

Strategic importance of the baku-tbilisi- ceyhan oil pipeline



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With the arising questions regarding the future of Iraqi oil which is considered as the second largest oil reserve in the world, the Caspian Basin along with its oil and natural gas resources are once again being considered as a potential source of world energy. The reason for this stems from the region's ability to bypass OPEC members as well as the states within the Persian Gulf. The possibility of such is ensured by the completion of the Baku-Tbilisi-Ceyhan (BTC) pipeline project last 2006. The importance of the pipeline, in this sense, may be traced to its means of linking the reserves in the Caspian Basin to the Western world.

Crane and Matten (2007) ascribe the strategic importance of the project in its ability to “ reduce Western-dependence on Middle Eastern oil while at the same time providing a safe access to energy through NATO member Turkey and avoiding exposure to the political instability of post-Soviet Russia” (123). In lieu of this, the paper aims to (1) analyze the strategic location of the BTC, (2) assess the effects of such a location in the production and distribution of oil in the world market, and (3) assess the effects of the BTC pipeline to climate change.

In the Caspian Basin, the problem lays not so much in the supply of oil and natural gas but on the geographical location of the basin. The Caspian is a landlocked sea which makes it difficult to transport energy resources to the world market. In addition to this, the collapse of the Soviet Union has led to the region's limited energy pipeline infrastructure which extended only up to Russia. As a result of this the independent states of Caucasus and Central Asia were delimited to a single transportation option to the Black Sea and Europe.

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Oil as well as gas exports from the areas of Azerbaijan, Kazakhstan, and Turkmenistan required the formation of a new pipeline which led to the formation of the BTC (Fuller 135). The goal of the BTC was to transport crude oil from Azerbaijan's territory to Turkey's port on the Mediterranean (Nassibli 166). Pipeline development is the main factor for that reluctant Turkish-Georgian partnership. Since the discovery of substantial oil resources in the North Sea a few decades ago, no new world-class oil deposits had been found.

However, this changed in the early 1990s with a renewed assessment of the Caspian Sea's energy resources. The Caspian Sea, with its western shore forming the eastern edge of the Caucasus and its eastern shore marking the beginning of Central Asia, has been seen as a new significant additional source of oil. While Caspian reserves are vast, there is one major problem: there is no outlet to the international market. Indeed, their location poses one of the most complex logistical problems in the oil industry's history.

Azerbaijan and Kazakhstan, the two main Caspian producers, cannot simply ship oil by tanker from domestic ports to international sea-lanes. Instead, they must rely on costly pipelines traversing several neighbouring countries. Pipelines across the Transcaucasus to the Black Sea and through Turkey to the Mediterranean are the least costly way to get Azerbaijan's oil to the international market. Ankara failed initially to recognize the importance of a special relationship with Tbilisi until it became clear in 1994 that the only available non-Russian export route for Azerbaijan's oil was through Georgia.

The US policy towards Iran and the continued Armenian–Azerbaijani conflict over Nagorno-Karabakh have made the construction of a major oil pipeline across Iran or Armenia almost impossible. Turkish officials were pleased that the Baku–Supsa route was chosen in October 1995 by the Azerbaijan International Operating Company (AIOC) as one of two routes for the delivery of the ‘early oil’ from Azerbaijan—with ‘early oil’ being commonly interpreted as production volumes of up to around 100, 000–120, 000 barrels per day (b/d).

Ankara had feared that if the Kremlin had secured a monopoly on the transportation of Azerbaijan’s ‘early oil’ via the Baku–Novorossiysk pipeline, this would have increased the likelihood that the latter would also receive most, if not all, of the ‘main oil’ (i. e. 1 million b/d or more). Policy-makers in Turkey had thus promoted the Baku–Supsa option for ‘early oil’ so as to boost the prospects for the choice of a BTC line for the ‘main oil’.

In October 1998, Azerbaijan, Georgia and Turkey signed an agreement supporting the BTC route as the main export pipeline for Azerbaijani oil exports. Despite initial opposition to the pipeline, which several oil companies criticized as too costly and uneconomical with the planned volumes from Azerbaijan, construction on the pipeline began in the autumn of 2002, with launch date at the end of 2005. The planned 1 million b/d capacity pipeline will run 281 miles through Azerbaijan, 135 miles through Georgia and 622 mile.