

Impact of Armenia's Exclusion From Regional Energy Projects

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Abstract

Taking into consideration the importance of energy projects in economic, political and security spheres in this article, by showing Armenia as a main example, I am going to try to find answer the questions about what happens if a country doesn't use its geographical potential and chance of being a partner to the regional projects with boulder states because of its false foreign policies.

Which energy projects do we mean?

If we look at energy demands and supplies in world market there is need for Caspian energy resources as previously the only way to reach European consumers was through the Russian pipelines but nowadays there are Baku – Tbilisi – Ceyhan (BTC) oil pipeline transports crude oil from the Caspian Sea to the Turkish coast of the Mediterranean from where it gets access to European markets and Baku – Tbilisi – Erzurum (South Caucasus Pipeline), Gas Pipeline to transport gas produced in the Shah Deniz field to Georgia and Turkey, also Baku-Novorossiysk, Baku-Supsa, oil pipelines, Baku-Astara gas pipelines. Ministry of Industry and Energy handles exports as well as exploration and production agreements with foreign companies. The State Oil Company of Azerbaijan (SOCAR) produces less than 20 percent of Azerbaijan's total output, with the remaining 80 % being produced by the BP-operated Azerbaijan International Operating Company and other companies such as Chevron, Statoil, Turkiye Petrolleri, Total, LUKoil, SOCAR, OIEC of Iran directly investing in the development of construction of pipelines.

Achievements of project parties.

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Firstly, who are the party states to these projects? The main state in these projects is Azerbaijan as a coastal state and basic exporter, not the transitory. Currently Azerbaijan oil is exported to 22 countries. SOCAR exported 155.663 thousand tons of crude oil through Novorossiysk port (Black sea, Russia), 161.697 thousand tons – through Supsa port (Black sea, Georgia), 1,645.230 thousand tons – Jeyhan port (Mediterranean sea, Turkey). Oil production in Azerbaijan increased from 288,000 barrels per day in 2000 to 1.1 million in 2010. Now more than 4 million people are employed in the state economy. These are all economic outputs, but what about political advantages? Azerbaijani political leadership regards energy projects more as geopolitical tool together with their economic benefit. It is very clear that, Azerbaijan's leadership has preferred the West over Russia and Iran which caused the loss of Baku's trust in its northern and southern neighbors and desire to protect the its independence and sovereignty with the help of Turkey and the West.

Thanks to Caspian Energy contracts for the transit and supply of gas and oil for ten and twenty years respectively, Georgia has been the only country in the region without its own domestic supplies that has not been adversely affected by the energy crisis which hit in January 2009. Tbilisi has been able to increase the export of electricity to its neighbors including Turkey and Russia.

As the primary facilitator in the creation of the Eurasian Energy Corridor (EEC), in close cooperation with the United States, Turkey is an important north-south oil transitor of Caspian oil and gas to world markets. Especially, the Baku-Tbilisi-Ceyhan (BTC) pipeline project for Caspian oil and the Baku-Tbilisi-Erzurum (BTE) pipeline project for Caspian gas considered twin components of this EEC. The realization of these projects provides development and investment opportunities for underdeveloped eastern regions of Turkey. Turkey strengthens and facilitates its European integration by serving as transport corridor for Europe.

While all of these happened Armenia could just watch these economic and political developments from outside.

Why does Armenia remain outside of projects? Loss of Armenia's exclusion

The inequality in the distribution of energy resources – their absence in Armenia is a major risk and lead to large imbalances. But Armenia's geographic location as a possible transit center between the energy-rich Caspian states and western markets increases its strategic importance in world energy markets. But as these pipelines would have to pass through a few countries in the region, it makes the situation complicated. Three countries on Armenia's borders - Azerbaijan, Georgia, and Turkey, with two of which Armenia has *critic* relations. Since 1993, due to a number of historical and political reasons, 328 km of common land bordering the two countries has been unilaterally closed by Turkey and no official diplomatic relations have existed between these two countries. These obstructions have had a negative impact on the Armenian economy, since it is heavily dependent on energy and raw materials imports. It is expected that, if the border opens, it will have a significant impact on the economies of both countries, but especially the Armenian economy. And if looking at the state of relations between Armenia and Azerbaijan at the time of BTC's construction, before its relations were much more complicated due to two-state conflicts over Nagorno-Karabakh territory. That is why, Armenia was excluded from hosting the pipeline, but Azerbaijan in turn was forced to pay a price for its unwillingness to negotiate, as BTC was forced to take a lengthy detour around Armenia, adding substantially to the project's cost and construction delays.

Conclusion

Armenia's economy was ranked the second worst economy in the world (after Madagascar) by Forbes Magazine. With two closed borders and its exclusion from above shown regional energy and transport projects because of its dispute with Azerbaijan over Nagorno-Karabakh -- which Armenia continues to control -- along with occupying seven other Azerbaijani territories, Armenia has become overly dependent on Russia and Iran. And one of the rare positive things happening to the country is its huge diaspora community. There is a dangerous demographic situation for Armenia as since 2008 roughly 200,000 people have left state borders. There is need to create new jobs and improve the social system. But there is hope for country as given instability in the Middle East, the role of the Caspian basin as an energy supplier is only going to increase, because it represents the most secure and shortest supply. Ankara subsequently gave Baku a water-tight guarantee that it would not do so until progress had been made, in particular by withdrawing Armenian troops from the occupied territories. The main way for Armenian liberation is to make progress between Baku-Yerevan and in order doing this firstly country must release from maximalist rulers aimed to protect remaining status quo.

Reference

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