



Bombed houses in Tkviavi, Georgia. Photo: Espen Rasmussen/Panos Pictures

Interview Sevak Sarukhanyan

'Nabucco project in danger'

The crisis in Georgia is bad news for Nabucco. The EU's pipeline project could become the victim of the power struggle between Russia and the West. One solution might be to involve Iran and Armenia.

| by Marc Guillet

By showing the West how vulnerable the "Georgia corridor" is, Russia has thrown further doubt on the feasibility of the Nabucco project. The EU wants to build Nabucco to carry natural gas from Central Asia through Turkey to Western Europe, in order to lessen its dependence on Russia. But the Georgia route looks increasingly unsafe. The EU has now suggested to Turkey and Azerbaijan that Armenia could be an attractive alternative route. How realistic is this option? EER talked about this with

Sevak Sarukhanyan, an Armenian energy expert and deputy director of the Armenian think tank Noravank Foundation.

How does the conflict in Georgia impact energy issues in the region?

If we see some normalisation in the relations between Russia and Georgia about South Ossetia and Abkhazia, then the changes will not be so dramatic. But the Georgia conflict has already changed the situation in the region and beyond in many ways. Georgia's perceived instability could influence attitudes in Central Asia. Kazakhstan and Turkmenistan now have second thoughts about joining

the Baku-Tblisi-Ceyhan pipeline and the Baku-Tblisi-Erzurum pipeline. Turkmenistan is unlikely to join the trans-Caspian pipeline or the Nabucco project in the coming years. What happens in the coming months in Georgia is crucial: the internal political process, whether President Shakashvili stays in power, what steps Russia may take to enhance its influence, and the potential for more military confrontations.

Azerbaijan is said to be considering routes other than Georgia for its oil and gas too – mainly through Russia. How serious is this?

There was a Russian proposal to buy

Azerbaijani natural gas at European prices last July. In that sense, Azerbaijan has a very good alternative to sell its gas to Europe through Russia. They can also do that with their oil, because they have a pipeline from Baku to Novorossiysk. But the pipelines from Azerbaijan through Turkey are not only economic but also political projects between two countries sharing deep and long historical ties. From that point of view, Azerbaijan will try to keep the projects created in the south Caucasus during the last decade – keeping Georgia the main transit route for oil and gas. It will of course depend on the situation in Georgia. If the destabilisation of the situation continues, the Russian proposal might become more attractive for Baku. If Azerbaijan decides to use its pipelines to Russia, it will signal that Baku is changing its foreign policy as well. Then we can no longer say that Azerbaijan is a country that wants to join Nato and has a pro-western policy. The interdependence between energy and politics is a huge one in the region.

Could the conflict in Georgia derail the Nabucco project – because of safety concerns – or could it be a boost for Nabucco and for Turkey's position as a transit country?

It is bad news for Nabucco. Azerbaijan and other energy producers in the Caspian region could turn their backs on Georgia as a route for exporting oil and gas to the West.

Furthermore, the Central Asian countries probably won't join Nabucco. They have other options. They can export their gas to China, India or Russia. That adds to the supply problem of the EU-backed, future pipeline. Azerbaijan has warned the EU that it does not have enough gas resources to ensure the project. The plan can only be viable if Iran, which has one of the biggest gas reserves in the world, joins.

The conflict in Georgia could be a boost for Turkey, though. Turkey neighbours major energy producers in the Middle East – Iran and Iraq – and the south Caucasus; it neighbours Russia just across the Black Sea. Russians and Turks have big opportunities for common energy projects; think about Blue Stream, the trans-Black Sea gas pipeline that carries natural gas from Russia to Turkey. Even if Nabucco is not realised, it will not harm Turkey much. If Azerbaijan exports its gas through Russia, it means that Azeri gas can enter Turkey through Blue Stream. And if Turkey wins the competition for Iranian gas export, it will become a very important energy transit route for the supply of gas to Europe – comparable to the current position of Ukraine for the export of Russian gas to Europe.

But the EU is unwilling to make contracts with Iran about gas until the nuclear dispute is resolved.

The main problem here is Iranian behaviour.

Tehran has not decided yet which route it will choose for its gas exports. President Ahmadinejad declared two years ago that Iranian gas is Asian gas. That is obviously propaganda, because Iranians understand that Europeans will pay a price that cannot be paid by India or China. I don't think that Europeans will continue to insist on not buying gas from Iran until the nuclear dispute is resolved. Ultimately, they will buy Iranian gas because they don't have another option. If Iran joins Nabucco, it will mean that this EU pipeline can be realised. If Iran doesn't, I don't think that central Asian countries like Kazakhstan and Turkmenistan will be alternative suppliers. I don't think they will run the risk of exporting through Georgia.

US Vice President Dick Cheney has visited the region to explore alternative routes for the export of oil and gas from the Caspian region to Europe. Armenia has been mentioned as one option.

There are some discussions of Armenia becoming a transit route for Azerbaijani and Caspian oil and gas to Turkey, but for the moment it's only talk. Our borders with Azerbaijan and Turkey have been closed since the war over Nagorno-Karabakh in 2003. I really hope they will be opened again in the coming year because of the new atmosphere that started with football diplomacy, when Turkish President Abdullah Gül visited the match between the national teams in Yerevan. I read a lot in the Russian press that Cheney wanted Armenia to become an alternative energy route, but I see this as anti-American propaganda. First there needs to be a solution to the Nagorno-Karabakh conflict before there can be any realistic talks about Armenia being a future transit route for oil and gas from the Caspian Sea region.

Is Armenia willing to compromise on Nagorno-Karabakh to have a share in the development of regional projects like Nabucco?

Armenia is interested in the normalisation of relations with Turkey, because we need open borders and cooperation. But I don't think that Armenia is willing to develop its relations with Turkey through making moves to Azerbaijan. ■

