

Energy

Azeri gas talks: Barroso claims progress but gets no volumes

By Dafydd ab Iago | Friday 14 January 2011

Following a visit to Azerbaijan, European Commission President José Manuel Barroso claimed “major” progress but could not show any commitment by Azerbaijan to supplying specific volumes of natural gas. A joint statement makes mention solely of the common objective to see Azerbaijan as a “substantial” contributor to the so-called Southern Corridor of (non-Russian controlled) gas pipelines to the EU. Azerbaijan claims natural gas resources of some 1.3 trillion cubic metres.

In Baku, on 13 January, Barroso met with Ilham Aliyev, president of Azerbaijan. Barroso talked of an “excellent” meeting with Aliyev covering the “full” range of relations between the EU and Azerbaijan. However, given the overriding importance of securing gas supplies for the EU-favoured Nabucco pipeline project, little mention was made of human and political rights. Elections in the country are considered as not meeting international standards.

According to Barroso, there was “great” progress made in Baku. The joint declaration on the Southern Gas Corridor, believes Barroso, will mean the EU directly receiving Azerbaijani gas. “Realising this corridor is in our shared strategic interest. It is vital for the security and diversification of our energy supply and demand,” said Barroso. “Azerbaijan wants to diversify its exports as much as the EU wants to diversify its imports.” Despite this, Barroso was unable to get concrete commitments from the Azeris as to volumes. Barroso thus merely looks forward to a “swift” allocation process for the Shah Deniz II gas field.

The five-point joint declaration on gas delivery to Europe commits Azerbaijan to supplying “substantial” volumes of gas over the long term. The Commission praises this “first” written commitment of Azerbaijan to supply gas to Europe. Point one in the document establishes Azerbaijan as a “substantial” contributor of natural gas to the Southern Corridor. It secondly urges a “swift” allocation of available gas resources at the Shah Deniz II project. Thirdly, both sides commit to diversifying gas delivery routes and establishing direct energy and transport links. Fourthly, parties commit more generally to improving security of energy supply and demand. Finally, Azerbaijan and the EU note that the Southern Corridor will entail the creation of a sufficient dedicated infrastructure to allow for all contracts to be settled physically with Azerbaijan-produced gas. The Commission “commits” to being ready in assisting in the creation of the necessary non-discriminatory legal, regulatory and commercial conditions.

“This is a major breakthrough. This agreement confirms Europe’s direct access to gas from the Caspian basin, thus enabling the realisation of the Southern Corridor,” said Barroso. Accompanying him was Energy Commissioner Günther Oettinger. “As gas imports increase in the decades to come, we need new supplier countries, Azerbaijan foremost amongst them, in addition to our established partners,” commented Oettinger.

Following the visit to Azerbaijan, Barroso and Oettinger moved to Turkmenistan, on 15 January, in an attempt to provide a political impulse to energy negotiations. Turkmenistan, on the Eastern shores of

the Caspian Sea, is understood to hold the fourth largest natural gas reserves, surpassed only by Russia, Iran and Qatar.

Background

The so-called Southern Corridor requires the construction of several pipelines, not just Nabucco, but also the Interconnection Turkey Greece Italy (ITGI), White Stream (a Georgia-Ukraine-EU gas pipeline project) and the Trans-Adriatic Pipeline (TAP). All aim to bring gas from the Caspian area to Europe. Nabucco would bring gas to the hub at Baumgarten, outside Vienna, whilst TAP and ITGI would strengthen existing infrastructure in non-EU countries. However, the EU's Southern Corridor has direct competition from Russia's Gazprom eager to maintain control over the EU gas market, notably via the Nord Stream and South Stream pipelines.