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A potential agreement on the Caspian Sea: geopolitical, energy and security implications

In December 2017 Russian foreign minister Lavrov announced that all five Caspian littoral countries (Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan) agreed to sign a draft document on the Caspian legal status, waiting for the next Caspian summit which will be held in 2018 in Astana (Kazakhstan). This potential deal will have a high geopolitical relevance: as a matter of fact, the lack of an agreed legal status of this relevant energy basin which until now has prevented the realization of the long-awaited Trans Caspian pipeline (TCP) – the offshore corridor delivering natural gas from Turkmenistan (and maybe from Kazakhstan) to Azerbaijan and then to the EU markets – which will implement the Southern Gas Corridor (SGC), also helping the EU to enhance its energy security condition through a strategy of diversification of import routes.

According to the United States Energy Information Administration (EIA), Caspian basin holds 48 billion barrels of proven oil reserves, while gas reserves are estimated at 8.76 trillion cubic metres (tcm) – both from onshore and offshore fields – which represents 7% of the world's total proven natural gas reserves (United States Energy Information Administration, *Caspian Sea region*, 2013).

Until 1991, the Caspian basin was a kind of internal lake shared between the Soviet Union and Iran, which held a joint ownership on the existent oil and natural gas reserves. After the collapse of the Soviet Union, the Caspian littoral countries became five, following the creation of Azerbaijan, Kazakhstan and Turkmenistan as independent states: these new republics legitimately started claiming rights to explore and exploit offshore hydrocarbon reserves. The debated issue revolves around the problem of establishing if the Caspian basin could be defined a sea or a lake. If the Caspian basin is considered a lake, the littoral states can equally divide and exploit the energy potential of the basin (this option is backed by Iran which holds only 13% of Caspian reserves), while if the Caspian is designated as a sea the states can fully exploit the energy reserves contained within their maritime borders. (B. Janusz-Pawletta, *The Legal Status of the Caspian Sea*, Springer-Verlag Berlin Heidelberg 2015).

Russia and Iran have always boycotted the realization of the Trans Caspian pipeline, alleging environmental problems and arguing that the construction of an offshore gas pipeline needs the consensus of all five countries. On the contrary, Azerbaijan and Turkmenistan share the same position since 2010, stressing that this offshore project should be approved only by the interested countries whose waters the pipeline would cross.

Nevertheless, Russia's opposition is mainly motivated by geopolitical reasons: Moscow fears Turkmenistan's involvement in the Trans Caspian corridor, given that the Central Asian country holds the fourth largest natural gas reserves in the world and since 2015 Ashgabat realized an east-west pipeline (which will be able to deliver 30-40 billion cubic metres – bcm – of gas per year on the Caspian shore), in order to fuel the TCP, which is a key component of the Southern Gas Corridor backed by the EU.

Therefore, the perspective of an SGC able to deliver 30-60 bcm of natural gas per year to the EU markets (combining Azerbaijani, Turkmen and – maybe – Kazakh gas exports) clearly represents a serious threat to the Gazprom business linked to the EU's high dependence on Russian gas imports. Furthermore, also the disputes among Caspian countries (Turkmenistan vs Azerbaijan, Azerbaijan vs Iran) on the ownership of some offshore oil and gas fields have hampered to reach a shared agreement on the basin:

In addition to energy issues, the potential deal will have interesting repercussions also in the security field, considering that the five countries agreed to forbid foreign military bases on the sea and also scheduled to hold their first-ever joint naval exercises in summer 2018 (J. Kucera, *Russia Claims Caspian States Reach Agreement on Sea's Status*, Eurasianet, December 6, 2017).

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