
Crisis, global projects and narrow-minded illusions

By Igor Tomberg

en.fondsk.ru - 19/11/2008

Last week the world witnessed several very significant political events. The G20 meeting and the Russia-EU summit for some time pushed back the struggle for "energy independence" from Russia, which was launched in Brussels and gained support of different "young democracies". It is worth mentioning that these countries practically do not produce energy but think they will benefit a lot without cooperating with Russia.

"Europe's energy networks are no longer capable to provide safe access to energy resources", reads the "Strategic Energy Overview" published by the European Commission (EC). Currently the EU import 54% of energy resources. By the year 2030 its import share may exceed 70%. In view of this the EC suggest establishing a Community Gas Ring so that the EU member countries shared a common system of gas pipe lines. Under a recent draft plan on the EU's energy security, it is expected to modernize energy infrastructure by 2030. The major task is to increase electric energy efficiency, find more sources of renewable energy, and also to develop the European system of gas pipes and electric power lines. The aim is to reduce Europe's dependence on some of the suppliers and be able to compensate the reduction in deliveries with a more active cooperation with the others.

Among other measures, it is planned to develop oil and gas storage systems, to work out anti-crisis mechanisms, make energy consuming more efficient and achieve a sustainable use of the local resources. The idea sounds quite reasonable, although it turns out too costly amid the ongoing economic turmoil.

The modernization of electric grids by 2030 demands \$1, 25 trillion, while gas system will cost another \$188 billion.

Certainly, the summit focused on diversification. Apart from the Community Gas Ring, the EC calls on the world leaders to approve the projects of new pipe lines for importing gas from the Caspian region and Africa. "The Ring will help to avoid "special negotiations" between the EU members and the largest gas suppliers, including Russia", the EC's press release says. Indeed, such great opportunities for just \$188 billion!

The European experts yet cannot sigh with relief. On November, 14th, the Russian "Vedomosti" newspaper cited Mr. Alexander Rar from the German Council on Foreign Policy saying that the European energy corporations will have to deal with the project's implementation but they will hardly agree to spend dozens billions of dollars on it. Mr. Rar thinks it is rather a political initiative, a step toward the Baltic states and an unprompted reaction to a "gas OPEC" project.

It is remarkable that the development of cooperation with Russia-the biggest energy supplier to Europe (26% of the consumed gas and at least the half of the imported) turned out to be beyond the top interests of the European Commission. The issue was listed among the general tasks aimed at the improvement of international energy partnership- along with strengthening cooperation with African countries, establishing dialog with the OPEC and some of the developing countries consuming energy resources- Australia, Canada, Japan and USA.

In the meantime, the "Southern gas corridor", which is supposed to transport gas from Azerbaijan, Turkmenistan, Iraq and Egypt via Turkey to Europe, appeared to be one of the prior issues under discussion. It is expected to construct gas pipes on the bottom of the Caspian Sea: the Trans-Caspian pipe-to connect Turkmenistan and Azerbaijan, and Nabucco- to connect Turkey and Austria. So, in order to finally begin the implementation of this project, Brussels suggests establishing a special Caspian Development Corporation. The EC's plan says this Corporation will "work in full accordance with the rules of competitiveness and other EU's regulations". In other words, this organization will have no advantages over other market members. Still the functions of his corporation remain unclear since the major problem with the "Southern corridor" -the lack of guarantees in terms of gas deliveries- remains.

In early November Mr. Andris Piebalgs, the EU Energy Commissioner, made his "Nabucco" visit to Turkey and Azerbaijan. In defiance of all the plans, he failed to visit Turkmenistan, although Brussels rests much hope on this country's gas resources.

On the heels of Mr. Piebalgs, the US Secretary of Energy Samuel Bodman arrived in Baku to take part in the energy summit. Its delegates were going to discuss a project of gas transportation from the Caspian basin to Europe bypassing Russia, and also a draft project on the construction of the Odessa-Brody-Plotsk-Gdansk oil pipe. "US backs any new project aimed at providing Europe's energy security. Such projects like Nabucco and the Trans-Caspian gas pipes may give a boost to global energy security", Mr. Bodman repeatedly announced.

Presidents of Turkey, Georgia, Ukraine, Lithuania and Poland attended the summit in Baku. Romania was represented by its Foreign Minister Lazar Comanescu, Kazakhstan- by its Energy and Mineral Resources Minister Sauat Mynbayev. The delegation from Lithuania was headed by the Minister of Economy Arturs Bergholtz. The aforesaid Samuel Bodman represented the US interests. The EU members joined them at the summit together with a group of diplomats from different regions. However, despite the western support and so many respectable diplomats, the summit was not a success. During a working meeting the participants found out that their opinions differed so greatly that they even failed to agree on the text of the Baku Declaration, which was scheduled to be signed on November, 14th.

Although the declaration was signed, its text remained too vague. So, fifteen countries and the EC reached another useless political deal. The document offers nothing except their good intentions. If we name the countries which signed the declaration, everything will get clearer. France, Great Britain, Germany, Kazakhstan, Turkmenistan and Iran obviously treated the Russia-EU summit in Nice as a bigger priority. It is important that the last three countries are the world's leading oil and gas producers. The fact that Great Britain did not pay attention to the summit in Baku seems quite strange as the TNK-BP is the major operator of the Baku-Tbilisi-Georgian oil pipe.

The Declaration reads: "We praise the success of the following projects: Baku-Tbilisi-Georgian, Baku-Novorossiysk, Baku-Supsa and the gas pipes from Baku to Erzurum via Tbilisi and from Turkey to Greece. They proved their efficiency in delivering oil and gas to the world and European markets". After the bloody conflict in South Ossetia in early August this statement sounds too bravely.

That "five day war" showed how insecure the transit of hydrocarbons from the Caspian region to Europe was. Experts had long been talking about bigger security for the oil pipes passing through Georgia and Turkey but

the world heed the warnings only after a series of force majeure situations broke the schedule of deliveries.

In another passage we read: "The participants of the summit agreed to make every effort to implement joint projects aimed at strengthening Europe's energy security, especially in terms of gas transportation through the territories of Georgia and Turkey, including the Interconnector pipe line (Turkey-Greece-Italy), Nabucco and others".

The Baku Declaration reveals an agreement to jointly implement the Euro-Asian Oil Transportation Corridor (EAOTC), which aims to launch an oil pipe to connect Odessa and Brody and complete the construction of the pipe on the Polish territory.

The transportation of oil and gas from the Caspian basin to the Black Sea and the Baltic Sea regions, and also to the countries of Central Europe through the Baku-Odessa-Brody route became one of the top issues on the agenda in Baku. The Odessa-Brody pipe is said to deliver Caspian oil to Europe via Georgia: after the oil arrives at the Georgian port of Supsa through the existing system of pipelines, it will be transported in tankers to the Yuzhny (Southern) port in Odessa and further on to Brody.

The reversal of the pipeline had long been spoken about but the implementation of this debatable project remains impossible due to the political chaos in Ukraine. Viktor Yushenko has recently announced that Julia Timoshenko was not interested in the Odessa-Brody oil pipe project. "The consultations Julia Timoshenko held in some countries and the decision made by the Ukrainian government after that have practically blocked the oil reversal. I think Ms. Timoshenko won't back the idea of diversification of oil deliveries".

Mr. Yushchenko said Ukraine had failed to stop a reverse use of the Odessa-Brody pipeline for pumping oil from Azerbaijan due to a negative reaction of the government. According to Ukrainian President, Azerbaijan had agreed to supply some oil for experimental pumping. Mr. Yushchenko hopes that by the summer of 2009 a new government will be formed in Ukraine, and its members will agree to stop a reverse use of the oil pipe (as he put it, "it will be the government capable of making reasonable decisions to protect national interests").

Ahead of the summit in Baku, the journalists in the participant countries spoke much about "Russia's attempts to sabotage the meeting", but the reaction of Moscow was quite neutral for it was hard to imagine the summit without Russia.

The whole situation appears to be quite gloomy. The G20 summit in Washington proved the majority of the countries were prepared to join efforts in the face of global economic problems. But still even there such an authoritative group of politicians and bureaucrats prefer to beat the wind when it comes to the question of "energy dependence on Russia". At first sight, it does no harm to the global economy but a general political atmosphere remains tense and thus the world has fewer chances to settle the pressing economical and energy issues.
