

Iran - Armenia Natural Gas Pipeline.

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The harsh winter conditions we have been experiencing recently are causing a headache for Turkey. Thank God we have no energy problem under these difficult circumstances.

We have electricity and natural gas, however, the situation is not the same for some of our neighbors. They have no natural gas and also have electricity problems.

Georgia is one of our neighbors going through difficult times nowadays. This country is without fuel and electricity, due to last Sunday's explosions which occurred on the natural gas and power transmission lines coming from Russia, hence, it is trying to purchase fuel and electricity from Turkey, Iran and Azerbaijan.

Our other neighbor, Armenia, is also facing similar problems these days, though not as much as Georgia. Because it buys the Russian natural gas via Georgia, there is a natural gas crisis in this country as well.

Since Armenia depends completely on Russia's natural gas, just as Georgia, but had foreseen these problems, it wants rid itself of Russia's Gazprom natural gas monopoly and so is looking for ways to make this materialize. Armenia's search for other alternatives has made it have close natural gas ties with its neighbor Iran, where we also purchase natural gas.

This natural gas ties between Armenia and Iran will result in the completion of a new natural gas line that is expected to start operating at full speed towards the fall of 2006. Preparations for this new line began two years ago after an agreement between the Armenian government and the Iranian National Gas Company, (NIGC), and this line starts from the vicinity of the Iranian city of Tabriz and ends at Iranian-Armenian border. The line costs about \$220 million. This 160-km line, expected to be completed ahead of schedule, will first go into operation in the fall of 2006 and then will start operating at full capacity towards the middle of 2007. Hence, Iran will ultimately rid itself of its dependence on Russia's natural gas, thus obtaining a real trump card against Russia's Gazprom.

Starting from the date the Iranian line goes into operation, it will provide Armenia with 1.1 billion cubic meters of natural gas per year, for the first four months, and it will be possible to increase this amount two-fold in subsequent years. Meanwhile, taking into account that last year Russia's Gazprom sold 1.7 billion cubic meters of natural gas at \$54-56 per 1,000 cubic meters, we can easily say that the amount of the new natural gas that will come from Iran is very close to Russia's and this will give Armenia a considerable bargaining power against Russia's Gazprom.

Armenia will pay for the rather huge amount of natural gas it will receive from Iran with the electrical energy it will sell to Iran. According to the terms of the agreement, there will be a one to three ratio between electricity and natural gas. For instance, according to this deal, 2 billion cubic meters of natural gas will be delivered per year in exchange for 6 billion kw/h of electricity.

Armenia will deliver electricity to Iran from the fifth unit of the Armenian Hirazdan power station. This fifth unit is currently being constructed by Iran's state-owned electricity company, with a \$160-million loan, also from Iran.

The natural gas and electricity ties between Armenia and Iran are developing more or less in this way. In this article, I must add that it is useful to know today that the new natural gas line between these two countries is so important as to affect the balances in the region this way or the other. This is because in future it will be possible to extend this natural gas line to Georgia, which depends totally on Russia's natural gas today, and is facing problems as a result of this. As a matter of fact, serious talks have been held on this issue in the last few years. It is almost certain that the crisis Georgia is experiencing today will accelerate these talks.

The Iran-Armenia pipeline I mentioned previously in this column, and have just pointed out one more time in line with the latest developments taking place today, is a very important geopolitical development...
