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# Europe looks to Caspian to diversify gas supplies.

By Stefan Wagstyl in London and Isabel Gorst in Moscow  
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A southern export route for Caspian gas to Europe was first mooted after the 1991 collapse of the Soviet Union and the emergence of three new energy-rich states - Azerbaijan, Kazakhstan and Turkmenistan. But the idea has been given new life by recent increases in energy prices, and European concerns about the security of Russian gas supplies.

Jeffrey Waterous, chairman of Global Union Energy Ventures, an investment company, says: "Whether or not Gazprom will cut off supplies again is not the point. What's important is that the perception of risk that this might happen is high."

But the European Commission and other supporters of the proposal face formidable political, financial and technical challenges. Significant amounts of Caspian gas are not expected to reach the EU before about 2015 - and then only if gas prices remain high. Preliminary estimates that the Caspian region holds about 9,000bn cubic metres of gas, are dwarfed by the figures for Russia and Iran, which together own about 68,000bn cubic metres, nearly half the global reserves.

Oil companies argue such estimates are conservative and there could be enough to supply 40bn-80bn cubic metres annually, or 5-10 per cent of the EU's forecast gas demand in 2020. A European Commission paper puts the figure higher - at 10-15 per cent of demand.

David Woodward, the head of BP, the British oil company, in Azerbaijan, says: "Our view is that with full assessment of Caspian resources it's quite possible they will provide an additional source of supply to Europe."

BP is completing the South Caspian Pipeline - taking gas from a new Azeri offshore field to Georgia and Turkey. This could one day be the first link of a route deep into Europe. But much depends on finding enough gas to justify such a scheme and on the EU's ability to persuade gas producers and transit countries to back ambitious cross-border transit schemes. Mr Woodward says the EU has lagged behind the US in developing consistent policies for securing access to new Caspian resources.

EU diplomats retort that this is unfair. The European Commission has since 2002 been developing an institution called the Energy Community which regulates energy markets, including gas, in the EU's future member states in south-east Europe. Turkey is considering joining. Georgia, Armenia and Azerbaijan could be invited next year. By 2010 EU energy market rules could reach the Caspian.

The start later this year of a pipeline between Turkey and Greece will open a first portal for Caspian gas to Europe. The Energy Community lists seven other projects to boost capacity in existing networks to absorb Caspian gas. The European Commission also backs a more ambitious scheme for a whole new pipeline - the €4.4bn (\$5.6bn) Nabucco project. This 3,400km route would start in eastern Turkey and run to Austria, taking gas from the SCP and from Russian, Iranian and North African producers. Mr Woodward argues investing piecemeal in existing networks may be less risky than a single new pipeline.

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