

The Magical Paper Pipeline

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By Tatyana Mitrova

The Nabucco gas pipeline project is often presented as a serious threat to Russian gas exports. The project is itself very destructive in character, but the problem is not so much that it could have a competitive advantage over Russian supplies as that it could easily destabilize both the gas markets and political situation in the Caspian Sea region.

Why is there so much noise over the Nabucco project, a pipeline that, if ever built, is supposed to have an annual capacity of only 10 billion to 20 billion cubic meters of gas? That is far too low a volume to upset the status quo, considering that Europe consumes upward of 500 billion cubic meters of gas every year and Russia is already exporting approximately 160 billion cubic meters annually.

The original intention behind Nabucco was to build a pipeline to deliver more of the enormous gas reserves in the Middle East to the European market. The European Union presents Nabucco almost exclusively in terms of improving energy security, given Russia's supposed unreliability and its willingness to use energy supplies as a blackmail weapon. It is hard to find an article or op-ed about Nabucco without the key defining words: "the pipeline that will bypass Russia."

The project has become a symbol of the EU's desire to diversify the sources of its gas supplies. Every conflict between Russia and Ukraine is used as an argument in favor of Nabucco. But the pursuit of diversification can lead to unpleasant consequences. For example, if you move your money from a secure, AAA-rated bank into a number of banks with insufficient reserves and low ratings, you will surely increase your financial risk. The same logic applies to the routes and sources of gas supplies. Of all the states that could potentially supply gas to the Nabucco project, not one has a sovereign credit rating. But Russia does. What's more, the choice of Turkey as the primary transit country raises just as many questions as Ukraine in terms of reliability.

But the main question, of course, is who will supply the gas needed to make Nabucco a viable pipeline. The Nabucco consortium paints a very optimistic picture, but after close analysis it is clear that there are many more minuses than pluses.

The largest minuses are Iraq and Iran. Iran has enormous gas reserves, but considering its unstable domestic political situation, the country can effectively be ruled out as a potential supplier for the Nabucco project. Iraq is even more problematic because of the country's instability — particularly in the gas-rich Kurdistan region.

Turkmenistan is often mentioned as a key supplier. Its most enthusiastic backers point to the country's grandiose plan to somehow raise production capacity from the current 66 billion cubic meters of gas per year up to a whopping 250 billion cubic meters annually.

But even if Turkmenistan manages to meet all of its current export obligations — a big if — perhaps the larger problem is open territorial issues in the Caspian Sea. If the five countries that border the Caspian Sea — Russia, Kazakhstan, Turkmenistan, Iran and Azerbaijan — haven't reached an agreement in terms of a treaty that defines how the territorial waters of the sea should be divided among them, any pipeline running through it would violate all international legal norms. A two-way agreement between Turkmenistan and Azerbaijan that ignores the other three countries would provoke a harsh reaction — particularly from Iran, which doesn't rule out a military reaction if such an attempt is made.

The "paper Nabucco," which still has not performed the proper feasibility studies, destabilizes the already tense political situation in the Caspian region. Why push through a project that is so unlikely to succeed and that is so potentially harmful to EU-Russian relations?

The West's propaganda campaign regarding Nabucco creates a false impression that the EU will improve its energy security by diversifying Europe's gas suppliers. To be sure, the problems associated with the transit of gas through Ukraine are difficult, to say the least, but they have to be resolved among all parties involved. Given its inherent weaknesses, Nabucco cannot become the white knight that will solve all these problems in one fell swoop. The EU should refocus its energies toward improving energy relations with Russia.

Tatyana Mitrova is head of the Center for International Energy Markets Studies at the Energy Research Institute of the Russian Academy of Sciences.