
Gazprom Undermines Nabucco Implementation

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Europe's energy consumers should have breathed a sigh of relief last month, when German Chancellor Angela Merkel reversed field to support EU funding for the Nabucco pipeline and the union earmarked $\text{\$}200$ million of seed funding for the project in its coming budget. At last, the EU had banded together to provide monetary incentives for investment in the route that would bring natural gas to Europe through Turkey, providing an important alternative to Russian-controlled imports.

But now it seems that hard-won unity may have been too little, too late. The long-suffering Nabucco project - always a geopolitical priority but a commercial question mark - was designed to depend in its first phase on new gas coming online from Azerbaijan's Shah-Deniz II and Azeri-Chirag-Guneshli fields in the Caspian Sea. The second phase, when the pipeline reached its full capacity of 31 billion cubic meters per year (still just a fraction of Europe's gas needs), would require gas from Turkmenistan, Iran, Iraq or the Gulf states. In the beginning, however, Azerbaijan's gas is key. Yet the Russians may have just taken it.

Rovnag Abdullayev, the head of Azerbaijan's state-owned energy company, visited Moscow on March 27. There, in a quiet ceremony at the headquarters of Russia's Kremlin-controlled energy behemoth Gazprom, he signed a memorandum of understanding that pledges gas from Azerbaijan's two new fields for Russian consumption -- and possibly for further export to the EU. While still nonbinding, the agreement could undercut the viability of the Nabucco project entirely.

European consumers, such as those in Bulgaria who froze this January when Moscow cut off their gas for almost three weeks, stand to lose another alternative to Russian gas. Two alternatives, in fact: Azerbaijan is also the only route through which Turkmen gas can reach Europe without going through Russia. European energy diversification could very quickly depend on a potentially hostile Iran, as gas flowing from Iraq and the Gulf alone would not be sufficient to justify Nabucco's construction.

The offer from Gazprom had been on the cards since at least March of 2008. So what compelled Mr. Abdullayev to visit Moscow now? After all, Baku has been a driving force behind Nabucco's construction as a vehicle for building closer ties with Turkey and the West.

Two major developments in the past few months have changed that calculus: Russia's invasion of neighboring Georgia, and Turkey's decision to tie energy projects across its soil to Ankara's gaining EU membership. The former challenged the region's Western trajectory but did not necessarily knock Baku's ambitions off course. The latter, however, left Azerbaijan and the other oil- and gas-producing states around the Caspian without a reliable bridge to Europe. There was little choice left but to turn north, to Russia.

It is perhaps ironic that EU unity on Nabucco came less than two months after Turkey's Prime Minister, Recep Tayyip Erdogan, refused to attend a conference on the pipeline's construction, citing the still-closed energy chapter of Turkey's EU accession process as a barrier to cooperation. Turkey has met all of the technical requirements for opening the chapter, but continuing intra-EU disagreements over Turkey's membership stand in its way.

Those disagreements, whether over divided Cyprus, immigration, culture or religion, also stand in the way of Europe's energy diversification. Perhaps their importance should not be played down, but neither should the implications of Russia's energy geopolitics. Barack Obama's new administration clearly understands the strategic importance of taking Turkey's interests seriously, having made Ankara the final stop on his just-completed European tour. Turkey-skeptic EU leaders ought to take Mr. Obama's lead and at least visit the country to listen to those interests articulated.

The result of Turkish resentment is not only a lost energy-transit partner but, more important, lost energy producers. This could mean the collapse of Nabucco, a project the European Commission has labeled an EU strategic priority. Such a prospect would leave European consumers in the same position as Azerbaijan: with little choice but to turn to Russia, The Wall Street Journal reports.
