
Georgian Oil Pipeline : The Front Line

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The BTC pipeline was conceived in the 1990s as a way of reducing the West's reliance on oil and gas from the Middle East and, crucially, Russia. Now it is under threat. At stake are the balance of power in the Caucasus, and the vital questions of how, and where, the US and Europe will obtain their oil.

Snaking 155 miles across Georgia is a man-made underground river of crude oil. An astonishing feat of engineering, the oil pipeline is a barely visible gash in the earth and measures just 34 inches in diameter at its narrowest, yet it represents a vital artery in the circulation of global energy, and a key to understanding the conflict between Georgia and Russia raging above ground just a few miles away.

The pipeline meets just 1 per cent of the global demand for oil, but it carries enormous political significance. For Georgia, it represents independence from Russian hegemony, a physical, political and economic link to Europe that is outside Moscow's control. For the West, the pipe is a small but crucial counterbalance to our growing dependence on Russian oil and gas. For Moscow, the pipe represents part of a systematic attempt to reduce Russian influence in the Caucasus, a thorn in the paw of the bear.

The pipe runs just 35 miles south of South Ossetia: by stamping its military authority on Georgia, Russia is simultaneously reasserting its control over the region and, by implication, the pipeline.

As the conflict rages, Georgian authorities have repeatedly accused Russian jet fighters of targeting the oil pipeline with bombs, accusations that Moscow has denied. Oil may not be the cause of the war between Georgia and Russia, but it is a central element in the wider geo-strategic picture, and a source of incendiary tension that has helped to inflame the area.

At stake is not merely the balance of power in the Caucasus but, by extension, the vital question of how the US and Europe will secure enough oil to power the cities and machines on which modern life depends.

The Baku-Tbilisi-Ceyhan (BTC) pipeline, the second longest in the world, connects the oil fields of the Caspian Sea with the Mediterranean coast of Turkey; it runs for 1,100 miles, through Azerbaijan, Georgia and Turkey, and pumps one million barrels of oil a day to the Turkish port of Ceyhan, where the oil is loaded on to supertankers.

The BTC pipe, owned by an energy consortium led by BP, is the only way to bring significant quantities of oil from the Caspian fields while bypassing both Russia and Iran. Georgia has no significant oil or gas reserves of its own, but thanks to the pipeline it has become a crucial conduit, harking back to its ancient role as a trade link between Europe and Asia.

More than that, the pipeline is a central element in Georgia's independence from Russia. In the words of Georgia's President Saakashvili, "All strategic contracts in Georgia, especially the contract for the Caspian pipeline, are a matter of survival for the Georgian state." Saakashvili's miscalculation was to assume that Western reliance on Caspian oil would translate into material support against Russian aggression.

The BTC pipeline was conceived in the 1990s as a way of reducing the West's reliance on oil and gas from Russia and the Middle East. The oil reserves

beneath the landlocked Caspian Sea are thought to be vast, perhaps as much as 200 billion barrels, compared to the estimated 260 billion barrels in Saudi Arabia.

History ensured that the pipeline would follow a tortuous route. To get the oil from Azerbaijan to Turkey meant passing through Iran, Georgia or Armenia. Hostile and unpredictable Iran was out of the question. The long, bitter dispute between Armenia and Azerbaijan over Nagorno-Karabakh, and the lingering historical feud between Armenia and Turkey over claims of genocide during and just after the First World War, also ruled out Armenia. The route through Georgia, circuitous and physically challenging, was selected as the most practical.

Russia, predictably, was opposed from the start, fearing that the independent pipeline would reduce its global energy clout, undermine its regional influence and perhaps pave the way for the introduction of Western troops into Georgia to defend the pipeline.

In the Soviet era, all oil routes from the Caspian passed through Russia. The BTC pipeline therefore represented a direct challenge in Russian eyes, economic, political and highly symbolic. Despite the formidable logistical challenges, and Moscow's continued opposition, construction began in 2002, and was completed, astonishingly, in just two years. Built from 150,000 lengths of pipe each 12 metres long, it crosses an estimated 1,500 streams and rivers, the largest, at Ceyhan, 1,600ft wide; it traverses mountain ranges and roads, railways and power lines. More than 15,000 builders and engineers worked on its construction, and 400 archaeologists were deployed by BP to sift through the artefacts unearthed by the diggers.

For most of its length, the pipe is buried in a trench at least a metre deep, to protect it from terrorist attack. In many parts, only a strip of land where the vegetation has not fully grown back betrays its meandering path.

The pipeline also faced vigorous opposition from environmentalists pointing out that the pipe runs through pristine areas of wilderness, many prone to violent earthquakes, including the beautiful Borjomi-Kharagauli National Park in Georgia.

The section of pipeline running through Georgia is the shortest of the three. Here it is patrolled by camouflaged, American-trained anti-terrorist units, defending the supply from possible attack by South Ossetian or Abkhazian secessionists.

The pipeline is similarly guarded in Turkey but, stretching over 670 miles, it is far harder to defend. Indeed, the pipe is currently shut down as a precautionary measure after suspected Kurdish rebels attacked a pumping station in the wilds of eastern Turkey on August 6. The resulting fire was finally extinguished on Monday.

BP yesterday announced that it has closed two more gas and oil pipelines, the south Caucasus gas pipeline and a second oil line running to Supsa on the Black Sea.

The Georgian section of the BTC pipe was inaugurated in October 2005, by a delighted President Saakashvili, and the first oil was pumped into a waiting supertanker at Ceyhan in May 2006.

The entire project cost an estimated \$4 billion, underwritten by UK taxpayers through the Export Credits Guarantee Department. Fully operational, the pipe can pump one million barrels of oil a day, with oil rushing through the pipe at the rate of 2 metres a second. Alongside the oil pipe runs the South Caucasus Gas Pipeline, taking natural gas to Erzerum in Turkey.

The sheer scale, ambition and potential vulnerability of the pipeline project seized the public imagination far beyond the region. Most notably, a fictional version of the BTC pipeline appeared in the 1999 James Bond film *The World is Not Enough* starring Pierce Brosnan. In the film, Sophie Marceau plays Elektra King, a half-Azeri oil heiress responsible for an oil pipeline linking the Caspian and Mediterranean.

The real pipeline earns Georgia some \$62 million a year in transit fees but the dividends are as much political as economic. The former Georgian President, Eduard Shevardnadze, one of the project's principal architects, saw the pipeline as a guarantee of Georgia's stability, a way of binding the West to Georgian independence.

That view was loudly echoed by the West, to Russia's continued annoyance. "The US has consistently supported BTC because we believe in the project's ability to bolster global energy security," George W. Bush declared recently. The US has also pushed for the building of a pipeline across the Caspian, which could link up Turkmenistan's oil reserves to the BTC, potentially vastly increasing the amount of oil flowing West and bypassing Russia.

Viewed from Moscow, the BTC is an economic irritant, just as Georgia, angling for Nato membership and buoyed by Western support, is a political threat to its regional power. Russia has not hesitated to use its oil and gas power as a political weapon in the past: in 2006, Russia's Gazprom threatened to cut off natural gas supplies to Georgia in the middle of winter.

Russia currently supplies one quarter of the oil and half the gas consumed in Europe - a level of dependency that at once explains the West's enthusiasm for an alternative supply route, Russia's resentment and, fatally, Georgia's misplaced confidence in Western support. Optimistic Georgians refer to BTC as the "pipeline of peace", yet it has played an important role in the war that has now erupted.

There is simply not yet enough crude oil flowing down the pipe to wean the oil-thirsty West from dependence on Russia and the Middle East, and certainly not enough to prompt US military intervention in defence of Georgian independence.

The Caspian oil flowing beneath its land represented Georgia's dowry to the West; when running at full bore \$1 billion worth of oil gurgles through the pipe every ten days. So far the Georgian section of pipeline is still intact. The bonanza will start to flow again - and will only increase in importance as other Caspian reserves come on stream - unless, that is, Russia can intervene and wreck the marriage.

Power in the pipeline: Why the BTC matters

It was controversial from the start. Now President Saakashvili claims that Georgia's BTC oil pipeline was a key reason for the Russian offensive.

When it was conceived in the 1990s, the pipeline was backed by the US and Britain as a way to reduce Western dependence on Russian and Middle-Eastern oil. UK taxpayers even underwrote some of the \$3 billion construction costs. But Russia always opposed it, wanting to maintain its grip on the vast resources of the former Soviet Caspian region. Its strategic value is clear. At current prices it carries more than \$1 billion worth of crude oil every ten days.

Strangely, when the current war broke out, the pipeline, which is 30 per cent owned by BP, was closed. Just 48 hours before Georgian troops made their ill-fated incursion into South Ossetia, a mysterious fire broke out several

hundred kilometres away in the Turkish section. Kurdish rebels later claimed responsibility, though there is still some uncertainty about the cause.

So far, oil markets have not reacted strongly to the war despite reports that the Russians have tried to bomb the pipeline. The market has preferred to focus on signs that global oil consumption is slowing as the world economy has weakened. But a sustained war in the Caucasus or efforts by Russia to seize control of the pipeline would create the threat of higher prices - and hence more expensive petrol on UK forecourts.

Many people have another stake in the future of the pipeline through their ownership of shares in BP, Britain's largest company, although as pension-holders they may well not know that the funds they depend on hold such shares.

With the depletion of reserves from the North Sea, oil from the Caspian region is of growing importance to Europe. As North Sea oil declines, high-quality crude from Azerbaijan is helping to take up the slack - and the BTC is likely to become even more important as the taps are opened on the vast new oilfields of Central Asia.

When it was discovered in 2000, Kazakhstan's Kashagan oilfield was the largest found since the 1960s. It has not yet entered commercial production - but when it does, the BTC will be its route to market. Understandably, Russia wants control over these reserves, which are of growing strategic importance to global energy supplies.

While oil prices tend to be influenced by shorter-term factors, the prospect of direct Russian control of the BTC pipeline would be unwelcome in the West, bolstering the Kremlin's dominance over our energy future. This is one key reason why the current conflict is raising hackles in the West.
