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## EU-Azerbaijan Growing Partnership and Caspian Geopolitical Competition

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Image: Beyond the Horizon (behorizon.org)



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In his recent interview, President of Azerbaijan, Ilham Aliyev, revealed his plans to double gas exports to Europe. He is aiming to double natural gas export volume from the Southern Gas Corridor (SGC) pipeline.<sup>1</sup> In response to Western sanctions, Russia halted the supply of natural gas to Europe, and this has resulted in soaring gas prices in many European capitals.<sup>2</sup> In the meeting with European Commission President Ursula von der Leyen held in July 2022, both leaders focused on exploring new avenues to increase production.<sup>3</sup>

Azerbaijan has been supplying gas to Europe through the Trans Adriatic Pipeline (TAP) since December 2020. The TAP is the European section of the SGC to increase and diversify energy sources for Europe. The main source of the SGC is Azerbaijan's Shah Deniz field, with an estimated proven reserve of 1.2 trillion cubic metres of gas. Presently, Europe accounts for the largest share of daily gas exports from Azerbaijan with approximately 27 million cubic metres.<sup>4</sup> Under the MoU on a 'Strategic Partnership in the Field of Energy,' Azerbaijan will double the capacity of the SGC to provide approximately 20 billion cubic metres (bcm) to the EU yearly by 2027.<sup>5</sup>

### **Azerbaijan in Europe's Energy Calculations**

Azerbaijan has a two-fold significance: oil and gas reserves, and transit routes. It is a gateway for Europe to gain access to the Caspian energy source, and Europe, which is in desperate need of energy, will do all things possible to turn the tide in its favour in the region.

In 2020, Russia accounted for 29 per cent of oil imports and 43 per cent of gas imports for the EU. Its dependency rate was 58 per cent on oil and gas.<sup>6</sup> However, in February 2022, the EU agreed to cut its reliance on Russian energy by two-thirds by the end of the year, and to make the EU independent of Russian fuel by 2030.<sup>7</sup> In its quest for an alternative source of gas in the short term, the EU has turned to Azerbaijan, a Caspian Sea riparian state.

The International Energy Agency's '10-Point Plan to Reduce the European Union's Reliance on Russian Natural Gas,' indicated that non-Russian pipeline imports (including Azerbaijan) to Europe could increase by up to 10 bcm of gas compare to 2021.<sup>8</sup> In the said plan, Azerbaijan is seen as a potential Caspian country to mitigate the EU's growing energy requirements. At present, the SGC is the only connection that transports energy to south-eastern European countries. From December 2020 till March 2022, the SGC delivered the first 10 bcm of gas to Europe. It transports gas to the EU from the Caspian Basin. The significance of Azerbaijan can be observed in the EU's support of the SGC. For instance, "... (a) supporting the construction of the Trans Anatolia Natural Gas Pipeline (TANAP) and the Trans-Adriatic-Pipeline (TAP) to transport gas from Azerbaijan to Italy via Georgia, Turkey, Greece, Albania, and the Adriatic Sea by listing them on the PCI lists; (b) cooperating closely with gas suppliers in the region, such as Azerbaijan; (c) cooperating closely with transit countries including Azerbaijan..."<sup>9</sup> Likewise, the European Commission in its 'EU external energy engagement strategy' too recognised SGC's key role in the diversification.<sup>10</sup>

## How Growing EU Engagement Can Shape Caspian Geopolitical Competition?

At the moment, three events are intertwined in Eurasian geopolitics: (a) international sanctions imposed on Russia in reaction to its ongoing military operation in Ukraine; (b) international sanctions imposed on Iran due to its nuclear programme; and (c) tensions between China and Taiwan. With resentment growing against the U.S. and Europe for their roles in the aforementioned incidents, three key regional players Russia, Iran, and China are likely to take an assertive attitude in reaction to the EU's growing footing in the Caspian region.

*Russia-China bonhomie in the region:* Earlier, Russia focused on increasing control over the production and transportation of energy from the region to foreign markets and limiting the influence of external actors such as the U.S., and the EU. Russia even saw China's rise in the Caspian as a challenge.<sup>11</sup> However, the situation has drastically shifted in the recent past. The visit by U.S. House Speaker Nancy Pelosi to Taiwan has left China fuming. This incident occurred amidst Russia's 'special military operation' in Ukraine. As a result of these occurrences, Russia and China have turned to one another for support. For instance, President Xi Jinping expressed his willingness "to make efforts with Russia to assume the role of great powers,"<sup>12</sup> and Putin reiterated Moscow's support for China's claims over Taiwan.<sup>13</sup> Sharing a common anti-West position, China and Russia would not hesitate to 'take the bull by the horns' in the Caspian region.

*Russia and Iran strengthening partnership amidst sanctions:* The success of the SGC has renewed interest in the Trans-Caspian Gas Pipeline (TCP) project.<sup>14</sup> Increasing EU engagement in the region is likely to fuel the contentious issue of TCP among concerned parties, namely—Russia and Iran. The EU supports the TCP as it aims to diversify energy imports. In the past, the EU and the US have aligned when it comes to introducing the diversity of energy routes.<sup>15</sup> However, both Moscow and Tehran are not in favour. Moscow is wary of attempts to strengthen the energy exports of Caspian countries as it would undermine its dominance in the region. Russia's ongoing military operation is one illustration of how Russia will not tolerate outsiders' involvement in its 'near abroad.' Any endeavour towards fulfilling the project will push Moscow and Tehran to join hands. Due to their opposition toward the West, both are already getting closer. It can be witnessed in the recent energy MoU worth US\$40 billion signed between Russia's Gazprom and Iran's National Iranian Oil Company on July 19, 2022.<sup>16</sup>

In the last three decades, regional and external players wove a tangled web in the Caspian region. In days to come, the Caspian region will witness polarised geopolitical competition; and Russia, China, and Iran will enter into an *entente*.

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**NOTES:**

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