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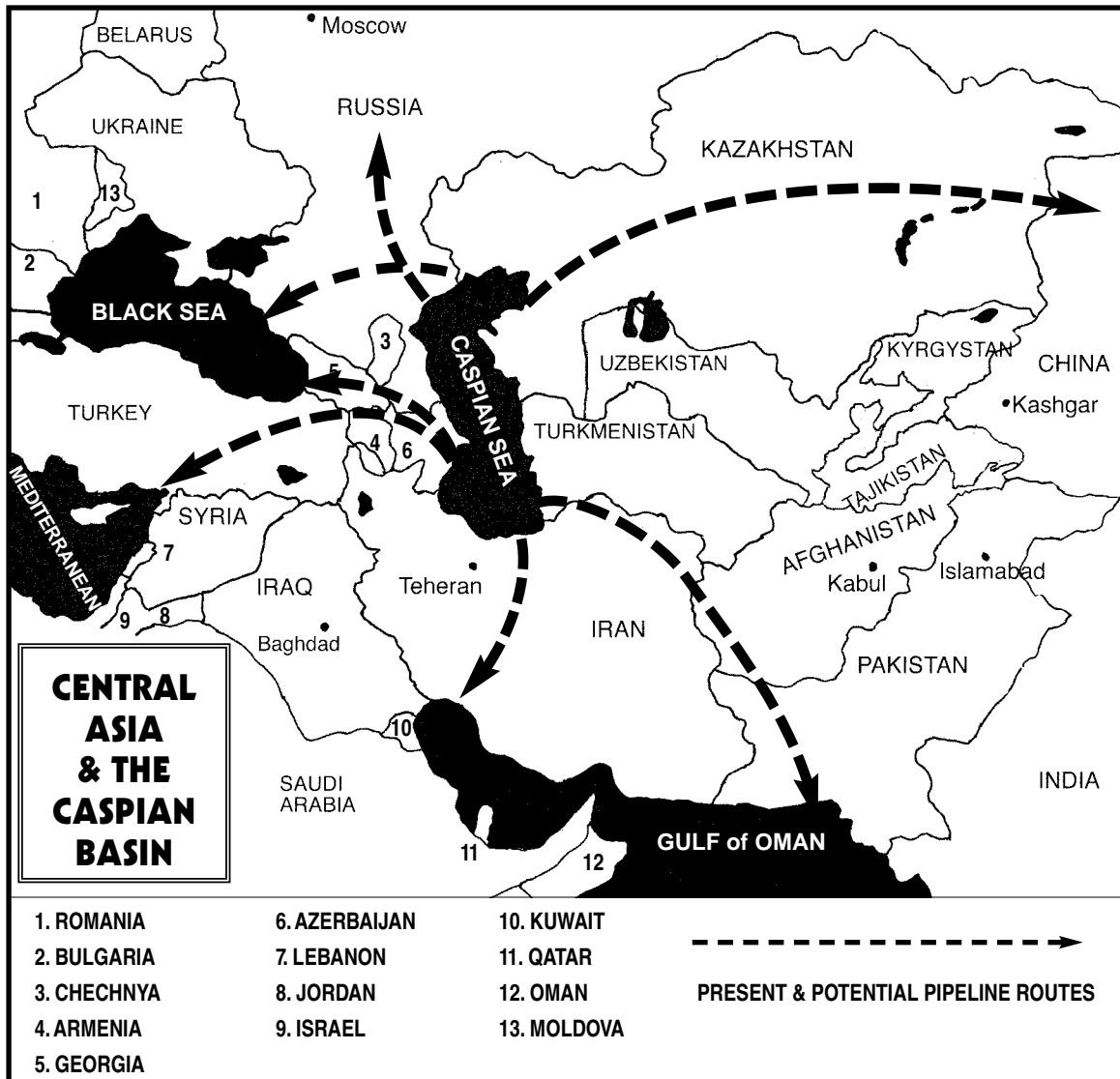
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Black Gold—a Series About Oil

Caspian Basin pipelines ~ Patrick Brown



Oil from the Caspian Basin is of strategic importance to future US, European, and Asian energy strategies. Transporting it to these markets depends on building pipelines to tidewater or to connect with existing pipeline systems.

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The Northwest

Previously, little Caspian oil was exported; most of it was used in the former Soviet Union. As a result, most existing pipelines from the Caspian Basin lead to the northwest, towards Moscow.

The US, however, may not trust the Russians enough to be dependent on oil supplies that run through the Russian Federation. They would rather avoid Russia.

The South

Directly to the south of the Caspian lies Iran. As mentioned above, US law does not permit US companies to do business in Iran, although there appear to have been no prosecutions of consortia in which US multinationals have been peripherally involved. The French multinational TotalFinaElf is currently working in Iran.

Iran has very good access to the Persian (or Arabian) Gulf, and has also offered to do 'swaps', which would see Caspian oil shipped into northern Iran in return for Iranian oil shipped out from southern Iran.

The East

The Chinese government has indicated their interest in a pipeline that would run all the way across Kazakhstan into China, and through to the more industrialized parts of eastern China. The cost of this is unimaginable.

The West

Today there is increasing pipeline activity between Azerbaijan and the Black Sea, mostly to the Russian port of Novorossiysk. It has become necessary to build a pipeline bypass around Chechnya because the Chechens blew up the pipeline.

Some Azeri oil also goes through Georgia. And finally, a new pipeline, with an eventual capacity of one million barrels daily from the Tengiz field in Kazakhstan, also goes to Novorossiysk.

At Novorossiysk, oil is transhipped to tankers which can then sail through the Bosphorus (at Istanbul), into the Mediterranean, and to Europe or the US. However, the Bosphorus limits tanker size to 150,000 tonnes, and the Turkish government has expressed concerns at the possibility of environmental damage in case of a tanker grounding or fire.

There have been proposals to build a further pipeline

from a Bulgarian port on the Black Sea, through Macedonia and out to the Adriatic. This would avoid the Bosphorus, and 300,000 ton tankers could be used in the Adriatic and Mediterranean. This project, which is headed by a former Haliburton associate of US VP Dick Cheney, would involve even more government negotiations, not to mention that Macedonia is currently involved in a civil war.

At the moment, the US would appear to favour a pipeline proposal that would see Azeri oil go through Georgia and then south to the Turkish Mediterranean port of Ceyhan. This would have the advantage of bypassing the Bosphorus altogether, but passing through parts of Turkey either controlled or threatened by the Kurds. The cost of such a pipeline is more than any of the others, some US\$3.9 billion.

The Southeast

As far as is known, Afghanistan has no oil or gas reserves. What it does have is location, between the Caspian Basin oil and gas fields and the growing markets of India, Pakistan, and South East Asia. (Afghanistan borders on six countries.)

In fact, over the next 20 years, these markets are expected to grow even faster than US demand. From the point of view of US oil companies, therefore, opportunity lies in a direct route from the Caspian to these markets, and US oil companies can't use Iran.

But clearly there can be no pipeline across Afghanistan without a friendly government. The Taliban are obviously hostile, and the Northern Alliance may not be able to sustain a government, mainly due to tribal rivalries. A new government must also be acceptable to Pakistan, where fundamentalist groups threaten political stability.

In Summary

Each possible pipeline route has its political problems. Iran, which already has significant pipeline infrastructure, has potentially the shortest and best route to tidewater, but is under trade embargo by the US, and has been identified as a state that supports terrorism. A pipeline route across Afghanistan could outflank Iran, and be a more direct route to rapidly growing markets in south and southeast Asia. ✍

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