

THE PIPELINE MAZE OF THE WIDER BLACK SEA REGION

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No discussion over the Black Sea region can be complete without referring to the energy field, more specifically oil and gas resources, pipelines, and transit routes. The energy sector is crucial not only in economic terms, but also for security. By security we mean energy security, defined as ‘the uninterrupted availability of energy sources at an affordable price’¹. Furthermore, we are talking about security in traditional terms, mainly the danger of inter-state conflict over the control /access to natural resources.

A properly informed conversation about energy in the Black Sea region demands a knowledge of the fundamentals. A lot has been written on the topic of energy pipelines, but we felt that a gap still exists. We find it essential to put together a clear and concise presentation of the major oil and gas pipelines running through the area.

This paper has precisely such an aim. We will sort out the complex pipeline network into oil and gas pipelines, and the latter into operating and planned pipelines. Each pipeline will be dealt with shortly, leaving the analyses for

¹ IEA.org: <http://www.iea.org/topics/energysecurity/>

another time. As we mentioned, it is beyond the aim of this paper to delve into detailed accounts. Such accounts are already available elsewhere. Finally, we will not present the interconnectors, and the smaller pipelines. Only the most important ones will be the object of this paper.

Oil Pipelines

Druzhba Pipeline

Going back to the times of Comecon, the ‘Friendship Pipeline’ is the world’s largest (over 5,300 km). The workings on this project had started in 1960, and each country was responsible for the construction of the section crossing its territory. The Druzhba Pipeline was meant to satisfy the oil requirements of Eastern Europe: Bulgaria, Hungary, East Germany, Poland, and Czechoslovakia². Today, the pipeline takes Russian oil to Poland and Germany via a northern route through Belarus. The southern route goes through Ukraine to Central Europe, the Balkans, and Italy³.

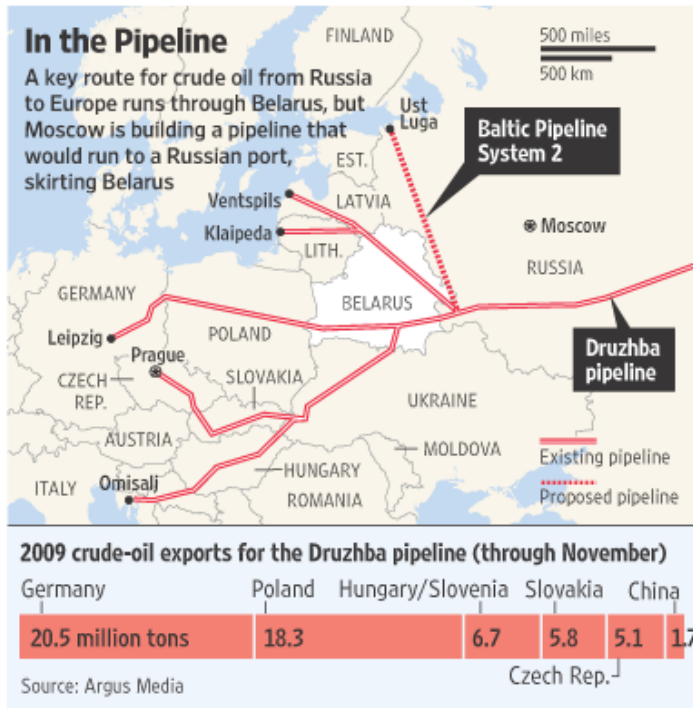
The connectivity of this major pipeline is significant. The oil fields of West Siberia have been put to use ever since 1973 with the connection of the approximately 2,000 km Ust–Balyk–Almetievsk Pipeline to the Druzhba system. Moreover, to the north, the Baltic Pipeline System-2 taking Russian oil to the Ust-Luga terminal on the Gulf of Finland has turned operative since the end of March 2012. This new connection enables Russia to bypass transit countries while continuing to export its crude oil⁴.

² Pipelinesinternational.com: http://pipelinesinternational.com/news/druzhba_pipeline/008045/

³ Kaplan R. & Chausovsky E. (11/13/2013), on forbes.com: <http://www.forbes.com/sites/stratfor/2013/11/13/pipelines-of-empire/>

⁴ Pipelinesinternational.com;

Groszkowski J. (2012-04-18), on osw.waw.pl: <http://www.osw.waw.pl/en/publikacje/analyses/2012-04-18/czech-concerns-over-future-druzhba-oil-pipeline>



Druzhba Pipeline. Source: wsj.com

Baku-Tbilisi-Ceyhan (BTC) Pipeline

After 10 years of preparations, the pipeline carrying crude oil from the Caspian Sea to the Mediterranean was inaugurated on the 25th May 2005 at the Sangachal oil terminal, near Baku by the Presidents of Azerbaijan, Kazakhstan, Georgia, and Turkey⁵. The pipeline is 1,600 km long, and it connects Baku to Ceyhan, via Tbilisi⁶. The source of the crude oil is constituted by the Azeri, Chirag and Gunashli (ACG) offshore oilfields in the Caspian Sea⁷. The BTC Pipeline is being run by a consortium comprising BP (30%), Azerbaijan's state run SOCAR (25%), but also Chevron (8,9%), Statoil (8.7%), ENI (5%), Total (5%), and many others⁸.

⁵ BBC.co.uk (25 May 2005): <http://news.bbc.co.uk/2/hi/business/4577497.stm>

⁶ Ibid.

⁷ <http://www.hydrocarbons-technology.com/projects/bp/>

⁸ Ibid.;

bp.com: http://www.bp.com/en_az/caspian/operationsprojects/pipelines/BTC.html

One of the main benefits of the pipeline lies in the opportunity to avoid the transportation of oil by tankers through the Black Sea, and through the congested Bosphorus Strait when heading towards the Mediterranean⁹. This cuts through transportation time and costs, and keep the perils of oil spills at a distance. Moreover, this provides an alternative to the traditional Russian and Middle Eastern energy sources, which is a relevant asset especially for final consumers such as the US¹⁰.

In terms of regional geopolitics, the pipeline is a trump card in the hands of Azerbaijan, more specifically a leverage for its demands regarding the Nagorno-Karabakh issue. At the same time, Georgia benefits by seeing its dependency on Russian oil reduced, especially since relations have been strenuous after the Russo-Georgian war¹¹. Finally, the implications for Turkey are noteworthy, aside from the obvious economic gains. The BTC Pipeline helps tighten relations between the Turkish Republic and its neighbours, thus adding value in strategically¹².

⁹ <http://www.hydrocarbons-technology.com/projects/bp/>

¹⁰ BBC.co.uk (25 May 2005)

¹¹ Mark Tran (26 May 2005), on theguardian.com:

<http://www.theguardian.com/business/2005/may/26/businessqandas.oilandpetrol>

¹² Baran Zeyno , The Baku-Tbilisi-Ceyhan Pipeline: Implications for Turkey , p.104



Baku-Tbilisi-Ceyhan (BTC) Pipeline. Source: BBC.co.uk

Gas Pipelines: Operating

Urengoy–Pomary–Uzhgorod Pipeline

The current day debate over how to reduce Europe’s dependency on Russian gas has deep roots. It all goes back to the creation of the ‘Trans-Siberian Pipeline’, a 4,451km long pipeline that had been created in the early 80s. Its route originates in the Urengoy field, it crosses the Russian-Ukrainian border, and it ends up in Uzhgorod, a city located at the Ukrainian-Slovakian border. However, the flow of gas carries on to Central and Western Europe¹³.

At the time of its construction, the US had imposed sanctions on banks financing the project, and even an embargo against selling pipeline elements. The European countries nevertheless, were determined to proceed with the plans¹⁴. This situation mirrors the strong divide that existed between the Reagan Administrations and the European countries. The former were arguing that the completion of such a project would make Western Europe vulnerable and

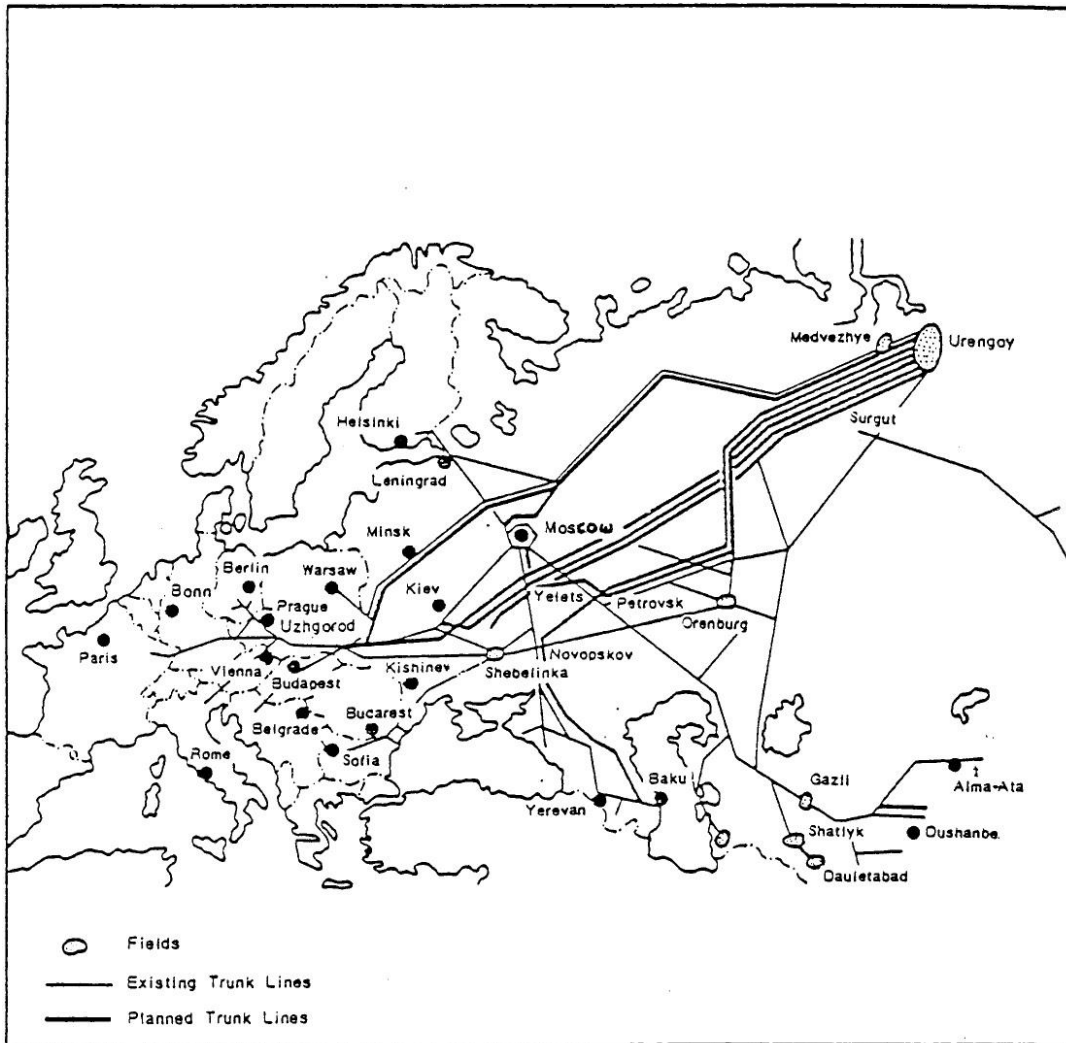
¹³ Pipelinesinternational.com:
http://pipelinesinternational.com/news/the_urengoy_pomary_uzhgorod_pipeline_a_cold_war_pipeline/043753/
¹⁴ Hardt J., Gold D. (10/08/82), CRS 12-13

dependent on Russia, which would unscrupulously use the ‘gas lever’. The latter pointed to the need for reducing dependency on OPEC states’ oil, and argues that the ‘gas lever’ could be tamed by adding up alternative gas sources to the Russian one¹⁵.

The ‘Brotherhood Pipeline’ is the oldest and most important gas pipeline between Russia and Europe. Russian-Ukrainian disputes over gas pricing has often resulted in a threatening condition for Central European gas necessities. The pipeline is furthermore connected to Hungary and Romania. In June 2014, the Ukrainian section of the pipeline (Poltava region) had suffered an explosion. In the midst of the tense relations between Moscow and Kiev, this event sparked some controversies, among which the idea of a Russian sabotage¹⁶.

¹⁵ Ibid., CRS 1

¹⁶ Siberiantimes.com (18 June 2014): <http://siberiantimes.com/other/others/news/explosion-in-gas-pipeline-from-siberia-to-europe-could-be-terrorism-say-ukrainian-officials/>



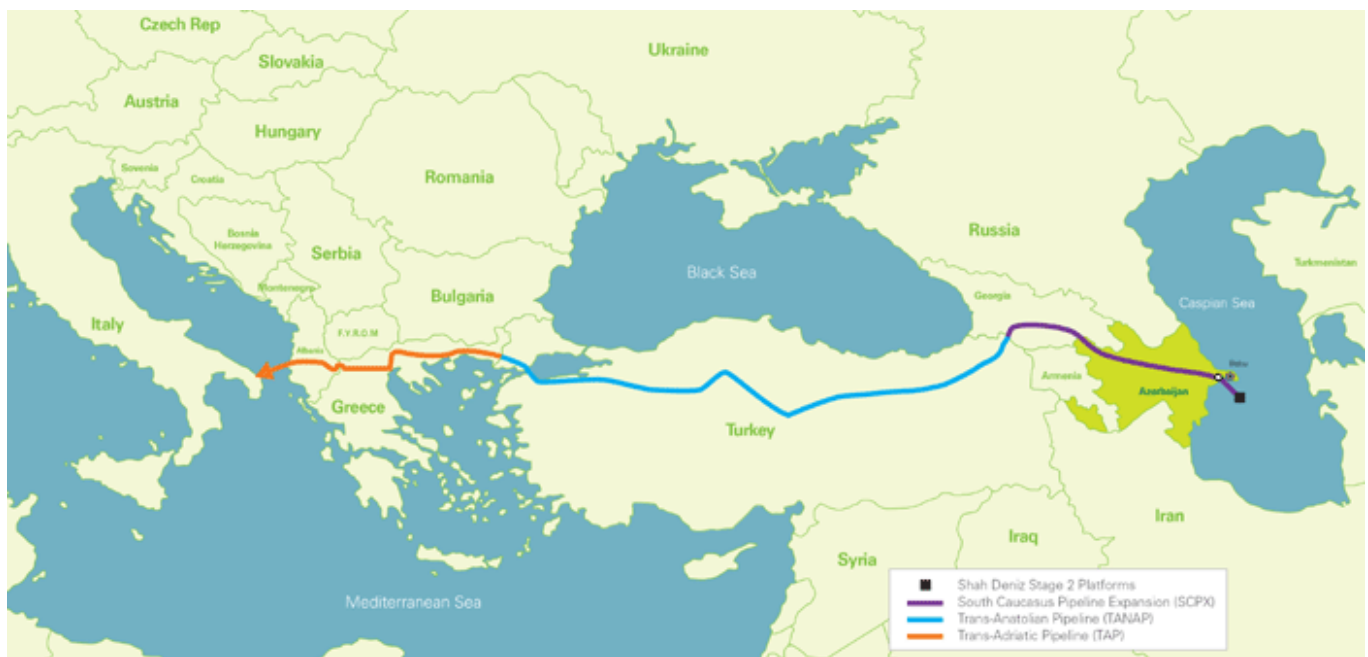
Urengoy–Pomary–Uzhgorod Pipeline. Hardt J., Gold D. (10/08/82)

South Caucasus Pipeline

The South Caucasus Pipeline (SCP) has been ready for operation since 2006/7, and its purpose has been to carry natural gas from the Azeri side of the Caspian Sea (Shah Deniz field) to Azerbaijan, Georgia, and Turkey. The SCP is owned by a consortium of energy companies such as BP, SOCAR (the Azeri national energy company), Statoil, Lukoil, Total, and TPAO (the Turkish national energy company). The SCP runs parallel to the BTC oil pipeline, originating at

the Sangachal Terminal, crossing through Azerbaijan and Georgia, and ending up in Eastern Turkey (Erzurum)¹⁷.

By 2017, the development of the Shah Deniz 2 project and its afferent SCP extension (SCPX) should be completed according to the newest contract signed with the Saipem/Azfen joint venture on May 26 2014. The essential implication of this development is that together with the construction of the Trans-Anatolian Gas Pipeline (TANAP) and of the Trans-Adriatic Pipeline (TAP), the extension of the SCP will enable the export of gas to European consumers¹⁸, as part of the diversification of gas supplies strategy which would reduce EU's dependency on Russia.



SCP, TANAP, TAP. Source: forbes.com

¹⁷ hydrocarbons-technology.com: <http://www.hydrocarbons-technology.com/projects/south-caucasus-pipeline-scp-georgia-turkey-azerbaijan/>

¹⁸ Ismayilov E. (May 26, 2014), on <http://en.trend.az>: <http://en.trend.az/business/energy/2278377.html>

Blue Stream Pipeline

In December 1997, an intergovernmental agreement between Russia and Turkey has been signed. Its object was the creation of a pipeline that would carry Russian gas to Turkey for a period of 25 years. Such a project would be undertaken by Gazprom and the Turkish Botas. Italian ENI joined the deal in 1999, forming together with Gazprom the Blue Stream Pipeline Company B.V. This joint venture owns the offshore section of the pipeline. Supplies through the Blue Stream commenced in February 2003¹⁹.

The Blue Stream consists of 3 parts. The ‘Russian onshore section’ runs from Izobilnoye to Dzhugba on the Black Sea Coast. Between Dzhugba and Samsun on the Turkish coast lies the ‘submarine section’, which at its deepest goes 2,150 under the Black Sea. Finally, the pipeline reaches Ankara via its ‘Turkish onshore section’²⁰.

Turkey is Gazprom’s second-largest sales market in Europe. Germany is the first-largest European consumer of Russian gas²¹. Turkey’s uncertain relations with the EU have been perceived as a key determinant of the former’s increased ties with Russia. Also, since the very first stages of the Blue Stream project, the participation of ENI had signalled a strong mutual interest in the Russian-Italian cooperation²².

¹⁹ Gazprom.com: <http://www.gazprom.com/about/production/projects/pipelines/blue-stream/>

²⁰ offshore-technology.com: http://www.offshore-technology.com/projects/blue_stream/

²¹ Ogj.com (04/22/2014): <http://www.ogj.com/articles/2014/04/turkey-gazprom-mull-blue-stream-capacity-increase.html>

²² The Power and Interest News Report (22 November 2005):

http://web.archive.org/web/20070702221045/http://www.pinr.com/report.php?ac=view_report&report_id=403&language_id=1



Blue Stream Pipeline. Source: caspianbarrel.org

Gas Pipelines: Planned

Trans-Anatolian Natural Gas Pipeline

In November 2011, during the Third Black Sea Energy and Economic Forum held in Istanbul, SOCAR announced the construction of a new gas pipeline that would cross Turkey from east to west, in an attempt to transport natural gas from Azerbaijan's Shah Deniz 2 to Europe. This project bears the name of the Trans-Anatolian Natural Gas Pipeline (TANAP). The announcement came as a surprise because at the time the major project on the table had been the Nabucco pipeline. As a result, the latter has fallen out of grace with many of the players involved, most importantly with SOCAR and BOTAS, the Azeri and Turkish national energy companies²³.

²³ Demirmen F. (19 December 2011), on newz.az: <http://www.news.az/articles/economy/51212>

On 17 March 2015, the construction of TANAP was officially launched, with the target for conclusion set to 2018. The gas pipeline is part of the Southern Gas Corridor, a plan of the EU envisioning the adding up of Azerbaijan to Russia as gas supply²⁴. The TANAP project is owned by SOCAR (58%), BOTAS (30%), and BP (12%)²⁵.

For a map of the TANAP, see the image related to the section dedicated to the South Caucasus Pipeline.

Trans Adriatic Pipeline

TAP can be conceived of as the last segment to fulfil the goal of SCP and TANAP, the transportation of Shah Deniz 2 natural gas to Western Europe. With a length of around 870 km, the new pipeline connects the Greek-Turkish border with Southern Italy (Lecce), via Albania and the Adriatic seabed²⁶. Its construction is planned to start sometime in 2016, and the shareholders of this project are again SOCAR, Statoil, BP, Fluxys, Enagás and Axpo. Along its way to Southern Italy, a series of connectors will divert gas to South Eastern and Central Europe²⁷.

The completion target appears to be somewhere close to 2020, and if TANAP crowns Turkey as a major player, TAP puts Greece in the spotlight as it passes this country for more than half of its length²⁸. Very interestingly, the EU Commission confirmed the possibility for Russia to make use of TAP in order to reach European markets through Turkey, more specifically, through the

²⁴ Euractiv.com (17.03.2015): <http://www.euractiv.com/sections/energy/turkey-and-azerbaijan-begin-construction-tanap-pipeline-312964>

²⁵ Dailysabah.com (March 14, 2015): <http://www.dailysabah.com/energy/2015/03/14/bp-becomes-a-partner-in-the-transanatolian-gas-pipeline>

²⁶ tap-ag.com: <http://www.tap-ag.com/the-pipeline/route-map>

²⁷ tap-ag.com: <http://www.tap-ag.com/the-pipeline>

²⁸ Papadimitriou J. (05.10.2014), on dw.de: <http://www.dw.de/tap-pipeline-offers-europe-new-gas-supply/a-17974204>

recently announced ‘Turkish Stream’ pipeline²⁹. We shall discuss more about this a bit later.

For a map of the TAP, see the image related to the section dedicated to the South Caucasus Pipeline.

Turkish Stream Pipeline

On December 1st 2014, after a meeting with President Erdogan, President Putin announced that due to the ‘non-constructive approach’ of the EU Commission, Russia had decided to cancel the construction of the South Steam Pipeline. Moreover, Putin put forward the intention to create a new Russo-Turkish gas pipeline and a gas hub on Turkey’s border with Greece. These would serve both Turkey’s increasing energy demand, and those of Southern Europe³⁰.

With regard to the route, the first part of the pipeline will follow the planning of the South Stream, originating from near Anapa (Krasnodar), after which it will be directed towards the European side of Turkey³¹. The current controversy lies in the lack of decision for the exit zone on the Turkish shore, which has put the project on halt³². Additionally, the project has suffered a serious blow of recently, when Turkey demanded some patience in its implementation. There are views according to which the construction of the Turkish Stream is to be delayed at least until 2017 due to, among other factors, the upcoming parliamentary elections in Turkey³³. Finally, there are fingers pointing at a Brussels-Moscow competition over influence on Turkey. Accordingly, the

²⁹ Euractiv.com (06.03.2015): <http://www.euractiv.com/sections/energy/russia-can-use-trans-adriatic-pipeline-commission-confirms-312688>

³⁰ Sputniknews.com (01.12.2014): <http://sputniknews.com/business/20141201/1015368062.html>

³¹ Gazprom.com (January 27, 2015): <http://www.gazprom.com/press/news/2015/january/article213570/>

³² Tass.ru (January 16, 2015): <http://tass.ru/en/economy/771456>

³³ Novinite.com (Marc 12, 2015): <http://www.novinite.com/articles/167172/Turkish+Stream+May+Be+Delayed+Until+%E2%80%98At+Least+2017%E2%80%99+Officials+Say>

Turkish Stream is presented as a magnet directed at Ankara by Moscow in an attempt to keep it at a distance from what is perceived to be an increasingly hostile EU³⁴.



Turkish Stream. Source: interfaxenergy.com

³⁴ Euractiv.com (11.03.2015): <http://www.euractiv.com/sections/energy/political-concerns-mar-turkish-stream-project-312815>