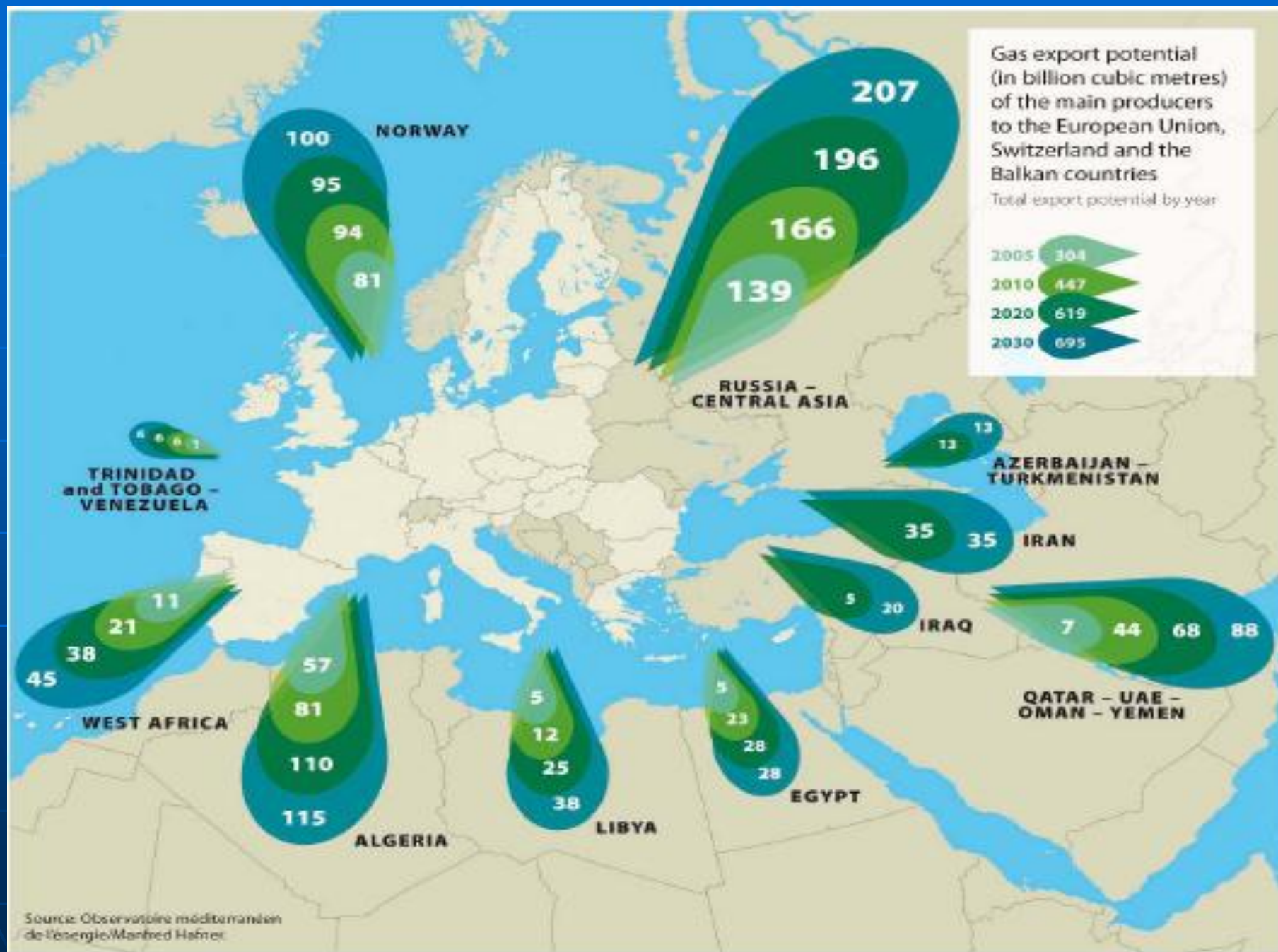


# The Strategic Significance of Azeri Oil & Gas for Greece and SEE

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- Azerbaijan stands out as a unique case in the energy security balance among its BSEC, Caspian and EU partners.
- Despite its long history as Europe's first ever oil exporter in the late 19<sup>th</sup> century and the continent's first prototype oil production, refinery and transportation hub, modern Azerbaijan is also developing as a significant non-OPEC producer, (and prospective oil transit via the KCTS after 2018-20).
- More importantly Azerbaijan ALSO aspires to emerge –and has the resource base to become– a major gas exporting state
- In this sense it is among the very few world energy powers (such as Russia & Saudi Arabia) that has a holistic understanding of energy security as a supplier, consumer and transit state.
- This is not the case for Turkmenistan, Kazakhstan and even Iran, despite their superior hydrocarbon resource bases and reserves/production ratios





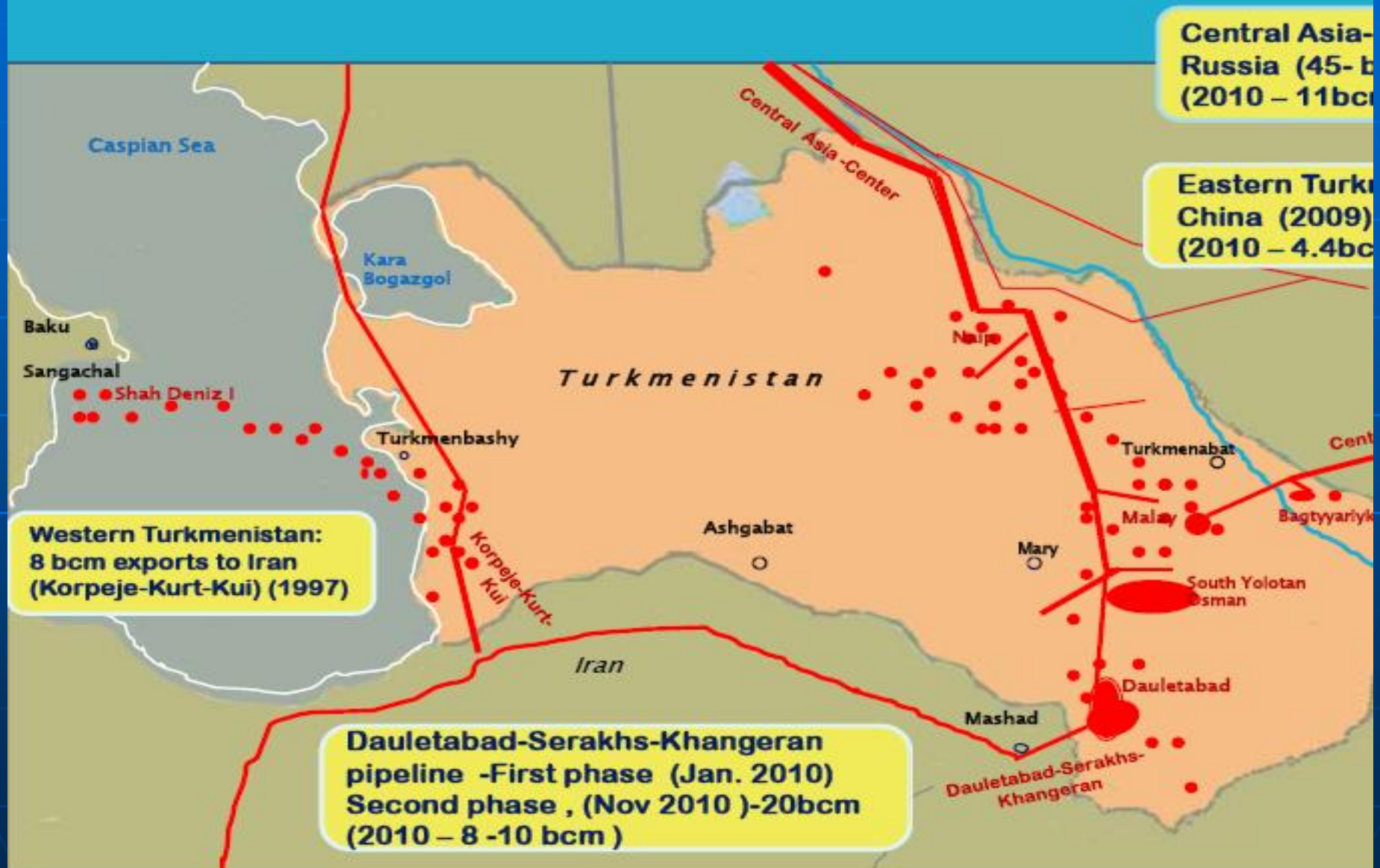
- The strategic significance of Azeri gas exports to Europe was not lost to the EC. **If anything it has actually increased by the Arab Revolutions of 2011.**
- **Azerbaijan covered in 2010 less than 5% of Greek oil imports but more than 18% of Greek natural gas demand.**
- What was lost though was the need for a better understanding on how Azerbaijan and the two other major gas resource holders of the Caspian Sea, Iran and Turkmenistan, would respond to the EU 's import diversification policy. **The BSEC region which already constitutes the initial consumer and inescapable transit area will be severely affected by this discrepancy.**
- This policy overemphasized the promotion of a primarily politically motivated project, that increasingly lost touch with reality after the unexpected rise of Mr. Ahmadinejad to power in 2005.

- This major gap in Nabucco's strategy may have been blurred in 2009-2010 by the Turkish-Azeri impasse over Ankara's attempted rapprochement with Yerevan and the protracted negotiations between Ankara and Baku on the terms of the gas exports/transit details for Shah Deniz Phase I & II.
- The discrepancy did emerge into the fore though in Feb.2011 when Nabucco announced that it had decided to re-route its original pipeline direction from Iran in order to link with the **FUTURE** Iraqi NGTS.
- How realistic though is this? Is there an alternative to Iraq in a Trans-Caspian Pipeline **how soon?**
- Even though the opening of a TCP is more than likely after 2017 it will not materialize in time to save Nabucco. Neither Azerbaijan nor Turkmenistan are in a hurry to resolve the Kyapaz/Serdar dispute and feel no economic pressure to do so.
- First offshore gas produced by Petronas sold domestically





# Turkmenistan: current situation

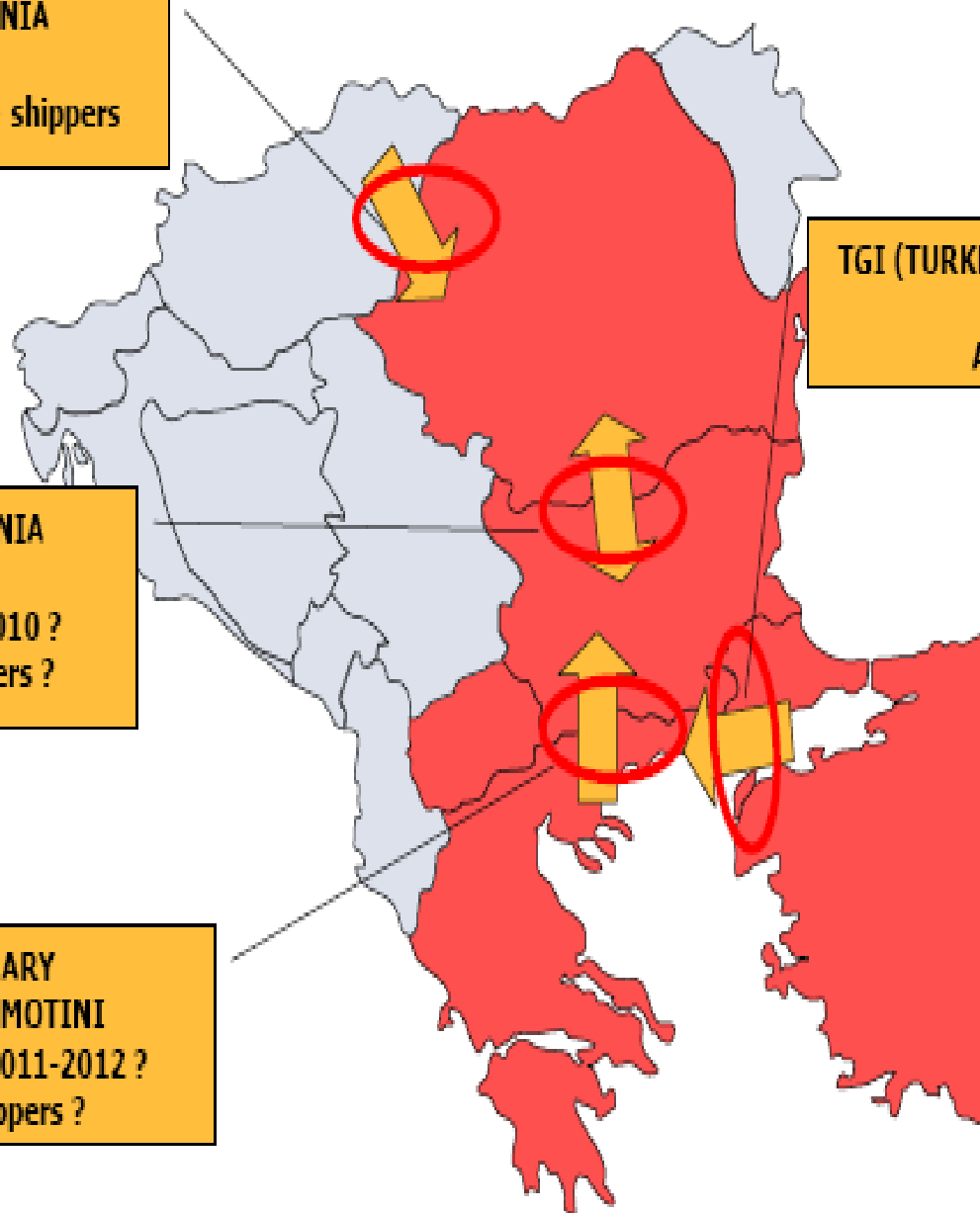


HUNGARY → ROMANIA  
ARAD-SZEGED  
MID 2010 – Local TSOs + shippers

TGI (TURKEY GREECE INTERCONNECTOR)  
EDISON – DEPA  
Already in operation

BULGARIA → ROMANIA  
GIURGIU-RUSE  
15 km / 20 MEUR / 2010 ?  
Local TSOs ? + shippers ?

GREECE → BULGARIA  
DIMITROVGRAD-KOMOTINI  
100 km / 150 MEUR / 2011-2012 ?  
Local TSOs ? + shippers ?





# BSEC Importers

- Major BSEC Gas Importers such as (Romania & Bulgaria) due to the burden of financial crisis and their IMF-supervised severe austerity programmes can no longer sustain major capacity pipeline projects that make little economic sense.
- Minister Aliyev's statement in Istanbul last week clearly indicates that Nabucco is no longer Baku's preferred option (if it ever was).
- All EU-Nabucco members have already invested in South Stream –save Romania- and more importantly are giving far greater emphasis on Interconnections of 3-5 bcm/y capacity that are far better focused on serving their actual needs by 2015 and beyond.

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# BSEC Importers

## ■ How to better harmonize Azeri and BSEC importer strategies?

- \* Use Southeast Europe (S.E.E.) interconnectors to expand Azeri gas exports by up to 3 bcm/y before Shah Deniz Phase 2 start-up. This gas can come from associated fields or increased savings.
- \* Maximize SD2 utilization by combining ITGI/IGB & TAP so as to create a unitary S.E.E. market for Azeri gas exports that would cover the region from the Adriatic to the Black Sea and from the Danube to the Aegean.
- \* **BP's SEE Pipeline option is not a real option.** It duplicates existing infrastructure (IBR/IRH), while ignoring the only readily available 10 bcm/y capacity export option (ITG) and rendering useless the IGB which is securely financed at 1/3.
- \* Build an integrated LNG/Pipeline system across the Black Sea focusing on AGRI for Azeri gas exports beyond Shah Deniz 2 quantities