
Analysis : Caspian ecology

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For the past year, U.S. television viewers have been bombarded by oil companies' advertisements, proclaiming how they are good environmental stewards, with pictures of wildlife gamboling among energy projects as a voiceover proclaims their overriding interest is careful consideration of the environment in the areas being developed.

It would seem that in the Caspian basin, the world's current last major untapped oil reserve, that rhetoric is confronting reality. While all Caspian littoral states proclaim a sincere commitment to environmental concerns, Western energy companies are darkly muttering that the former Soviet states' newfound interest in ecology masks a larger agenda intended unilaterally to rewrite the lopsided agreements signed in the heady days following the Soviet collapse of 1991. Both sides have compelling arguments unlikely to be resolved anytime soon. Meanwhile, the Caspian's freshwater seals and its sturgeon population seem to have been granted a temporary reprieve.

Since the Soviet collapse, the Caspian's importance has dramatically increased even as the states that surround it exploit its riches. Azerbaijan and Kazakhstan have increased their output in the last 15 years by 70 percent, while Russia is now vying with Saudi Arabia for the title of the world's leading energy producer, producing roughly 10 million barrels per day.

The Caspian is believed to contain some 12 percent of the world's oil reserves plus huge reserves of natural gas. Sturgeon, best known for their caviar roe, have been decimated by pollution, their estimated population declining by 90 percent since 1991. The Caspian's freshwater seals have suffered a similar ecological implosion, with some estimates putting their numbers at fewer than 100,000. The Caspian is also home to 500 unique plant and 854 fish species.

Even the legal status of the sea is a bone of contention: The 1982 U.N. Convention on the Law of the Sea has yet to decide definitively whether the international law of the sea or the law of inland lakes applies to the Caspian. Adding to the confusion is the fact that the Caspian's legal status remains determined by the 1921 and 1940 treaties signed by the Soviet Union and Iran, with no definitive post-Soviet agreement in sight.

Environmental degradation in the Caspian, the world's largest enclosed body of water, dates back to Soviet times. Its major tributary, the Volga, which accounts for 80 percent of the Caspian's inflow and the bulk of its pollutants, traverses Russia's European heartland.

The Caspian's real prize is Kazakhstan's offshore Kashagan field. Discovered in 2000, it is the largest "super-field" discovery of the past three decades, with an estimated future production potential of more than 500,000 bpd. Estimates put Kashagan's recoverable reserves at up to 25 billion barrels.

Kashagan, however, represents the riskiest environmental frontier of new Caspian exploration. The North Caspian is extremely shallow, bottoming out at about 10 feet in spots above Kashagan, raising the risk of winter mobile-ice formations destroying offshore facilities. Equally worrying to ecologists is that farther south Azeri offshore concessions are located in seismically active zones.

In what many regard as the opening shot in the Caspian's environmental wars, the Kazakh government on Aug. 27 suspended Italy's Eni SpA-led Kashagan consortium's development license; project estimates had ballooned from \$57 billion to an estimated \$136 billion.

Talks are ongoing about the status of Kashagan's foreign concessions. Many cynical analysts have suggested a possible additional underlying factor is a desire on Astana's part to rewrite the percentages of the North Caspian Sea Production Sharing Agreement to favor the Kazakh state energy company KazMunayGaz.

The possible development of a trans-Caspian underwater natural gas pipeline from Turkmenistan to Baku, strongly promoted by Western interests, has only added to environmentalists' fears. The project has united Russia and Iran in opposition despite political differences between Moscow and Tehran on the final delineation of the Caspian seabed. Iran wants the Caspian treated as a single unit jointly managed, developed and defended by the five littoral states.

A joint consensus of the five Caspian states seems to be slowly emerging. Two months ago, Azerbaijan, Kazakhstan, Iran, Russia and Turkmenistan issued a 25-point declaration that stated in Point 11, "Recognizing their responsibility to the present and future generations for the preservation of the Caspian Sea and the integrity of its ecosystem, the parties stress the importance of expanding cooperation in solving environmental problems, including coordination of national environmental actions and cooperation with international environmental organizations in order to form a regional system of protecting and preserving biological variety, rational use and replenishment of its biological resources."

Two main points seem to emerge from this growing commonality of concerns. First, that Western energy companies interested in exploiting the Caspian's energy resources will be forced to pony up money for locally defined environmental concerns; and second, that Caspian seals and sturgeon have won another day to frolic in the sun until Caspian Western-financed environmentally friendly projects come online.

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