

Europe's energy security the place and role of Azerbaijan

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Abstract: With industrialization, the world's energy needs increased rapidly. Since the use of oil as an energy source, major military-political powers have begun to pursue policies to take control of countries and regions rich in hydrocarbon reserves. Especially in the twentieth century, with the growing dependence of the world economy on energy, natural energy sources such as oil and gas ceased to be a commodity and became a determinant of international policy, a target of international strategies and, in particular, a central center of international security. In this case, energy security has become the most important issue for both international powers and nations.

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The place and role of Azerbaijan in this energy security, which is considered to be part of the continent in terms of Europe's energy security and political development, which is at the center of modern world politics, has been the main topic of discussion for the last 20 years. In particular, since the launch of the West Tbilisi-Ceyhan oil pipeline in 2006, Azerbaijan has become both an employee and a close partner of European energy security. In this sense, when we say Europe's energy security, we must not forget that we also take into account the security of Azerbaijan, located at the southeastern end of the continent.

On the other hand, Europe's many years of political experience, especially the recent crises in this area, have highlighted the vital importance of energy security for Europe. Given that regional, political and regime-related problems in the world after World War II have always been at the forefront of energy ownership, this confirms that the security of Azerbaijan's energy resources is directly linked to European energy security.

Second, the rise of global trade and global economic interests in the post-Soviet world, the rapid renewal and growth of technological capabilities, and the production of high-tech equipment are forcing Azerbaijan to develop relations with Europe to keep pace with globalization.

Joint energy policy of Europe and Azerbaijan

After the collapse of the USSR, the political face of both Europe and the Caucasus changed rapidly. Political, ethnic, social and religious problems in the

region have led to a number of problems in the Balkans, the Carpathians and the Caucasus that have a profound effect on world politics, especially in the region.

In the first decade after the collapse of the USSR, the integration of Western European countries into Western European countries and their continued membership in the European Union raised energy issues in the region as well as politically and culturally.

The European policy concept formed after the collapse of the Soviet bloc set two main goals:

- Establishment of a political, cultural and economic union within the European Union with the developed Western European countries and the Eastern European countries that emerged from the socialist system
- Establishing close relations with the regions (Caucasus, Balkans, Middle East and Central Asia) where the European Union's geostrategic, economic and cultural sphere of influence will be established.

This policy was largely completed for Europe at the beginning of the 21st century. But on the same date, with the end of the Yeltsin era and the beginning of the Putin era, which was marked by political and economic turmoil in Russia, Moscow and Brussels faced each other, though not politically. Moscow's policy of centralizing its energy, abandoning or forced to abandon its Soviet-era ideological, political, and military policies, has created serious problems for the European Union's second goal. Russia's use of its energy resources as a means of political and diplomatic influence, which is rich in oil, gas, water and nuclear energy, has raised the issue of Europe's energy security. This has opened up new avenues in Europe's relations with the energy-rich former Soviet republics.

Azerbaijan, which played an important role in the USSR in terms of energy sources, tended to be part of the European energy bloc in order to avoid a number of political and economic difficulties it faced during and after independence. After 1990, there were three main issues in Azerbaijan's national security and foreign policy. These are

- The Nagorno-Karabakh issue
- Energy sources of Azerbaijan
- Proximity to Europe and Euro-Atlantic integration

All three issues prompted Azerbaijan to expand its political, economic and cultural ties with Europe. All this forced both Europe and Azerbaijan to act together on common issues in the political and economic development of the post-Soviet world. As a result, in European energy policy, Azerbaijan has had no difficulty in achieving its political, economic and cultural mission.

On the other hand, although the collapse of the USSR reduced Russia's role in world politics as an ideological force, it maintained Moscow's vast military and energy potential. In the vacuum created by Russia, it seemed natural that other powers would want to change the strategic balance in the Baltics, the Caucasus and Central Asia. In this sense, the mentioned regions became the areas of political and strategic advantage for the great powers in the post-Soviet period. While the US, EU, China, Iran and Turkey's increasing influence in the

region for various reasons has strained relations between Moscow and the new republics in the region, regional-separatist activities have also increased under Russia's influence. Ethno-political problems such as Nagorno-Karabakh, Ossetia, Adjara, Dagestan, Chechen-Ingushetia, and Abkhazia soon became international problems. Given that these problems occur only in the Caucasus, it is possible to say how important this region is internationally.

Such problems also affected Azerbaijan's search for a close partner in international politics. On the other hand, Armenia's occupation policy and the bloody events that led to the massacre of Azerbaijanis in Nagorno-Karabakh increased the need for the Azerbaijani government to pursue a balanced political line.

In short, political, regional, economic and other socio-cultural reasons made it necessary for Azerbaijan to be a partner in Europe's energy security.

For Europe, too, the energy sources of Azerbaijan and the Caspian Sea were of vital importance. Europe's energy crisis in 1973 allowed some lessons to be learned. Thus, on that date, European countries faced a serious economic crisis due to the scarcity and uniformity of energy sources. For this reason, developed European countries have begun to pay more attention to the diversity of energy sources and the availability of more than one energy source. For this purpose, unlike a number of Middle Eastern countries, the assessment of the energy resources of Azerbaijan and the Caspian Sea as a geographically close and favorable region seemed to be an advantage for Europe.

Azerbaijan with Europe - problems in relationships

Azerbaijan has become a partner in Europe's energy security as a result of overcoming very serious and effective obstacles and barriers. First of all, despite its historical roots after the collapse of the Soviet regime, the young republic faced serious political, military, economic and even ideological difficulties.

First of all, the ongoing war in Nagorno-Karabakh posed a great threat to the country's political and social identity. As a result, the weakness of the political power of the time in protecting the country's existence deepened the crisis in the country.

Along with territorial problems, Azerbaijan also faced a number of international problems. Azerbaijan was very concerned about two main problems in this area. One of these problems was economic and the other was ideological. At the root of the economic problem was the status of the Caspian Sea. The Caspian Sea played a central role in assessing Azerbaijan's energy resources and thus increasing its economic potential. However, in the post-Soviet period, Russia, which wanted to maintain its position in the Caspian Sea, tried to control the energy resources of the Caspian Sea, making the status of the sea problematic. As an ideological problem, it was the black campaign and propaganda of the Armenian lobby abroad about Azerbaijan. The Armenian diaspora and lobby, which have extensive opportunities in the United States and Western Europe with their long-standing organizational activities, have formed a negative opinion and view of Azerbaijan in the political circles of those countries. The Armenian lobby, which adorned these claims with religious and national hatreds, managed to create a completely negative image of Azerbaijan

in both European politicians and the public. As a result, the United States imposed an embargo on Azerbaijan during the occupation, and a number of Western European governments sided with Armenia on issues related to Azerbaijan without examining the realities of the region.

Overcoming these difficulties, many of which were purposefully formed, caused Azerbaijan to spend more than a decade. As the first energy project, the difficulties created by the launch of the Baku-Tbilisi-Ceyhan oil pipeline in 2006 had a major impact. Given that the implementation of the BTC pipeline took place as a result of many years of negotiations, as a result of numerous political and even military pressures from Azerbaijan, this suggests that energy security in the post-Soviet world is not just a matter of economic cooperation.

Impact and scope of energy sources in Azerbaijan-Europe relations

In terms of energy resources, Azerbaijan's long history has always been in the spotlight. Ancient information about Baku oil has always aroused interest in the region. During the last Soviet period, especially during the Second World War, the role of Baku oil in the course of the war was alive in the memory of Western countries.¹

With Azerbaijan's entry into the world market economy with independence, energy resources, which are the main source of the country's economy, have attracted the attention of many foreign companies to the region. Azerbaijan ranks 25th among approximately 75 oil-producing countries and 35th in terms of blue gas production, with slightly more than 1 percent of the world's oil. According to 2010 statistics, there are 7 billion barrels of oil and 3.45 trillion m³ of gas reserves in the Azerbaijani sector of the Caspian Sea. Today, according to its oil and gas reserves, Azerbaijan carries its natural resources to world markets through seven pipelines, 3 of which are oil and 4 gas. Energy, which plays a major role in Azerbaijan's politics as well as in the country's economy, is considered a driving force in the country's relations and cooperation with the world.

At the same time, Azerbaijan feels its presence as a regional power in international politics in terms of energy production, petrochemical industry, and most importantly, its transit routes with Central Asian countries.

Azerbaijan attaches great importance to bilateral cooperation with global policy actors such as the United States, the European Union, Japan and China in the name of both economic development and technological development. With the implementation of the BTC and BTE (Baku-Tbilisi-Erzurum) projects, Azerbaijan has significantly developed its energy-focused partnerships in foreign relations.² Energy partnerships with the countries mentioned have also contributed to the expansion of Azerbaijan's role in foreign policy and the expansion of its sphere of influence. As a result, Azerbaijan was elected a temporary member of the United Nations Security Council, and has a leading mission in the field of culture and interreligious dialogue on international platforms.

¹ Aliyev Natic, "The History Of Oil In Azerbaijan", AIM (**Azerbaijan International Magazine**), 2-2, Summer 1994.

² Ibrahimov Rovshan, "Azerbaijan Energy Policy: Alternative Energy Transmission Lines Reference", USAK, OAKA, Volume: 7, Issue: 14, Year 2012, p. 139.

In particular, with the launch of the BTC pipeline, the West's recognition of Azerbaijan as its most important partner in energy security has expanded the strategic level of EU-Azerbaijan relations. The Memorandum of Strategic Partnership on Energy signed between Azerbaijan and the EU on November 7, 2006 is of great importance in this regard.³ On the other hand, Western countries see Azerbaijan as an alternative to Europe in order to get rid of the energy pressure that Russia wants to create. In this sense, the United States views Azerbaijan as a balancing power for Europe in energy matters.⁴ In this regard, Azerbaijan's presence in the Caspian region has strengthened Azerbaijan's political presence in the international arena in favor of the East-West energy pipeline to the north-south energy pipeline in the entry of Caspian oil into the world market (Figure 1).⁵

A significant part of Azerbaijan's economy is also dependent on oil and gas exports. In 2009, this figure was 91.7 percent, and in 2010 it fell to 94 percent. In the following years, the Azerbaijani government tried to reduce this figure with a number of measures. In particular, the problems with the fall in oil prices over the past few years have prompted Azerbaijan to take a number of measures. In the first three months of 2016, serious steps were taken to increase this figure to 60.

Through political, economic, cultural and other energy cooperation, Azerbaijan achieved rapid and economic development between 1995 and 2013, sometimes reaching 10%. As a result, the country, which had a poverty rate of 50% in 2000, approached European standards in 2012, raising this figure to 6%. The rapid fall in oil prices in 2015, and even the fact that on some dates this figure fell to \$ 29, has created some obstacles to Azerbaijan's economic development. Nevertheless, for 2015, the Azerbaijani economy grew by 1.1%.⁶

When we consider that in 2013 the share of foreign oil exports in total exports was 6%, Azerbaijan should have made great strides in industry. To this end, the measures taken in 2006 to increase the economic sphere began to bear fruit in 2015. As a result, foreign oil revenues fell by 68% in 2015, and the share of foreign oil exports increased by 8.8%. In order to increase and continue the oil foreign economy, the Azerbaijani government began to implement the "Socio-Economic Development Program" in 2014. During the first two years of the program, which will cover 2014-2018, \$ 31.9 billion was invested in the oil economy.

The change in political relations in Eastern Europe in 2015, particularly the Russian occupation of Crimea and the transfer of control of eastern Ukraine to pro-Russian separatist groups, once again raised the issue of energy security and underscored the importance of Azerbaijan for Europe. The crisis in Russian-Turkish relations and the review of the Ukrainian trade line have made

³ Legal framework of the relations of the Republic of Azerbaijan with the European Union, Ministry of Economy and Industry of the Republic of Azerbaijan - http://economy.gov.az/index.php?option=com_content&view=article&id=1038&Itemid=183&lang=en

⁴ Saheb H. , Javadi M., "Oil: Azerbaijan Economic Rebirth ", Azerbaijan International , vol 2, No: 2, 1994, p.12.

⁵ Reckhagel Charles, " Central Asia: US Support Multiple Pipelines from the Caspian Sea ", RFE / RL , 13.XI.1999.

⁶ Ayvaci Figen Aypek , " International Competitiveness in the Target of Azerbaijan ", Hazar Strategy Institute Magazine, Issue 40, March 2016, pp.27-28.

Azerbaijan a key partner in the security of economic relations between Europe and Central Asia.

Azerbaijan's place in European energy security

The Agreement of the Century, signed between Azerbaijan and international trade and energy companies on September 20, 1994, reaffirmed that Azerbaijan is a partner country in Europe's energy security. From this date to date, Azerbaijan (as SOKAR) has signed a total of 27 agreements with energy companies from different countries on the flow, production and distribution of carbohydrates. These agreements have led to the formation of the following foundations in defining Azerbaijan's energy policy, including the organization of energy security issues between Azerbaijan and Europe:

- Renovation of oil industry equipment, creation of new, strong technological equipment for the oil industry;
- Ensuring capital inflows to various sectors of the country's economy;
- Providing Azerbaijan with new and modern technologies;
- Creating new jobs in Azerbaijan, maintaining opportunities to work with foreign energy companies;
- Development of the banking and insurance system and bringing it to the European level;
- Strengthening the work of non-governmental organizations;
- Regulation of the tax system;
- Ensuring military dialogue between Azerbaijan and European countries and installing new security systems to ensure the security of oil pipelines;
- Establish cooperation to address the problems that will arise in this area, especially terrorist activities, to ensure the security of oil pipelines;⁷

Thus, with new energy projects implemented between 2006 and 2014, Azerbaijan has become a major center in world energy policy and trade, which has strengthened Azerbaijan's position in world trade and politics, as well as Europe's place in energy security (Figure 2).

Figure 1: Power lines, including Azerbaijan

Short name	Full name	Line	Volume / annual	Length	Finance	It opens history
BTC	Baku-Tbilisi-Ceyhan	Azerbaijan -Georgia-Turkey	50 million tons	1776 km	\$ 3.5 billion	2006
BTE	Baku-Tbilisi-Erzurum	Azerbaijan -Georgia-Turkey	20 billion cubic meters	980 km	\$ 900 million	2007
NABUCCO	Nabucco pipeline	Bulgaria-Romania-Hungary-Austria united in Turkey	31 billion cubic meters	3300-4000 km	4.5 billion EURO	2014

⁷ <http://azerbaijans.com/content/777tr.html> (19.01.2016).

North stream	Northern energy project	From Russia to the Balkans, Germany and the EU	0.9-1 Tcf	1,220 mil	\$ 5.7 billion	2012
South Stream	Southern Energy Project	Russia-Black Sea-Bulgaria-Hungary-Serbia-Slovakia-Western Europe and Bulgaria-Greece-Italy	63 billion cubic meters	900 km	23-36.5 billion EURO	2013
Turkmen-Chinese	Turkmenistan-China pipeline	Turkmenistan-Uzbekistan-China	29 billion cubic meters	4161 km	7.6 billion	2009
Kazakh-Chinese	Kazakhstan-China pipeline	Kazakhstan-China	20 million tons	1000 km	\$ 7.5 billion	2006
Rus-China	Russia-China-Altai pipeline	Russian Federation-China	300 thousand barrels / day	4700 km	\$ 25 billion	2014

Source: Alper A. Eren, *Baku-Tbilisi-Ceyhan Ham Petroleum Pipeline and Impacts on the Turkish Economy*, Çukurova University Institute of Social Sciences, Higher Graduation Thesis, 2009; Bayar Yilmaz, *Russia's Putin-era Energy Policies*, Kadir Has University Institute of Social Sciences Higher Graduation Thesis, Kayseri 2008; Özdemir Yavuz, *Energy Policies of Kazakhstan, Azerbaijan, Turkmenistan and Uzbekistan*, Atılım University Institute of Social Sciences, Higher Graduation Thesis, 2007; <http://www/bbc.com.uk> - 29.05.2012.

As a result, Azerbaijan made three major multi-pronged decisions between 2003 and 2014 on important issues such as national and international energy policy and energy security:

- Law of the Republic of Azerbaijan on Energy;
- State program on the use of alternative and renewable energy sources;
- State program on development of fuel and energy complexes of the country for 2005-2015.⁸

Energy security is being strengthened not only by protecting energy sources and lines, but also by increasing mutual investment and trade. In this sense, along with foreign countries and companies investing in the Azerbaijani economy, it is important for Azerbaijani companies to increase economic ties and cooperation in those countries. The acquisition of 51% of the documents by SOKAR-TURCAS / Injaz consortium Petkim in 2008 for \$ 2.04 billion is an

⁸ State Program on Fuel and Energy Complex Development in the Republic of Azerbaijan (2005-2015) <http://www.carecprogram.org/uploads/docs/AZE-Fuel-and-Energy-Strategy-az.pdf>

important step in this direction. Petkim's products mainly meet the needs of the Turkish petrochemical market. It is planned to increase Petkim's market share in Turkey by 40% by allocating additional investments.⁹

The latest step towards Europe's energy security is the TANAP project. The total length of the TANAP pipeline, which plans to deliver gas from Azerbaijan's Shahdao-2 well to Europe via Greece and Bulgaria, will be 2,400 km and 56 inches in diameter. TANAP, which is expected to cost \$ 7-10 billion, was signed on March 17, 2015 in Kars by President of the Republic of Turkey Recep Tayyip Erdogan, President of the Republic of Azerbaijan Ilham Aliyev and President of the Republic of Georgia Giorgi Margvelashvili. The project is planned to be built in four years and in stages. The project will be completed and commissioned in late 2010. TANAP, which will transport 16 billion cubic meters of gas in 2020, 23 billion cubic meters in 2023 and 31 billion cubic meters in 2026, is one of the largest energy projects in European history.¹⁰

This project will create a long and circular security barrier between the South Caucasus and the countries of South, Southeast and Central Europe by connecting them in a common energy line.

On the other hand, the goal of increasing energy resources and maintaining energy security is also increasing the political influence of global and regional actors in Central Asia and the Caucasus. According to Lachiner, "Global forces' delivery of hydrocarbon resources in the Caspian Sea fields to international markets by by-pass is aimed at breaking Russia's hegemony in those regions. The energy crises of 2006 and 2009 underscored the importance of increasing energy sources and transmission lines."¹¹

Thus, the energy crises of 2006 and 2009 left Europe economically helpless in the face of Russian political influence, and created serious problems for European security. At that time, attempts by both Russia and Iran to maintain a political advantage over Turkey and Europe using their energy resources were not very successful, but they revealed that energy was the main means of political pressure in the 21st century. Attempts by energy-exporting countries to exert political influence on energy-importing countries have prompted them to insure themselves against problems that may arise in this regard. These crises have once again highlighted the importance of addressing Europe's energy security. After the 2006 and 2009 energy crises, Azerbaijan, which assured the world that it would not use energy projects for political purposes during the implementation of the BTC pipeline, became a reliable partner for Europe and gained positive political points. Undoubtedly, Azerbaijan wants political and economic cooperation with Europe to affect Armenia and increase its role in the settlement of the Nagorno-Karabakh conflict by European countries. Despite its regional problems, it did not pursue Russia's and Iran's energy policy in the 2006 and 2009 crises.

It is a well-known fact that energy and trade resources have become a tool of political influence in economic cooperation. In rare cases, energy-exporting

⁹ <http://www.petkim.com.tr/Sayfa/1/46/URETIM-TURKIYE-PETROKIMYA-SANAYI-VE-PETKIM.asp> x (Petkim official site).

¹⁰ <http://www.mfa.gov.tr/trans-anadolu-dogal-gaz-boru-hatti-tanap-projesinin-temel-atma-toreni-gerceklesti.tr.mfa>

¹¹ Lachiner Sedat, "Turkey's Energy Security", Harb-İş, issue 219, Şubat 2006, p. 25.

countries have not used this tool against energy-importing countries. It is known from recent history that European countries themselves use the technological and economic opportunities in their hands for political purposes. In this sense, Azerbaijan's reputation as a reliable country has created a political disadvantage for Azerbaijan, but also opened up new stages in terms of increasing economic opportunities.

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