.[196] By the beginning of the 2000s, it was believed that just recoverable oil reserves of the field could reach up to 30 bb in the early stages of its exploration.[197]

After independence, the Kazakh government hoped to profit heavily from the oil and gas field. The former president of Kazakhstan, Nursultan Nazarbayev, said that Kazakhstan would turn into one of the world's wealthiest oil countries and even compete with Saudi Arabia for the most significant oil supplier in the world

192 Verda, M. (2014). Contribution of TAP to the Italian economy. International Journal of ISPI & Analysis, 256, 1–9.

193 Issafrica.org. (July 1, 2019). Terrorism in Tunisia: More than just foreign connections. Retrieved April 28, 2023, from http://web.archive.org/web/20200926025726/https://issafrica.org/iss-today/terrorism-in-tunisia-more-than-just-foreign-connections

194 Mediterraneanaffairs.com. (March 11, 2015). TAP: An increasingly important opportunity for Italy and Europe. Retrieved April 28, 2023, from http://web.archive.org/web/20210121103322/https://www.mediterraneanaffairs.com/tap-transadriatic-pipeline-gas-energy-security-europe/

195 Reuters.com. (November 21, 2016). UPDATE 2-Kashagan oil field starts commercial output. Retrieved April 28, 2023, from http://web.archive.org/web/20161123174535/http://www.reuters.com/article/kazakhstan-kashagan-idusl8n1dm1qp

196 Nytimes.com. (September 11, 2013). Kazakhstan oil field begins production after years of delay. Retrieved April 8, 2023, from http://web.archive.org/web/20201110001146/https://www.nytimes.com/2013/09/12/business/global/kazakhstan-oil-field-starts-production-after-years-of-delay.html

197 Theguardian.com. (February 2, 2021). TotalFina guzzles BP's oilfield stake. Retrieved April 28, 2023, from http://web.archive.org/web/20140509183713/http://www.theguardian.com/business/2001/feb/03/bp

by 2015.[198] However, the delays in different development stages became the main obstacle to fully realizing the energy field's potential.

The Kazakh government reported its intention to start the exploration of the Kashagan oil field in 1992. The international energy enterprises' enormous interests in taking part in the Kazakhstan Caspian shelf should be considered a massive potential area. The companies' list included tremendous global energy companies like Eni, BG Group, BP/Statoil, ExxonMobil, Royal Dutch Shell, and Total.[199] The composition of member companies has changed over the years.

Eni energy consortium of Italy was chosen as the only operator of the project in 2001. A new operating organization Agip KCO was then established. Kazakhstan's national oil company, KazMunayGas, joined the Consortium in May 2005 and became an essential part of this project.[200]

The "North Caspian Sea Production Sharing Agreement" (NCSPSA) was officially signed on 18 November 1997. One year later, an international corporation was created called the Offshore Kazakhstan International Operating Company (OKIOC). The reason for the establishment of the OKIOC was a scrutinizing and production of hydrocarbons within the NCSPSA area. The area covered by the NCSPSA reaches 5600 km².[1028] A binding contract between the Kazakh government and Agip Kazakhstan North Caspian Operating Company (NCOC) was signed on 31 October 2008, and NCOC took control of the project.[201]

NCOC was approved as a new operator of the project in January 2009, so the new operator started to function under the NCSPSA. Therefore, the field operator, NCOC, substituted Agip KCO, operating this project after ENI. NCOC BV is the primary operator of the seven co-venture consortium partners and developed the Kashagan oil field but also other 11 offshore blocks: Aktote, Kairan, and Kalamkas under NCSPSA.[202]

The shares of the KazMunayGas reached 16.81% after receiving additional shares in January 2008, and it equated with Eni, ExxonMobil, Total, and Royal Dutch Shell, which possess the same percentage of shares at 16.81%. Consequently, the increase of KMG's shares meant an automatic decrease in ENI shares, Total SA ExxonMobil, and Shell, so the stakes of these giant energy companies reduced from 18.52% to 16.81.

198 Theguardian.com. (February 2, 2021).

199 Henni, A. (2014). The Mystery of the Kashagan. Society of Petroleum Engineers, 24.

200 Project Factsheet – North Caspian Operating Company. (n.d.). Retrieved April 28, 2023, from https://www.yumpu.com/en/document/view/9418868/project-factsheet-north-caspian-operating-company

201 Project Factsheet – North Caspian Operating Company. (n.d.).

202 Yenikeyeff, S. M. (2008). Kazakhstan's gas: export markets and export routes. Oxford Institute for Energy Studies.

In comparison, the shares of ConocoPhillips and Inpex decreased from 9.26% and 8.33% to 8.40% and 7.56%, respectively.[203]

The field's oil production capacity, which is the first offshore oil and natural gas project in the history of Kazakhstan, is so enormous that the production volume of many oil fields in the world is not even comparable with it. However, there are some difficulties in the area's development despite all the reassuring promises. Considering its problematic nature, the Kashagan oil field belongs to the "hard-developing" oil and gas fields. It is almost impossible to implement conventional development techniques to develop the oil and gas field because of some factors, such as its vast range, shallow waters, and climate structure.[204]

The development of the Kashagan oil field needs a very complex technological approach due to the oil field's geographical location. For instance, once the northern part of the Caspian Sea is frozen due to the harsh winter between November and March and has an extremely high temperature in summer, the development is followed by very significant logistical cruxes. The average thickness of ice reaches up to 0.6-0.7 m. in winter.[205] There are also other technical challenges:[206]

- Deep reservoir – 5,000 m;
- High reservoir pressure – 800 bar;
- High H2S (Hydrogen Sulphide) content (16–20%);
- Management of by-products, such as sulfur;
- Use of sour gas re-injection into the reservoir.

> "This is one of the most complicated projects in the world. It's a historical moment. It's first-quality oil, very light oil, close to growing countries, and presents the best markets. It's very important to prove to everybody that we are able to develop this type of complex reservoir, said Claudio Descalzi, the chief operating officer for exploration and production at Eni, the Italian oil company involved in the project."[207]

203 Levine, R. M., Brininstool, M., & Wallace, G. J. (2001). The Mineral Industry of Kazakhstan. Minerals Yearbook 2009.

204 Ogj.com. (October 31, 2008). Kazakhstan, consortium agrees to new Kashagan terms. Retrieved April 28, 2023, from http://web.archive.org/web/20180612164424/https://www.ogj.com/articles/2008/10/kazakhstan-consortium-agrees-to-new-kashagan-terms.html

205 Foeeurope.org. (n.d.). Kazakhstan, Kashagan oil field development. Retrieved April 28, 2023, from https://www.foeeurope.org/sites/default/files/publications/foee_kashagan_oil_field_development_1207.pdf

206 Foeeurope.org. (n.d.).

207 Nytimes.com. (September 11, 2013).

However, despite so many difficulties concerning the field's development, some energy enterprises do not lose their optimism and hope that this field will reach its potential soon. For instance, a deal worth $45 bn. was signed between the KMGs and CNPC, owned by the Chinese government, on 7 September 2013. According to the agreement, CNPC acquired 8.33% of the shares.[208] The Memorandum was signed between companies on 13 and 14 November 2019. The cooperation between companies and the Ministry of Energy of the Republic of Kazakhstan should be expanded due to these Memorandums.[209]

5.8.1 Resumed production after many years of delay

The complex reservoir development was delayed for many years because of the above-mentioned technical challenges and disagreements between the Kazakh government and participant energy companies. After that, oil production from one of the world's largest oil fields and one of the most significant outside of the Middle East was renewed once again on 11 September 2013. However, the volume of production was relatively insignificant in the first phase of the output. Therefore, the initial quantity of produced oil reached 26.000 bpd. Despite all positive expectations, oil production was stopped again in just 13 days because a gas leak was discovered at the pipeline between Island D and the onshore Bolashak refinery. After this was fixed, another leak was discovered in another part.[210]

However, on 1 June 2015, positive news concerning the renewal of the Kashagan field's development was announced again, this time by the Energy Minister of Kazakhstan, Vladimir Shkolnik. Consequently, the Energy Minster stressed in his speech in the Parliament of Kazakhstan that all oil and natural gas pipelines in the field were renewed.[211] Therefore, the production from the reservoir was restarted after almost 16 years of delay.[212] According to Financial Times, the capital was invested

208 Reuters.com. (September 7, 2013). China buys into giant Kazakh oilfield for $5 billion. Retrieved April 28, 2023, from http://web.archive.org/web/20201002114143/https://www.reuters.com/article/us-oil-kashagan-china-idusbre98606620130907

209 Cnpc.com. (November 18, 2019). CNPC signs two Cooperation Agreements in Kazakhstan. Retrieved April 28, 2023, from http://web.archive.org/web/20200730152450/http://www.cnpc.com.cn/en/nr2019/201911/ee775876ac924114a50c0049087275f8.shtml

210 Gasandoil.com. (July 10, 2015). Kashagan oil field comes back to life. Retrieved April 28, 2023, from http://www.gasandoil.com/news/2015/07/kashagan-oil-field-comes-back-to-life

211 Ibid.

212 Ft.com. (June 13, 2014). Kazakhstan to extend contract for $50bn Kashagan oil project. Retrieved April 28, 2023, from http://web.archive.org/web/20180620162127/https://www.ft.com/content/9cbc3c7e-f2e1-11e3-a3f8-00144feabdc0

in the field's development during the years of its delay was estimated at $50 bn. by the end of 2016.[213]

After resuming the development, the first export was shipped through the CPC and KazTransOil pipelines. According to the Energy Ministry of Kazakhstan, almost 26.500 metric tons of crude oil was loaded into the country's pipelines for export in the first phase after years of delay. However, according to the Energy Ministry, Kazakhstan needs enough time to reach the required production volume.[214]

The field's budget was estimated by energy experts to be around $38 bn. by 2008, while it grew up to 53 $ bn. by the end of 2015 because the partners had to change undersea links after the gas leak. Meanwhile, the current oil prices were less than 50% of the costs in 2013, so if the oil prices in 2013 were $105.87 for a barrel, one barrel of crude oil now costs only $41.47.[215] It means that Kazakhstan's budget will receive almost twice less than in 2013. Moreover, one factor is certain that in the case of fixing continuous oil production from the field, the exported oil price will be one of the most expensive because of the high manufacturing costs.

The developed oil from the Kashagan oil field reached 90,000 bpd in October 2016.[216] The estimated daily capacity that the field has to reach is 370,000 bpd, according to the NCOC. However, it seems almost impossible to get a proposed production while 154.000 is the field's highest production capacity, according to Wood Mackenzie Ltd.[217] Consequently, the field produced only 58.3 mt oil and condensate in the first eight months of 2020.[218] Nevertheless, in 2023, production at the Kashagan field reached a level of approximately 18.8 mt. Additionally, on January 11, 2024, the operator of the Kashagan field, NCOC (North Caspian Operating Company), announced that it had achieved a significant production milestone of 100 mt of oil since the start of production.[219]

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213 Royaldutchshellgroup.com. (October 14, 2016). Oil from $50 billion Kashagan field starts flowing to export. Retrieved April 28, 2023, from http://web.archive.org/web/20201031042705/https://royaldutchshellgroup.com/2016/10/14/oil-from-50-billion-kashagan-field-starts-flowing-to-export/

214 Ibid.

215 OPEC oil price annually 1960-2021, Retrieved April 28, 2023, from http://web.archive.org/web/20210402004921/https://www.statista.com/statistics/262858/change-in-opec-crude-oil-prices-since-1960/

216 Astanatimes.com. (December 5, 2016). More than 350,000 tonnes of Kashagan oil shipped for export. Retrieved April 28, 2023, from http://web.archive.org/web/20170503161816/http://astanatimes.com/2016/12/more- than-350000-tonnes-of-kashagan-oil-shipped-for-export/

217 Royaldutchshellgroup.com. (October 14, 2016).

218 Neweurope.eu. (September 10, 2020). Oil production at Kashagan in 8 months amounts to 10.4 million tonnes. Retrieved April 28, 2023, from https://www.neweurope.eu/article/oil-production-at-kashagan-in-8-months-amounts-to-10-4-million-tonnes/

219 Rogtecmagazine.com. (2024, February 9). Production at Kashagan in 2023 reached a Record Level – about 18.8 million tons. Retrieved March 08, 2024, from https://www.rogtecmagazin

5.9 Tengiz

One of the world's largest oil and gas fields, the Tengiz oil and gas field, was explored at 4 km depth in the northwestern part of Kazakhstan when the country was still part of the USSR. Still, the development of the oil and gas field first began 49 years later, in 1979, despite its detection in 1930.[220] However, because of some technical challenges in the development of the reservoir, as in the case of the Kashagan field, the Tengiz had remained undeveloped for many years. Therefore, the first investigations made it clear that it is more complex to develop the energy reserves of the Tengiz field with common technological resources because of the area's high pressure and high hydrogen sulfide content. Without high technology, it won't be easy to develop it.[221]

Tengiz is a project license area, which includes the immense Tengiz oil and gas field and some exploratory prospects, and a significant Korolev field, six times smaller than the Tengiz. The area is placed in the world's deepest advanced gigantic oil and gas fields, with the top of the reservoir nearly 4000 meters (13000 feet). The width of the pool reaches 19 kilometers, while its length is 21 kilometers. The territory covered by the field is calculated as 2500 km^2.[222]

It is believed that the Tengiz field possesses 26 bb oil reserves. However, only 6–9 bb of them are recoverable. The Tengiz field production for the second half of 2020 was around 570,000 b/d, which is significantly under the area's estimated potential,[223] In 2023, the Tengiz field yielded a total of 28.9 mt of oil.[224] The total recoverable crude oil of Tengiz and the nearby Korolev fields is estimated at 6.4-10.7 bb.[225] The oil resources of the Tengiz field are extracted at a very high pressure, which is

e.com/production-at-kashagan-in-2023-reached-a-record-level-about-18-8-million-tons/#:~:text=Production%20at%20Kashagan%20in%202023%20reached%20a%20record%20level%20of,since%20the%20start%20of%20production

220 Lisovsky, N. N., Gogonenkov, G. N., & Petzoukha, Y. A. (1992). The Tengiz Oil Field in the Pre-Caspian Basin of Kazakhstan (Former USSR)--Supergiant of the 1980s: Chapter 7.

221 Johnston, D., & Johnston, D. (2001). Kashagan and Tengiz-Castor and Pollux. Petroleum Accounting and Financial Management Journal, 20(3), 95–119.

222 Chevron.com. (n.d.). Tengiz expansion supersizing the output of a supergiant field. Retrieved April 28, 2023, from http://web.archive.org/web/20210221230914/https://www.chevron.com/projects/tengiz-expansion

223 Spglobal.com. (September 9, 2020). Kazakhstan's Tengiz output drops 100,000 b/d in Q2, 12% on year, on OPEC+ cuts. Retrieved April 28, 2023, from http://web.archive.org/web/20201023042753/https://www.spglobal.com/platts/en/market-insights/latest-news/oil/090920-kazakhstans-tengiz-output-drops-100000-bd-in-q2-12-on-year-on-opec-cuts

224 Caspianbarrel.org. (2024, January 22). Tengiz, Karachaganak and Kashagan retain oil production plans for 2024. Retrieved March 08, 2024, from https://caspianbarrel.org/en/2024/01/tengiz-karachaganak-and-kashagan-retain-oil-production-plans-for-2024/

225 Spglobal.com. (September 9, 2020).

one of the highest in the world. Moreover, the most bottomless high-pressure well is also located in the Tengiz field.[226]

The oil and gas field contains wealthy oil reserves and significant sulfur reserves, estimated within the limits of 4.5 mt. Besides, the Tengiz field has a substantial amount of gas reserves. In its turn, the extracted gas consists of a considerable portion of compound hydrogen sulfide, or H2S.[227]

TCO was created due to the agreement between Chevron and Kazakhstan's government on 6 April 1993. The contract was signed for 40 years. According to the agreement's conditions, the Kazakh government acquired 25%, ExxonMobil Kazakhstan Ventures Inc. 25%, and Chevron 50% shares, respectively.[228] The leading oil company of Russia-AO, Lukoil Holding, announced its readiness to acquire 5% of the Tengiz oil venture field from Chevron in 1997. However, the terms of the contract were not disclosed. According to James Bunch, a Russian oil and gas expert at Renaissance Capital, Lukoil's presence in the project may have given Chevron an extra advantage to settle a pipeline issue.[229]

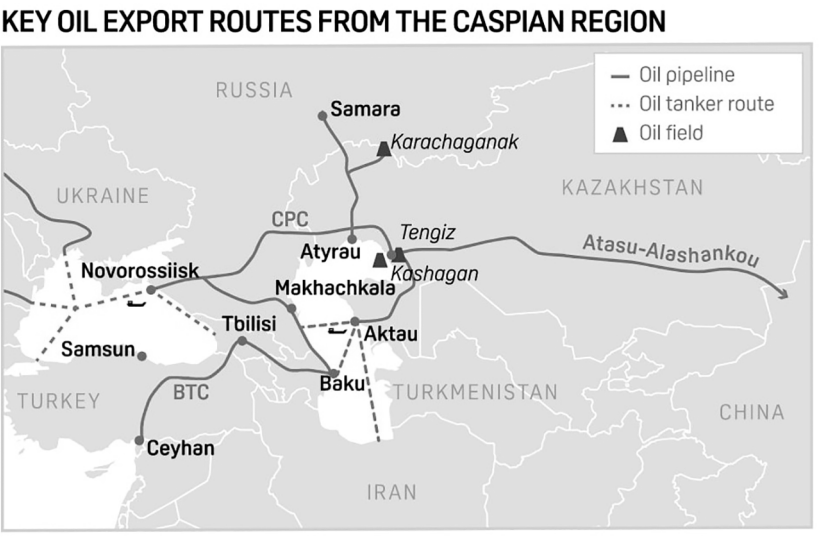
226 Sptimes.ru. (October 23, 2001). Kazakhstan Field's riches come with a price. Retrieved April 28, 2023, from http://web.archive.org/web/20131228125654/www.sptimes.ru/index.php?action_id=2&story_id=5705

227 Sptimes.ru. (October 23, 2001).

228 Petrocouncil.kz. (August 21, 2019). TCO spent more than USD 2.1 billion on the procurement of goods and services from Kazakhstani suppliers in 2019. Retrieved April 28, 2023, from http://web.archive.org/web/20190909074443/http://petrocouncil.kz/en/tco-spent-more-than-usd-2-1-billion-on-the-procurement-of-goods-and-services-from-kazakhstani-suppliers-in-2019/

229 Latimes.com. (January 17, 1997). Russia's Lukoil buys 5% of Chevron project. Retrieved April 28, 2023, from https://www.latimes.com/archives/la-xpm-1997-01-17-fi-19405-story.html

Map 16: Tengiz field[230]



"They're so desperate that they ship crude oil by railroad car to Finland. They'd much rather put it in the pipeline if they could," Bunch said.[231]

The current member companies of the project and their shares:[232]

- Chevron 50%
- ExxonMobil 25%
- KazMunayGaz 20%
- LukArco 5%

5.9.1 Expansion

The Kazakh government and member companies of the Tengiz project created a strategic plan to boost production in the field, producing over a third of Kazakhstan's

230 https://www.spglobal.com

231 Ibid.

232 Tengizchevroil.com. (n.d.). History and Ownership. Retrieved April 28, 2023, from http://web.archive.org/web/20200830175521/http://www.tengizchevroil.com/en/about/overview

total oil production and the second-largest oil producer of the Post-Soviet Region after Russia.[233]

Therefore, according to the Energy Ministry of Kazakhstan, the volume of production from the Tengiz field would grow from 27 up to 39 mt annually or 850.000 bpd by 2022 in accordance with the plan. The Kazakh government has some high hopes concerning the oil and gas field's expansion, so the energy minister of the country, Kanat Bozumbayev, characterized the development of the reservoir as a significant opportunity not only for the energy branch of Kazakhstan but also for Kazakhstan in general.[234] Consequently, the project's expansion would create over 20.000 jobs in Kazakhstan's energy sector, according to the Minister of Labor and Social. The TCO LLP approbated a $36.8 bn. budget regarding the implementation of a production boost.[235]

It is planned to increase oil production up to 12 mt annually or 260.000 bpd by using the Future Growth Project and Wellhead Pressure Management Project (FGP-WPMP) by TCO LLP is an operator of the project.[236] For boosting oil production in the field is implemented a sour gas injection technology by the FGP. In its turn, the WPMP will keep the flowing wellhead pressure and increase the pressure to process the pool trains.[237]

The project can be characterized as the most significant project in the world in the last year, considering private enterprises invested essential capital in expanding the field. For instance, even the capital invested ($28 bn.) by BP to expand the SD natural gas field in Azerbaijan, Total and Novatek's ($26.9 bn.) Yamal LNG plant in Russia is less than the capital invested in developing the Tengiz field. Therefore, the expansion of the area is compared with the Shaybah and Khurais reservoirs of Saudi Arabia.[238]

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233 Reuters.com. (July 5, 2016). Kazakhs, Chevron-led group approve $37 billion Tengiz field expansion. Retrieved April 28, 2023, from http://web.archive.org/web/20190825015653/https://www.reuters.com/article/us-chevron-kazakhstan-iduskcn0zl0x4

234 Reuters.com. (July 5, 2016). 1060 Oilprice.com. (January 30, 2017). Kazakhstan's Tengiz oil field expansion to create 20.000 jobs. Retrieved April 28, 2023, from http://web.archive.org/web/20201001185356/https://oilprice.com/latest-energy-news/world-news/kazakhstans-tengiz-oil-field-expansion-to-create-20000-jobs.html

235 Ft.com. (July 5, 2016). Chevron approves $37bn Kazakhstan oilfield expansion. Retrieved April 28, 2023, from http://web.archive.org/web/20210225103918/https://www.ft.com/content/53bf815a-42a5-11e6-9b66-0712b3873ae1

236 Rigzone.com. (July 11, 2016). TCO awards EPCM support services deal for Tengiz expansion project to KPJV. Retrieved April 28, 2023, from http://web.archive.org/web/20191208045355/https://www.rigzone.com/news/oil_gas/a/145582/tco_awards_epcm_support_services_deal_for_tengiz_expansion_project_to_kpjv/

237 Ft.com. (July 5, 2016).

238 Rigzone.com. (July 11, 2016).

5.10 Karachaganak

One of the most significant oil and gas fields of the last years, the Karachaganak field, is located in the northwest part of Kazakhstan. The entire territory of the area covers over 280km² square. The oil and gas field was explored along the border with Russia, nearly 150 km east of Uralsk. The Uralskneftegasgeologia company discovered the Karachaganak oil and gas field in 1979, still in the time of the SU.[239]

Map 17: Karachaganak field[240]

The oil and gas field possesses a significant energy potential, so the reservoir has about 1200 mt of oil and condensate and over 1.35 tcm. Kazakhstan gets 45% of

239 Francesconi, A., Bigoni, F., Albertini, C., Cominelli, A., Catalani, C., Tarantini, V., & Imagambetov, K. (2012, January). Integrated reservoir studies, Karachaganak field, Republic of Kazakhstan. In SPE Europec/EAGE Annual Conference. Society of Petroleum Engineers.

240 https://www.springer.com

its total gas need from this field. Moreover, nearly 16% of the country's total liquids production is produced by the Karachaganak field.[241]

The steppes cover the reservoir's territory, and it has a harsh continental climate, so the spring is very short, the summer is sweltering, and the winter is freezing here. The highest temperature was observed in summer at +44C (average +26.48C). However, the temperature can fall up to -43 C (average -16.48 C) in winter.[242]

5.10.1 Important contracts and member companies

The Karachaganak field was made a pilot project in 1984, and KarachaganakGazprom, a subsidiary of Gazprom, became an operator of the reservoir. In Soviet times, Karachaganak Gazprom operated the field, while Kazakhgas became a new operator after establishing Kazakhstan's independence. A so-called "contractor group" in 1992, which Agip and BG formed, was created. The Production-Sharing Principles Agreement (PSPA) was concluded between Agip, BG, and Gazprom in March 1995.[243]

The Karachaganak project is currently being developed under the Final Production Sharing Agreement (FPSA). The contract was concluded on 18 November 1997 and came into force on 27 January 1998. The contract will cover the next 40 years after signing. Royal Dutch Shell and ENI companies are the joint operators of the project.[244] Energy companies like Texaco and Lukoil became a part of the project in March 1995.

An agreement was signed between the Russian and Kazakh governments in October 2006, so Kazakhstan started to export oil from the Karachaganak field to Orenburg, Russia, as per the contract between the two states.[245] According to the agreement signed between the Karachaganak Petroleum Operating (KPO) consortium and the Kazakh government on 14 December 2011, Kazakhstan got a 10% share for $2 bn. cash and $1 bn. non-cash consideration in the face of the KazMunayGas state energy company.[246]

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241 Eni.com (n.d.). Karachaganak: The onshore field in Kazakhstan. Retrieved April 28, 2023, from http://web.archive.org/web/20210121061911/https://www.eni.com/en-it/operations/kazakhstan-karashaganak.html

242 O'Hearn, T., S. Elliott, and A. Samsonov. "Karachaganak field, northern Pre-Caspian Basin, northwestern Kazakhstan." (2003): 237–250.

243 O'Hearn et.al (2003).

244 KazMunayGas, Delivering in challenging times, Annual Report 2015.

245 Hydrocarbons-technology.com. (n.d.). Karachaganak Gas Condensate Field. Retrieved April 28, 2023, from http://web.archive.org/web/20201021101618/https://www.hydrocarbons-technology.com/projects/karachaganak/

246 Satrapia.com. (June 28, 2012). Agreement between Kazakhstan and KPO becomes effective. Retrieved April 28, 2023, from http://web.archive.org/web/20190330170743/http://gca.satrapia.com/+agreement-between-kazakhstan-and-kpo-becomes-effective

Five energy companies formed KPO BV to manage the development in the field. Therefore, KazMunaiGas has 10% of shares, BG Group and Eni possess 29.25%, while Chevron and Lukoil have 18% and 13.5%, respectively.[247] The field operator is the Karachaganak Project Development Limited (KPDL), located in London, as a support division for KPO.[248]

BJ Services Company, which has been functioning since October 2009, is another member enterprise of the project that provides services like establishing safety and regulation of environmental standards in the field. Meanwhile, Saipem provides the main work in developing the oil and gas field and functions in cooperation with Consolidated Contractors International Company (CCIC), which has been involved in this project since 2000.[249]

5.10.2 Production

The Karachaganak oil and gas field's production started in 1984, 5 years later, after its discovery. The oil output came on stream when Kazakhstan began to supply a modest volume of condensate gas to Russia's Orenburg terminal.

The liquids are used for re-injection into the upper parts of the associated gas. Nearly 67% of the liquid produced from the field is stabilized at the Karachaganak Processing Complex (KPC). Therefore, the produced fluids are further shipped to the western energy markets via the CPC and the Atyrau-Samara pipelines. Then, the non-stabilized liquids and gas not re-entered into deposits are transported to the Russian energy market through the Orenburg terminal.[250]

In the Karachaganak field, the 2M Commercial Development Stage is used. Its implementation aims to produce hydrocarbon liquids and natural gas by drilling new wells and renewing process units for hydrocarbon treatment. The gas production from the Karachaganak field amounted to 2,021 million m^3 in 2020. This production indicator is 8.6% higher than in 2019.[251] Meanwhile, in 2023, the Karachaganak field yielded a total of 12.1 mt, according to Caspian Barrel.[252]

The Karachaganak field possesses a depositional heterogeneity and diagenetic overprint, so there are some discussions and ambiguities about the distribution of the reservoir properties. The hydrocarbon column has almost 1500 m of fluids. It is

247 KazMunayGas. Annual Report 2015.

248 Ramirez, M. A., Casadiego L, E., Spates, M., & Tlekkavylov, A. (2010, January). A New Method to Measure the Excess of H2S Scavenger in the Karachaganak Field. In SPE Caspian Carbonates Technology Conference. Society of Petroleum Engineers.

249 Hydrocarbons-technology.com. (n.d.). Karachaganak Gas Condensate Field.

250 Ibid.

251 KMG.kz. (February 25, 2021). JSC NC KazMunayGas 2020 trading update. Retrieved April 28, 2023, from https://www.kmg.kz/eng/press-centr/press-relizy/?cid=0&rid=353

252 Caspianbarrel.org. (2024, January 22).

considered a different variation in the fluid properties because of the Karachaganak field's thickness. For example, a wet-gas-like initial GOR of 1200 m3/3 at the upper part of the reservoir is one of them. However, since the gas is getting heavier and heavier, an original liquid with a GOR of 300 m3/m3 might be met in the deepest zones.[253]

5.10.3 Development stages

The development of the oil and gas field was realized in two stages. In 2007, an agreement was concluded concerning a gas sale-purchase between KPO and KazRosGaz. Therefore, the first phase's development began with three wells percolating the Permian formations of the reservoir.[254] The peak of oil production with 100,000 bbl/d was achieved in 1990 after implementing more than 200 verticals.[255]

The first stage of the development comprised exploring new, unexplored wells and the development of old ones. Additionally, this stage included building gas treatment facilities and implementing new compressors to boost the gas re-injection amount.[256] Meanwhile, the second phase of the development spans some critical parts of the process, such as the construction and advancement of existing facilities, building injection facilities, and creating 120MW power stations.

The stage's construction was started in 2000, while it came on-stream only four years later, in 2004. The pipeline's development, which reaches 650 km and connects the Karachaganak field to the CPC pipeline at Atyrau, was also realized in this phase.[257] The Kazakh government officially took over the expansion of the third stage in 2012. According to initial estimations, the extension cost should have been almost $14.5bn., and it was expected that the expansion would increase the production of oil to 16 bcm/a.[258]

The Ministry of Energy of Kazakhstan announced in 2016 that $12 bn is needed to expand the crude oil project from the Karachaganak field, so the Kazakh government is going to increase the utilization of liquid stabilization trains with the help of this

253 Francesconi et al. (2012, January).

254 Borromeo, O., Luoni, F., Bigoni, F., Camocino, D., & Francesconi, A. (2010, November). Stratigraphic architecture of the early Carboniferous reservoir in Karachaganak field, Pri-Caspian basin (Kazakhstan). In SPE Caspian Carbonates Technology Conference. OnePetro.

255 Hydrocarbons-technology.com. (n.d.). Karachaganak Gas Condensate Field.

256 KazMunayGas. Annual Report 2015.

257 Hydrocarbons-technology.com. (n.d.). Karachaganak Gas Condensate Field.

258 İbid.

expansion.[259] The reservoir has 48 tcf of gas.[260] However, the development of stage delays because of some technical challenges.

5.11 Galkynysh

The Galkynysh field, which is placed nearly 400km southeast of Ashgabat, is believed to be one of the world's most abundant natural gas fields. The drilling of the natural gas reservoir proved the prospects of the field's growing natural gas capacity. The natural gas field was initially explored in Ýolöten of Turkmenistan's Mary Province in 2006.[261] Ýolöten is characterized by its abundant natural gas reserves and includes some major natural gas fields like South Iolotan, Osman, Minara, and Yashar. However, the Galkynysh gas reservoir is far from the wealthiest natural gas field in the Southern Ýolöten-Osman area, which is close to the border of Turkmenistan with Afghanistan and Iran[262] (see Map 18).

Turkmen geologists claim that there are some significant natural gas reserves in Southern Ýolöten-Osman and Yashlar and that the Gunorta Garakel, Garakel, Giurgiu, Gazanly, Gundogar Eloten, and Gunbatar Yandakly natural gas fields have essential reserves of natural gas. This oil and gas field's total area is over 90 km in length and 30 km in width.[263]

The existence of essential natural gas reserves in Turkmenistan was announced still in 2009. According to the state news agency of Turkmenistan, Turkmen Dovlet Khabarlary, as a result of Turkmen geologists' efforts, Turkmenistan secured its status as the energy power, which can afford a lasting natural gas export to its partner.[264] The former President of Turkmenistan, Gurbanguly Berdimuhamedow, signed a decree on 18 November 2011. According to this decree, Southern

259 Reuters.com. (April 5, 2016). UPDATE 2-Kazakhstan files $1.6 bln claim against BG-Eni venture -Lukoil. Retrieved April 28, 2023, from http://web.archive.org/web/20190822004848/https://www.reuters.com/article/kazakhstan-karachaganak-idusl5n1780u7

260 KPO.kz. (2019). Karachaganak field discovery. Retrieved April 28, 2023, from http://web.archive.org/web/20201205172520/https://www.kpo.kz/en/about-kpo.html

261 Kostianoy, A. G., Zonn, I. S., & Kostianaia, E. A. (2016). Geographic characteristics of the Black-Caspian Seas region. In Oil and Gas Pipelines in the Black-Caspian Seas Region (pp. 7-36). Springer, Cham.

262 Ismayilov, E., & Budak, T. (2014). Bağımsızlık Sonrası Türkmenistan'ın Enerji Politikası. Bilge Strateji, 6(11), 29-49.

263 Trend.az. (June 26, 2009). Turkmenistan discovers large gas fields in east of country. Retrieved April 28, 2023, from http://web.archive.org/web/20150210223202/http://en.trend.az/casia/turkmenistan/1494593.html

264 Trend.az. (June 26, 2009).

Ýolöten-Osman, Minara, and adjacent areas were renamed as "Galkynysh," which is translated from Turkmen as "Revival."[265]

Map 18: Galkynysh natural gas field, Mary province[266]

Galkynysh gas[267] reservoir includes:[268]

- Drilling of several dozen exploitation wells;
- Construction of commercial gas pipelines;
- Four installations for preliminary preparation of gas;
- Three gas desulphurization plants with a total capacity of 30 bn. cubic meters of tank gas per year.

265 Timesca.com. (January 7, 2012). Foreign Ministry of Turkmenistan refutes statement by Vice-Chairman of "Gazprom." Retrieved April 28, 2023, from https://www.timesca.com/index.php/news/10054-foreign-ministry-of-turkmenistan-refutes-statement-by-vice-chairman-of-gazprom

266 https://www.khabarindia.in

267 Litvinenko, V. S., Kozlov, A. V., & Stepanov, V. A. (2017). Hydrocarbon potential of the Ural–African transcontinental oil and gas belt. Journal of Petroleum Exploration and Production Technology, 7(1), 1-9.

268 Bai, G., & Xu, Y. (2014). Giant fields retain dominance in reserves growth. Oil and Gas Journal, 122(2), 44–51.

5.11.1 Development

The national gas company of Turkmenistan, Turkmengaz, is the owner of the field. The development of Galkynysh was launched in 2010 after accomplishing an initial Front-End Engineering and Design (FEED) phase. The development works of Galkynysh included processes:[269]

- Construction of gas treatment and sulfur handling facilities along with well pad facilities,
- Surface gathering facilities,
- Infrastructure and utilities,
- Condensate processing and storage facilities.

The development was realized in phases. With 30 bcm/a of marketable natural gas capacity, the first phase of the field was started in 2013. $9.7 bn dollars was invested in the early stages of development which was achieved by September 2013.[270] This was a loan from the Chinese Development Bank[271] and provided by the Turkmengaz state gas company.[272]

The Gas Processing Plant (GPP) building in the second stage started in 2014. The second phase has the same 30 bcm/a natural gas production capacity. CNPC built the plant, and the Chinese State Development Bank funded the construction of the plant.[273] The final, third stage of Galkynysh, with a production capacity of 35 bcm/a, was launched in 2015. It is expected that the full exploitation of the most prosperous third phase of the reservoir will boost the entire natural gas production up to 95 bcm.[274]

According to Ashyrguly Begliyev, the chairman of the Turkmengas State Concern:[275]

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269 Hydrocarbons-technology.com. (n.d.). Galkynysh Gas Field. Retrieved April 28, 2023, from https://www.hydrocarbons-technology.com/projects/-galkynysh-gas-field-turkmenistan/

270 Reuters.com. China asserts clout in Central Asia with huge Turkmen gas project. (September 4, 2013). Retrieved April 28, 2023, from https://www.reuters.com/article/us-gas-turkmenistan-galkynysh/china-asserts-clout-in-central-asia-with-huge-turkmen-gas-projectidusbre9830mn20130904

271 Rejepova, T. (2013). Turkmenistan, China reach new energy deals. The Central Asia-Caucasus Analyst, October, 16.

272 Olcott, M. B. (2013). Turkmenistan: Real Energy Giant or Eternal Potential?

273 Rejepova (2013).

274 Paramonov, V., & Strokov, A. (2015). China in the Oil and Gas Branch of Turkmenistan. Central Asia and the Caucasus, 16(3-4), 176–185.

275 Azernews.az. (November 27, 2015). Turkmenistan to launch stage 3 of Galkynysh field's development. Retrieved April 28, 2023, from http://web.archive.org/web/20210127112812/https://www.azernews.az/region/90243.html

> "To date, the facilities with a capacity of 30 bn. of marketable gas per year have been commissioned. The second stage of similar capacity was started in 2014, and it is expected that the third stage of resettlement of the Galkynysh gas field with a capacity of 35 bn. cubic meters of marketable gas annually will begin at the end of this year."

Turkmenistan is going to increase the drilling operations at Galkynysh. According to the Oil and Gas Ministry of Turkmenistan, all the field wells show their high productivity. For instance, a single well outputs daily between 60 to 70 mcf of natural gas.[276]

5.11.2 Member companies and their functions

In 2007, the CNPC was awarded by the government of Turkmenistan a contract worth $152 million. The agreement, which meant drilling 12 gas wells at the South Ýolöten field and other Turkmenistan areas, was for three years.[277]

The audition of the field was realized by Gaffney, Cline & Associates (GCA), an international oil and gas consultancy company of the United Kingdom.[278] The Turkmen government authorized GCA to provide an audit of the two largest natural fields in Turkmenistan in 2008.[279] Consequently, taking into account the examination results in the natural gas field, GCA confirmed that the energy reservoir possesses natural gas reserves between 4–14 tcm, which the state news agency of Turkmenistan earlier announced. However, the field's natural gas capacity lies at the level of 6 tcm due to another more realistic estimation.[280]

The Chinese CNPC, South Korean LG International Corp and Hyundai Engineering Co, and the UAE's Petrofac Emirates won the developing natural gas reservoir tender in December 2009. These companies acquired the contracts with the entire worth of $9.7 bn.[281] Consequently, Petrofac ($3.4bn.), a consortium of LGI Interna-

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276 Oilprice.com. (July 18, 2016). Turkmenistan abolishes two energy agencies. Retrieved April 28, 2023, from http://web.archive.org/web/20160926083159/http://oilprice.com/latest-energy-news/world-news/turkmenistan-abolishes-two-energy-agencies.html

277 Reuters.com. (January 20, 2007). Turkmenistan gives CNPC $152 mln gas drilling deal. Retrieved April 28, 2021, from https://www.reuters.com/article/energy-china-turkmenistan-idukl2177633120061121?edition-redirect=uk

278 Liang, M., Zhang, Y., Peng, Y., Sun, L., Ren, Z., Zhang, Q., & Yang, Y. (2020). Turkmenistan's natural gas industry and diversification of exports. Journal of Oil & Gas Storage and Transportation, 2(2), 78-86.

279 Indeo, F. Turkmenistan's Energy Strategy: Aiming to the Diversification of Export Routes.

280 Reuters.com. (October 31, 2008). Turkmen gas reserves audit to continue in 2009 -GCA. Retrieved April 28, 2023, from http://www.reuters.com/article/turkmenistan-gas-reserves-idu slv21594720081031?sp=true

281 Hydrocarbons-technology.com. (n.d.). Galkynysh Gas Field.

tional Corp & Hyundai Engineering ($1.48bn.), and CNPC ($3.13bn.) implemented some crucial processes in the development of the project such as engineering, procurement, construction and commissioning (EPCC). Petrofac Emirates had responsibility for the FEED of the project. The invested capital is estimated at around $100 million. More than 60 contractors and over 14000 employees were involved in developing the project.[282] According to the awarded contract, the South Korean LG International and Hyundai Engineering created a gas plant at South Ýolöten by the second part of 2012.[283]

5.11.3 Galkynysh as the primary natural gas export source of Turkmenistan

The Turkmen government is interested in becoming a significant new natural gas exporter to the European natural gas market and countries like India, Pakistan, etc. The former president of Turkmenistan stressed his country's interest in becoming a stable supplier of energy:[284]

> "My country and the European community, on the whole, are highly interested in stable supplies of hydrocarbons," Berdimuhamedov told reporters, "which Turkmenistan, pursuing the policy of diversification of energy supplies to global markets, is so rich in."

Galkynysh is set to become the resource base for the grand 1127-mile-long TAPI pipeline. Turkmenistan has already begun tube welding on its territory despite many risks associated with pipeline construction.[285] The country's former president has also signed a decree worth $45 million for the development of the pipeline, which demonstrates confidence in the realization of TAPI or a kind of lure for foreign investors rather than an actual investment.[286]

The realization of the natural gas pipeline, which should export natural gas from the Galkynysh natural gas field from Turkmenistan to Afghanistan, Pakistan, and India (see Map 19), has been planned for some years. However, an

282 Reuters.com. (December 29, 2009).

283 Tehrantimes.com. Iran in Turkmen natural gas fields, U.S. and Russia left out. (February 21, 2009). Retrieved April 28, 2023, from https://www.tehrantimes.com/news/189709/Iran-in-Turkmen-natural-gas-fields-U-S-and-Russia-left-out

284 Ibid.

285 Naturalgasworld.com. (June 22, 2016). Siemens could supply compressors for TAPI gas pipeline. Retrieved April 28, 2023, from https://www.naturalgasworld.com/siemens-could-supply-compressors-for-tapi-gas-pipeline-18858

286 Nytimes.com. Afghanistan Breaks Ground on 1,127-Mile Peace Pipeline. (February 23, 2018). Retrieved April 28, 2023, from http://web.archive.org/web/20210308182243/https://www.nytimes.com/2018/02/23/world/asia/afghanistan-pipeline-tapi.html

official approbation of the project happened in December 2015 when the officials of Turkmenistan–Afghanistan–Pakistan–India signed a contract called Turkmenistan–Afghanistan–Pakistan–India natural gas pipeline (TAPI).[287] There are some severe risks, such as the uncertain geopolitical situation in the region. The pipe's expenditure, which should export 33 bcm/y gas to Pakistan and further on to India, is estimated at between $7.6-10 bn.[288]

Map 19: TAPI route[289]

287 Foreignpolicy.com. (February 9, 2016). A Pipeline to South Asia Prosperity. Retrieved April 28, 2023, from http://web.archive.org/web/20201026164059/https://foreignpolicy.com/2016/02/09/a-pipeline-to-south-asia-prosperity/

288 OGJ.com. (December 7, 2015). Turkmenistan positions itself as Eurasian natural gas power. Retrieved April 28, 2023, fromhttp://web.archive.org/web/20190728224437/https://www.ogj.com/pipelines-transportation/article/17236883/turkmenistan-positions-itself-as-eurasian-natural-gas-power

289 https://www.foreignpolicynews.org

Chapter 6. Summary and Conclusion

Abstract *The project's final chapter represents the results and knowledge of the third and the last, the sixth chapter. In addition, in the second part of the current section, the work hypotheses considered in the fourth and fifth chapters will be examined.*

6.1 A summary of primary findings and the results of hypotheses

Chapter III: Caspian Region and its role in the foreign policy of international political actors

The geopolitical presence of the international political actors in the Caspian Region became possible only with the SU's fall. The interest of global actors in this space is not the only factor that causes their essential political activity, so the newly independent states: Azerbaijan, Kazakhstan, and Turkmenistan, are also significantly interested in the presence of the USA, the EU, and China in the region. These actors' energy companies are especially welcomed because of essential capital investments in developing the former Soviet countries' energy sector. Thus, the predicted vast oil and natural gas reserves of Azerbaijan, Turkmenistan, and Kazakhstan became the central factor that caused global political players' geopolitical activeness in this space in the first years after the fall of the USSR.

The new constellation in the Caspian region shares some features:

- Enormous meaning of oil and natural gas resources for the states of the Caspian Sea;
- The regional states use energy resources as a significant political tool;
- Russia has lost its position as the mightiest power;
- The growing involvement of the USA, the EU, and China.
- Despite the hesitation of the US's political involvement during the presidency of different presidents after the fall of the SU, in general, the USA follows a relatively active political course in the region, especially in Central Asia.

The transformation process of the Caspian Region in the post-Soviet era can be divided into three different periods. Unique features and diverse political interests characterize every period:

- The first stage includes the period right after the USSR's downfall and the appearance of the new states in the face of Azerbaijan, Kazakhstan, and Turkmenistan. If the Caspian Sea was controlled by SU (Russia) and Iran before the Empire's breakup, the new political constellation in the Caspian Region enabled the new states to acquire the same rights as Russia and Iran. Another important indicator of this period is the lack of reliable information concerning the oil and natural gas potential of the Caspian Region;
- The second stage in developing the Caspian Region spans a period from the middle of the 1990s to the first decades of the 2000s. The appearance of the US as a new actor and an increasing rivalry between the US and Russia is the essential characteristic of this period;
- The last stage started from the first years of the 2000s after the 9/11 terror attack in New York City (NYC) when the Caspian Region became one of the strategically important regions on the world's geopolitical map. In a shadow of the involvement of the different political actors in the region's geopolitics, some scholars and experts started using the "new Great Game" more often in the context of the geopolitical competition for rule over the region.

The classification of the interests of the political actors involved in the region:

- The interests of the global political actors: USA, China, Russia, and EU;
- The interests of the traditional regional actors: Turkey and Iran;
- The interests of the new states of the Caspian Sea: Azerbaijan, Kazakhstan, and Turkmenistan.

Even though abundant energy sources are the crucial factor playing a significant role in increasing the interests of different political actors in this region, it is not the only aspect. The Caspian region's geopolitical position in the center of Eurasia and its enormous role in the land communication system between the East and West is another critical point making this region relevant in the Eurasian policy of different political actors.

Chapter VI: The essential energy contracts between international energy concerns of the world and countries of the Caspian Region. The significant energy fields

The energy industry is critical to the politics and economy of Azerbaijan, Turkmenistan, and Kazakhstan. The regional governments considered the significant oil and natural gas contracts with international energy corporations as an effective tool to secure independence and achieve relative economic prosperity, especially in the first years of their independence.

Azerbaijan made a "path-breaking" energy contract with the Western energy companies, including some British and American enterprises, to explore oil resources in the three large oil and gas fields in the Caspian Sea-Azeri, Chirag, and Guneshli.

In September 1994, the energy deal was signed despite numerous political, economic, and social problems in Azerbaijan. The agreement later became known as "the Contract of the Century" because of its enormous importance for the Azerbaijani economy and political resonance in the post-Soviet space.

The agreement was achieved despite the Caspian Sea's unsolved legal status, which made this contract even more worthwhile and opened the path for the region's new states to collaborate with global political actors and energy entrepreneurs. Further, Azerbaijan, Kazakhstan, and Turkmenistan have signed numerous oil and natural gas contracts at different scales to develop, extract, and export oil and natural gas resources. Meanwhile, the Russian and Iranian governments did not approve of involving other political actors and energy companies in the Caspian Region because of Moscow and Tehran's geopolitical interests.

Azerbaijan has a rich oil history. However, the discovery of the SD natural gas field, one of the largest natural gas fields of the Caspian Sea and the largest in Azerbaijan's energy history, made Azerbaijan a potential natural gas exporter. The gas field was discovered in 1999 in the Azerbaijani part of the Caspian Basin. Some key energy companies such as BP, SOCAR, Lukoil, NICO, and Total are the project's member companies.

Exploring the SD field's second stage increased the Azerbaijani natural gas industry's export potential, enabling Azerbaijan to ensure European energy security significantly. Consequently, being one of the Caspian Sea's practical natural gas projects, SD 2 will increase the export potential of Azerbaijan by 16 bcm/a, while the first stage's export capacity is 9 bcm/a. Azerbaijan started its direct natural gas export to the European natural gas market in January 2021.

Natural gas extracted from the SD field is exported via the SCP pipeline, better known as the BTE pipeline. It is constructed parallel to the BTC oil pipeline to Georgia and Turkey. In 2006, the SCP was extended to export natural gas from the SD 2 via Georgia and Turkey to Europe. Consequently, the SCP expansion made it possi-

ble to link the SCP with TANAP, enabling the supply of Azerbaijani natural gas across Turkey. The volume of gas exported via TANAP is expected to reach 16 bcm/a, so it should be provided 10 bcm/a to Turkey and the rest to the European energy market.

TANAP was initially constructed to create a link with the TAP that, in its turn, would transport from the SD 2 extracted natural gas to Greece, Albania, and further under the Adriatic Sea to Italy. The TAP was chosen instead of the failed Nabucco project to export Azerbaijani gas to Europe in 2013. Even though TAP did not meet the gas and oil demand of the EU to the extent that it can be seen as a massive step towards the diversification of its natural gas import sources, the project brings profitability to the EU's natural gas market, so it was granted a status of "Project of Common Interest."

Kazakhstan is one of the wealthiest oil countries globally. Some significant oil fields exist in Kazakhstan, like Kashagan, Tengiz, and Karachaganak. For instance, the Kashagan oil field is one of the largest in the Caspian region and the world, with an oil potential of 9–13 bb and a production capacity between 4–8 tons per year. According to some not confirmed prognoses, the area's oil potential can increase up to 50 bb, making this field the third-largest in the world after the oil fields Ghawar in Saudi Arabia and Burgan in Kuwait. The Italian energy company Eni has been an oil field operator for many years, while other giant energy entrepreneurs like BG Group, BP/Statoil, ExxonMobil, Royal Dutch Shell, and Total are also involved in the project. It is the most complicated industrial project globally, considering its problematic nature, colossal range, shallow waters, and climate structure.

Another largest oil field in Kazakhstan is Tengiz. It is previewed that the oil field has 26 bb oil reserves. One-third of Kazakhstan's entire oil production is extracted from this oil field. Moreover, the Tengiz field also has significant sulfur reserves along with considerable oil resources. The expected sulfur reserves are estimated at almost 4.5 mt. It also has some difficulties in its development, which has been delayed for many years. The shares of the oil and gas field are divided between the energy companies: Chevron (50%), ExxonMobil (25%), KazMunayGaz (20%), and LukArco (5%).

Azerbaijan and Kazakhstan are the traditional oil exporter countries. Turkmenistan has some significant natural gas reserves and is listed as one of the world's most abundant natural gas lands. The Galkynysh field, with its 4–14 tcm natural gas capacity, is estimated as one of the richest natural gas fields in the world. The Ýolöten area, where the Galkynysh field was explored, has abundant natural gas stocks. The first phase began in 2013 with a development capital of $9.7 bn. and a marketable natural gas capacity of 30 bcm/a. The second stage of development was launched in 2014 and had the same production capacity, 30 bcm/a, while the last step began in 2015. It possesses 35 bcm/marketable natural gas capacity.

Despite its tremendous potential, Turkmenistan has some difficulties in shipping natural gas. Russia and China are the primary export sources for Turk-

menistan. The diversification of the export routes is the main challenge for Ashgabat. Thus, the Turkmen government aims to export from the gigantic Galkynysh extracted gas through the TAPI pipeline to Afghanistan, Pakistan, and India.

Chapter IV: Geopolitics in the Caspian Region

This chapter considers the interests of the essential political actors of the world policy China, the USA, the EU, and Russia towards Central Asia and the South Caucasus. Also, the geopolitical interests of the traditional actors of this region: Turkey, Iran, and the newly independent states of the Caspian Region have also been analyzed in detail, even though the central goal of the chapter is focused on the study of the global political actor's policy.

The first question was: *Does the Caspian Region have strategic significance in the Eurasian policy of external (international) actors after the SU's collapse? If so, what factors attract the governments of China, the EU, the USA, and Russia to pay attention to the Caspian Region in their foreign policy towards Eurasia?*

In terms of answering the first research question, the following hypothesis was suggested: *The Caspian Region is critical in the foreign policy of international political actors involved in the region's geopolitics. Two factors drive interest to this region:*

First, the Caspian Basin, together with the Persian Gulf, is one of the world's two most fertile energy regions. All countries of the region possess significant oil and natural gas reserves.

Secondly, the Caspian Region is located between two growing energy markets: the European and the Asian, and the world's two largest energy exporters: the Persian Gulf and Russia.

Thirdly, the region's geopolitical location has tremendous strategic meaning for the Eurasian policy of the states involved. Hence, the Caspian Region is located in the center of Eurasia, and the area is perceived as the system of land communications between the East and the West.

The second part of the IV chapter is dedicated to analyzing the traditional and regional states' interests.

China started following an active policy towards Central Asia only after the breakup of the SU. Establishing new political and economic relations, and setting up security on Central Asia's borders, are essential for Chinese geopolitical involvement in Central Asia.

China's interest in this region is not "one-sided," so the Central Asian states are also interested in close bilateral relations with China. In general, Beijing's involvement in Central Asia could be characterized by the following aspects:

- Economic interests;
- Stable oil and gas import;
- Fighting separatist's movement of the East Turkestan in Central Asia;
- Security.

China demands no democratic reforms and establishment of civil society, development of primary governmental institutes, the establishment of the free market, and other essential improvements. For this reason, China is the most desirable partner for the authoritarian regional states.

> These findings concerning China's policy in Central Asia prove that Central Asia has a strategic significance in China's Eurasian policy after the USSR's fall. It means that the first hypothesis of the work has been confirmed.

In contrast to Central Asia, where China has some vital interests, the South Caucasus cannot be counted as a crucial region to Beijing. However, Beijing's growing influence in the world arena as a global trade giant is the most critical factor in making China attractive to the regional states.

China is interested primarily in economic relations with the regional states. For instance, the Chinese "One Belt One Road" project is a significant economic initiative stimulating its presence in the South Caucasus.

The "New Silk Road" is a trade route connecting China and Europe via Kazakhstan, Azerbaijan, Georgia, and Turkey. BTK is a vital railway project that bypasses a vast Russian territory and is a significant part of the "New Silk Road." Considering the meaningful geographical location of the South Caucasus in the center of Eurasia, this region might play an essential role in China's Eurasian policy.

> All these findings concerning China's policy in the South Caucasus prove that even though the region does not have vital meaning for China's Eurasian policy, its importance has been slightly increasing, especially during the last 10–15 years. It means that the first hypothesis of the work has been partly confirmed.

First and foremost, the *EU*'s engagement in *Central Asia* should be considered in the "soft policy" frame because Brussels is not interested in its geopolitical presence, as in the case of Russia, the USA, and partly China.

EU adopted a "Strategy for a New Partnership" for the EU's policy towards Central Asia in June 2007. The adopted document entails cooperation with the Central Asian states in some directions like education, the rule of law, energy transport, environment and water, trade, and economic relations. The region's energy resources are another factor making Central Asia attractive to the EU. Due to the "Strategy for a New Partnership with Central Asia," Brussels has some priorities concerning Central Asia's energy sector.

The EU's second strategy, "reviewed and renewed," was adopted in June 2017. However, the EU could not achieve its central goals concerning establishing the rule of law, human rights, continuous stability, foundation and development of demo-

cratic institutes, economic development, and liquidation of poverty in the region despite the adopted strategic papers towards Central Asia.

All these findings relating to the EU's policy in Central Asia prove that Central Asia has a strategic significance in Brussels's Eurasian policy after the USSR's fall. It means that the first hypothesis of the work has been entirely confirmed.

The *South Caucasus* is not a region of the *EU*'s vital interest due to some essential factors like a weak-developed economy, the lack of stability, and the existence of so-called "frozen conflicts." However, given that the South Caucasus is a "buffer zone" between Europe, the West, and South-West Asia, it is characterized as a connective region between Europe and Central Asian states. Understanding the relative importance of the South Caucasus for the EU becomes clear.

Nevertheless, the EU's policy towards the South Caucasian states can be specified as "half-hearted" despite Brussels' political and economic programs towards the region. Therefore, the formal recommendations of the EU in the frame of political and economic transformation do not bring needed stability and prosperity to the area.

These findings concerning the EU's policy in the South Caucasus prove that the region does not have vital meaning for Brussels's Eurasian policy. It means that the first hypothesis of the work has not been confirmed.

Central Asia was an important region for the *USA* in different periods of the 20 century. However, after the SU's downfall, Washington started following its political interests in the region more vigorously. Simultaneously, Central Asia became a region of Washington's vital interest shortly after the 9/11 terror attack in NYC. Hence, in Central Asia were established the military bases of the USA for fighting terroristic groups and establishing security.

The establishment of democracy, the rule of law, a market economy, and the integration of regional states in the international community are some of the USA's missions in Central Asia.

However, the fighting terrorism and restriction of its two primary political opponents: China and Russia's geopolitical activeness in the region, are the two central issues causing the USA's active political involvement in Central Asia's geopolitics. Central Asia is not an Indo-Pacific Region, which has a crucial priority in the USA's foreign policy. Nevertheless, it becomes clear the reason for Central Asia's importance in the foreign policy of the USA, taking into account the important geographical location of the region adjoining the North to Russia and in the East to China and the closeness of the area to unstable states such as Afghanistan and Pakistan.

The region's relevance for US foreign policy has been reducing since 2016. Nevertheless, given the region's importance for the USA's foreign policy, it can be foreseen that the US's active involvement will rise slightly. Still, it would be better to avoid any precise predictions since each presidential administration in the US might have different political priorities influencing the state's political approach towards Central Asia.

All these findings concerning the US's policy in Central Asia prove that Central Asia has a strategic significance in Washington's Eurasian policy after the USSR's fall. It means that the first hypothesis of the work has been ultimately confirmed.

Washington is expected to play a more active role in averting the activation and escalation of the "frozen conflicts," supporting democratic reforms and good governance tendencies in the *South Caucasus*.

Like in the case of Central Asia, the meaning of the South Caucasus in the US's foreign policy grew significantly after a terror attack in the USA following the military operations against Taliban and Al-Qaida terror groups and the dictatorship of Saddam in Iraq. Moreover, the South Caucasus has strategic importance in fighting terrorism in the Nord Caucasus and the Middle East. Since there is a close partnership between NATO and the Azerbaijani and Georgian governments, Azerbaijan and Georgia supported the US's anti-terror military operations in Afghanistan and Iraq financially and militarily by offering their airbases.

The South Caucasus's modest role in establishing European energy security stimulated an increase in Washington's active political engagement in the region. Therefore, with Washington's close support, Azerbaijan's significant energy projects like "the Contract of the Century," BTC oil, and SD natural gas projects were realized.

All these findings concerning the US's policy in the South Caucasus prove that even though the region does not have a vital meaning in Washington's Eurasian policy, the US government pays essential attention to the area because of its geographic location. It means that the first hypothesis of the work has been partly confirmed.

Alongside the South Caucasus and the Middle East, *Central Asia can* be easily identifiedas one of the most important regions where the Kremlin has vital interests. *Russia* has in Central Asia some political and economic benefits. This region plays an enormous role in turning Moscow into one of the most influential powers in the world arena. Therefore, by its presence in Central Asia, the Kremlin conveys to its primary opponents involved in Central Asian policy that Russian interests in the region must also be considered.

Russia regained its lost political influence in Central Asia in the first years of Putin's administration, so it became the closest partner of Kazakhstan, Turkmenistan, Uzbekistan, and other Central Asian states.

The history of Russia's policy toward Central Asia after the breakup of the USSR can be characterized by three stages:

- *From right after the break of the SU to the 90th of the last century*. The main characteristic of the stage was the lack of Moscow's clear political concept towards Central Asia.
- *The second half of the 90th of the 20 century*. Russia started participating in Central Asia's geopolitics more actively, and it became an essential region in Russia's foreign policy. Therefore, Russia began to rebuild its lost authority in Central Asia according to its so-called "Primakov doctrine."
- *After Vladimir Putin came to power*, Russia established new political and economic relations with all regional states. It turned into one of the essential actors in Central Asia and became a close ally of autocratic regimes.

All these findings concerning Russia's policy in Central Asia prove that Central Asia has a strategic significance in Moscow's Eurasian policy after the USSR's downfall. It means that the first hypothesis of the work has been ultimately confirmed.

Russia always had some imperialistic interests in the South Caucasus. The Russian government considers the region one of the strategically important areas in its foreign policy even after the collapse of the Soviet Empire. Consequently, the South Caucasus is seen by the Kremlin as its "backyard." It would not be wrong to argue that the regional conflicts would have been easily regulated without the Kremlin's manipulation of them because they enable Moscow to interfere in the regional states' internal affairs.

The Kremlin is the key initiator of the regional conflicts. For instance, the so-called "5 days of war" against Georgia is proof of the Kremlin's policy towards regional states. Moscow initiated it to show the West who is an actual "owner" of the South Caucasus. Hence, the Kremlin used this war for its profit to increase a so-called "military spirit" in Russian society and demonstrate its military power. Therefore, readiness to protect its geopolitical interests in the South Caucasus at any price shows the South Caucasus's critical role in Russia's Eurasian policy.

All these findings concerning Russia's policy in the South Caucasus prove that the region has a strategic significance in Moscow's Eurasian policy after the USSR's downfall. It means that the first hypothesis of the work has been ultimately confirmed.

Chapter V: The Caspian region's energy resources and the history of their production and meaning for the world energy market.

The second question was: *Can the energy reserves of the newly independent states of the Caspian Region be considered as alternative energy sources to the gigantic energy reserves of the leading energy suppliers of the world energy market such as Russia or the Persian Gulf?*

The suggested hypothesis with regard to answering the second question of the paper was: *Some scholars and energy experts propose that the energy reserves of Azerbaijan, Kazakhstan, and Turkmenistan can help traditional energy importers abolish their energy dependency on Russia and the Persian Gulf states completely. These beliefs are also utilized by the governments of the newly independent states of the Caspian Basin as an essential political instrument in terms of gaining political advantage in the international political arena. In contrast to such optimistic projections of some energy experts and the regional governments regarding the Caspian state's enormous role in the energy diversification policy of the world energy market, especially of the EU, this research argues that the energy reserves of these countries cannot completely replace the enormous energy potential of the traditional energy suppliers of the world energy market. However, the energy resources of the newly independent states of the Caspian Basin can play an essential role as an alternative energy source in the diversification of energy sources and keeping energy prices of the world energy market at a stable level.*

Azerbaijan

Azerbaijan is one of the world's oldest and richest traditional *oil* countries. Therefore, the first oil extraction in Azerbaijan was realized many decades ago. After the USSR's fall, the country was expected to possess significant oil resources, and it is probably one of the wealthiest oil countries on Earth. However, the amount of oil extraction increased substantially through the years. It became clear that Azerbaijani oil resources are less tremendous than it was guessed in the first years of its independence. Besides, new oil fields in the country have yet to be discovered. According to various sources' total confirmed oil reserve data as of the conclusion of 2023, Azerbaijan's proven oil reserves are estimated to be 7 bb. The Azerbaijani oil is exported through three oil export pipelines Baku-Novorossiysk, Baku-Supsa, and BTC, while a very insignificant part of extracted oil is transported by rail. The BTC is shipped nearly 80% of the entire oil production. The pipeline reached the highest point (1 mbd of crude oil) of its capacity sill in 2010.

Consequently, if Azerbaijan extracted 300.000 b/d in 2004, this indicator was more than 1 bb/d in 2010. The Azerbaijani oil production from the ACG oil fields reached its highest production capacity in the same year, so the production volume has declined since then. Hence, Azerbaijani oil production decreased by almost 1 mt within one year. Considering the decrease in oil production and the fact that Azerbaijan has no new potential oil fields, which could significantly increase its oil pro-

duction, Azerbaijan might not be considered the alternative oil source for the world energy market.

Hence, the research hypothesis is not confirmed in the case of Azerbaijan.

If oil extraction has rich traditions in *Azerbaijan*, while the country has never had fertile natural *gas* fields, it has been an apparent natural gas importer. Therefore, Azerbaijan could not meet even its natural gas demand in the first years after the acquisition of its independence. However, it became clear that there are significant natural gas reserves in Azerbaijan after discovering some essential natural gas fields in the last few years. Hence, the production in Guneshli and SD substantially increased the entire natural gas production.

According to BP, the natural gas reserves of Azerbaijan are estimated at 2.5 tcm.

The SD field was explored in 1999, but gas production started first in 2007. The natural gas capacity of the first stage of the SD is estimated at 9 bcm/a. However, according to estimations, the second stage of the field will be more productive and produce about 16 bcm/a. Azerbaijan exports from the SD field extracted natural gas to the European natural gas market for the first time in its history. Considering Azerbaijan's modest natural gas reserves, it is more than evident that Azerbaijan cannot be regarded as a rich alternative natural gas source to Russia's enormous natural gas potential. However, Azerbaijan is able to supply a substantial volume of natural gas to the neighboring countries and the European natural gas market. Consequently, it can be considered an alternative natural gas source for some neighboring countries and the European energy market.

Therefore, the hypothesis is confirmed in the case of Azerbaijan.

Kazakhstan

Kazakhstan has significant *oil* reserves and is classified as one of the Caspian Sea's wealthiest oil countries. Moreover, Kazakhstan is on the list of the world's 15 most wealthy energy countries. Karachaganak, Tengiz, and Kashagan are the three most significant Kazakhstan oil fields that contain nearly 50% of Kazakhstan's oil reserves.

The proven oil reserves of Kazakhstan are estimated at 30bb. Kazakhstan is the second-largest oil country in the Post-Soviet Region, succumbing only to Russia. However, due to some very optimistic estimations, the country may have 60–100 bb of crude oil reserves.

The consistent rising in production proves the fact that the country can increase its oil production capacity. For instance, it produced 1911.84 BBL/D/1K in February 2023. Even though it is far from the absolute peak of crude oil production in the

country, this production indicator is remarkable, considering the world energy market's actual situation.

Moreover, Kazakhstan is a relatively young energy country compared to Azerbaijan, and the largest oil fields have yet to reach their highest production level. Hence, it is still able to increase the volume of its oil production essentially. The country's oil production can increase by discovering new oil fields and growing oil production from the actual oil fields. Therefore, the government can be considered an alternative oil source, considering Kazakhstan's tremendous oil production potential.

Hence, the hypothesis is confirmed in the case of Kazakhstan.

If *Kazakhstan* has significant oil reserves, its *natural gas* resources cannot be characterized as substantial as oil reserves. According to the Ministry of Energy of Kazakhstan, the natural gas reserves capacity of Kazakhstan is 3 tcm.

The largest oil fields of Kazakhstan, Tengiz, and Karachaganak, have some requisite amount of natural gas reserves. Almost 30% of the entire production of the country is produced for its consumption of the country.

The country's natural gas sector needs to be stronger developed, and there were no gas pipelines in four provinces of Kazakhstan until 2015.

Given that Kazakhstan cannot meet its natural gas demand, it would be unrealistic to guess that Kazakhstan can be considered an alternative natural gas source.

Hence, the hypothesis is not confirmed in the case of Kazakhstan.

Turkmenistan

In opposition to Azerbaijan and Kazakhstan, the *oil* reserves of *Turkmenistan* are very modest. In contrast to its dominant natural gas sector, Turkmenistan's oil sector does not have strategic importance for its national economy. Therefore, the oil sector is characterized by its weak-developed infrastructure and pipeline system. Turkmenistan's oil reserves are estimated at 600 mb by 2022. In the Caspian Sea, discovered oil fields such as Koturdepe, Nebitdag, and Chekelen are the most significant Turkmenistan oil fields.

Since Turkmenistan possesses insignificant oil reserves, the country cannot export its oil resources to other countries and cannot be considered an alternative oil export source.

Hence, the hypothesis is not confirmed in the case of Turkmenistan.

According to statistics, *Turkmenistan* is one of the richest *natural gas* countries in the Caspian Region. Still, it is on the list of the most abundant natural gas countries globally, with its 13950 bcm, according to Statista's information for 2023.

Galkynysh is the most productive field in Turkmenistan. This field is expected to produce nearly 3.3 tcf/y after lunching all three phases.

Turkmenistan is looking for new energy partners to export its natural gas and decrease its export dependency on China and Russia. The EU is also interested in importing Turkmen gas via the TCP and linking this pipeline with SGC. This project's realization would increase the export capacity of the SGC up to 45–90 bcm/a, which makes up almost 10–15% of the total natural gas consumption of the EU.

The country's abundant natural gas reserves make Turkmenistan a potential alternative natural gas source. Hence, Turkmenistan can definitely be accepted as an alternative natural gas source to Russia's gigantic natural gas reserves.

Consequently, the hypothesis is confirmed in the case of Turkmenistan.

6.2 Theoretical implications and further research

The conducted research has filled an essential scientific gap in the study of the Caspian Region by investigating two central questions of the work concerning the relevance of the region in the foreign policy of the main actors of the international policy/the factors causing essential attention of the foreign governments to the region and the meaning of the energy resources of Azerbaijan, Kazakhstan, and Turkmenistan for the world energy market and probable consideration of these countries as a potential alternative energy exporter.

The research project created solid empirical data by conducting interviews with experts. Also, the dissertation researched some other issues like the historical meaning of the region, significant oil and natural gas contracts between international energy concerns and Azerbaijan, Kazakhstan, and Turkmenistan, the economic and political impacts of the considerable energy contracts between Azerbaijan, Kazakhstan, and Turkmenistan and global energy companies after the fall of the USSR, etc. The mentioned research tasks are the significant empirical contributions of the dissertation. The different data concerning the work's content was appropriately structured, which is another contribution of the work facilitating the research of other research on the relevant topics.

The majority of the research concerning the energy resources and geopolitics of the Caspian region was conducted in the form of describing the data. In contrast, this research considers the data and information by applying an appropriate theo-

retical approach that makes the theoretical implications worth to be used in other analyses concerning similar topics.

Since all states of the region possess enough common characteristics and have the same problems like the significant dependence on the export of oil and natural gas resources and an undifferentiated and one-sided developed economy, the majority of theoretical conclusions would be effective in the case study of Russia and Iran alongside Azerbaijan, Kazakhstan, and Turkmenistan.

The most central theoretical inference is the point that the used theoretical models help to acknowledge the meaning of this region in the Eurasian policy of the essential "powers" of the world policy and the fact that the energy resources are not the only factor, which makes this region necessary in the policy of these states as the majority of people who are not familiar with the region, often guess. To elaborate on this point, the dissertation theories and the conducted research elucidate the point why the governments of the leading states pay significant attention to this region and whether the newly independent states of the Caspian Region possess abundant oil and natural gas reserves, as it was guessed by the majority of energy experts in the first years after the fall of the USSR.

6.3 Policy recommendations

Policy recommendations target two groups: the regional governments of the newly independent states and scholars studying the geopolitical issues and energy policy of different political actors in the South Caucasus and Central Asia. The first part of the suggested policy recommendations would help Azerbaijan, Kazakhstan, and Turkmenistan accept the new realities of the upcoming post-oil era, prepare for it, and conduct reforms to have more stable state relations with the significant political actors of the world policy. In contrast, the second part of the policy recommendations would facilitate other research concerning the region's energy and geopolitical issues.

As a rule, after the collapse of the USSR, the newly independent states' governments used the traditional energy industry as an essential factor to attract the governments of the crucial political actors involved in the Caspian Region's geopolitics energy companies. However, considering the factors like the consistent decreasing the meaning of oil and natural gas resources in world policy, the governments should be concentrated on other more critical issues like the establishment and improvement of some fundamental principles of democracy, the rule of law, and good governance because the energy resources are not the main locomotive of diplomacy in the region as they used to be. The evolution of fundamental principles of democracy in Azerbaijan, Kazakhstan, and Turkmenistan, which have some significant deficits in these spheres, would improve interstate relations between these states and other

essential political actors of the world policy. The suggested reforms would be effective, especially in the relations with Western actors like the USA and the states of the EU.

Secondly, it is also recommended that the Azerbaijani, Kazakh, and Turkmen governments pay more serious attention to developing renewable energy sources instead of oil and natural gas. On the one hand, it would guarantee more security in the post-oil era. On the other hand, the states would get essential financial profit since renewable energy sources are less costly than traditional energy sources. Moreover, the active implementation of these branches would stimulate new job positions in these sectors.

The second group of policy recommendations is the scholars and future researchers studying the topics of this work. First of all, it is recommended not to present the energy resources of the Caspian Region as the central factor attracting significant political actors of the world policy since the meaning of energy diplomacy is slightly decreasing, and it might be wholly irrelevant shortly, taking into account the general use of renewable energy resources in the world. Moreover, it would not competently present the Caspian region as the most crucial region for the USA, China, and the EU's foreign policy. It is evident that the Caspian Region has some relevance in the Eurasian policy of the international political actors because of its necessary geographical position in the Eurasian continent. Still, the regional governments and some local political experts often exaggerate this region's meaning in the background of geopolitical competition between different political actors.

One of the topics that should be avoided in researching this region is the Caspian Sea's legal status. It was written enough political, geopolitical, law books, articles, and monographs concerning the Caspian Sea problems and perspectives for disagreements between regional states, etc. For this reason, the topic presents less innovative scientific worth.

The detailed analysis of the conflicts in the South Caucasus is another favorite topic of local scholars. The researchers examine the factors causing the conflict from different political, sociological, or law perspectives. However, the research topics also lost their innovative worth by considering these topics by numerous scholars.

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Appendices

Question 1: What are the primary interests of the main political actors involved in the geopolitics of the Caspian Region?

Interview with Prof. Fabienne Bossuyt

What are the primary interests of China in Central Asia?

The main interests of China are connected with the investment in infrastructure and natural resources of the Central Asian states. China has made a significant rise over the last twenty years, so it is now a leading actor in the region. China equalizes development with economic growth instigated through improved infrastructure. In contrast to the tradition aids from the Western countries, Chinese aid is followed by remarkable aid for the donor, like as easy access to energy resources and lucrative contracts for Chinese companies. Hence, the Chinese refer to cooperation rather than aid, highlighting that cooperation involves a win-win situation, as it benefits both recipients and donors.

Beijing's engagement to the region began increasing in the first half of the 2000s through financing the infrastructure projects. However, China became one of the most important political actors in Central Asia in recent years. In 2013, the announcement by Chinese president, Xi Jinping, of China's plans for a Silk Road Economic Belt during a 10-day tour through Central Asia was accompanied by an estimated US$ 48 billion worth of investment and loan agreements, mostly related to the energy, trade and infrastructure sectors. As part of the so-called Belt and Road Initiative, the Silk Road Economic Belt is a major investment initiative aimed at expanding transport and energy corridors, connectivity and establishing new transport links between Asia and Europe. To finance the plans, China has launched the Silk Road Fund, a $40 billion infrastructure fund, overseen by the China Development Bank, aimed at providing funding for the construction of roads, high-speed rail lines and energy pipelines in Central Asia and Western China. The heavy focus on infrastructure of the Belt and Road Initiative – and of China's development cooperation more generally – neatly reflects China's view on development. Strongly

inspired by its own development model, China adheres to the idea that construction and improvement of productive infrastructure feeds into economic growth, private enterprise and employment, and strengthens regional connectivity.

Compared to the other western political actors, the impact of China's assistance in Central Asia is more pervasive. In addition, it is also more visible. China's presence in the region appears to benefit the development of the Central Asian countries in three aspects. First, the construction of transport infrastructure, power transmission lines and hydro power plants oers direct benefits to the Central Asian countries. The new transport infrastructure provided under the Belt and Road Initiative (BRI), facilitates domestic trade and doing business and opens up new trade routes. China's assistance is perceived as more "attractive" by the local regimes, which increases their receptiveness.

The Central Asian governments are first and foremost attracted by the fact that China's assistance does not involve the sort of conditionalities that the EU and other Western donors attach to their aid delivery, concerning, for instance, human rights performance, economic management or good governance. The absence of this kind of conditionality in China's foreign aid policy stems from its strong commitment to the principles of non-interference in internal aairs and the treatment of other countries as equals. China promotes its own example of development. Beijing's lack of aid conditionality and monitoring standards, as well as its direct dealings with the authoritarian governments, reduces the transparency of its projects and exacerbates local governance problems

Interview with Dr. Murat Lamulin

What are the primary interests of China in Central Asia?

It should be mentioned that the researchers have quite a positive attitude towards the EU. The majority of political analysts (similar to representatives of other Central Asian nations) traditionally view the EU as a positive geopolitical factor, and an example of economic success and effective regional integration. Attitudes towards the EU were unbiased: the EU did not have a burden of imperial history (as Russia), did not act aggressively and arrogantly (as the USA), and was not a source of potential threats (as China) or actual threats (as the Islamic world) threats. In short, regional activists had a very high opinion of the EU, in particular in the 1990s.

These feelings were encouraged by the EU's actions, including abundant economic assistance, and various large-scale programs like TACIS, and also by the geopolitical statements, announced by Brussels that claimed that Europe considered Central Asia and the Caspian region as areas of its strategic interests. Consequently, the EU was considered an adversary of former Soviet nations' reintegration due to its policy aimed at post-Soviet area segregation in 20001 (paradoxically, the

EU always advocated intensification of regional integration within Central Asia). "Double standards" in EU's policy (though they are much milder compared to those of US' policy) and other signs of"western solidarity" were also strongly criticized. It should be mentioned that Central Asia always recognized the difference between the motives of the West European nations and so-called New Europe.

According to a paper named the EU and Central Asia: Strategy for a New Partnership adopted on 31st May 2007 which covers the period from 2007 to 2013, the EU set forth the following goals for the region: 1) To ensure stability and security; 2) To maintain poverty reduction and to increase the standards of living within the Millennium Development Goals; and 3) To promote cooperation both among the Central Asian states, and between these nations and the EU, especially in energy supply, transport, higher education and environmental protection.

Primarily, the paper states that Central Asia traditionally brings Europe and Asia together and Central Asian states adhere to the OSCE (i.e. become close to the European political space). The EU and Central Asia have common goals such as maintaining stability and achieving prosperity. It is also important that the EU intends to hold constructive dialogue with regional organizations, in particular with the Eurasian Economic Community (EURASEC), SCO, the Conference on Interaction and the Confidence Building Measures in Asia (CICA), CSTO, and the Central Asian Economic Community (CAEC). Still, it is not clear to what extend the EU will exert its geopolitical influence on Kazakhstan and Central Asia given growing Chinese influence, Russia's attempts to regain control and the possibility of the USA suspending its activities in the region.

Interview with Prof. Timothy Colton

What are the USA's primary interests in Central Asia?

The USSR's dissolution established a soil for the USA to play an active role in some critical issues like the region's democratization, the establishment of the rule of law and market economy, and most importantly, assisting the regional states in building a more progressive society. However, it would be inappropriate to claim that the USA achieved all its established goals, which were defined in the first years of the downfall of the SU.

The US interests in Central Asia did not begin with the 9/11 terror attack, as most political experts claim. In contrast, right after the USSR's dissolution, the US government established diplomatic and economic relations with the regional countries. However, if we talk about the vital importance of the region in the foreign policy of the USA, we have to admit that the meaning of Central Asia increased enormously just after 9/11 when the terrorists attacked the Twins Town in New York. Since the region was"the home" for some terrorist organizations like the Taliban and al-Qaeda

that the main actors behind the terror attack in New York and were the potential threat to the world security system, the security issue in Central Asia became the core of the US policy towards this region. Due to its geographical proximity to insecure states like Afghanistan and Pakistan, Central Asia was included in the US government's foreign policy's vital areas.

As a matter of fact, the primary factor, which made this region more attractive for the USA, was the rich oil and natural gas resources and region pipelines. The abundant energy reserves of Central Asia attracted the US government even before the downfall of the SU when Kazakhstan started to negotiate with the multinational oil companies concerning the exploration and production of oil resources on the territory of the country. In contrast to the general point of view, I don't think that the role of regional oil and natural gas lost their meaning for the USA and its European allies in the background of the world energy market's recent changes.

The USA is not the only powerful actor in the region. If in the first years of the dissolution of the USSR, Russia was the only actor competing with the USA, China's influence in the region increased enormously due to the Chinese government's intense political and economic relations with the governments of Kazakhstan, Uzbekistan, and Turkmenistan. Xi Jinping government invests enormous financial resources into the energy, light, and heavy industries in the region. In fact, the significant investments make China a more attractive partner for the regional states than the USA, which policy is not intense as in the first years of 9/11.

What are the USA's primary interests in the South Caucasus?

Indeed, the USA is the biggest political actor in the South Caucasus. However, it would not be correct to define the US interests in the region as vital for the USA's policy in the world. However, the USA's presence in the South Caucasus might play an essential role in the peaceful regulation of the regional conflicts, the region's economic development, the democratization of the regional states, etc. Furthermore, the neutralization of the Kremlin's aggressive policy should be seen as another essential mission of the US government in the South Caucasus.

The US policy in the South Caucasus was quite vigorous in the first years of the 2000s during the Bush administration when Washington included the Caspian region among Central Asia in the list of vital areas for the US's foreign policy. The concept of the "Great Game" began to be used by scholars, particularly during this period. However, the region's importance started changing slightly during the Obama administration when the US government got other essential issues like the withdrawal of the US troops from Afghanistan, closing Guantánamo, and health care policy in the country.

The US policy during the Trump administration was entirely passive. However, Turkey's active participation in the regional processes as a political ally could in-

directly mean the USA's representation in the South Caucasus. Also, the US government's balance between Azerbaijan and Armenia shifted involuntarily towards Azerbaijan since Turkey is an open ally and supported by the USA. On the other hand, Russia acquired what it wanted to have from the beginning. The Russian "peacekeepers" were stationed in Azerbaijani territory, so Russian troops are now in Azerbaijan after Georgia and Armenia. The Russian "peacekeepers" are tended to stay there for a long time. It is a small contingent, but it cannot be attacked. Mikheil Saakashvili tried to pull them out from Georgia, and we know the Kremlin's reaction to this act.

The Trump government's passivity founded an excellent chance for the Putin government to pursue a more active South Caucasus policy. However, the USA is such a massive political player whose role cannot be ignored entirely. Since the Biden administration is altogether new in the government, it isn't easy to foresee its foreign policy towards the South Caucasus and the regional states. However, it is clear that Georgia is the main ally of the US in the South Caucasus. Georgia is a potential NATO member, and it was promised a NATO membership to Georgia after the so-called "5 days of war" in 2008 when Russia attacked Georgia. However, it seems challenging to grant Georgia a NATO membership taking into account the situation in South Ossetia and Abkhazia. In fact, the Putin government is extremely worried about the NATO troops' potential presence in its proximity. For this reason, it is not difficult to guess that Russia will do everything possible to prevent Georgia from becoming a member of NATO.

Interview mit Dr. Uwe Halbach

What are the primary interests of Russia in Central Asia?

In the first post-Soviet decade, there was talk of a "new Great Game". This referred to geopolitical competition between Russia and Western actors, but also to the policies of Turkey and Iran and their influence on Muslim countries in Central Asia and the Caspian region. Above all, however, the influence of the USA in Eurasia was considered a geopolitical challenge for Russia, as the former Soviet area had become a foreign policy priority for Moscow since 1993.

Under Putin this priority was even more strongly emphasized. For example, the protection of "Russian compatriots" in former Soviet republics was emphasized – and this applied to Kazakhstan in Central Asia, for example. After September 11, 2001, the United States expanded its strategic presence in Central Asia and maintained military bases and airports in Uzbekistan (Karshi-Khanabad) and Kyrgyzstan (Manas). On the one hand, Russia cooperated with Western actors on security policy challenges related to the precarious situation in Afghanistan, such as the fight against Islamist terrorism and drug trafficking. On the other hand, it felt challenged by the US military presence in the region. The US military bases in Uzbekistan were

closed in 2005 and in Kyrgyzstan in 2014. Russia expanded its own military presence, especially in Tajikistan.

After 2014, the geopolitical situation in and around Central Asia changed with the end of the International Security Assistance Force (ISAF) mission in Afghanistan and the downsized international military mission in the Hindu Kush Mountain rage. The US presence in the region decreased significantly, the EU presence was hardly worth mentioning. In return, China was now increasingly acting as a key player in Eurasia through its "Belt and Road" initiative. While Russia sees Western influence in the region as competition, it emphasizes cooperation with China as an essential component of its policy for a "post-Western" world order. However, the question is when this cooperation will turn into competition, since China, with its economic presence in Central Asian states, has already made Russia its "junior partner". In its Central Asia policy, Russia emphasizes above all the security policy aspect – as in its National Security Strategy of 2015 and its Foreign Policy Concept of 2016. In Tajikistan, its military presence is the largest in any foreign country. Its security policy levers of influence are regional organizations such as the Collective Security Treaty Organization (CSTO) and the Shanghai Cooperation Organization (SCO), in which it cooperates with China. However, this influence is limited by the fact that Turkmenistan considers itself a neutral state and Uzbekistan is also reticent about regional organizations in which major powers claim geopolitical dominance.

What are the primary interests of Russia in the South Caucasus?

Russia's claim to geopolitical influence on its "near abroad" in the South Caucasus is linked to its security policy challenges in its own Caucasian periphery, i.e. in the North Caucasus, where some of its constituent republics such as Dagestan or Chechnya have become its "domestic abroad". While international research on the Caucasus often draws an analytical dividing line between the South Caucasus as a scene of international politics and the North Caucasus as Russia's "internal affair", Russia is more interested in critical interfaces between the two halves of a "Wider Caucasus". Such interfaces include, for example, the Ossetian settlement areas in North and South Ossetia, the Pankisi Valley in Georgia with its Chechen population of Chechen origin, and the Lezgin settlement areas along the border between Dagestan and Azerbaijan.

In the first post-Soviet decade, Russia felt challenged by Western actors in the South Caucasus, which together with Azerbaijan planned and promoted new pipeline routes from the Caspian Sea to Europe. One of these projects, the BTC oil pipeline from Azerbaijan via Georgia to the Turkish Mediterranean coast at Ceyhan, went into operation in 2006. This was followed by new projects for natural gas routes on this southern corridor, which bypasses Russia.

The unresolved ethno-territorial conflicts in this region are a significant factor in Russia's South Caucasus policy. On the one hand, they are compared in Russia with similar conflicts in the North Caucasus, such as the conflict in and around Chechnya, and are seen as a challenge to security policy. On the other hand, the unresolved conflicts represent relevant levers of influence for Russia on geopolitical developments in the South Caucasus. Moscow's conflict policy, especially towards Georgia, has been subject to change. In the first post-Soviet decade, Russia acted as a mediator with other international actors in the conflicts over Abkhazia and South Ossetia. It supported CIS boycott measures against Abkhazia and voted for Georgia's territorial integrity. To the extent that Georgia increasingly oriented itself westwards and aspired to membership in NATO and the EU, Moscow then used the "frozen conflicts" to exert pressure on Tbilisi. It mutated from a conflict mediator to a party to the conflict that sided with the secessionist governments in Sukhumi and Tskhinvali – for example through "pasportizacija", i.e. the granting of Russian citizenship to large parts of the population in the secession territories, by expanding its military presence in the two territories, by participating in their government. After the brief war with Georgia in August 2008, Moscow recognized the two territories as independent states, but increasingly increased their dependence on Russia. Georgia speaks of "occupation" and "creeping annexation" of its breakaway territories by Russia.

In the conflict between Armenia and Azerbaijan over Nagorno-Karabakh, Russia is playing a somewhat more detached role. However, it is endeavoring to act as the main mediator here and is supplying weapons to both sides of the conflict. It maintains a strategic partnership with Armenia, but at the same time is a main supplier of weapons to Azerbaijan.

Its main interest in the South Caucasus is to block Georgia's rapprochement with NATO and the EU, to maintain the "strategic partnership" with Armenia even under the new government after the "Velvet Revolution" of 2018, and at the same time to intensify its relations with Azerbaijan.

Question 2: Could Azerbaijan be considered as an alternative energy source for the world energy market?

Interview with Ilham Shaban

Could Azerbaijan be considered as an alternative oil source for the world energy market?

It is not a secret that Azerbaijan is accepted as one of the traditional oil countries in the world because the first time in history the oil was explored in the territory of Azerbaijan. Azerbaijan returned its "oil identity" after the fall of the USSR by singing

some essential oil contracts with the international energy companies. The most significant energy deal became so-called the "Contract of the Century". Therefore, the singing of these essential energy deals served to the appearance of unreal expectations that the country is one of the oil richest countries on Earth. There were some unreal expectations that Azerbaijan could be an alternative oil source to some significant energy exporters of the world oil market like Russia, the countries of the Persian Gulf. The first years right after the fall of the USSR, the prognoses concerning the giant oil reserves of Azerbaijan did not reflect reality because of the lack of significant researches on the bottom of the Caspian Sea. The situation escalated even more by unreal prognoses of the local experts claiming that there is a tremendous amount of oil reserves in Azerbaijan.

The oil production of the country increased in the 00th dramatically, so if the oil production in 2004 around 300.000 b/d, the production potential of Azerbaijan reached its highest point, 1 b/d in 2010. The oil production of Azerbaijan increased thanks to crude oil production from the ACG fields, which are the most fertile oil fields of the modern oil history of Azerbaijan. The ACG oil fields have already reached their highest point in 2010. For instance, the output of the crude oil declined to 760 (BBL/D/1K) in March 2020, while one month ago, this indicator was 758 BBL/D/1K in February, according to Trading eceonomic's statistical information.

If we take into consideration the statistics of some significant energy agencies like BP, US EIA, and other significant energy agencies, we can see that the oil extraction of Azerbaijan has started slightly decreasing since 2010. For this reason, it would not be real to claim that Azerbaijan can increase its oil production through existing oil fields. Moreover, there are no other, new explored oil fields that might increase the oil production of Azerbaijan essentially.

Since oil production has already reached its highest point, the output declines consistently and there are no real expectations that the country might increase its oil output significantly through exploring new oil fields, it would not be a realistic approach to claim that the country can compete with gigantic oil exporters like Russia and the countries of the Persian Gulf in the world energy market. However, Azerbaijan can provide some essential amount of its oil resources to Georgia, Turkey, and some European energy countries.

Could Azerbaijan be considered as an alternative natural gas source for the world natural gas market?

If Azerbaijan is accepted as one of the traditional oil countries, the natural gas resources of the country have never been estimated as enormous. Until the exploration of the giant SD and Bahar natural gas fields, Azerbaijan was meeting its energy demand by importing natural gas resources from Russia. However, the natural gas potential of Azerbaijan started rising essentially after the discovering of the SD natural

gas field in 2006. The Oil & Gas Journal estimated the natural gas potential of the country as 35 Tcf.

In the last years, Azerbaijan invested $3.5 bn. to explore new natural gas fields. The fields like Babek, Absheron, Nakhchivan, Zafar, Mashal, Karabakh, Ashrafi were explored after this significant investment. Azerbaijan became a net gas exporter after discovering these natural gas fields.

In 2007, Azerbaijan started its oil export to Georgia and Turkey through the BTE gas pipeline. Even though the export of natural gas was not significant, however, it should be accepted as a tremendous achievement for the country, which became a net gas exporter. Today Azerbaijan exports 1.6 bcm/a to Georgia and 6.6 bcm/a of natural gas to Turkey.

SGC project is a grandiose natural gas project of four projects. Azerbaijan exports its natural gas resources through Georgia and Turkey to Europe for the first time in its history. It is believed that the project will have its highest export potential by 2022. Therefore, the export capacity from the second stage of the SD field reaches 16 bcm/a. According to SOCAR, Azerbaijan will export 10 bcm/an in the first stage of the export. The second stage of the export is going to reach 20 bcm/a.

Since the prices on the oil resources in the world market are not high as it used to be, Azerbaijan pays significant attention to the development of the natural gas industry in the last years, so it plans to take some noticeable financial profit from exporting of its natural gas resources. Nevertheless, we should not forget that the natural gas capacity of the country is not so rich that it might take place in the oil industry that has always been a leading industry for the Azerbaijani economy.

It would be realistic to claim that Azerbaijan can export the amount of natural gas that would make the European countries completely independent from the Russian gas. However, we should underline that Azerbaijan gas export is a new and alternative gas source that will have a very positive influence on the energy security of the European gas market and its diversification. Another factor that should be also taken into consideration is the fact the Azerbaijani gas might help the European energy market to keep the natural gas prices relatively stable. Given the fact that the Azerbaijani gas is the only new alternative gas source, this project is supported by not only the EU but also by the US government as well.

Taking into account these factors, even though Azerbaijan is not able to replace Russian gas, but it can definitely play the role of the alternative gas source.

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