

CAUCASUS ENERGY INFRASTRUCTURE UNDER THREAT, AS AZERBAIJAN-ARMENIAN CRISIS CONTINUES?

By Cyril Widdershoven



The decades old Armenian-Azerbaijani conflict is heating up again, as both sides are putting their armed forces on alert. The latter has been caused by attacks carried out between July 12-16 by the Armenian army with heavy weapons in Tovuz, one of the regions where Armenians opened fire during the clashes, Azerbaijan. The unexpected escalation, which could be even going into a next phase, due to increased Turkish-Azerbaijani cooperation the last days, is not only putting the Caucasus region on full alert, but also could be threatening major regional and international oil and gas transport infrastructure at risk. (<https://www.bbc.com/news/world-europe-53402476>, <https://eurasianet.org/fighting-between-armenia-and-azerbaijan-widens>) For the first time since long, Armenian and Azerbaijani forces have clashed outside of the well-known Nagorno-Karabakh region, a disputed area of both sides. (<https://www.cfr.org/global-conflict-tracker/conflict/nagorno-karabakh-conflict>, <https://www.crisisgroup.org/content/nagorno-karabakh-conflict-visual-explainer>) Sources have indicated that Azeri troops attempted an incursion into Armenia proper rather than the disputed region of Nagorno-Karabakh. Based on still unconfirmed reports, as both parties are hitting the war drums, the current crisis started after a failed attempt by Azerbaijani commandos on July 12 to seize a strategic hilltop in the northeastern Armenian province of Tavush, where Armenian troops were firmly stationed. Several major clashes have since been reported, but the situation seems to be stabilizing, as both are not able to push further. (<https://jamestown.org/program/clashes-on-azerbaijan-armenia-border-threaten-regional-transport-and-energy-routes/>, <https://www.euractiv.com/section/azerbaijan/opinion/caucasus-armenias-new-war-for-new-territories/>)

Azerbaijan, fully supported by Turkey, and on the sidelines by Iran, looks at a possible strategic move, as they are not only in a regional rivalry with Armenia, but also trying to garner domestic support. (<https://www.aa.com.tr/en/turkey/turkey-will-continue-to-stand-with-azerbaijan/1916812>) Armenia, at present supported by Moscow, is in the doldrums. Both historic adversaries are trying to gain the upper hand, playing all cards in their hands. The Caucasus has been since centuries a power playing ground of global and regional adversaries, increased even after the demise of the Soviet Union and the Caspian-Central Asian oil and gas game. Regional power have reacted very quick to the military clashes. Ankara, looking at the whole region as its historical backyard, has put all its resources behind Azerbaijan. President Erdogan has warned Armenia, and its supporters, that Turkish armed forces will be doing all necessary to bring justice to Azerbaijan. Increasingly, Turkey has become Azerbaijan's main military patron, replacing Moscow. (<https://eurasianimes.com/armenian-threat-to-turkey-azerbaijan-energy-corridor/>)

Putin's support for Armenia has until now been very slow emerging. At present, Russia, even that it has a NATO-style collective defense commitment via the Russian-led Collective Security Treaty Organization (CSTO) with Armenia, has been

quiet, to say the least. Russian analysts have indicated that Putin's cohorts are still assessing their options, as the Russian-Azerbaijani link is still strong, and Armenia's Velvet Revolution in 2018 has put a more democratic government in place. Some powers in Moscow are not in favor of the latter it seems.

(<https://www.themoscowtimes.com/2020/07/23/can-russia-mediate-new-clashes-between-armenia-and-azerbaijan-a70962>, <https://www.reuters.com/article/us-azerbaijan-armenia-russia/russia-holds-military-exercises-in-southwest-amid-flare-up-between-azerbaijan-and-armenia-idUSKCN24J0GY>) Iran, officially strongly aligned with Armenia, is currently trying to be a mediator, but some expect that favors go to Baku, and not Armenia. Azerbaijan is keeping a wary eye on Tehran. During the Nagorno-Karabakh war in the early 1990s, Iran sided with Armenia as a way of marginalizing Azerbaijan's role in the region. Iran's President Hassan Rouhani said during a visit to Armenia last year the two countries have the same strategic goals. Iran is playing the long game, just interested in solidifying its own geopolitical-military interest in the Caucasus.

Militarily the situation is worrying, as the current Azerbaijani moves are unconventional. Until now, most activity was focused on Nagorno-Karabakh, the Armenian "occupied" Azerbaijani region. The new activity however shows that Baku has become restless, wanting to dislodge Armenia's static defense forces from its own territory. Some see the situation as a new and expanded level of inter-state warfare. Additionally, attention needs to be put on a possible more fragile power and political situation inside of Azerbaijan. Since the snap parliamentary elections in Baku, removing part of the old Soviet-era officials, an internal power struggle is ongoing. The latter is not only on the political level but has moved into the security and military factions too. Some claim that the unexpected Azerbaijani escalation is to increase the position of some of the new factions.

The total situation is at present not directly threatening to blow up the Caucasus region again, but seems to be moving into a new alliance structure. Ankara is one of the main players trying to gain ground at present. Already since 2015-2016 Turkish military reports have warned for a conventional military conflict between Armenia and Azerbaijan. Ankara at that time was very worried about full-scale Russian military backup of Armenia. As Turkish-Armenian relations are ice-cold, mainly due to the Armenian Genocide, Ankara indicated since a full military support for Azerbaijan. The latter became reality on February 25 2020 when a military financial cooperation agreement was signed by the defense ministers of the two countries in the presence of President Erdoğan and President Aliyev in Baku. At the same time, Azerbaijan indicated to acquire unmanned aerial vehicles (UAVs) from Turkey. Azerbaijan is an important market for Turkish defense suppliers, and defense industry cooperation is seen by the Turkish government as a fundamental element of a larger trade framework. To put even more oil on the fire, Turkey and Azerbaijan are holding a large-scale joint military exercise in Baku. The latter,

involving land and air forces, from armored vehicles to aviation and air defence equipment, are held between July 29 to August 10. Baku indicated that maneuvers will be held in Baku, Nakhchivan, Ganja, Kurdamir and Yevlakh.

Russia's role is still unclear, but Moscow's regional and MENA strategies could play a major role at present. (<https://www.voanews.com/europe/azerbaijan-armenia-clashes-highlight-turkey-russia-rift>, <https://jamestown.org/program/moscow-has-compelling-new-reasons-for-neutrality-in-armenian-azerbaijani-conflict/>) Turkey's growing interference in Moscow's strategic regional conflicts Syria and Libya are not fully appreciated. Some have already indicated that Moscow is playing a hard chess game in which it is forcing Turkey to refocus its military adventures to new areas, to decrease its success elsewhere. Moscow also seems to become unhappy with Ankara's search for new non-Russian oil and gas supplies, putting pressure on the Russian economy and interest. The Caucasus region is Turkey's onshore energy life-line and at the same time its Achilles Heel.

The conflict could however become a supra-regional issue, threatening international oil and gas markets too. The location of the most recent fighting between Azerbaijan and Armenia is critical. Clashed have been mere kilometers from major oil and gas pipelines, connecting the Caspian region in the heart of the Eurasian landmass to European and international energy markets. The main clashed have occurred in and around the small 100 km wide trade corridor, known as the "Ganja Gap". The district where most of the recent fighting took place is right in the middle of the Ganja Gap. Central Asian and Caspian energy reserves and revenues depend, due to the increased tension between the West-Russia-Turkey and Iran, on the Caucasus transit route. The only existing and viable route for hundreds of billions of dollars' worth of oil and gas trade is via Azerbaijan to Turkish pipeline access.

(https://openaccess.leidenuniv.nl/bitstream/handle/1887/24176/The%20Geopolitics%20of%20Energy%20Security%20in%20the%20South%20Caucasus_A.Gilboa.pdf?sequence=1, <https://pgjonline.com/news/2020/07-july/fighting-on-azerbaijan-armenia-border-raises-pipeline-concerns>, <https://moderndiplomacy.eu/2020/07/20/dangerous-attack-on-europes-energy-security/>)

Currently, there are three major oil and gas pipelines that crucially bypass Russia and Iran and pass through the Ganja Gap: The Baku-Tbilisi-Ceyhan pipeline, the Baku-Supsa pipeline, and the Southern Gas Corridor. Fiber optic cables linking Western Europe with the Caspian region also pass through the Ganja Gap, as do an important motorway and rail link. Clearly, a major breakout in fighting could threaten the security of the Ganja Gap. The region is close to the Baku-Tbilisi-Ceyhan oil pipeline, Baku-Tbilisi-Kars railway, Turkey-Georgia-Azerbaijan highway, and the Trans-Anatolian gas pipeline (TANAP). This oil-gas and trade flow intersection is a

major military target for all. The current energy infrastructure and logistical network all circumvents Armenia. Well known is the Baku-Tbilisi-Ceyhan (BTC) oil pipeline, involving a partnership of oil companies from nine countries: Turkey, Azerbaijan, the US, UK, Norway, France, Japan, Italy, and India. The pipeline holds a transport capacity of 1 million bpd of Azeri oil to Turkey's Mediterranean port of Ceyhan. The total set up has circumvented Armenia, even that geographically the Armenian route would have been shorter. A new venture is the Trans-Adriatic Pipeline (TANAP) project, again not involving Armenia, but also a slap in the face of Russian energy interests in Turkey and Europe. TANAP carries gas from the abundant Azeri reserves of Shah Deniz to Europe by linking it to Greece and the Trans-Adriatic pipeline that crosses Albania and the Adriatic Sea to reach Italy. Analysts have addressed the geopolitical impact of TANAP on Russia's stranglehold of European gas supplies, even via Turkey. A possible Moscow play right now to put pressure on Ankara and EU should not be dismissed outright.

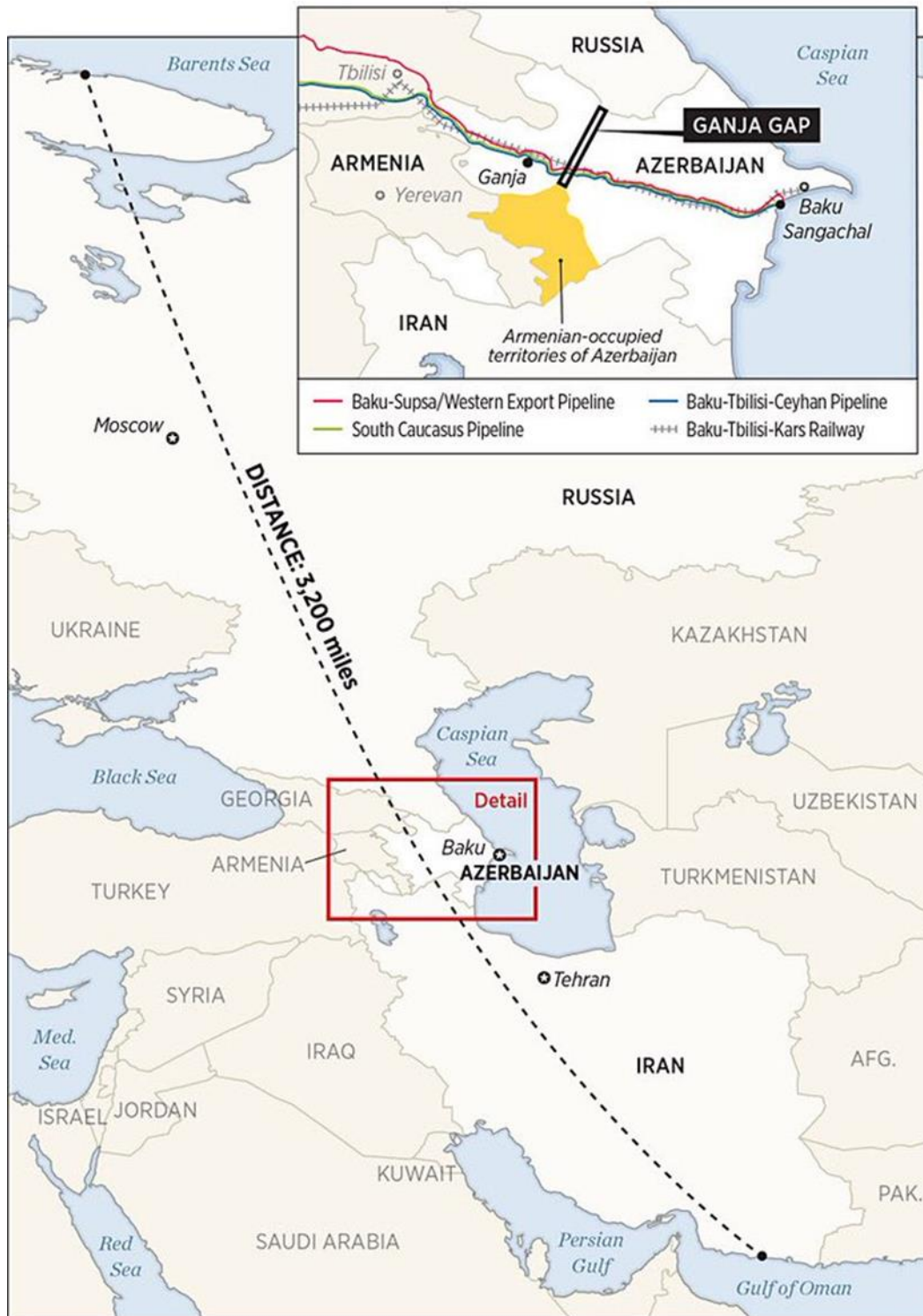
[\(https://www.politico.eu/article/azerbaijan-armenia-caucasus-skirmish-pits-russia-against-turkey-straining-shaky-alliance/\)](https://www.politico.eu/article/azerbaijan-armenia-caucasus-skirmish-pits-russia-against-turkey-straining-shaky-alliance/)

The current specifics of the military clash in Ganja gap where in addition to major transnational oil and natural gas pipelines, also fiber-optic cables, US and NATO troop resupply routes, railways and motorways extend, from Asia to Europe via Azerbaijan, Georgia, Turkey, and the Caspian and Black Seas, bypassing Russia. Western interests could be at stake clearly. Moscow already has several times shown that it doesn't like Western, Turkish or Iranian encroachment on its Caucasus interests.


The military conflict gets full attention but another issue is a major threat to energy markets. Even that geopolitics and energy of the Caucasus and Central Asia have received full attention in the last decades, "The New Great Game", current assessments seem to forget regional implications. As shown in James Bond's "The World Is Not Enough", the Caucasus is a major oil and gas transfer chokepoint. The latter is still the case, involving Russia, Turkey, Iran, Azerbaijan, Armenia and Central Asian countries too. (<https://geopolitics.news/euroasia/dangerous-attack-on-europes-energy-security/>)

The Ganja Gap

To bypass Russia or Iran for overland trade between Asia and Europe there is only one option: Azerbaijan. Armenia's occupation of almost 20 percent of Azerbaijan's territory means that there is only a narrow 60-mile chokepoint for trade. This is the Ganja Gap.



NOTE: Pipeline locations are approximate.
SOURCE: Heritage Foundation research.

SR216  heritage.org

Key oil and natural gas infrastructure in Azerbaijan





Table 1. Azerbaijan's oil export pipelines

Facility	Status	Capacity (thousand barrels per day)	Total length (miles)	Origin	Destination	Details
Baku-Tbilisi-Ceyhan (BTC)	Operating	1,200	1,100	Sangachal terminal, near Baku, Azerbaijan	Ceyhan terminal, on Turkey's Mediterranean coast	First tanker loaded at Ceyhan in June 2006
Baku-Novorossiysk (Northern Route Export Pipeline)	Operating	105	825	Sangachal terminal, near Baku, Azerbaijan	Novorossiysk, on Russia's Black Sea coast	Started operation in 1996
Baku-Supsa (Western Route Export Pipeline)	Operating	100	515	Sangachal terminal, near Baku, Azerbaijan	Supsa, on Georgia's Black Sea coast	First tanker loaded at Supsa in April 1999

Sources: U.S. Energy Information Administration based on BP and SOCAR

Table 2. Azerbaijan's natural gas export pipelines

Facility	Status	Capacity (billion cubic feet per year)	Total length (miles)	Origin	Destination	Details	
South Caucasus Pipeline (SCP)	Operating	310	430	Shah Deniz field, Azerbaijan	Georgia and Turkey	First deliveries to Turkey in 2007, follows the route of the BTC oil pipeline from Azerbaijan through Georgia, and connects to Turkey's domestic transmission pipeline system	
South Caucasus Pipeline (expansion)	Under construction	565	430	Shah Deniz field (Stage 2), Azerbaijan	Georgia, Turkey, and southeast Europe	First deliveries to Turkey in 2018, deliveries to southeast Europe expected by 2020; connects to the Trans-Anatolian Pipeline (TANAP), which crosses Turkey, and to the Trans Adriatic Pipeline (TAP), which is slated to run from the Turkish border to southeast Europe and Italy; TANAP was inaugurated in June 2018, and TAP is under construction	
Hajjiqabul (Gazi-Magomed)-Mozdok Pipeline	Operating	Bidirectional	460			Originally completed in 1983; in 2000, the town of Gazi-Magomed, Azerbaijan, was renamed Hajjiqabul	
					Russia	Azerbaijan	From 1983 to 2007, used to import Russian natural gas to Azerbaijan for domestic consumption
				175	Azerbaijan	Russia	From 2007 to 2014, used to export small volumes of natural gas to Russia
Hajjiqabul (Gazi-Magomed)-Astara Pipeline	Operating	Bidirectional	170			Originally completed in 1972	
					Iran	Azerbaijan	Originally designed to carry Iranian natural gas to Azerbaijan and the Soviet Union; imports from Iran ended in 1979 with the Iranian revolution
				30-65	Azerbaijan	Iran	In 2006, Azerbaijan began supplying natural gas to Iran in exchange for Iran supplying gas to the Azerbaijan exclave of Nakhchivan
Iran-Nakhchivan Pipeline (Salmas-Nakhchivan)	Operating	15-65	65	Iran	Nakhchivan exclave, Azerbaijan		

Sources: U. S. Energy Information Administration, based on BP, IHS EDIN, Platt's *International Gas Report*, and *Cedigaz News Report*

Threats to these important oil and gas pipelines, which are not only connecting Caspian/Central Asian producers to the global markets, but also stabilizing the region due to growth potential and revenues, are already in place. Gazprom Armenia, subsidiary of Russia's energy giant Gazprom, stated on July 14 that gas pipelines have been damaged near the border with Azerbaijan. (<https://tass.com/world/1178433>) The latter are still minor, but options are open. Increased military action on both sides will for sure address hitting existing regional oil and gas infrastructure, of a pivotal economic and political importance to Azerbaijan's geopolitical position. Turkey will be hit severely, as it not only depends partly on oil and gas from the region, but it also could put it in direct conflict with Russia.

The Tovuz region is also close to Azerbaijan's crucial South Caucasasia pipeline. The SCP channels natural gas to Turkey's TANAP pipeline and is a key component of Ankara's efforts to decrease its dependence on Russian energy. Since years, Turkey has been trying to diversify its energy imports, but Ankara still is heavily dependent on Moscow. (<https://www.dailysabah.com/business/energy/turkeys-purchase-of-russian-gas-drops-by-62-year-on-year>, <https://jamestown.org/program/turkey-makes-strides-in-diversifying-its-natural-gas-imports/>, <https://www.dailysabah.com/opinion/op-ed/more-us-lng-exports-to-turkey-less-dependency-on-iran-and-russias-gas>) At present Turkey pays a heavy price, as Russian gas is twice as expensive for Turkey than most European customers. By

getting Azerbaijani gas via TANAP the costs are falling. The Azeri-Turkish partnership could deepen further as a new opportunity arises in 2021, when a major gas deal between Turkey and Russia is up for renewal. The latter discussions have been stalled since April, when they ended unsuccessful. Russia could be looking at losing market share in a very important growth market.

Armenian analysts the situation is out of control due to a possible Russian-Turkish gas conflict. Turkey has become less dependent on Russian gas supplies lately. Moscow has seen its gas supplies to Turkey decrease by 40%, due to Ankara's import of Azerbaijani gas.

The main pipeline, the Baku-Tbilisi-Erzurum pipeline, supplying gas to Turkey from Azerbaijan, passes through the Tovuz region of Azerbaijan. This area borders on the Armenian Tavush, where the clashes took place. A possible Turkish military intervention, looking at its current operations in Syria and Libya, is not unthinkable. Blowing up the current infrastructure in Azerbaijan would for sure force the Turkish hands.

The situation can easily take a wrong turn. Azerbaijani government statements are even putting oil on the fire. Azerbaijan via its defense ministry has warned Armenia that it could launch missile attacks on the latter's Metsamor Nuclear Power Plant. (<https://www.newsweek.com/kim-kardashian-west-armenia-azerbaijan-nuclear-1518583>. <https://www.rferl.org/a/idle-threat-azerbaijani-hint-at-missile-strike-on-armenian-nuclear-plant-increases-tensions/30733672.html>) These threats could be easily be countered by Armenian actions on Azerbaijan's weak spot, its oil and gas transit pipelines. The outfall would be felt not only in European markets but globally cause havoc, too.

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Dr. Widdershoven has led energy publications, including North Africa Oil and Gas Magazine (now called Petroleum Africa), the Middle East Oil Gas Newsletter and Africa Oil Newsletter at Newsbase (UK). Over the span of several decades he has lived and worked in Egypt, Lebanon, Jordan, Sudan, Iraq, and the UAE, and also taken on extended projects for clients in Oman, Iran, Syria, Tunisia, and Turkey. Dr. Widdershoven earned his post graduate degrees at King's College, University of London, Department of War Studies, and an M.A. in Middle East Studies at the University of Nijmegen, Netherlands.

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