Transit Countries and Energy Market Stability

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Content

- Transit countries perception of their role and significance for energy market stability when Overestimated:

- Historical experience and outcome of such policies: Examples of Central Asia/Russia, Russia/Ukraine, Russia/Poland and Baltic countries; current developments in South Caucasus Corridor, Azerbaijan - Turkey

- Conclusions
Transit countries perception of their role and significance for energy market stability

- Transit countries are very important for energy market stability: in the global energy market conditions disruption of supplies in any place can have serious consequences elsewhere as demand for additional supplies brings up prices;

- This is pertinent in particular pertinent to Eurasia on land transportation network linking production areas with the biggest market in EU;
Transit countries have their interests but also commitments vis a vis producers and consumers

Interests:

- Strengthen their geopolitical posture;
- Achieve reduced prices oil and gas for their domestic market;
- Participate in the energy trade;

Commitments:

- Fulfill contractual obligations vis a vis producers and consumers
Transit countries perception of their role and significance for energy market stability- When Overestimated case : Russia/Caspian region- New Pipelines towards Iran and China Built
Transit countries perception of their role and significance for energy market stability - When Overestimated case: Russia/Baltic countries -

- Northern Branch of Druzhba oil pipeline and terminals not functional since 2006
Transit countries perception of their role and significance for energy market stability – When Overestimated case: Russia/Baltic countries- Baltic pipeline system and Primorsk terminal built.

Source:

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3 April 2007
Transit countries perception of their role and significance for energy market stability – When Overestimated case: Russia/Poland – Yamal 2 never built

Source:

No. 18 3 April 2007

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Transit countries perception of their role and significance for energy market stability

case: Russia/Poland –Byelorussia – Yamal 2 not built
Transit countries perception of their role and significance for energy market stability - When Overstated case: Russia/Poland - New Pipelines Built

Nord Stream Gas Pipelines

Will this crisis now overcome Baltic opposition to the pipeline?

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5/13/2010
Transit countries perception of their role and significance for energy market stability, When Overestimated case: Russia/Ukraine-
Transit countries perception of their role and significance for energy market stability- When Overestimated case: Russia/Ukraine- New Pipelines Projected

Blue Stream and South Stream Pipelines

South Stream becomes urgent for security reasons
Transit countries perception of their role and significance for energy market stability- Demand for alternative routes from the Caspian region case: South Caucasus Corridor
Transit countries perception of their role and significance for energy market stability - When Overestimated case: Turkey – Azerbaijani Negotiations Stalled - White Stream and LNG projects on the Black Sea.
Georgia also miscalculated its strategic significance in summer 2008 but fulfilled its contractual obligations as a transit partner including vis a vis Russia.

Existing Oil & Gas Transportation Systems: Southern Transit Corridor

Azerb.- Georgia - Turkey (SCP)
Azerb.- Georgia Gasmains
Iran-Azerb. Gasmains
Trans-Georgian Gasmains System
Russia-Georgia-Armenia (NSCP) & Iran-Armenia Gasmains

Gas Infrastructure World Caspian 2009, page 4.
Conclusions

1. Because of Producer /Transit county disputes (political, commercial, accessibility)
   - Existing energy pipelines and routes abandoned or capacities downscaled;
   - Projected pipelines building delayed or abandoned;
   - New routes offered and under consideration;
   - Consumers bear all expenses for the building of new infrastructures whether needed or whether built under geopolitical considerations

2. There a need for
   - elaboration of acceptable for all sides transparent and non discriminatory terms and conditions for transit within ECT;
   - Elaboration of acceptable for all sides dispute settlement mechanism within ECT
Thank You for Attention