

European energy supply from the East and its Geopolitics

Pierre Morel

European Union Special Representative for Central Asia

Introduction

- The “East”:
 - An historical link: it started in Baku...
 - Today, Russia plus the “Caspian region”, including the 5 Central Asian countries
- The EU :
 - no external energy policy, in spite of parallel moves (single market, environment) and basic assets (market, investment, technology, regulations)
 - need for adjustment of geopolitical assessment and coordination among European actors
- EU Strategy for Central Asia (22 June 2007) :
 - invest in security and stability to get energy in the long term

Geopolitics of Central Asia

- Central Asian resources :
 - a rough 6% of world reserves in the context of depletion of North Sea resources
 - land-locked situation, with presently prevailing transportation to the West (Gazprom-Transneft)
 - growing mobility : many actors beyond the major ones, new technical options, « multivectoral policies » of Central Asian countries

Geopolitics of Central Asia

- No new « great game »
 - Five Central Asian Countries with rivalries and specific ambitions
 - Difficult Southern environment : Iran, Afghanistan
 - Complex regional problems : water, etc.
 - Development of energy potential needs long term investment in production, regulation, training and transportation, which calls for security and stability
- This will probably lead to a more or less controlled mix of competition and cooperation

Euro-Russian-Central Asian triangle

- The current pattern
 - Russia considers itself as the indispensable intermediary between Central Asia and Europe (but Turkey could be another one). Zero sum game and short term approach. Energy as the instrument of restoration of Russia's role, status and influence. Pressure on downstream access to European market. External restoration and consolidation will then enable the internal modernisation of the energy sector.
 - For Moscow, this is clearly an appealing perspective in the present European context: lack of coherence, divisions, competition, conflicting market and strategic approach.
 - As a result, a prevailing pattern of distrust fed by nationalism, « perception trap » and « diversification race » (A. Monaghan) threat of gas cartel etc.

Euro-Russian-Central Asian triangle

- The reality of interdependence:
 - Each of the three actors needs the other two
 - An analysis of Russian export policy must integrate the Central Asian contribution: 1/3 of Gazprom exports to Europe comes from Turkmenistan. The 12 May agreement in Turkmenbashi is viewed in Moscow as a strategic achievement but it also opens a new phase in the development of national energy policy of Central Asian states.
 - The EU offers new capacities and options to the Central Asian countries, towards a long term partnership.

Euro-Russian-Central Asian triangle

- The need for “depolitisation”
 - Energy is a market driven sector with geopolitical considerations.
 - The key is exact knowledge of available resources and long term investment.
 - Obvious need in Central Asia for physical and environmental safety in energy infrastructures.
 - The case of the « Transcaspian » : diversification is necessary ; need to consider all options on technical and economic basis, with all interested partners.
 - Present drive toward Turkmenistan : upstream before midstream.
 - Renegotiation of PCA with Russia as the next step toward a renewed energy partnership based on long term interdependence.
 - The South Corridor component: Anatolian transit, Turkish intermediation and Black sea bypass.
 - Further to the east: opportunity for an EU-China dialogue on energy in Central Asia.

The wider framework

- China:
 - After the Sino-Kazakh partnerships, the strategic August agreement on gas with Turkmenistan : 30 bcm, 30 years, 7000km pipeline, 7,2bn\$.
- Iran:
 - the 6 bcm link with Turkmenistan
 - potential impact of Iran-Pakistan-India pipeline (IPI)
- India :
 - NOGC on Turkmen offshore
 - Turkmenistan- Afghanistan-Pakistan-India gas pipeline project (TAPI)
- Petronas, Korean Oil etc.

Conclusion

- Urgent need to shape an EU external energy policy starting from mid- and long-term strategic considerations
- Multilateral surveillance as an indispensable intermediary step
- Need for public debate