

Transit Countries and Energy Market Stability

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Content

- Transit countries perception of their role and significance for energy market stability when Overestimated:
- Historical experience and outcome of such policies: Examples of Central Asia/Russia, Russia/Ukraine, Russia/Poland and Baltic countries; current developments in South Caucasus Corridor, Azerbaijan -Turkey
- Conclusions

Transit countries perception of their role and significance for energy market stability

- ❖ Transit countries are very important for energy market stability: in the global energy market conditions disruption of supplies in any place can have serious consequences elsewhere as demand for additional supplies brings up prices;
- ❖ This is pertinent in particular pertinent to Eurasia on land transportation network linking production areas with the biggest market in EU;

Transit countries have their interests but also commitments vis a vis producers and consumers

Interests:

- ❖ Strengthen their geopolitical posture;
- ❖ Achieve reduced prices oil and gas for their domestic market;
- ❖ Participate in the energy trade;

Commitments:

- ❖ Fulfill contractual obligations vis a vis producers and consumers

Transit countries perception of their role and significance for energy market stability- When Overestimated

case : Russia/Caspian region- New Pipelines towards Iran and China Built



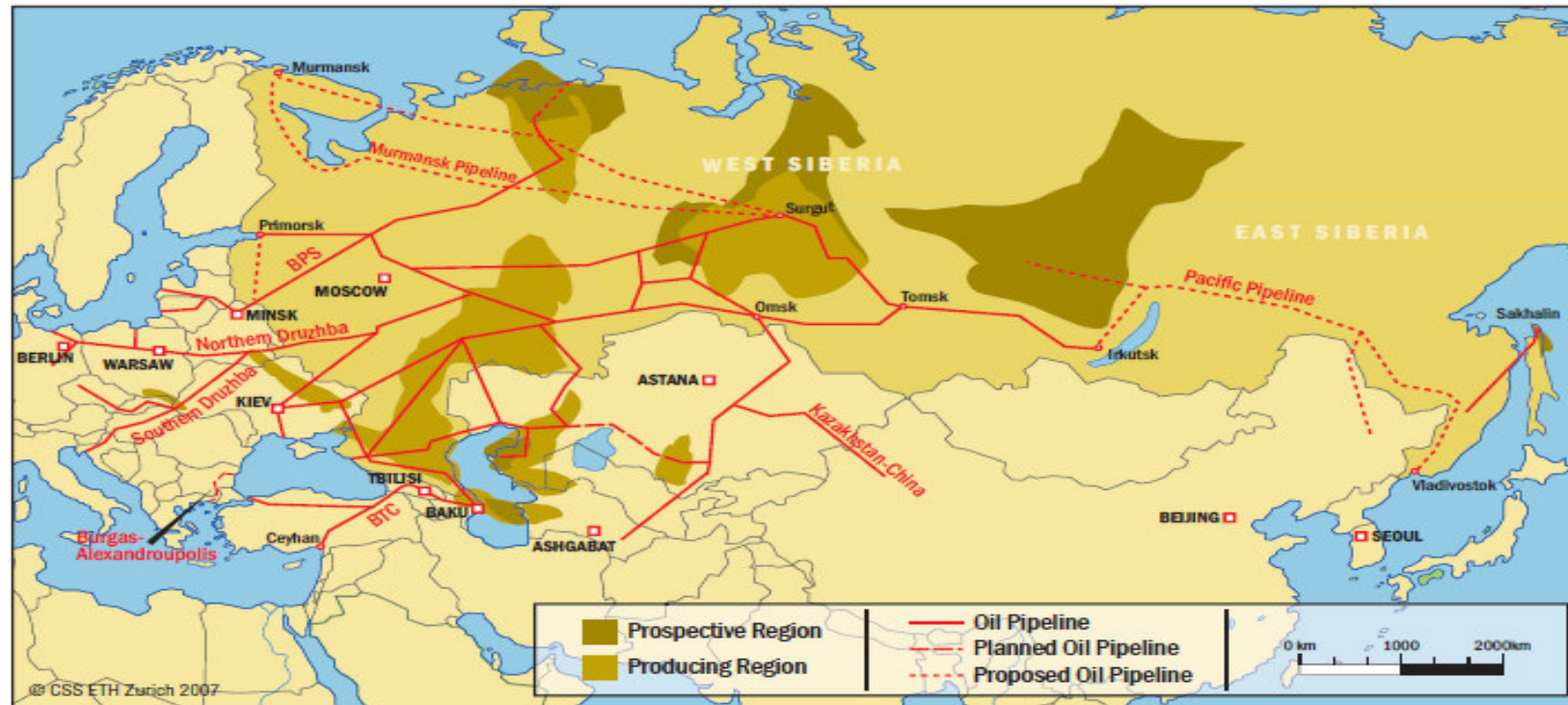
Transit countries perception of their role and significance for energy market stability- When Overestimated
case : Russia/Baltic countries-



- Northern Branch of Druzhba oil pipeline and terminals not functional since 2006

Transit countries perception of their role and significance for energy market stability – When Overestimated
case : Russia/Baltic countries- Baltic pipeline system and Primorsk terminal built

Russia: Main Oil Export Pipelines



Source:



No. 18

3 April 2007

Transit countries perception of their role and significance for energy market stability – When Overestimated case : Russia/Poland – Yamal 2 never built

Russia: Main Natural Gas Export Pipelines



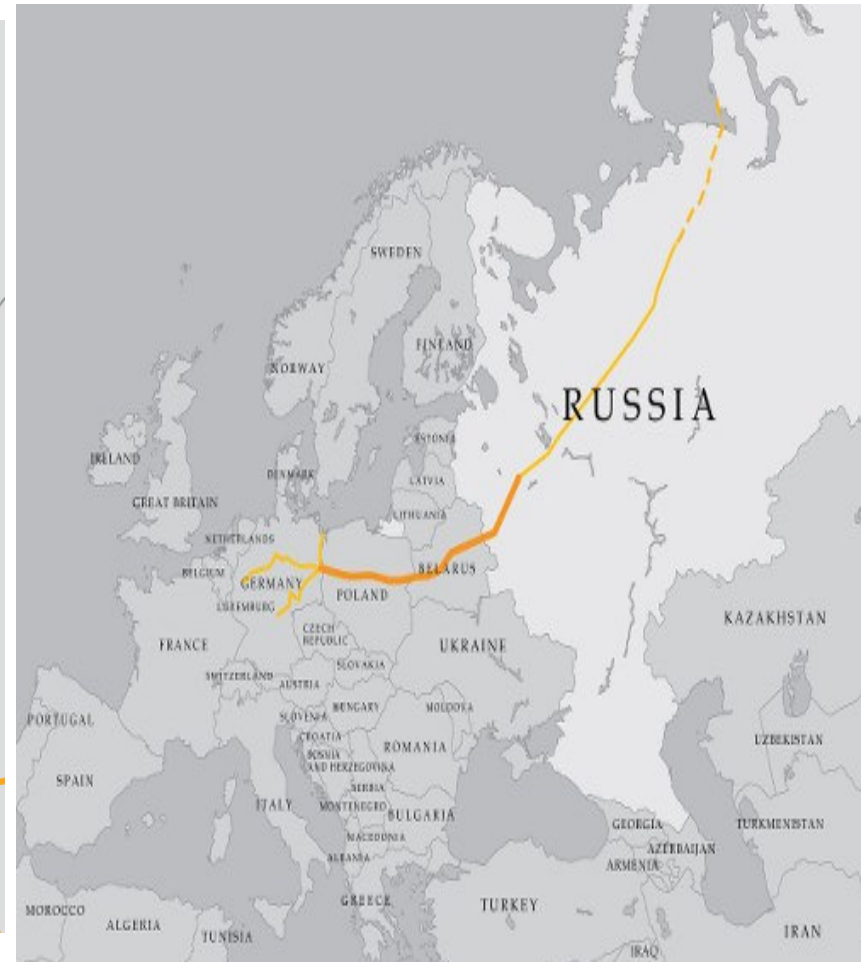
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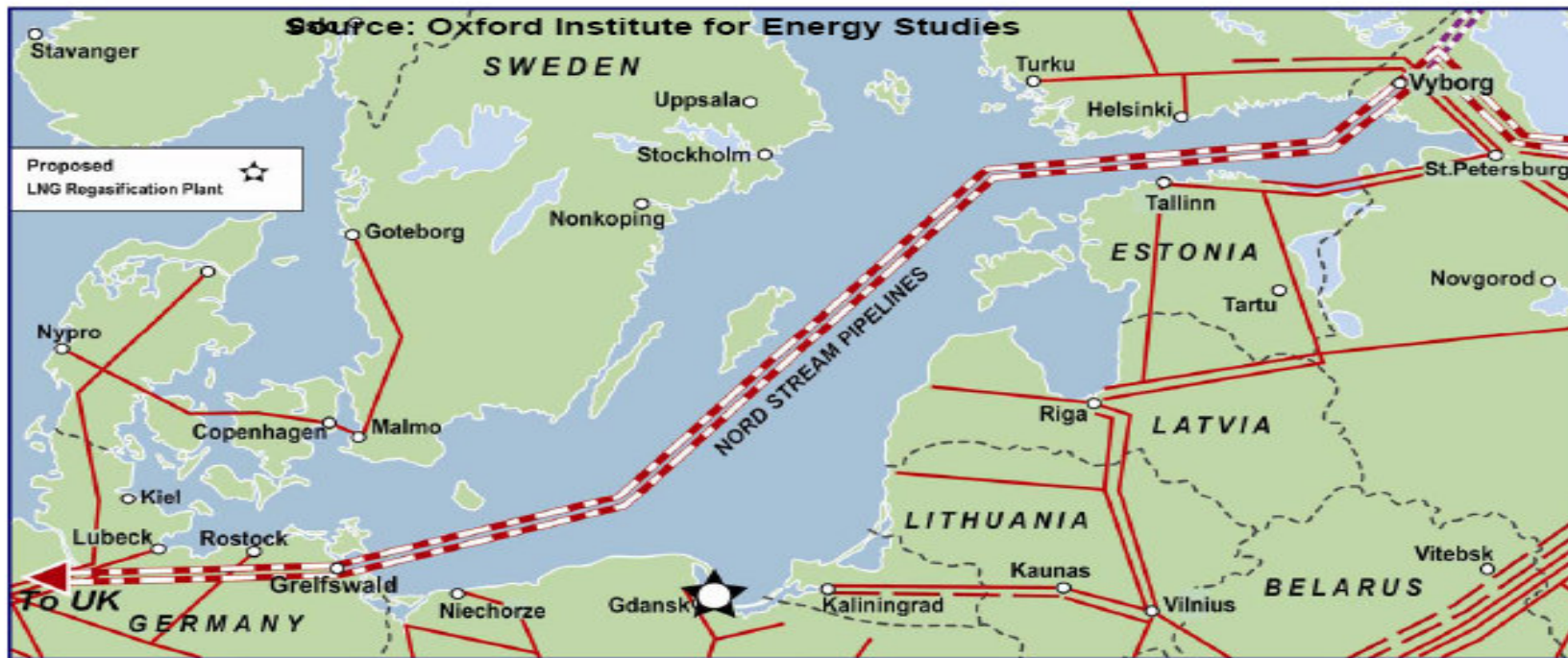
3 April 2007

Transit countries perception of their role and significance for energy market stability case : Russia/Poland –Byelorussia- Yamal 2 not built



Transit countries perception of their role and significance for energy market stability- When Overstated case : Russia/Poland- New Pipelines Built

Nord Stream Gas Pipelines



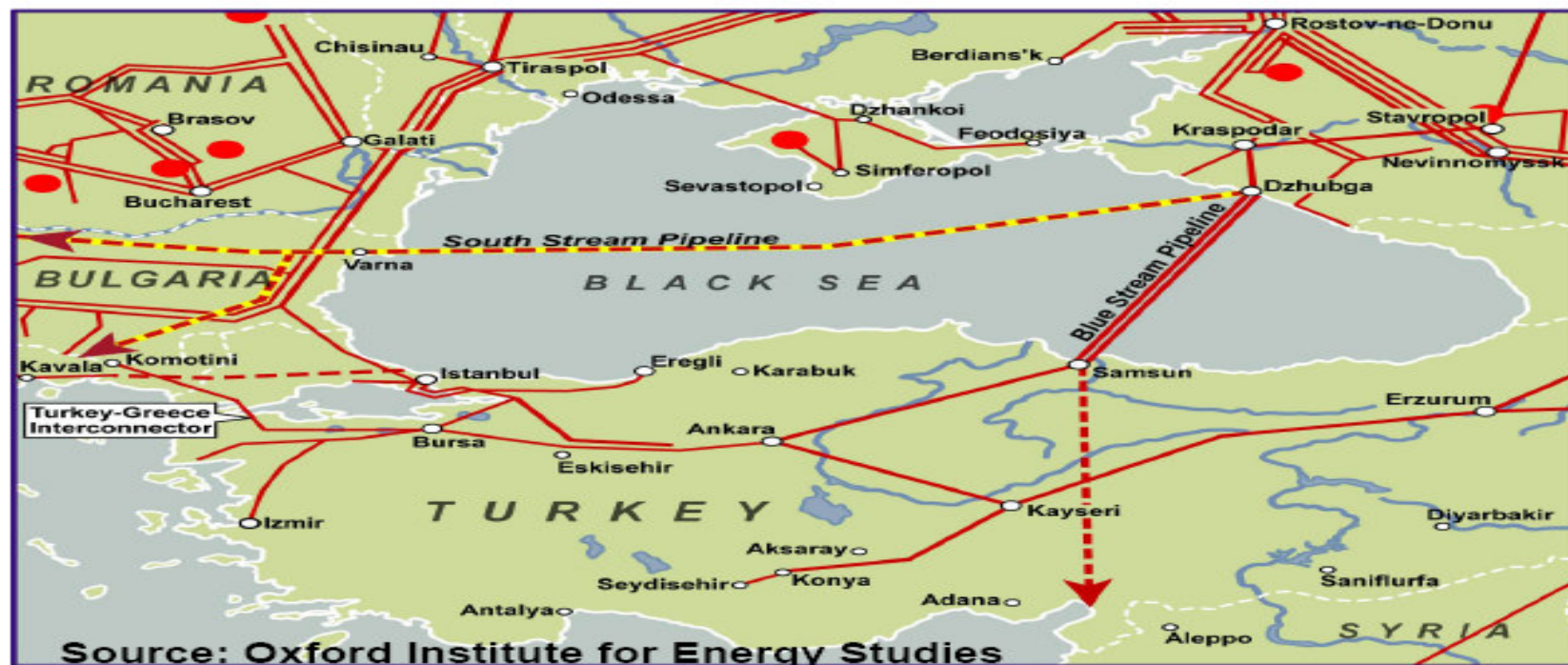
Will this crisis now overcome Baltic opposition to the pipeline?

Transit countries perception of their role and significance for energy market stability, When Overestimated case : Russia/Ukraine-



Transit countries perception of their role and significance for energy market stability- When Overestimated
case : Russia/Ukraine- New Pipelines Projected

Blue Stream and South Stream Pipelines



South Stream becomes urgent for security reasons

Transit countries perception of their role and significance for energy market stability- Demand for alternative routes from the Caspian region
case : South Caucasus Corridor

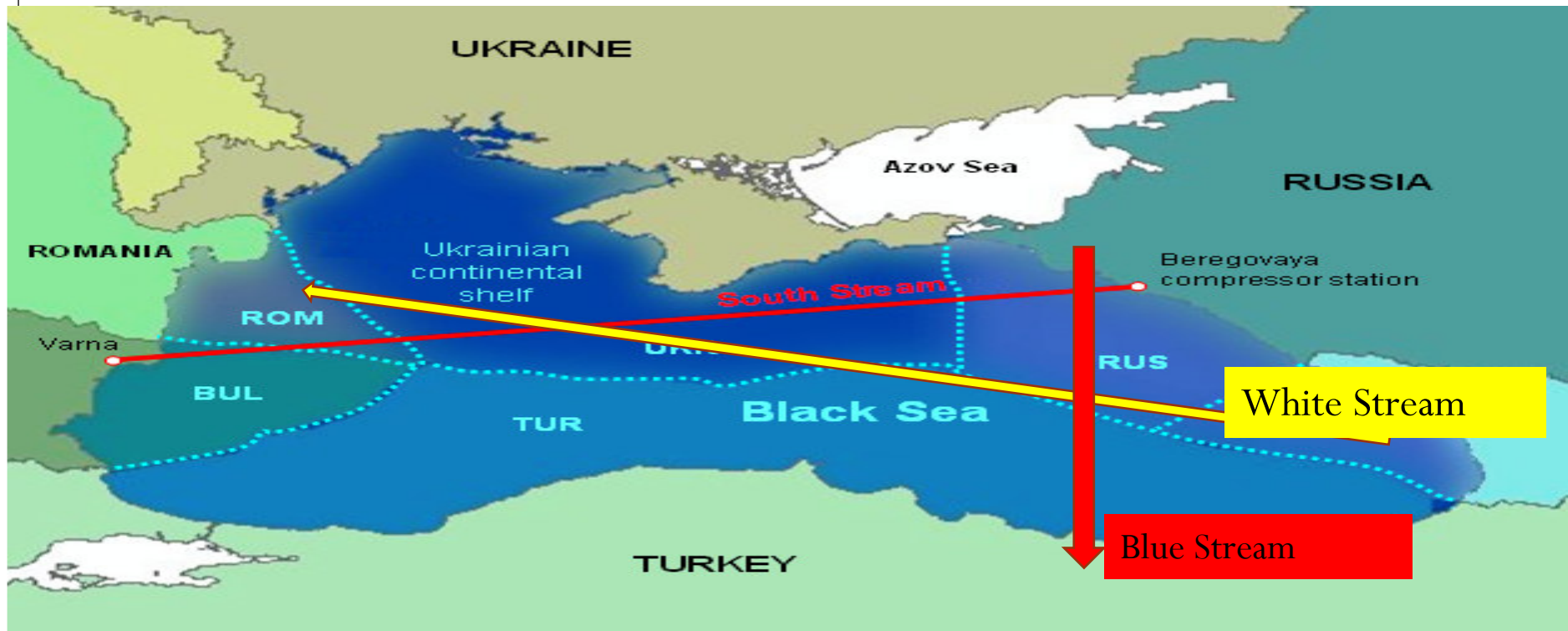
Nabucco Gas Pipeline Projekt Security of Supply



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Transit countries perception of their role and significance for energy market stability- When Overestimated
case : Turkey – Azerbaijani Negotiations Stalled – White Stream and LNG projects on the Black Sea

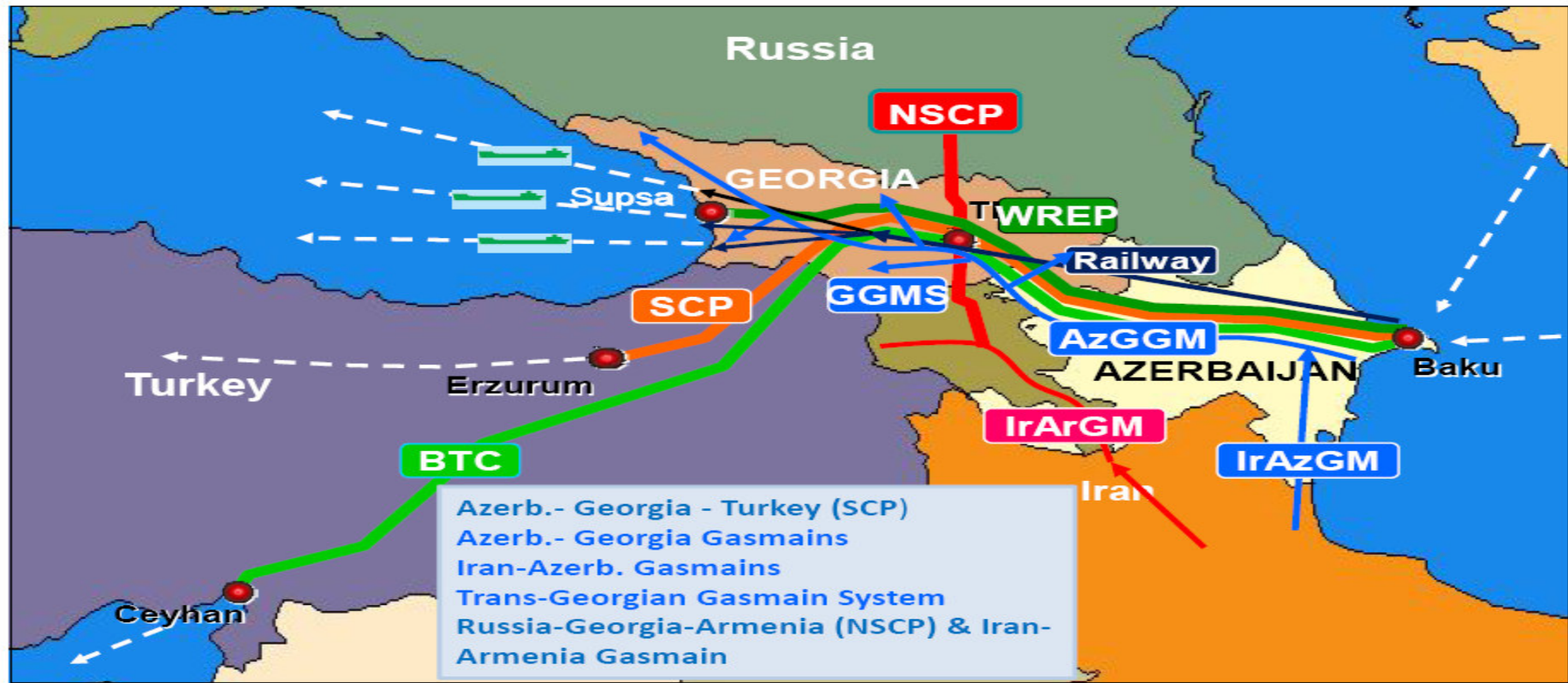


Exclusive Economic Zones on the Black Sea and Annex Blue Stream Existing, and South Stream and White Stream Gas Pipeline Projects

Source: Botash

Georgia also Miscalculated its Strategic Significance in summer 2008 but fulfilled its contractual obligations as a transit partner including vis a vis Russia

Existing Oil & Gas Transportation Systems: Southern Transit Corridor



Gas Infrastructure World Caspian 2009, page 4.

Conclusions

1. Because of Producer / Transit country disputes (political , commercial, accessibility)
 - ❖ Existing energy pipelines and routes abandoned or capacities downscaled;
 - ❖ Projected pipelines building delayed or abandoned;
 - ❖ New routes offered and under consideration;
 - ❖ Consumers bear all expenses for the building of new infrastructures whether needed or whether built under geopolitical considerations
2. There a need for
 - ❖ elaboration of **acceptable for all sides** transparent and non discriminatory terms and conditions for transit within ECT;
 - ❖ Elaboration of **acceptable for all sides** dispute settlement mechanism within ECT

Thank You for Attention