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The Caspian Sea as an Emerging Energy Hub

Potentials and Limitations



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Center

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Abstract

This report analyzes the prospects of the Caspian Sea region – and its key actors except for Russia and Iran – becoming an important energy hub serving the needs of the European Union (EU). In addition to conventional means of energy (hydrocarbons), the paper explores new types of energy supplies that include green hydrogen, solar and wind power. It addresses the main research goal by analyzing both the resource potential of the region in terms of meeting the EU's energy needs and whether the EU should engage with the regional actors and financially commit to expensive and rather risky projects and initiatives.

The author argues that, even though the region boasts large potential in both conventional and non-conventional energy resources, the EU strengthening and deepening of its integration with the Caspian Sea region, in terms of business and trade, entails many risks, both inherent to the region itself and emanating from other players that are, in one way or another, involved in the region's affairs and intend to do so.

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Introduction

In September 2018, referring to Nord Stream 2 (the Russian-German gas pipeline project across the Baltic Sea), American President Donald Trump claimed in a speech at the United Nations (UN) General Assembly that Germany would become “totally dependent on Russian energy if it does not immediately change course”.¹ Viewed as yet another extravagance at this time, his remarks took on a whole new meaning in 2022, when Russia cut off natural gas supplies to its key customers in the European Union (EU) following the outbreak of Russia’s large-scale military aggression against Ukraine. Russia’s blatant violation of international law and its contractual obligations prompted the EU to rapidly seek alternative sources of natural gas and oil to meet its energy needs. The old idea of exploiting the Caspian Sea region’s vast energy resources (in addition to other sources of energy) then came back to the fore. However, the EU’s “turn to the Caspian Sea” will likely be accompanied by several issues – economic, geopolitical, environmental, as well as value – and culture-based differences – that may put a strain on the EU’s plans.

Thus, two key questions emerge: to what extent is the Caspian Sea region sufficiently endowed with natural resources to meet the EU’s energy needs? What risks does this alternative entail, and what obstacles might stand in the way of its implementation?

1. “Full Text: Trump’s 2018 UN Speech Transcript”, *Politico*, September 25, 2018, available at: www.politico.com; R. Noack, “Trump Accused Germany of Becoming ‘Totally Dependent’ on Russian Energy at the U.N. the Germans Just Smirked”, *The Washington Post*, September 25, 2018, available at: www.washingtonpost.com.

The Caspian Sea region: energy wealth

EU's renewed strategic interests in the region

The Caspian Sea region (Cf. Map 1) has traditionally played an important role in competition between great powers. Following the collapse of the Union of Soviet Socialist Republics (USSR) the region became again an arena of international competition, where geopolitical factors were coupled with geo-economic considerations (transportation routes and natural resources).

Map 1. Caspian Sea region



The yellow area indicates the approximate drainage area around the Caspian Sea.

Source: © Wikimedia Commons, <https://en.wikipedia.org>.

Throughout the 1990s and early 2000s, the region's geo-economic importance in the hierarchy of Western (primarily the European Union's) foreign policy priorities progressively receded despite Russia's evidently growing assertiveness and a series of trade standoffs between Moscow and its geographic neighbors, such as Ukraine. However, things changed drastically after the outbreak of Russia's large-scale war of aggression against Ukraine in 2022. The Kremlin, convinced that the EU could not

survive without Russian energy resources, decided to limit (in March 2022) and then halt (in May 2022) natural gas deliveries to the EU,² both in response to Western sanctions and as punishment for supporting Ukraine in the war. Although the EU has managed to survive without Russian natural gas for the second winter in a row,³ many authoritative experts have claimed that, without uninterrupted access to (relatively) cheap natural gas available in mass quantities, the EU could face deindustrialization and the loss of leading positions in certain industries (AI, defense industrial complex).⁴

The Caspian Sea⁵ is the world's largest inland body of water (surface area: 371,000 square kilometers), referred to as either the world's largest lake or a full-scale sea.⁶ The region is formed by the following five countries that differ in terms of social-economic development, area covered, and population residing on the shores of the Sea (Cf. Table 1):

Table 1. Comparative analysis of Caspian Sea countries

Country	Population living on shores of sea (million)	Coastal area (km)	HDI (Human Development Index) global ranking
Russia	3.9	695	56 th
Kazakhstan	1	2,320	67 th
Iran	6.8	724	78 th
Azerbaijan	2.4	955	89 th
Turkmenistan	0.5	1,200	94 th

Note: Table composed by author from various sources.

2. R. Tairov, "Gazprom soobšil o sokrašenii èksporta gaza v dal'nee zarubež'e počti na 45%" [Gazprom reported a reduction in gas exports to non-CIS countries by almost 45%], *Forbes*, December 1, 2022, available at: www.forbes.ru.

3. P. Azevedo Rocha and E. Mazneva, "Europe Moves into a New World After a Crippling Energy Crisis", *Bloomberg*, January 20, 2024, available at: www.bloomberg.com.

4. T. Doshi, "As Europe Deindustrializes, Can Economic Suicide Be Avoided?", *Forbes*, May 9, 2024, available at: www.forbes.com; M. Loyola, "High Electricity Prices Have Europe Facing Deindustrialization; Don't Let It Happen Here", *The Heritage Foundation*, February 12, 2024, available at: www.heritage.org.

5. Under the classification of the Caspian Sea as a "sea", each littoral state would have a territorial sea of up to 12 nautical miles, an exclusive economic zone (EEZ), and a continental shelf. The boundaries of the EEZs would be set based on a median line. Such a division would be made in accordance with the terms of the United Nations Convention on the Law of the Sea (UNCLOS). In broad terms, the states with longer coastlines have favored categorizing the Caspian Sea as a "sea", whilst those with shorter coastlines have favored "lake". If the Caspian Sea is classified as a lake, customary international law governing border lakes would apply, with legal agreements between the bordering states regulating the use of the water. For more information see: "The Convention on the Legal Status of the Caspian Sea — A Sea or Not a Sea: That Is Still the Question", *Norton Rose Fulbright*, September 2018, available at: www.nortonrosefulbright.com.

6. "Is the Caspian a Sea or a Lake?", *The Economist*, August 16, 2018, available at: www.economist.com.

While the Caspian Sea region is endowed with precious and critical minerals (gold, silver, iron ore, zinc, copper, uranium, bauxite) and is perfectly suited for certain types of agricultural activities (cotton and caviar harvesting), it is undoubtedly the deposits of hydrocarbons that attract interest from the world's largest corporations. Three Caspian Sea countries (Cf. Table 2) with proven oil and gas deposits can be seen as being of special interest to the EU.⁷

Table 2. Proven reserves of oil and natural gas

Country	Proven oil reserves (bb)	Proven natural-gas reserves (tcm)
Kazakhstan	30	3
Azerbaijan	7	2.5
Turkmenistan	0.6	13.4

Note: Table composed by author from various sources.

As will be explained further below, Europe — at the level of both the EU and individual corporations — once again turned its attention to the Caspian Sea actors as an alternative (or supplementary) source of energy after Russia's annexation of Crimea in 2014. In 2019, the EU updated its strategy on Central Asia — both with the region as a whole and with its five individual countries (C5); among other aspects, it articulated the need to increase investment cooperation between the EU and Central Asia.⁸ Following the outbreak of the full-scale Russian war in Ukraine in 2022, the EU's growing strategic interest in Central Asia was demonstrated on many occasions, including, notably, the First EU-Central Asia Summit (October 27, 2022) in Astana and the adaption of the joint Roadmap for Deepening Ties between the EU and Central Asia (October 23, 2023). These and other initiatives clearly pointed to Europe's growing interest in Central Asia's critical resources, including both renewable and non-renewable energy.

Post-2022 trends and developments in the oil sector

The post-2022 period has seen positive developments in the region's growing engagement with the EU in the oil sector. The region's most oil-endowed nation, Kazakhstan, increased the export flow of its oil to Europe through Azerbaijan's territory by 17.3 percent in January via the

7. V. Katona, "Neft' i gaz Kaspijskogo regiona meždu Evropoj i Aziej" [Oil and gas of the Caspian region between Europe and Asia], *RIAC*, August 17, 2017, available at: <https://russiancouncil.ru>.

8. "Central Asia: Council Adopts a New EU Strategy for the Region", June 17, 2019, available at: www.consilium.europa.eu.

Baku-Tbilisi-Ceyhan (BTC)⁹ 1,768km pipeline with 1.2 million barrels per day capacity (Cf. Map 2), which was officially inaugurated in 2006. Furthermore, an agreement signed between SOCAR (Azerbaijan) and KazMunayGas (Kazakhstan) enables the transit of an additional 1.5 million tonnes of oil annually.¹⁰

Map 2. Baku-Tbilisi-Ceyhan pipeline (BTC)



Source: © Charles/Wikimedia Commons, <https://commons.wikimedia.org>.

This partnership reportedly enables Kazakhstan to redirect (at least partially) its export-oriented oil flows from the Russia-based and Russian-backed Caspian Pipeline Consortium (CPC) pipeline (Cf. Map 3).¹¹ This transportation route, which brings Kazakhstani oil to Russia's Black Sea port of Novorossiysk, has historically been the key transportation artery for Kazakh-extracted oil and a major constraint on the diversification of oil exports for Kazakhstan.

9. BTC-exported crude oil is lifted at Ceyhan and loaded on 229 tankers to be sent later to end users. For more information see: "Ceyhan terminal", accessed on December 18, 2024, available at : www.bp.com.

10. "KMG and SOCAR Sign Agreement on Phased Increase in Transit Volumes", March 12, 2024, available at: www.kmg.kz.

11. In 2023, Kazakhstan produced 90 million tons of oil and gas condensate, out of which it exported 70.5 million tons. Up to 80 percent (more than 56.5 million tons) of Kazakh export-oriented oil is transported through the CPC. For more information see: "How Much Oil Did Kazakhstan Export in 2023?", January 13, 2024, available at: <https://petrocouncil.kz>.

Map 3. Caspian Pipeline Consortium (CPC)

Source: © Guido Grassow/Wikimedia Commons, <https://commons.wikimedia.org>.

Furthermore, Kazakhstan and Azerbaijan are reportedly in talks about further enhancing the flow of Kazakh-extracted oil beyond the BTC pipeline, with the Baku-Supsa pipeline (with a reported operational capacity of up to 5 million tons of oil) (Cf. Map 4) being considered as an additional transportation route.¹²

Map 4. Baku-Supsa pipeline

Source: © Labrang/Wikimedia Commons, <https://commons.wikimedia.org>.

12. "Supsa Terminal and Pipeline, Georgia", available at: www.hydrocarbons-technology.com.

If agreed is reached, Kazakhstan will drastically increase flow of its oil to Europe, avoiding Russia, while Azerbaijan will solidify its position as a key transit hub for Europe-bound Caspian oil resources.¹³

From its side, Azerbaijan — supported by foreign partners and investors — has also expressed its interest in and commitment to increase its share in Europe's energy mix. For instance, BP has announced the launch of production from the new \$6 billion BP-operated Azeri Central East (ACE) platform from the Azeri-Chirag-Gunashli (ACG) field in the Caspian Sea,¹⁴ which can reportedly boost the field's oil output by 25 percent or 100,000 barrels a day.¹⁵

Despite endowment with natural resources and a clear interest on the part of both the Kazakh and Azeri ruling elites to capitalize on the renewed strategic interest of the EU in drastically reducing dependence on Russian oil, there are several structural issues that hinder those plans.

Post-2022 trends and developments in the natural gas sector

After Moscow cut off natural gas supplies to the EU — and demanded that the EU open accounts at Gazprombank and pay in rubles (instead of euros or dollars), thus violating previously signed contracts — the Europeans turned to (mainly American) liquified natural gas (LNG) as a substitute to Russia's pipeline natural gas. This decision, however, may not be a long-term sustainable solution for the EU for a variety of reasons, including the economic sustainability of the initiative and the risk of becoming overly dependent on a single supplier. Furthermore, reliance on alternative (to the United States) suppliers of LNG, such as Qatar, also poses numerous risks and uncertainties.

In the meantime, the EU needs access to inexpensive and abundant natural gas resources now. It will likely use natural gas for at least two more decades¹⁶ for some of its industries to remain competitive and to avoid massive deindustrialization and the demise of some of its key industries and economic sectors.¹⁷

13. V. Abbasova, "Oil Flow from Kazakhstan, Turkmenistan via Azerbaijan Rises", *Caspian News*, February 22, 2024, available at: <https://caspiannews.com>.

14. P. Szymczak, "BP Reports First Oil from ACE Platform Offshore Azerbaijan", *JPT*, April 18, 2024, available at: <https://jpt.spe.org>.

15. D. O'Byrne, "Azerbaijan: BP Launches New Oil Production Facility, Buying Baku Budgetary Breathing Room", *EurasiaNet*, May 6, 2024, available at: <https://eurasianet.org>.

16. B. Moll, M. Schularick, and G. Zachmann, "The Power of Substitution: The Great German Gas Debate in Retrospect", Brookings Institution, Fall 2023, available at: www.brookings.edu.

17. R. Freiberg, "BASF Closes Ammonia Production Plant in Germany", March 2, 2023, available at: www.agriland.ie.

This challenging, post-February 2022 reality greatly contributed to the revival of the idea of the Trans-Caspian pipeline (Cf. Map 5) – a proposed subsea pipeline between Türkmenbaşy (Turkmenistan) and Baku (Azerbaijan) – capable of carrying inexpensive and abundant natural gas from Turkmenistan and Azerbaijan to European end-users.

Map 5. Trans-Caspian pipeline project



Source: © Wikimedia Commons, <https://en.wikipedia.org>.

The first concrete step in this direction was a Memorandum of Understanding on a Strategic Partnership in the Field of Energy (July 18, 2022) signed by President of the Republic of Azerbaijan Ilham Aliyev and President of the European Commission Ursula von der Leyen,¹⁸ according to which Azerbaijan committed to double annual natural gas exports to the EU¹⁹ by 20 billion cubic meters (bcm) annually by 2027.²⁰ In 2023, Turkmenistan, another major producer of natural gas, concluded its first-ever deal to supply natural gas to the EU via Hungary, Turkish and Azeri infrastructure.²¹ In the same year, Hungary signed another deal with Azerbaijan (SOCAR) envisaging the supply of 100 million cubic meters (mcm) of natural gas, which could result in the country receiving up to 2 bcm of natural gas from Azerbaijan annually.²² Despite the lack of specificities and Russia’s continued rhetoric about the “economic

18. “Azerbaijan, European Union signed MoU on Strategic Partnership in Field of Energy”, July 18, 2022, available at: <https://president.az>.

19. In 2022, the 27 countries of the EU consumed over 350 bcm of natural gas.

20. “Four Countries Offer Help to Boost Azeri Gas Supply to Europe”, Reuters, September 30, 2022, available at: www.reuters.com.

21. D. O’Byrne, “Interest Surges in Turkmen Gas”, *EurasiaNet*, September 18, 2023, available at: <https://eurasianet.org>.

22. “Hungary Buys 100 Million Cubic Meters of Gas from Azerbaijan—Foreign Minister”, Reuters, June 2, 2023, available at: www.reuters.com.

unsustainability” of the above-mentioned initiatives, the Russian side (pro-Kremlin energy experts) is clearly concerned with the fact that “the Caspian Sea region [has already become] one of the most important sources of natural gas for Europe” and there is the potential to transport LNG from Turkmenistan to Azerbaijan and further delivery to Europe.²³ Russia’s concerns are intensified by the emerging interest of other foreign (non-EU) countries in developing the energy potential of the Caspian Sea region. For instance, the United Arab Emirates’ Abu Dhabi (AD) Ports Group signed, in January 2023, a strategic partnership agreement with KazMunayGas to develop Kazakhstan’s Caspian fleet and coastal infrastructure for its energy exports.²⁴ The company is also interested in expanding cooperation ties with Azerbaijan in terms of both technological and know-how transfer²⁵ and the acquisition of stakes in Azerbaijan’s natural resources sector (for instance, the Absheron gas field).²⁶ The involvement of foreign (especially non-Western) energy companies and their interest in developing the Caspian Sea region’s energy potential opens up two positive prospects. On the one hand, Caspian Sea countries could gain access to know-how and critical technologies, thus reducing their dependence on Russia. On the other hand, the advent of foreign (non-Western) companies could make it more challenging for Russia to intimidate and pressure Caspian Sea actors. For the EU, however, this may raise the prospect of having to deal through middlemen, such as Turkey and Georgia, when it comes to energy transactions with the Caspian Sea players.

Development of green energy potential

The post-2022 interim has been marked by EU interest in the Caspian Sea’s green energy potential, especially green hydrogen, solar and wind power. At this juncture, the following big trends and developments should be mentioned.

First, in terms of production of green hydrogen, Kazakhstan is attracting most of the external attention, from both private and public (EU structures) sectors. For the former, of note is an investment agreement²⁷ signed between Svevind Energy Group’s (Dresden, Germany) CEO Wolfgang Kropp and Kazakhstan’s First Deputy Prime Minister Roman Sklyar that envisages the construction of a green hydrogen

23. “Kaspijskij region prevrašaetsâ v novyj ènergetičeskij hab” [The Caspian region is turning into a new energy hub], *Sputnik*, June 11, 2024, available at: <https://az.sputniknews.ru>.

24. “AD Ports Group Signs Strategic Agreements with KazMunayGas and Kazakhstan’s Ministry of Industry & Infrastructural Development”, January 18, 2023, available at: www.adportsgroup.com.

25. Q. Ashirov, “Azerbaijan & UAE’s AD Ports Group Discuss Prospects for Coop”, *AzerNews*, April 12, 2023, available at: www.azernews.az.

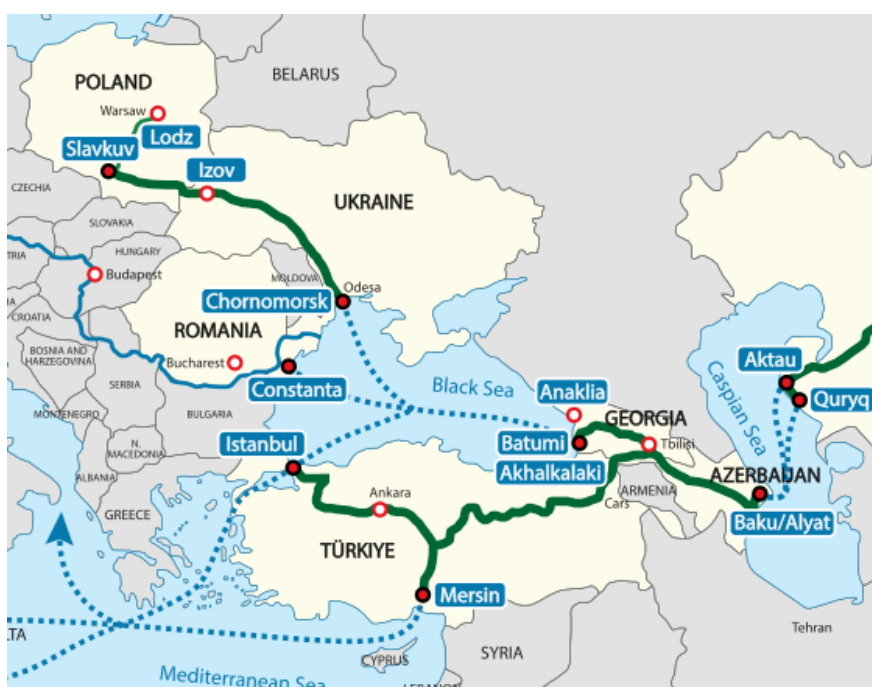
26. M. El Dahan, R. Bousso, and A. Hernandez, “Abu Dhabi’s ADNOC to Acquire 30% Stake in Absheron Gas Field”, *Reuters*, August 4, 2023, available at: www.reuters.com.

27. J. Lillis, “Kazakhstan: Oil-rich West to Become Green Hydrogen Hub”, *EurasiaNet*, October 28, 2022, available at: <https://eurasianet.org>.

production and distribution hub in the Mangystau region, which is to benefit both sides in various ways.²⁸ For the latter, of note is a meeting (in Astana) between European Council President Charles Michel, who visited Astana and discussed the hub construction project, and President Tokayev on October 27, 2022, that highlighted, among other matters, strengthening ties between the EU and Kazakhstan in relation to sustainable raw materials, batteries and renewable hydrogen value chains.²⁹ The success of this kind of partnership will depend on effective transportation along the Trans-Caspian International Transport Route (Cf. Map 6), which, among other things, would mean not having to pass through Russia, thus avoiding the associated risks.

Despite challenges and limitations (to be discussed later), the Kazakhstani expert and business community working in the domain of hydrogen is positive about the country's ability to become an important exporter of green hydrogen. According to Ainur Tumysheva, director of investments at HyrAsia Energy, Kazakhstan could start “large production of [green] hydrogen in 2030”, with the Caspian Sea-adjacent Mangystau region taking the lead.³⁰

Map 6. Trans-Caspian International Transport Route



Source: © Tanvir Anjum Adib/Wikimedia Commons, <https://commons.wikimedia.org>.

28. “Kazakhstan and EU to Build Hub for Green Hydrogen Production and Distribution”, *The Astana Times*, October 27, 2022, available at: <https://astanatimes.com>.

29. “Kazakhstan Is EU’s Crucial Partner in Central Asia, Says European Council President Charles Michel”, *The Astana Times*, October 27, 2022, available at: <https://astanatimes.com>.

30. A. Nakispekova, “Green Hydrogen Project to Transform Energy Landscape in Mangystau Region”, *The Astana Times*, February 26, 2024, available at: <https://astanatimes.com>.

Second, in terms of generation of solar and wind energy, two countries in the Caspian Sea region (Kazakhstan and Azerbaijan) and one geographically proximate and economically and culturally proximate country (Uzbekistan) have explicitly declared their ambitions to become key suppliers of the EU. According to Kazakhstan Minister of Energy Almasadam Sätqaliev, the three countries have already discussed and formed the concept of a joint project concerned with exports of green energy to the EU.³¹ The three countries had also reached a preliminary agreement with EU countries interested in importing green energy from Kazakhstan, Azerbaijan and Uzbekistan, he said, and were reportedly ready to become financially committed to the initiative.³² Uzbekistan has declared that it plans to generate an additional 20 gigawatts (GW) of energy via renewable sources (primarily solar and wind power) by 2030. A number of contracts accounting for the production of 12 GW have already been signed.³³ Additionally, during the Tashkent International Investment Forum in May, agreements worth a cumulative \$26.6 billion were signed and the Uzbekistan government concluded a special agreement with Saudi investors for the development of more wind-generated power.³⁴ Kazakhstan, which currently generates 2.9 GW of power via renewable sources, aims to add an additional 5 GW by 2030.³⁵ From its side, Azerbaijan has set a target of generating 5 GW of solar and wind power by 2030.³⁶

The green energy export potential of the Caspian Sea region could be additionally boosted by the inclusion of Turkmenistan. Up to recently, its political leadership showed no interest in developing green energy capabilities, but, in 2021, the President of Turkmenistan adopted the Law of Turkmenistan “On Renewable Energy Sources”,³⁷ followed by a series of concrete proposals, projects and deadlines³⁸ that could signify a major

31. “Proekt prokladki ènergokabelâ po dnu Kaspiâ: Glavy Minènergo Kazahstana, Azerbajdžana i Uzbekistana podpisali memorandum” [The project of laying an energy cable along the bottom of the Caspian Sea: The heads of the Ministries of Energy of Kazakhstan, Azerbaijan and Uzbekistan signed a memorandum], May 1, 2024, available at: www.gov.kz.

32. “Astana, Baku i Taškent pristupili k razrabotke TÈO proekta po integracii ènergosistem” [Astana, Baku and Tashkent have started the development of a feasibility study for the integration of energy systems], TASS, May 10, 2024, available at: <https://tass.ru>.

33. “Uzbekistan podpisal kontrakty na stroitel'stvo solnečnyh i vetrovyh èlektrostantsij na 12 GVt” [Uzbekistan signed contracts for the construction of solar and wind power plants for 12 GW], April 24, 2024, available at: <https://neftegaz.ru>.

34. “Agreements Worth \$26.6 Billion Signed at Tashkent Investment Forum”, *Gazeta*, May 6, 2024, available at: www.gazeta.uz.

35. It should be noted, however, that much of that capacity may be needed at home, as Kazakhstan grapples with a power deficit that saw the country become a net importer of electricity in 2023. For more information see: “Pât' krupnyh proektov VIÈ zapustât v Kazahstane do 2030 goda” [Five major renewable energy projects to be launched in Kazakhstan by 2030], *Kapital*, February 23, 2024, available at: <https://kapital.kz>.

36. “Aliyev: Azerbajdžan k 2030 godu budet proizvodit' do 5 GVt za sčet VIÈ” [Aliyev: Azerbaijan to Produce Up to 5 GW from Renewable Energy by 2030], *Radio Mir*, March 1, 2024, available at: <https://mir24.tv>.

37. “Future of Green Energy”, April 14, 2024, available at: <https://turkmenistan.gov.tm>.

38. “A Unique ‘Green’ Energy Project”, January 24, 2022, available at: <https://turkmenistan.gov.tm>.

change in the political leadership's stance on green energy production. Experts note that, while there is potential for Turkmenistan to "join Azerbaijan, Georgia, Romania, and Hungary in the project aimed at supplying green energy to Europe", the feasibility of such a scenario "would depend on various factors, including political will, economic feasibility, infrastructure requirements, and the willingness of all parties to collaborate effectively". Additionally, "there may be geopolitical considerations and logistical challenges that need to be addressed".³⁹

Critical metals

While not directly pertaining to the region's transformation into an energy hub, stockpiles of critical metals, specifically uranium, could play a very important role in the EU's strategic course on developing its green energy potential and further reducing overarching dependency on imported hydrocarbons. This was clearly articulated by European Commission President Ursula von der Leyen in late 2022, when she said: "A secure and sustainable supply of raw materials, refined materials and renewable hydrogen is a key layer to help build a new, cleaner foundation for our economies, especially as we move away from our dependency on fossil fuels."⁴⁰ Among EU members it is France, as a chief promoter of nuclear energy, that could benefit the most from Kazakhstan's⁴¹ and Uzbekistan's⁴² vast stockpiles of uranium. France — whose primary supplier of enriched uranium is Russia⁴³ while Niger (17,615 tonnes) and Namibia (12,303 tonnes) are key suppliers of unprocessed uranium — cannot afford to remain overwhelmingly dependent on Russia and African countries in terms of supplies of uranium due to multiple risks. This warrants further diversification of suppliers. On November 1-2, French President Macron paid a visit (the first since 1994, when Central Asia was visited by Francois Mitterrand) to Kazakhstan and Uzbekistan, which was followed by the establishment of a joint venture between Orano Mining and Kazatomprom that is to initiate mining at the South Tortkuduk site.⁴⁴

39. "Caspian Green Energy Potential and Its Impact for Europe: An Interview with Umud Shokri", *World Geostrategic Insights*, May 19, 2023, available at: www.wgi.world.

40. "EU, Kazakhstan Establish Strategic Partnership on Raw Materials, Green Hydrogen", November 8, 2022, available at: www.mining.com.

41. With its 815,200 million tons of uranium deposits (13 percent of world uranium resources) Kazakhstan is ranked second in the world in terms of total reserves of this critical metal. For more information, see: M. Pistilli, "Uranium Reserves: Top 5 Countries", *Investing News*, November 21, 2023, available at: <https://investingnews.com>.

42. In 2022, Uzbekistan was ranked third among France's suppliers of unprocessed uranium. For more information, see: A. Maad, "How Dependent Is France on Niger's Uranium?", *Le Monde*, August 4, 2023, available at: www.lemonde.fr.

43. P. Messad, "France Is EU's First Importer of 'Russian Nuclear Products': Study", *Euractiv*, September 18, 2023. Available at: www.euractiv.com.

44. S. Sakenova, "Kazakh-French Joint Venture to Commence Uranium Mining at South Tortkuduk at Year-End", *The Astana Times*, November 15, 2023, available at: <https://astanatimes.com>.

In addition to France (which is primarily interested in Kazakhstan's uranium deposits), Germany appears to be also fully onboard with capitalizing on Kazakhstan's vast lithium deposits; in 2023, Germany's HMS Bergbau AG announced plans to invest \$200 million in exploration and an additional \$500 million in mining and building a lithium processing plant in Kazakhstan. This critical metal is essential for production of electric vehicles (EVs), which is to become one of the main pillars in the EU's pursuit of its net zero emissions target.⁴⁵

Crucially, Kazakhstan's political leaders have showcased its strategic commitment to greatly increase foreign direct investment (FDI) in its rare-earth elements (REEs) and rare metals (RMs) — the “new oil”, according to President Tokayev.⁴⁶ This was explicitly articulated after the country decided to declassify data on the deposits of indium, scandium, vanadium, thallium, gallium, graphite, platinum, palladium, lithium, niobium, tantalum and other types of rare-earth elements (REEs) and rare metals (RMs).⁴⁷ Regional experts have argued that provided that the country manages to attract FDI, technologies and know-how, the United States, the European Union and the United Kingdom will be able to both maximize the potential of Kazakhstan's REE and RM industry⁴⁸ and diversify their supplies of the critical metals that are set to play a key role in transitioning toward the green economy.

45. Z. Zhazetova, “Krupnye nemeckie kompanii budut dobyvat' litij v Kazahstane” [Large German companies to mine lithium in Kazakhstan], *Kursiv*, February 16, 2024, available at: <https://kz.kursiv.media>.

46. “Tokayev poručil razvivat' sferu dobyči redkozemel'nyh metallov: Èto novaâ neft” [Tokayev instructed to develop the sphere of extraction of rare earth metals: This is new oil], *KazTag*, September 1, 2023, available at: <https://kaztag.kz>.

47. “Kazahstan otkroet dostup k zasekrečennym pri SSSR mestoroždeniâm redkih i redkozemel'nyh metallov” [Kazakhstan will open access to deposits of rare and rare earth metals classified under the USSR], *Kursiv*, June 18, 2024, available at: <https://kz.kursiv.media>.

48. N. Bekmurzaev, “Kazahstan and the West Look to Strengthen Rare-Earth Cooperation”, *Eurasia Daily Monitor*, Vol. 21, No. 99, July 1, 2024, available at: <https://jamestown.org>.

Constraints and limitations

In speaking about the post-2022 interim, one should emphasize at least three broad issues that could put a strain on the prospect of transforming the Caspian Sea region (without Russia's participation) into a viable factor in the EU's energy security.

Logistics and capacity

In terms of logistics and infrastructure, such a project could warrant a considerable period and large investments, which would still not fully eliminate geopolitical risks. Specifically, owing to its history (and geography), Kazakhstan is compelled to transport large quantities of its oil (about 80 percent) through southern Russia.⁴⁹ While certain steps in balancing this reality (overtly negative for both Kazakhstan and the EU) have been made since 2022, leveling down this obstacle would likely require more time and investments. In 2024, Russia warned Kazakhstan that its oil transit to Germany could be stopped (on the pretext of payment issues), which once again explicitly demonstrated how Russia-dependent Kazakhstan is in terms of its oil exports.⁵⁰ Clearly, Russia will continue pressuring Kazakhstan with all means available to Moscow. A somewhat similar issue is faced by Azerbaijan in the realm of natural-gas exports. It has been argued that the already discussed EU-Azerbaijan MoU (July 2022), which envisages the growth of exports from 12 bcm to 20 bcm, will require large additional investment. While the costs remain unknown,⁵¹ they “can be reckoned in billions of dollars or euros”.⁵² Similar to oil and natural gas, the delivery of critical minerals (uranium) from Kazakhstan (and Uzbekistan) to the EU could be hindered by logistics-related shortcomings. In fact, when referring to the France – Central Asia connection, it is worth mentioning that the key transportation route for unprocessed uranium (from Kazakhstan) goes through Russia, where the commodity is further refined and enriched and sent on to the EU via

49. S. Nina Burna-Asefi, “The Russia-Ukraine Conflict: Implications for Kazakhstan’s Energy Sector”, *The Diplomat*, May 27, 2022, available at: <https://thediplomat.com>.

50. “Russia Warns Kazakhstan Oil Transit to Germany at Risk Over Service Payments”, *Energy World*, April 26, 2024, available at: <https://energy.economictimes.indiatimes.com>.

51. Some experts have doubted if the EU would be willing to provide the necessary funding if start-up and operational fixed costs remain excessively high. For more information, see: A. Bayramov, “The Green Energy Corridor between the EU and the Caspian Sea: Potential and Challenges”, Vol. 5, No. 1, Summer 2024, available at: <https://cspjournal.az>.

52. J. Roberts and J. Bowden, “Europe and the Caspian: The Gas Supply Conundrum”, Atlantic Council, December 12, 2022, available at: www.atlanticcouncil.org.

St Petersburg.⁵³ In effect, the only viable route for Central Asian uranium to be transported to the EU is the Middle Corridor, which is to connect the Black Sea with the Caspian Sea and transport goods to the EU.⁵⁴ Yet, due to a combination of ecological and geopolitical factors — such as France’s posture on the Azerbaijan-Armenia confrontation — certain problems could arise.⁵⁵ Furthermore, Kazakhstan’s ability to divert additional volumes of oil to the EU, which would entail major expenditures, would be contingent on the price of oil which, in the case of lower cost, would render major infrastructural investment economically unsustainable. Instead, Kazakhstan might opt to concentrate its attention on oil exports to China and its geographic neighbors in Central Asia.⁵⁶

In terms of capacity and the feasibility of deliveries, some experts⁵⁷ have doubts whether, despite Azerbaijan’s commitment to drastically increase gas sales to the EU until 2027 and Turkmenistan’s statement about additional westward-bound energy capacity, these countries would be capable of substantially increasing the delivery of natural gas in the desired quantities and over a reasonable period. In the case of Azerbaijan, it has been argued that, without relying on Russia or Turkmenistan (whose participation is not guaranteed), it could be problematic for the country to reach the target goal.⁵⁸ In turn, in the case of Turkmenistan — the world’s fourth largest holder of proven natural gas deposits, with more than enough capacity to hugely increase sales of natural gas to the EU — the situation is also somewhat complex. Specifically, Ashgabat seems to be primarily determined to increase sales of natural gas to its neighbors in the Central Asia region (among others, a special place is allocated to Uzbekistan, where domestic consumption has increased markedly) and China.⁵⁹ Experts have claimed that “the journey toward exporting Turkmen gas to Europe remains fraught with complexities and uncertainties (...) Alternative routes through Iran, Azerbaijan, and Georgia present potential but remain fraught with practical and financial obstacles”.⁶⁰ On top of everything else, the possibility

53. P. Mouterde and M. Cessac, “French Nuclear Industry Maintains Links with Russian Giant Rosatom”, *Le Monde*, March 12, 2023, available at: www.lemonde.fr.

54. H. Stoll, “The Middle Corridor: A Renaissance in Global Commerce”, *The Diplomat*, March 11, 2024, available at: <https://thediplomat.com>.

55. T. Ali, “French Connection: Macron’s Nuclear Deals in Central Asia”, Caspian Policy Center, November 17, 2023, available at: www.caspianpolicy.org.

56. A. Kumenov, “Kazakhstan Plans to Increase Oil Exports Amid Falling Revenues”, *EurasiaNet*, March 8, 2024, available at: <https://eurasianet.org>.

57. “Azerbaijan’s Gas Exports to the EU Face Challenges”, *Economist Intelligence*, July 10, 2023, available at: www.eiu.com.

58. “Chance Shining for Azerbaijan to Become Caspian Region’s Key Energy Hub — Atlantic Council”, June 6, 2024, available at: <https://en.trend.az>.

59. “Turkmenistan nameren uveličit’ èksport gaza na vostok s vvodom v stroj gazoočistnogo sooruženia v Maryjskom velaâte” [Turkmenistan intends to increase gas exports to the east with the commissioning of a gas treatment plant in Mary Velayat], *News Central Asia*, April 23, 2024, available at: www.newscentralasia.net.

60. V. Huseynov, “Uncertainty Abounds in Talks on the Possible Export of Turkmen Gas to Europe”, *Eurasia Daily Monitor*, Vol. 21, No. 86, June 2024, available at: <https://jamestown.org>.

of delivering Turkmen gas to the EU faces the “Turkish factor” and the (rather erratic) position of Ankara,⁶¹ which could become a major obstacle to the fulfillment of this plan.

Ecological constraints

Effective use of the Caspian Sea energy potential may be hindered by dramatic changes in the Caspian Sea, which may be in danger of drying up (Cf. Map 1), thus repeating the dire fate of the Aral Sea.

The crisis with the shallowing of the Caspian Sea⁶² has become so dire that, on June 7, government officials in the coastal city of Aktau (Kazakhstan) released a statement declaring a state of emergency for the maritime industry due to the sea’s low water levels. The situation is rapidly worsening on the Turkmen side of the Sea as well.⁶³ Iran and Azerbaijan have also expressed serious concern about the dramatic decrease in the sea level, which fell by 114 centimeters over the past decade.⁶⁴ According to various studies, a drying-up of the Caspian Sea may result in a variety of regional problems, ranging from harm to biodiversity to transportation and geopolitical tensions. Environmental and ecology-related processes — aggravated by Russia’s use of the Volga River for hydroelectricity⁶⁵ — and trends in the basin of the Caspian Sea could pose a serious hindrance to the production of green hydrogen, which is an extremely water-demanding process and could further degrade the state of the sea. Furthermore, the shrinking of the sea presents a major challenge to transportation (both in terms of navigation and the type of vessels that could traverse the waters), thus putting another strain on commercial use of the water body.⁶⁶ Another serious challenge associated with the shallowing of the sea is directly related to the issue of transportation of hydrocarbons (primarily oil). Specifically, since transportation of large quantities of oil across the Caspian Sea is only possible with tankers and given the recent changes in the sea level, acquiring large tankers makes no sense since it would be hard (if possible, at all) for them to navigate through the sea. It is

61. S. Hedlund, “Turkmenistan’s Bid to Link Up with Gas-hungry Europe”, *GIS*, January 15, 2024, available at: www.gisreportsonline.com.

62. Based on various calculations, the level of the Caspian Sea region could drop by 8-14 meters by 2100. For more information, see: “Rohit Samant: The Caspian Sea Is Drying Up, and Our Geopolitical Certainties Are Evaporating”, *Caucasus Watch*, April 12, 2024, available at: <https://caucasuswatch.de>.

63. “Na Kaspii peresohla čast’ Krasnovodskogo zaliva (Turkmenbaši)” [In the Caspian Sea, part of Krasnovodsk Bay (Turkmenbashi) has dried up], *Caspiiskii Vestnik*, available at: <https://casp-geo.ru>.

64. “V Azerbajdžane vyskazyvaüt ostruü trevogu po povodu sniženiâ urovnâ Kaspijskogo morâ” [Azerbaijan expresses acute alarm over the decline in the level of the Caspian Sea], *Ritm Eurasia*, October 21, 2023, available at: www.ritm Eurasia.ru.

65. M. Schletterer, S. I. Shaporenko, V. V. Kuzovlev et al., “The Volga: Management Issues in the Largest River Basin in Europe”, April 19, 2018, available at: <https://onlinelibrary.wiley.com>.

66. F. K. Chang, “The Middle Corridor through Central Asia: Trade and Influence Ambitions”, *Foreign Policy Research Institute*, February 21, 2023, available at: www.fpri.org.

estimated that using alternative solutions would enable Kazakhstan to ship around 800,000 tons of oil per year,⁶⁷ but this might not suffice to cover all the start-up and operational expenses associated with the initiation of transportation.

Geopolitics and security concerns

Clearly, geopolitical factors will present the most daunting challenge to the Caspian Sea actors' ability to becoming an energy hub serving the EU's energy needs. The root cause of the issue lies in the fact that the Caspian Sea actors hold diametrically opposite views on how (if at all) to monetize the huge economic potential of the region. The first group of actors (Russia and Iran) has traditionally held to "local affairs-local solutions", opposing the idea — particularly in the case of Russia⁶⁸ — of admitting external actors (states or transnational corporations) into the region. Another group (Azerbaijan, Kazakhstan, and to a lesser extent Turkmenistan) has been much more proactive in terms of attracting foreign financial capital into the region.⁶⁹

While Iran's position is very important, it is undoubtedly the "Russia factor" that would play the most prominent — and destructive — role in the Caspian region's transition to becoming an EU-oriented energy hub. Since the late 1990s/early 2000s Russia has continuously opposed the idea of admitting foreign actors (including transnational energy corporations) into regional energy affairs, viewing those as "agents of US influence" and forces aiming to diminish Russian influence.⁷⁰ This destructive approach caused serious frictions between Russia and Kazakhstan; both then Deputy Foreign Minister of Kazakhstan Kassym-Jomart Tokayev and President Nursultan Nazarbayev expressed their displeasure over Russia's unwillingness to proceed with demilitarizing its portion of the Caspian Sea, which was clearly related to Russia's determination to ward off foreign companies eager to engage in oil operations.⁷¹ Russia also took an extremely negative stance on the Nabucco project (Cf. Map 7), which was meant to decrease the

67. N. Sleta, "Kazakhstan's Oil Supply Reshaping: Is There a Viable Alternative to the CPC Pipeline?", *S&P Global*, October 9, 2023, available at: www.spglobal.com.

68. G. Kosov, O. Litvishko, "Kaspiyskiy region v sisteme mezhdunarodnykh regionov" [The Caspian Region in the System of International Regions], Volgograd State University, 2015, available at: <https://cyberleninka.ru>.

69. "Kaspijskiy region v processah regionalizatsii evrazii" [The Caspian Region in the Processes of Regionalization of Eurasia], Institute of World Economics, 2023, available at: <https://inecon.org>.

70. S. Pravosudov, "Kaspijskaâ nef' pojdet čerez Rossiû" [Caspian oil will go through Russia], *Nezavisimaia Gazeta*, November 24, 2000, available at: www.ng.ru.

71. V. Georgiev, "Kaspijskaâ nef' pahnet porohom" [Caspian oil smells of gunpowder], *Nezavisimaia Gazeta*, April 11, 2002, available at: www.ng.ru.

EU's dependency on Russia's natural gas by bringing Caspian energy resources to European end-users.⁷²

Map 7. Nabucco project



Source: © Wikipedia Commons, <https://en.wikipedia.org>.

Between then and the post-2014 interim, Russia's behavior changed markedly from persuasion⁷³ to the language of ultimatums, with Russia's officials openly denying other Caspian Sea actors the right to make unilateral steps without reaching "consensus with all Caspian Sea players".⁷⁴ Russia's stance hardened further after 2022. Aside from the economic sanctions, the Russian side was alerted by the EU and the US renewing their interest⁷⁵ in transforming the Caspian Sea into an alternative to the Russian energy hub, which would be capable of solving (at least in part) the EU's energy dilemmas. This approach was normatively stated in Russia's Foreign Policy Concept (March 2023),⁷⁶ where Moscow explicitly stated its determination to "strengthen cooperation in the Caspian Sea based solely and exclusively on the competences of five Caspian nations that are to deal with the issues pertaining to this region". In this regard,

72. A. Łoskot-Strachota, "Nabucco vs. South Stream—Rivalry over Balkan Gas Pipelines", Centre for Eastern Studies, March 19, 2008, available at: www.files.ethz.ch.

73. N. Zhogova, "Rossiâ pobedila v gonke gazoprovodov" [Russia won the gas pipeline race], *Vzgliad*, February 6, 2008, available at: <https://vz.ru>.

74. "MID RF: transkaspiskij truboprovod dolžen byt' soglasovan so vssemi kaspiskimi stranami" [Russian Foreign Ministry: Trans-Caspian pipeline must be agreed with all Caspian countries], *TASS*, August 17, 2018, available at: <https://tass.ru>.

75. "European Parliament Report Calls for Updated Central Asia Strategy", *The Astana Times*, January 18, 2024, available at: <https://astanatimes.com>.

76. "The Concept of the Foreign Policy of the Russian Federation", Ministry of Foreign Affairs of the Russian Federation, March 31, 2023, available at: www.mid.ru.

Russia's position toward the Caspian Sea region started resembling its "Arctic exceptionalist" posture,⁷⁷ albeit (arguably) to a much greater extent.

An article⁷⁸ recently published by the Russian International Affairs Council (RIAC), Russia's leading foreign policy think tank, clearly articulated the most concerning post-2022 developments in the Caspian Sea region and also provided a rather grim forecast on how the situation might evolve should Russia's interests be ignored. The paper argues: "Russia is facing new challenges related to the need to protect its own interests and minimization of the negative impact of Western sanctions." This statement may be construed in different ways, however; given the local security environment – the military weakness of the Caspian Sea actors and their non-participation in any international military alliances akin to NATO – and Russia's track record of regional escalations,⁷⁹ a scenario of (para)military confrontation in the region should not be excluded.

Another rogue actor that might try to resort to force as a means of resolving regional disagreements is the Islamic Republic of Iran. Since the collapse of the USSR, political relations between Baku and Teheran have remained uneasy. One of the main concerns of Iran is the possibility of separatism on the part of the large Azeri minority in the country, which makes up around 16 percent of Iran's total population.⁸⁰ The Iranian authorities have conducted several anti-Kurdish and anti-Azeri campaigns, which caused anger in Baku.⁸¹ One of the most recent episodes, which demonstrated the tense nature of the bilateral relations, was the Second Karabakh War (September 2020), when Azerbaijan (openly supported by Turkey) accused Iran of "rendering tacit support" to Armenia.⁸² Later, the bilateral ties seemingly improved, yet regional experts warned against excessive optimism about this "reconciliation".⁸³ It should be remembered that Iran's grievances with Azerbaijan (and its independence from the Persian Empire) are deeply rooted in history and thus could not be easily extinguished. Down the road, conflict between the two actors could flare up again.

77. S. Sukhankin and P. W. Lackenbauer, "The Future of the Arctic Council: Russian Perspectives since February 2022", *North American and Arctic Defence and Security Network*, August 10, 2023, available at: www.naadsn.ca.

78. S. Zhiltsov, "Kaspijskij region: strategičeskie zadači i vyzovy dlâ Rossii" [The Caspian region: strategic tasks and challenges for Russia], Russian International Affairs Council, April 11, 2024, available at: <https://russiancouncil.ru>.

79. Importantly, in 2008, during the Russo-Georgian war, Russian aviation bombed the Baku-Supsa pipeline (on 10 and 12 August), which was reopened only in November 2008.

80. A. M. Koknar, "Iranian Azeris: A Giant Minority", *The Washington Institute*, June 6, 2006, available at: www.washingtoninstitute.org.

81. D. Jones, "Azerbaijan Stands Up to Iran, with Turkey's Support", *VOA*, November 29, 2022, available at: www.voanews.com.

82. O. Jalilov, "Iran Denies Facilitating Transfer of Russian Arms to Armenia", *Caspian News*, September 9, 2020, available at: <https://caspiannews.com>.

83. E. Avdaliani, "Iran Seeks to Make a Friend of Old Enemy Azerbaijan", Center for European Policy Analysis, August 23, 2023, available at: <https://cepa.org>.

Aside from country-specific concerns, there are security-related challenges. One of the risks is the worsening security landscape in the Black Sea, primarily due to the Russian war in Ukraine, and saturation of the sea with drifting naval mines that could cause various types of damage. For instance, at the end of 2023, a civilian cargo ship struck a Russian mine in the Black Sea (about 130 km southwest of Chornomorsk, near Odesa), injuring two sailors.⁸⁴ Despite international efforts to deal with this issue,⁸⁵ the growing militarization of the Black Sea and Russia's continued aggression against Ukraine is likely to result in a worsening security environment in the region.

In the final analysis, another issue that could hinder the prospect of transportation of oil and natural gas (or LNG) through the Caspian Sea is its legal status. Indeed, in 2018 (on August 12) the presidents of Russia, Kazakhstan, Azerbaijan, Iran and Turkmenistan signed The Convention on the Legal Status of the Caspian Sea. Yet the document does not effectively resolve long-standing disputes in the south of the Caspian Sea. One example is the Iranian-Azeri disagreement on the ownership of the Araz-Alov-Sharg exploration block.⁸⁶ Other experts point to the fact that the agreement does not fully eliminate the “Trans-Caspian Pipeline Hurdle”.⁸⁷ With both Russia and Iran opposing the idea of such a pipeline, practical implementation of the project might be stalled further despite *de jure* consensus being reached.

The values-related trap

It is clear that the EU's Russia-pivoted strategy – the best demonstration of this approach was, perhaps, Germany's “Wandel durch Annäherung” (Change through trade)⁸⁸ – failed. But the fundamental question is what lessons should be learned to avoid mistakes when pushing forward with strengthening partnerships with energy-rich countries of the Caspian Sea region and committing large funds. The value-based gap between these countries and the EU is overwhelming; it is also profoundly complicated by the role played by non-Caspian actors whose participation in and support for EU-promoted energy initiatives in the Caspian Sea area is crucial. This being said, two critical aspects should be mentioned.

84. H. Arhirova, “A Cargo Ship Picking up Ukrainian Grain Hits a Russian Floating Mine in the Black Sea, Officials Say”, *APNews*, December 28, 2023, available at: <https://apnews.com>.

85. T. Wesolowsky and G. A. Angelov, “The Battle to Clear the Black Sea of Mines”, Radio Free Europe, January 14, 2024, available at: www.rferl.org.

86. C. Whitney, “The Convention on the Legal Status of the Caspian Sea – A Sea or Not a Sea: That Is Still the Question”, September 2018, available at: www.nortonrosefulbright.com.

87. B. Pannier, “A Landmark Caspian Agreement – And What It Resolves”, Radio Free Europe, August 9, 2018, available at: www.rferl.org.

88. M. Karnitschnig, “12 Germans Who Got Played by Putin”, *Politico*, 2022, available at www.politico.eu.

First, Azerbaijan, Kazakhstan and Turkmenistan are, to varying extents and despite limited democratic measures in Kazakhstan since 2022, known for high levels of corruption and nepotism⁸⁹ as well as undemocratic practices⁹⁰ that set them apart from the EU. On top of that, the high level of personification of power and clan-style governance further the value-based differences between these countries and their European counterparts, despite Kazakhstan's many attempts over the past thirty years to sell its democratic façade to the West.⁹¹ Objectively speaking, there is no visible prospect of any of these countries pursuing a different, more EU-acceptable style of governance in the foreseeable future. At the same time, if the EU started pressuring the respective political regimes, this would have a negative effect and likely result in the Caspian Sea actors becoming more prone to strengthening ties with other actors (such as China or Turkey) that do not share the EU's scruples. In effect, as was noted earlier in the paper, Turkmenistan has been traditionally prioritizing energy ties with China and regional actors that are much more proximate to Ashgabat in terms of religion and political culture. If the value-based aspect is ignored or underrated, the EU will risk committing a mistake somewhat similar to its mistake *vis-à-vis* Russia in the early 1990s.

Second, the overarching role of non-regional players must be mentioned. One of those is China, whose major geo-economic/political ambitions and prominent role in Central Asia and the Caucasus is now entering a phase of worsening political ties with the EU's largest economies. The risk of trade conflicts between China and the EU could – given the level of indebtedness of Central Asian countries and their strategic reliance on Beijing in many issues – damage their ties with the EU. Another actor – whose relations with the EU in general and individual member states have deteriorated markedly – that has exponentially increased its influence in the region is Turkey. Ankara (and its strategic regional ally Azerbaijan) is projecting its power through soft power – religion and identity⁹² – and growing military power. Since the outbreak of the European migrant crisis (2015) and the inter-ethnic issues that ensued in the EU, Turkey and its political leadership have gradually aspired to assume the role of the leading force in the Muslim world, translated into a confrontation between Turkey and its European counterparts.⁹³ Undoubtedly, exploitation of the Caspian Sea energy potential would make the EU strategically dependent on Turkey. This would drastically ramp up its diplomatic power and ability to influence the transportation of energy to

89. According to the Corruption Perception Index (CPI) in 2023, these countries were ranked as follows: Kazakhstan (93), Azerbaijan (154), Turkmenistan (170). For more information, see: www.transparency.org.

90. "Democracy Index, 2023", available at: <https://ourworldindata.org>.

91. See: <https://origins.osu.edu>.

92. "Ilham Aliyev: 'Our family Is the Turkic World'", February 15, 2024, available at: www.youtube.com.

93. C. Gijs, "Erdoğan Threatens to 'Part Ways' from EU after Critical European Parliament Report", Politico, September 16, 2023, available at: www.politico.eu.

European end users. Given Turkey's challenging relationships with the EU — including its threats to use illegal migrants as a tool of pressure,⁹⁴ and conflicts with Greece, France and the EU authorities — and its controversial stance on NATO-Russia relations,⁹⁵ empowering Ankara in this way might have profoundly negative consequences for the EU's energy security.

94. "Turkey's Erdogan Threatens to Let Refugees into Europe If More Aid Not Given", Radio Free Europe, November 7, 2019, available at: www.rferl.org.

95. J. Dettmer, "Can Turkey Be a Trusted NATO Partner?", VOA, August 6, 2019, available at: www.voanews.com.

Conclusion

Overall, it should be positively stated that, based on its sheer capabilities, the Caspian Sea region could become an EU-oriented powerhouse in terms of both non-renewable and green energy. The main uncertainty, however, lies in the question whether the EU *should* pursue this outcome and commit to large and, due to various reasons, rather risky financial investments. To address this question, three summarizing aspects should be highlighted.

First, European policymakers should take into account the pronounced value-based gap between the EU and the Black/Caspian Sea partners and stakeholders that would be involved in developing such projects. Given the cultural, religious, economic and political proximity of Turkey to the above-mentioned players as well as its increasingly uneasy relations with the EU (in general and with individual states), Ankara could exploit its power and its position as a transit state to exert pressure on the EU to achieve desired outcomes. Under certain circumstances, the EU could be confronted with a scenario similar to that it had to face with Russia.

Second, there is the question of economic sustainability. Redirecting hydrocarbon supplies from the Caspian Sea region would require refurbishing existing and constructing new infrastructure as well as ecological challenges that might become an obstacle to the production of certain types of renewable energy (such as green hydrogen). Studies confirm that natural-gas use in the EU has been on the decline since 2022, whereas “[e]xisting US LNG infrastructure can adequately address European energy security concerns [and] [a]ny increase in production would exceed current and future demand, and engaging in new long-term contracts carries considerable risks of oversupply”.⁹⁶ This issue is also complicated by the EU’s strategic decision of decarbonization, which raises the issue of long-term demand uncertainty.⁹⁷

Third, Russia and Iran, which are now increasing cooperation in the realm of energy,⁹⁸ will likely oppose the idea of other Caspian Sea actors increasing their role in the EU’s energy security. This drastically increases the risk of provocations and damage to oil — and gas — related facilities. It is worth remembering that, following the outbreak of a gas conflict between

96. R. Hanoteaux and M. Pastukhova, “Declining EU Gas Demand Diminishes Need for US Liquefied Natural Gas”, E3G, March 11, 2024, available at: www.e3g.org.

97. A.-S. Corbeau, “Could Europe’s Supply Gap Herald a Golden Age of LNG?”, Center on Global Energy Policy, February 14, 2023, available at: www.energypolicy.columbia.edu.

98. “Moscow Proposes Setting Up Energy Hub between Iran, Russia”, Tasnim News Agency, August 7, 2023, available at: www.tasnimnews.com.

Turkmenistan and Russia in 2009, an “incident” occurred at a section of the Central Asia–Center gas pipeline system, for which the Turkmen side blamed Russia.⁹⁹ A more recent incident (2022) at Kazakhstan’s largest Tengiz oil field killed two workers. The blast occurred after a Russian court ordered the Caspian Pipeline Consortium, which operates a key export route for crude oil from Tengiz, to suspend activities for 30 days due to environmental violations.¹⁰⁰ In addition, the explosion happened after Kazakh President Kassym-Jomart Tokayev spoke with European Council President Charles Michel, expressing his “readiness to use [Kazakhstan’s] hydrocarbon potential to stabilize the situation in the global and European markets”.¹⁰¹ It should also be noted that Russia may be prone to challenging Turkmenistan in its determination to increase gas supplies to other Central Asian states and China,¹⁰² which in turn could pose questions about Turkmenistan’s ability to divert enough natural gas to European customers.

Given that going back to “business as usual” with Russia in terms of energy partnership is not on the table (and unlikely to be back in the next few years) and given the EU’s strategic course on avoiding signing long-term energy deals (which is already causing discontent among the Caspian Sea actors¹⁰³), the EU should pursue a hybrid approach.

This strategy would include:

- Continuing to rely on green/renewable energy produced in the EU and candidate countries as well as Canada, which is on the path of strengthening renewable-energy ties with the EU;¹⁰⁴
- Continuing to source non-renewable energy from a variety of sources, including the Caspian Sea area – if local actors agree with terms and conditions favorable to the EU – without committing to long-term, costly and (geo)politically risky deals;
- Prioritizing short-to-mid-term LNG deals – given the variety of contracts and multiplicity of sellers¹⁰⁵ – over pipeline gas, which creates long-term commitments and poses various types of geopolitical risks;

99. A. Topalov, “Gazoprovodčika vzyvali?” [Did you call the gas handler?], *Gazeta*, April 10, 2009, available at: www.gazeta.ru.

100. S. Sukhankin, “Transformation of Caspian Sea Region into Energy Hub Gaining Momentum (Part Two)”, *Eurasia Daily Monitor*, Vol. 21 No. 103, July 9, 2024, available at: <https://jamestown.org>.

101. “Phone Conversation with President of the European Council Charles Michel”, July 4, 2022, available at: www.akorda.kz.

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104. Prospectively, the EU could also make use of the energy potential of Ukraine, which reportedly has vast renewable-energy potential. For more information, see: “Ukraine Energy Profile”, International Energy Agency, available at: www.iea.org; “Rebuilding Ukraine’s Energy Future: A Ukrainian Perspective of the Ukraine Reconstruction Conference”, Razom We Stand, June 26, 2024, available at: <https://energytransition.org>; “Government of Canada and Germany Land Arrangement Securing Early Market Access for Clean Canadian Hydrogen”, March 18, 2024, available at: www.canada.ca.

- Strengthening ties with resource-endowed and politically stable (and trustworthy) countries, whereby Canada — given its endowment with conventional energy (LNG and oil), green energy and critical minerals — could become the EU’s prime partner.¹⁰⁶

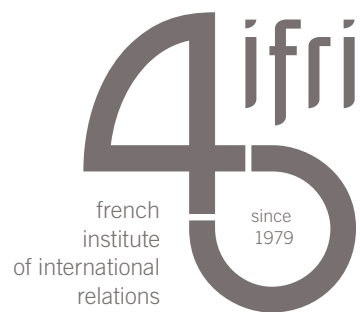
105. A. Losz, K. Chyong and I. Joseph, “Beyond Spot vs. Long Term: Europe’s LNG Contracting Options for an Uncertain Future”, June 14, 2023, available at: www.energypolicy.columbia.edu; G. Collins and S. R. Miles, “Why Is Europe Not Replacing Russian Pipeline Gas with Long-term LNG Contracts?”, Baker Institute for Public Policy, September 13, 2023, available at: www.bakerinstitute.org.

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