



# Unfreezing the Caspian gridlock

Geopolitics and energy in Central Asia's backyard

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# Declarations at the Moscow meeting

- Lavrov said that there is agreement on the delimitation of the zones
- Aszerbaijan said there are still issues
- Iran insists that there is no agreement yet
- Turkmenistan and Kasakhstan are silent
- Will there be an agreement in Astana in 2018?

# THE PLAYERS

# A look around



# Russia

- Russias quasi empire costs a lot of money
- The commodity cycle does not swing back in Russias favor
- American shale puts a plug on oil (and gas) prices
- More pipeline gas means less LNG (maybe)

Once upon a time



# The empire today

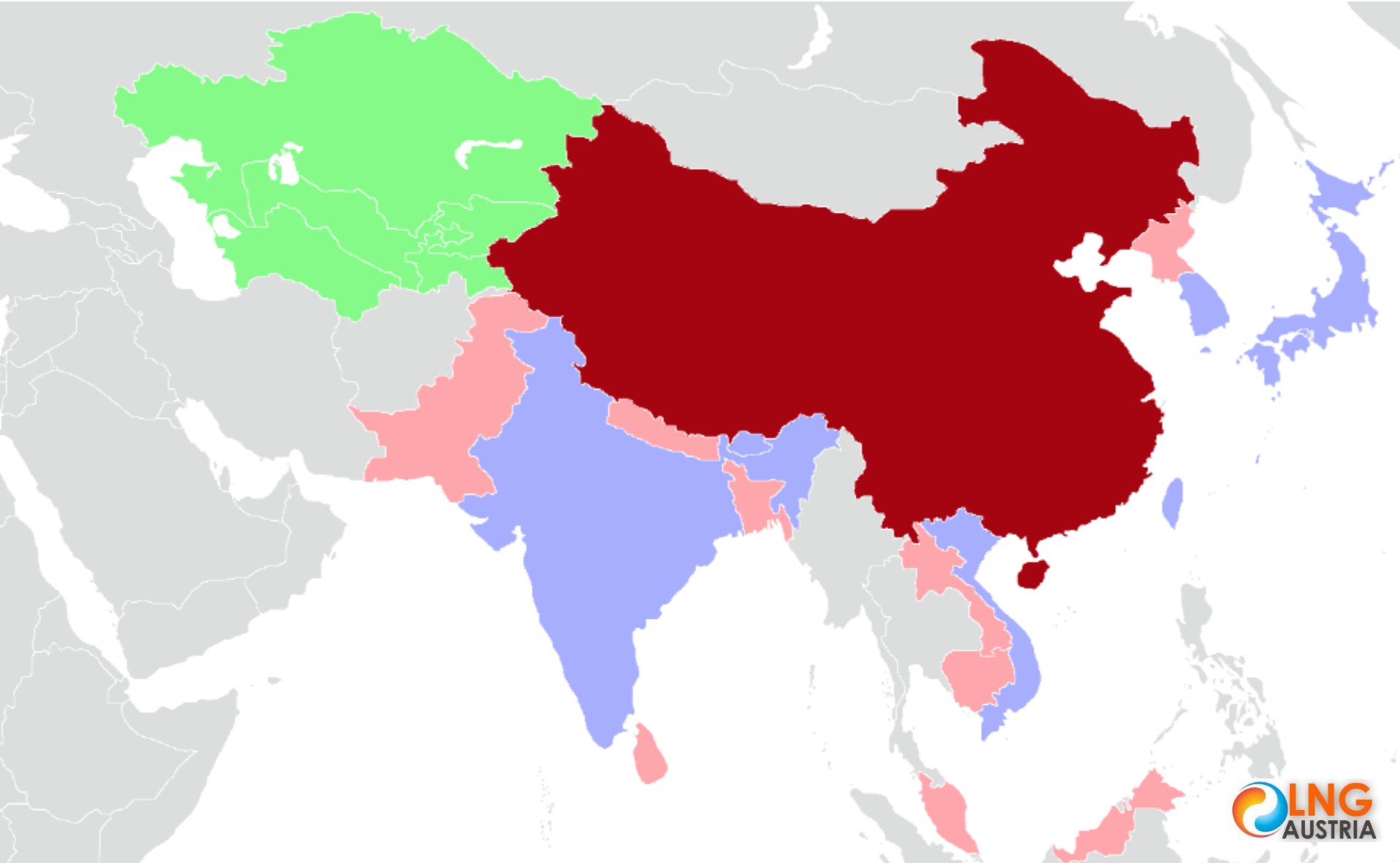


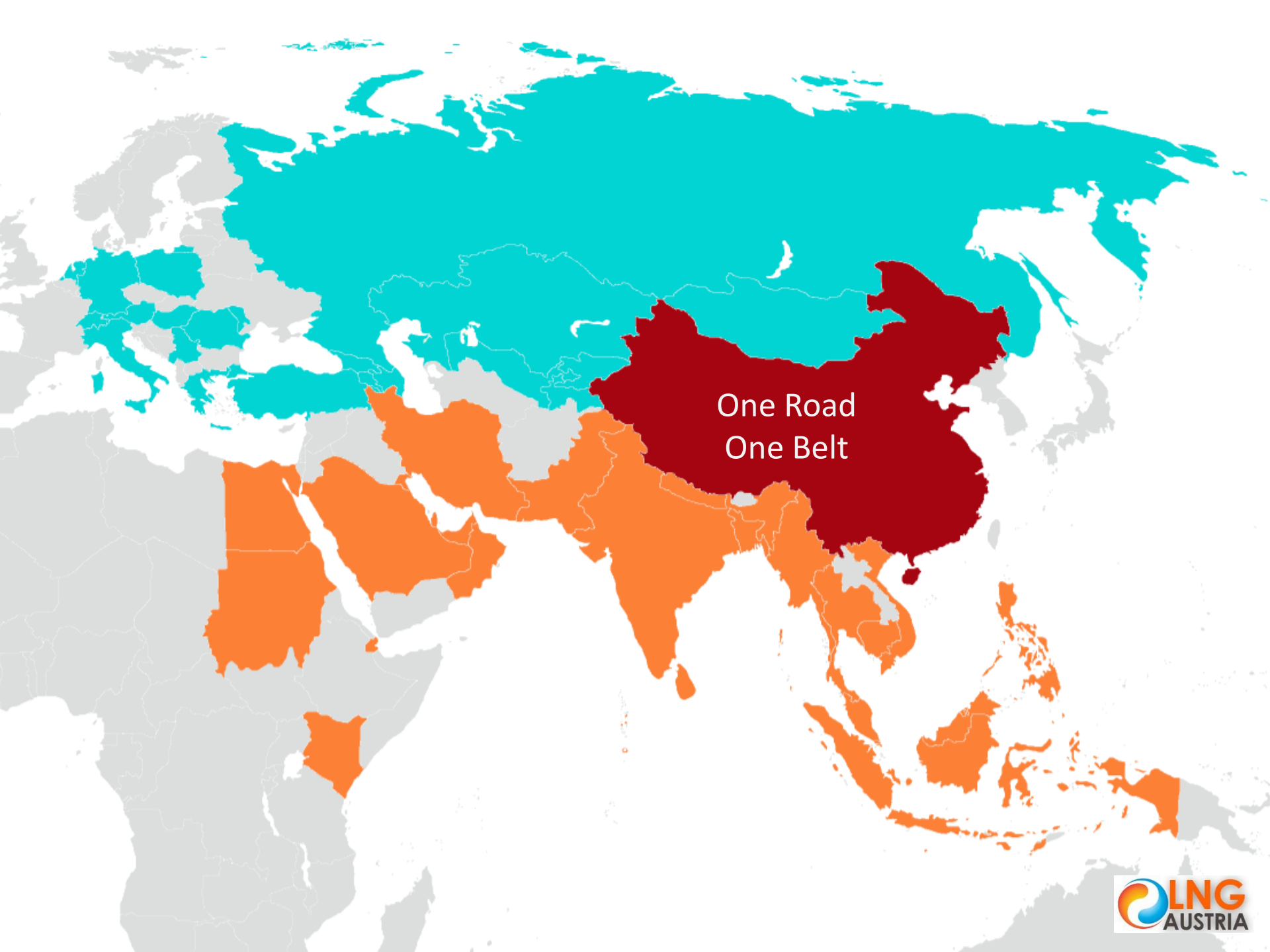
# Chinas dilemma

- China has built massive overcapacities in everything
- Their economic system shows signs of a giant property bubble
- Debt is growing massively and OBOR will put this on steroids
- China holds more than a trillion USD in outstanding debt and its growing



# China's world



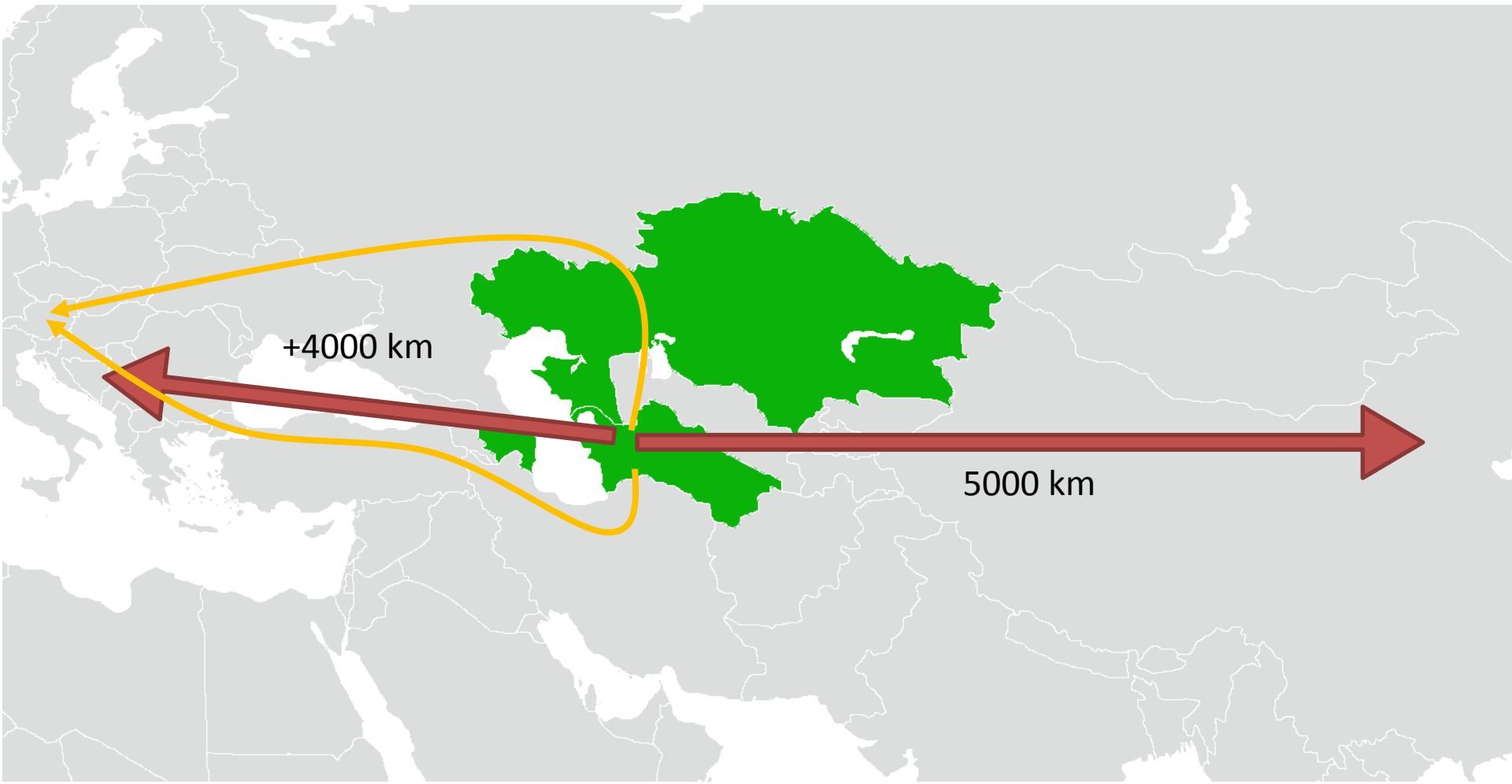


One Road  
One Belt



Iran

# The Central Asian Dilemma



# THE ISSUES

# The central argument

- Sea or Lake
- UNCLOS jurisdiction
- Territory
- Pipeline laying
- Veto power



# Sea or Lake

- Treaty Soviet Union – Iran makes it inland body of water and Russia is legal successor of Soviet
- Russia considers itself and its near abroad an informal empire outside the realm of the International laws
- UNCLOS applicability would lead to UN having jurisdiction in much of the Sea
- The incentive is for an amicable division in order to exploit the petroleum and gas they need the revenues from

# The true motivations

- Russia and Iran want their veto power on anything that happens in the Caspian
- The others want to exploit their perceived share of the Caspian
- Only UNCLOS application would ensure pipeline building



# ENERGY CONSTRAINTS

# The Concept of Gas that's Stranded

When the effort is not worth the pain



# Pipe is NOT pipe

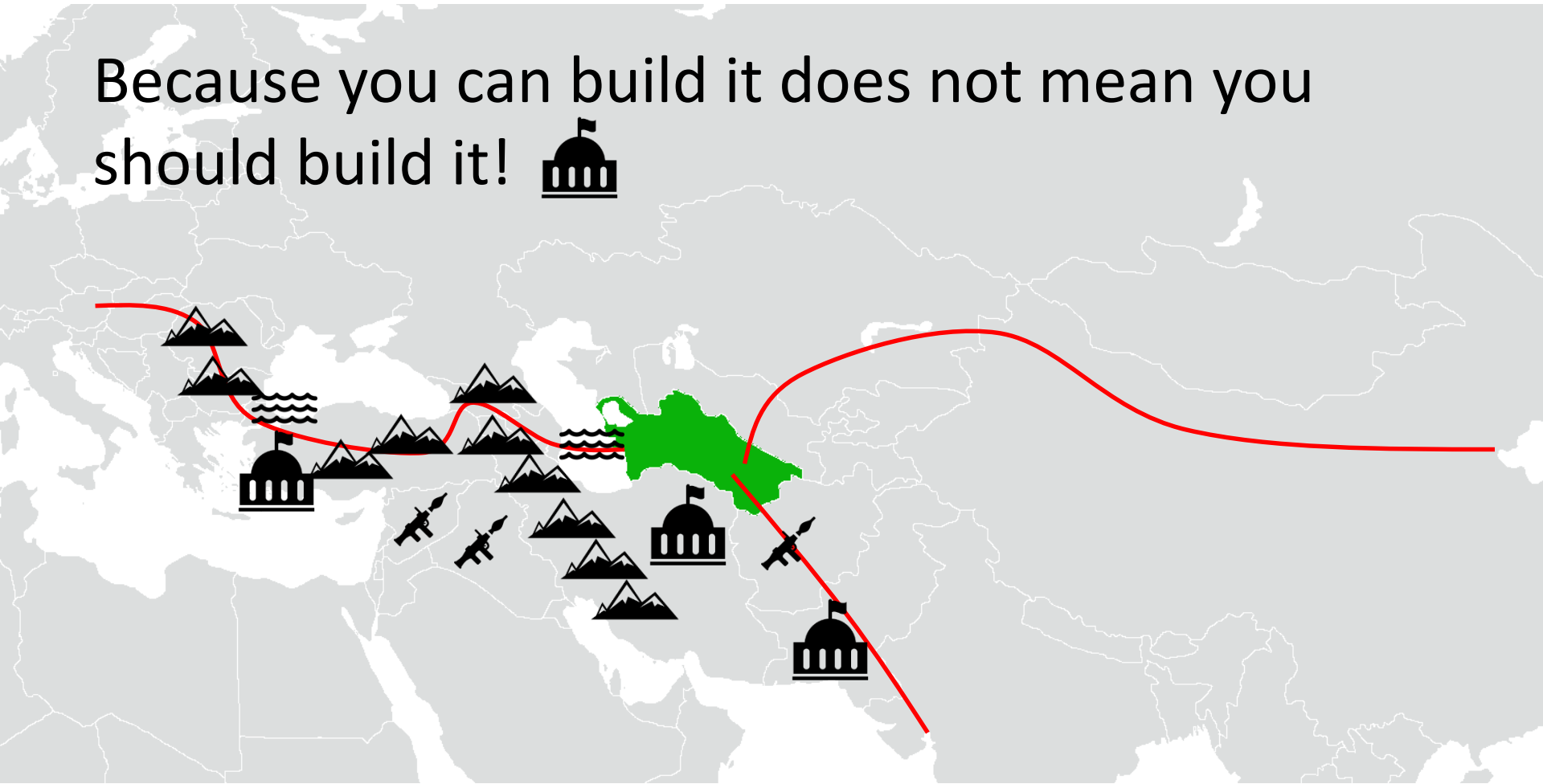
- Pipes in flatland are cheaper than through mountains
- Onshore is cheaper than offshore
- Settled areas is more expensive than uninhabited areas
- Politics play a huge role in financing

# The transit country curse

- Transit countries take a lot of money for the right of passage as a best case scenario
- Often they want to buy and resell in order to take much bigger profits (Iran, Russia)
- Stacking transit countries is a recipe for failure
- North Stream and South Stream are testament to this

# Pipe Dreams

Because you can build it does not mean you should build it! 



# Old thinking

We use the tools of the past in order to solve the problems of the future!



# THOUGHTS

# LNG might be a (limited) solution

- Crossing the Black Sea by pipeline is very hard and expensive
- Mid-scale solution to Romania would probably be more competitive
- Countries like Iran, Pakistan and China need LNG as a fuel
- Transformation to a gas economy



# Wishful thinking

- Between announcements and the hard way to reality
- Russia and Iran want veto powers over what can be done in the Caspian Sea
- Russia may use the announcement to play for time

# Post It for European leaders

- Europe needs alternatives to Russian gas but not for any price
- LNG will put a cap on what can be done in the future
- Central Asia must show initiative by itself
- AGRI might be a solution if done sensibly



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