

Nabucco's Nemesis

Jul 16, 2009



Articles & Testimony

On July 13, Turkey and four other European nations (Bulgaria, Romania, Hungary and Austria) agreed to build the Nabucco pipeline to transit gas from the Caspian Sea to Austria. When complete, Nabucco will be 3,300 kilometer (2,000 mile) long and cost \$11 billion. This major undertaking would link Europe and the Caspian Sea directly, allowing European countries to buy gas from the Caspian basin, without having to rely on Russia.

Nabucco is Russia's nightmare, for if this pipeline were built, Moscow, specifically Russian gas giant Gazprom, would lose its monopoly over the Eurasian gas transit markets. If there was a bourse for gas companies, July 13 would be the day when Nabucco's shares rose and Gazprom's shares declined -- incidentally, Gazprom's shares did drop on the Moscow stock exchange when the five European countries agreed in Ankara to build Nabucco. Yet, this may not be a permanent trend. Russian foreign policy is intertwined with Gazprom's fortunes. Similar to its namesake Verdi opera, whose libretto follows a story of freedom from slavery, Nabucco promises to free Europe from Russia's energy bondage. However, Nabucco is Gazprom's antidote, and Russia will do everything to prevent Nabucco from breaking Gazprom's monopoly over the Eurasian energy markets.

The relationship between Moscow and Gazprom is reminiscent of the ties between Britain and the East India Company, or EIC, in the nineteenth century when the EIC ran Britain's prized possession, India. Similar to how EIC's commercial interests shaped British foreign policy, especially British policies around the Indian Ocean; today Gazprom's commercial interests shape Russian foreign policy, especially in Eurasia. In the nineteenth century, it was not clear where the British state ended and EIC started in South Asia; today, it is not certain where the Russian state ends and where Gazprom starts in Eurasia.

Gazprom has a near monopoly over the Eurasian energy markets - Russia buys almost all Caspian energy going west, with the exception of Azeri gas and oil exported through Turkey via the Baku-Tbilisi-Ceyhan/Erzurum pipelines. What is more, most East and Central European countries are hundred percent dependant on Russia for their gas needs. As the clearinghouse in Eurasian gas trade, Russia charges exorbitant prices, and Nabucco would challenge this.

Russia could follow three strategies to neuter Nabucco, so Gazprom can thrive. The first strategy is the most obvious: if you cannot defeat your enemy, buy it. Russia will try to sell gas to the Nabucco pipeline. This is an easy way forward for Moscow: with Russian gas in it, Nabucco would become yet another Gazprom project, ensuring Russia's continued monopoly over the Eurasian energy markets.

The second Russian strategy would be to ensure that Nabucco is not built. To this end, Moscow might coo one or more of the five European Nabucco partners away from the consortium, or persuade potential gas-providing countries, such as Azerbaijan, Turkmenistan, and Kazakhstan to stay away from Nabucco. Already feeling Russian pressure, the latter are half-heartedly committed to Nabucco, and Moscow's ultimate goal would be to ensure that they entirely cool to the project.

The third Russian strategy would be breaking the Nabucco chain in the Caucasus where Georgia is the weakest link.

Some see Russia's 2008 war against Georgia as driven by territorial ambitions over South Ossetia and Abkhazia. Viewed from the Nabucco perspective though, this war is born out of Moscow's ambition to amputate and cast Georgia as a weak and unreliable state on the Nabucco corridor.

Georgia is a key country for Nabucco. While the Turkish-Armenian border is closed, Georgia is the only country linking Turkey with Azerbaijan and the Caspian. If Georgia were to withdraw from Nabucco, the pipeline could not be built, unless Turkey opened up its border with Armenia, linking Nabucco to Azerbaijan through that country. However then, Nabucco would face another hurdle: if Turkey established ties with Armenia short of a solution to the Armenian occupation of Azeri territory, Azerbaijan, offended by Turkey, would desist from partnering with Ankara in Nabucco: Russia would win.

This chess board provides clues about Moscow's Caucasus policy: promote Turkish-Armenian rapprochement for the end goal of creating discord in Turkish-Azeri ties; win Azerbaijan over, if necessary by brokering a deal in the Azeri-Armenian conflict, for Armenia is not going to abandon Russia; and destabilize Georgia so it becomes even more unreliable along Nabucco's path. Moscow's strategy is to win over all three Caucasus countries. If successful, this strategy would make Nabucco a pipedream.

Gazprom is Nabucco's nemesis. Nabucco can resist Gazprom only by aligning Turkey, all four of Ankara's European partners, at least two Caucasus countries, at least one energy-providing Caspian nation, and last but not least, Iraq as back-up country for gas supplies. Nabucco deserves its name, for the line-up needed to make this pipeline a reality is at least as complicated and long as the cast of Verdi's opera. Yet, if realized, the Nabucco pipeline could have as good an ending as its operatic namesake.

Soner Cagaptay is a senior fellow and director of the Turkish Research Program at The Washington Institute. ❖

Hurriyet Daily News

RECOMMENDED

BRIEF ANALYSIS

Unpacking the UAE F-35 Negotiations

Feb 15, 2022

♦
Grant Rumley
(/policy-analysis/unpacking-uae-f-35-negotiations)



ARTICLES & TESTIMONY

How to Make Russia Pay in Ukraine: Study Syria

Feb 15, 2022

♦



BRIEF ANALYSIS

Bennett's Bahrain Visit Further Invigorates Israel-Gulf Diplomacy

Feb 14, 2022



Simon Henderson

(/policy-analysis/bennetts-bahrain-visit-further-invigorates-israel-gulf-diplomacy)

TOPICS

Energy & Economics (/policy-analysis/energy-economics)

Gulf & Energy Policy (/policy-analysis/gulf-energy-policy)

U.S. Policy (/policy-analysis/us-policy)

REGIONS & COUNTRIES

Turkey (/policy-analysis/turkey)