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Pipeline harmonization instead of alternative pipelines: Why the pipeline ‘Cold war’ needs to end

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The countries of the European Union are now so dependent on Russian energy resources that this has given Moscow a highly effective tool to put political pressure not only on them but also on those countries like Belarus and Ukraine across which these resources flow to reach Europe. Not surprisingly, European Union countries have looked for other sources, including the Caspian basin states. But what is troubling is that these sources are inevitably modified by adjectives like “alternative,” a conscious or unconscious reflection of a view that there is an inherent confrontation between Russia and the rest of the world on energy issues.

Some commentators now speak of a “pipeline confrontation” or even of a “pipeline cold war,” terms that have been linked to pipelines like Baku-Tbilisi-Supsa (BTS), Baku-Tbilisi-Ceyhan (BTC), and the South Caucasus Pipeline (SCP). But such commentators forget that these pipelines carry less than ten percent of the amount of oil that Russian pipelines do and less than five percent of the gas, figures that call into question their utility as “alternatives” to Russian pipelines.

Moscow is at least in part to blame for this situation. It has used its monopolistic position in this sector to promote a wide range of interests. Moreover, it has opposed the construction of “alternatives” lest its own position be somehow weakened. More than a decade ago, the Russian government opposed the BTC project, despite instability in the North Caucasus through which its own pipeline passed. And when common sense prevailed and the BTC project advanced, Moscow never acknowledged its error and continues to try to block the completion of other pipeline systems.

Now, given the world’s thirst for hydrocarbons, the time has come to shift from the alternative pipelines paradigm to a new one of mutually supplementary pipelines or even pipeline harmonization. If that perspective is adopted, then analysts and governments can view the pipelines as a single whole with a single purpose: providing an uninterrupted and consistent supply of energy resources to their customers.

In terms of this paradigm, transportation of Caspian energy resources to the West should be viewed not as competitors to Russian routes but as supplements to them. Indeed, several important steps have been taken in this direction. In January 2007, Kazakhstan and those developing the Kashagan and Tengiz oil fields signed an MOU on the construction of a Kazakhstan-Caspian Transportation System intended to ensure the outflow of growing amounts of oil through the Caspian region. Oil is to be moved along the Eskene-Kurik-Baku-Tbilisi-Ceyhan route, something that will require the building of the Eskene-Kurik oil pipeline. And in March 2007, Russia, Bulgaria and Greece signed

an intergovernmental agreement to build the Trans-Balkan Oil Pipeline, Burgas-Alexandropolis, which would begin in the Bulgarian Black Sea port of Burgas and end at Alexandroupolis on the Greek Aegean coast.

Harmonizing gas pipelines is even more important given that it is far from clear whether the Russian gas transport system will be sufficient to transport expanded volumes of Central Asian gas during the first part of the next decade. As far as the Trans-Caspian pipeline is concerned, it is far from clear just who will be involved and how various interests will be harmonized. It is associated in the minds of most with the Nabucco and the White Stream gas projects, a structure that will both complete and complement the South Stream gas pipeline Moscow hopes to run to Varna in Bulgaria and then further west.

If all the countries of the region and their customers recognize just how large the demand from the latter is likely to be, they should be able to cooperate rather than compete in the construction of pipelines and thus provide the best possible supplies of oil and gas to the Europeans.

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