

THE LEGACY OF THE SOUTHERN GAS CORRIDOR

In an exclusive interview conducted by Ellen Scholl, Deputy Director of the Atlantic Council's Global Energy Center, Ambassador Richard Morningstar reflects on his contributions to US energy policy in the Caspian region, which resulted in the realization of the Baku-Tbilisi-Ceylan pipeline. Ambassador Morningstar also touches on the importance of the Southern Gas Corridor for European energy security and major breakthroughs in the development of the Trans-Anatolian Natural Gas Pipeline (TANAP). Morningstar emphasizes that the inauguration of TANAP in the summer of 2018 represents a key milestone for the Southern Gas Corridor, a priority of the European Union and the United States, and a major success for Turkey.

Interview with Richard Morningstar*



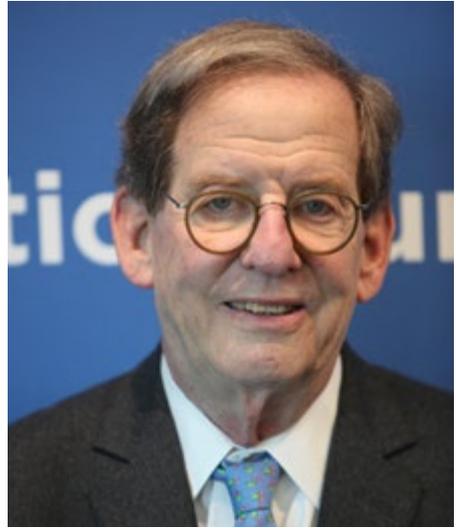
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When did you first get involved with the Southern Gas Corridor?

My involvement goes back to the 1990s—an interesting time in the broader conversation about oil security and pipelines in the region. At the time, we were not talking about the Southern Gas Corridor, but the idea of the Southern Corridor as a whole. While the current discussion on the Southern Gas Corridor really focuses on the security of gas supply and alternative transit routes from Russia, the conversation in the 1990s was focused on alternative sources of oil supply and routes, also vis-à-vis Russia.



The focus on the Southern Corridor and energy transit routes really took center stage in the mid-1990s as then-Azeri President Heydar Aliyev signed the “contract of the century” with international oil companies to develop resources in the Caspian. Since that time, supporting the development of Caspian resources and the furthering of the Southern Corridor has been a bedrock of bipartisan policy through successive US presidential administrations of both parties. This policy rested on three key goals or pillars:

1. To create multiple pipeline routes and corridors to provide options and increase the diversity of supply;
2. To foster the independence of the newly independent states of the Caspian region through support for political, economic, and energy security;
3. To encourage and help facilitate strong relations between Turkey and the countries of the region.

As far as my involvement, I was serving as special adviser to the president and secretary of state on assistance for the newly independent states of the former Soviet Union during the mid-1990s. While I covered a range of issues in that position, energy issues were a big part of the efforts at that time. The conversation on Caspian resources intensified during that period, particularly the debate over what pipelines might bring Caspian oil to the world market, elevating Caspian energy issues to the top of the agenda.

Given the increasing importance and intensity of the debate over Caspian energy throughout the decade, I spoke to then-Deputy Secretary of State Strobe Talbott and Leon Fuerth, who served as national security advisor to Vice President Gore, both of whom were committed to this issue. I suggested to them that there be one person responsible for further US policy in the Caspian region. Much to my surprise, they not only took my point, but responded: well if you think it is so important, you can be the person.

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So, I became special adviser to the president and secretary of state for Caspian Basin energy diplomacy in early 1998. Through much diplomacy with Azerbaijan, Georgia, and Turkey as well as the energy companies involved in the Caspian, one big win was the Baku-Tbilisi-Ceyhan pipeline becoming a reality. This took a while, but it happened. I am proud to have been very involved in something that truly counts as a success story in the development of Caspian energy and in US energy diplomacy efforts.

Thanks to my many trips through Turkey, Azerbaijan, Georgia, as well as throughout Central Asia, I have always felt a very strong commitment to the region. And this experience in the 1990s was just the beginning—I returned to the government in 2009 to become the special envoy for Eurasian energy. Since that time, the United States has had a very strong commitment to the Southern Gas Corridor and European energy security.

It is also important to point out that this project benefitted not just from the engagement on the part of the United States as well as Turkey, Georgia, and Azerbaijan, but also thanks to cooperation between the United States, the European Union, and individual member states. The Southern Gas Corridor is designated as a Project of Common Interest by the European Union, and as such has received not just political but also financial support.

What is the importance of the project to European energy security?

The Southern Gas Corridor is critical to European energy security, as the project contributes to the availability of a diverse source of gas supply and transit routes to Europe. Azeri gas produced at Shah Deniz provides an additional source of supply, while TANAP provides an additional route through Turkey, and TAP brings the gas to Greece, Italy, Albania and possibly other states. This project, an incredibly complex undertaking, contributes to a more competitive market in Europe and alleviates and mitigates reliance on a single supplier.

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While the project has achieved a huge milestone, for the Southern Gas Corridor to be truly successful it will have to expand beyond the initial 10 billion cubic meters scheduled to go to Italy. Over the long-term, the project will have to add additional supplies from different sources, such as additional Azeri gas, KRG gas, gas from the Eastern Mediterranean, and maybe even Turkmenistan. The latter is a possibility I have long said will not happen in my lifetime, but recent developments in the Caspian are certainly interesting and the European Union has included the long-awaited but yet to be constructed Trans-Caspian pipeline as part of its Projects of Common Interest list.

What, or whether anything changes following the historic agreement in summer 2018 on the status of the Caspian remains to be seen, and likely will continue to keep the Caspian at the forefront of conversations about the Southern Gas Corridor and European energy security more broadly.

What were some of the most important breakthroughs or developments along the way that enabled the successful construction of TANAP?

First and foremost, the SGC required cooperation between the participating countries and parties. The long negotiations between Azerbaijan, SOCAR, the Shah Deniz Consortium, and Turkey to agree on transit fees was critically important so the resolution of that issue constituted a major breakthrough.

Successful development of Shah Deniz, a very difficult, technologically complex

project, as well as the efficiency and cost savings achieved during the construction of TANAP pipeline were also instrumentally important. This project is truly impressive and is needed proof of the viability of large-scale projects in an era when many large infrastructure projects have faced difficulties.

The final decision to develop TAP to transport the gas to Europe was also a major breakthrough. This contribution to European gas supply is an important element.

How important is Turkey's role as both transit country and importer of gas from Shah Deniz?

Turkey's role is obviously crucial. Turkey has been hugely supportive of the TANAP pipeline and was able to successfully negotiate with all the parties on transit fees. These relationships are very important and have proved durable and lasting. No matter the ups and down in the US-Turkey relationship, energy has and continues to be a key area of cooperation and shared interest. Turkey has long expressed its interest in being a key country for energy transit and an energy crossroads linking regions. The success of gas through TANAP helped prove its credibility in this respect.

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Looking forward, what should we be paying attention to in Italy regarding the successful completion of TAP?

Resolving the landing place at San Foca in Italy is of critical importance. This is the last piece of the puzzle, the final step for the successful completion of the project. The pipeline became tied up in the recent election, particularly at the local level, and embroiled in larger issues related to populism. Unfortunately, there also seems to be some misinformation about the risks associated with pipeline construction and transit, which are being addressed through public engagement.

Ultimately, while there have been some political developments that have raised some concerns, I am confident that there will be a successful resolution to the issue and gas to Italy on schedule. We will likely have a better sense of this over the course of the fall. While I am optimistic, I also stress the importance of an expedient resolution to these issues so as not to delay the project and the successful arrival of Shah

Deniz gas in Europe. Efforts should be made by all parties to promote the resolution of this issue, and to preserve Italy's reputation as a reliable place to do business.

Looking beyond the initial capacity of the Southern Gas Corridor, if the project expands in capacity as anticipated, what other gas suppliers might be interested in supplying the project?

Additional gas from Azerbaijan is first and foremost an avenue of additional supply and expanded capacity. There are also a lot of other interesting options but we will have to wait and see how projects develop in the Eastern Mediterranean, which is a critical energy region and source of new gas potential, as well as the development of gas in the Kurdish Region of Iraq, and maybe even gas from Turkmenistan.

While the future of gas supplies in the region remains to be seen, one thing is for certain. Turkey has played an instrumental role in getting this project off the ground. Its efforts to create and maintain cooperation among the parties involved and its relationship with Europe and the United States have helped ensure the success of the Southern Gas Corridor and enhanced European energy security.