



## Energy politics and geopolitical competition in the Caspian Basin

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### ABSTRACT

This article explores geopolitical rivalry in the Caspian Basin, driven in large measure by the desire to control and exploit energy resources. It focuses in particular on actions by Russia, China, and the United States. While outside actors play an important role in the region, local states have demonstrated that they are not merely passive players. They have managed, in many cases, to use the 'geopolitical pluralism' of great power competition to gain room to maneuver. The result is a complicated picture of geopolitical balance. Looking ahead, however, China may be in the best position to assume the pre-eminent role in the region.

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The former Soviet republics of Central Asia and the Caspian basin have assumed prominence in Eurasian and global affairs for a number of reasons. Much of their activity and importance in global markets is concentrated in energy production. While the region has been affected by the global financial crisis of the late 2000s because of falling energy prices and economic malaise in primary export markets (e.g. Russia, China, Europe), there is little question that the region's energy reserves will make it a continued target for investment by corporations and geopolitical competition among states looking to control and exploit new sources of energy.

This article focuses on both cooperative and competitive aspects of the politics of energy in the Caspian basin.<sup>1</sup> By necessity, it will overlap with more general discussions of the foreign policies of various Eurasian states and it will also make reference to other geopolitical or security issues that affect the calculations of domestic and international actors with regard to developing and exploiting the region's hydrocarbons. Its goals are to examine the nature of outside involvement in the region, to point to the increasingly active role of local actors, and to assess trends for future development.

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<sup>1</sup> Henceforth I will employ this term, rather than Central Asia, to designate this region, as most of the oil and gas deposits are scattered around the Caspian Sea. This term, unlike Central Asia, allows us to include Azerbaijan, a major energy producer, and Georgia, an important transit route. Our discussion will at times include Uzbekistan, which, while not a Caspian littoral state, does have some significant energy resources. By energy, I focus on oil and gas reserves, not hydroelectric (important in Kyrgyzstan and Tajikistan) or uranium (significant in Uzbekistan) deposits.

**Table 1**  
Oil and gas reserves in the Caspian region.

Country	Oil reserves in billions of barrels			Gas reserves in trillions of cubic feet		
	Proven	Possible	Total	Proven	Possible	Total
Azerbaijan	7–12.5	32	39–44.5	30	35	65
Kazakhstan	9–29	92	101–132	65	88	153
Turkmenistan	0.5–1.7	38	38.5–39.7	71	159	230
Uzbekistan	0.3–0.6	2	2.3–2.6	66	35	101
Russia <sup>a</sup>	0.3	7	7.3	n/a	n/a	n/a
Iran <sup>a</sup>	0.1	15	15	0	11	11
Total	17.2–44.2	186	203.2–235.2	232	328	560

<sup>a</sup> These figures represent only reserves in the Caspian Sea, not the country's total reserves. Source: Energy Information Administration of the United States Department of Energy, at [http://www.eia.doe.gov/emeu/cabs/caspian\\_balances.htm](http://www.eia.doe.gov/emeu/cabs/caspian/images/caspian_balances.htm), accessed on December 5, 2010. Data reflect findings as of 2006, and include high and low figures for “proven” reserves.

### 1. What's at stake? Quantifying the region's energy resources

Before going further, however, it might be useful to step back and establish precisely what is at stake in the Caspian Basin. Estimates of total oil and gas reserves in the region vary widely, as many experts speculate that only a fraction of the hydrocarbon deposits have actually been found. However, since the early 1990s—when “Caspian fever” first struck—new discoveries of oil (e.g. the Kashagan fields in Kazakhstan) and gas (the Shah Deniz field off the coast of Azerbaijan) have pushed the total of “proven” reserves up. Table 1 shows the estimates, for energy deposits around the Caspian littoral and Uzbekistan. To put these figures in perspective, the proven oil reserves of the entire region are under a third of those for Iran or Iraq; the proven gas reserves are about half as much as Qatar's. If one considers, however, possible reserves—especially taking into account that because of the unsettled legal status of the Caspian that much of it remains unexplored—the totals become far more impressive, comparable (at the high end) to the proven reserves of Saudi Arabia or the proven reserves of Iran and Iraq combined. As for gas, Turkmenistan's total possible reserves equal the proven reserves of Saudi Arabia, and the total possible reserves for the region as a whole equal the proven reserves of Saudi Arabia, Iraq, and the United Arab Emirates combined. Clearly, some early pronouncements of a “new Persian Gulf” might have been exaggerated, but, considering that potential oil reserves are more than the proven reserves of Venezuela, Nigeria, Libya, and Norway combined, one is discussing a major addition to world energy markets.

In addition, because energy production in the region is expected to grow substantially, its importance in the global economy will only increase. Table 2 shows the trend in production levels for several post-Soviet states. Note that growth levels in the 1990s were not that impressive, as well as the fact that roughly half of the oil production in the region in the early 2000s was coming from three sites (Kazakhstan's Tengiz and Karachaganak fields and Azerbaijan's off-shore ACG Megastructure fields). With investments that are beginning to pay dividends, new discoveries of more reserves, additional

**Table 2**  
Production of oil and gas in the Caspian region.

Country	Oil production, thousands of barrel/day				Gas production, trillion cubic feet per year			
	1992	2000	2005	2011	1992	2000	2005	2011
Azerbaijan	222	309	440	989	0.28	0.20	0.18	0.75
Kazakhstan	529	718	1293	1640	2.02	0.31	0.84	1.39
Turkmenistan	110	157	196	223	2.02	1.89	2.08	2.34
Uzbekistan	66	152	125	105	1.51	1.99	1.97	2.23
Total	927	1336	2054	2957	3.10	3.39	5.07	6.71

Source: Source: Energy Information Administration of the United States Department of Energy, at [http://www.eia.doe.gov/emeu/cabs/caspian/images/caspian\\_balances.pdf](http://www.eia.doe.gov/emeu/cabs/caspian/images/caspian_balances.pdf), accessed on 13 July 2007, and 2011 data from International Energy Statistics at <http://www.tinyurl.com/bfvq5j8>, accessed 21 January 2013.

pipelines, most projections for growth are very impressive. If the legal status of the Caspian is fully resolved,<sup>2</sup> still more sites could be explored. Not surprisingly, obtaining a share of this bounty—by investment in production or control over transit—has become an important focus both for multinational companies and national governments.

### 2. The main players in the Caspian energy scramble

While powerful states and energy companies are always on the lookout for new oil and gas fields, the hydrocarbon resources in the Caspian basin have become a source for international political and economic competition for three main reasons. First, the post-Soviet states in the region, which suffered from years of neglect while under Soviet rule, were in dire need of technology and capital in order to exploit their resource bounty. Simply put, outside involvement was seen as crucial to the success of the Caspian project, a fact that was recognized even in the late 1980s when Chevron began negotiating for rights to develop the Tengiz oil fields in Soviet Kazakhstan.

Secondly, the Caspian basin is landlocked, dependent upon pipelines or shipping arrangements through neighboring states to get oil and gas to global consumers. At the time of the dissolution of the Soviet Union, the only pipelines from Soviet lands went north to Russia: an oil pipeline from Baku to the Russian port of Novorossiysk on the Black Sea; an oil pipeline from Kazakhstan that connected to the Russian pipeline network; and the Central Asia Center gas pipeline that took gas from Turkmenistan, Uzbekistan, and Kazakhstan to Russia. Upgrading these pipelines or—as was the preference of many outside and local actors—building new ones became a top priority, but one that would require a lot of capital as well as political stability in regions (e.g. Georgia, Nagorno-Karabakh, Chechnya, Afghanistan, southeastern Turkey, Xinjiang province in China) that have seen much violence in recent years.

Third, Caspian states were not very powerful. Newly independent, with uncertain sources of domestic

<sup>2</sup> As of 2010, Russia, Kazakhstan, and Azerbaijan have signed agreements regarding their sectors of the Caspian, allowing energy exploration in the northern and western sections of the sea. Iran and Turkmenistan, however, have not signed agreements with the other littoral states.

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