



Unfreezing the Caspian gridlock

Geopolitics and energy in Central Asia's backyard

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Declarations at the Moscow meeting

- Lavrov said that there is agreement on the delimitation of the zones
- Aszerbaijan said there are still issues
- Iran insists that there is no agreement yet
- Turkmenistan and Kasakhstan are silent
- Will there be an agreement in Astana in 2018?

THE PLAYERS

A look around



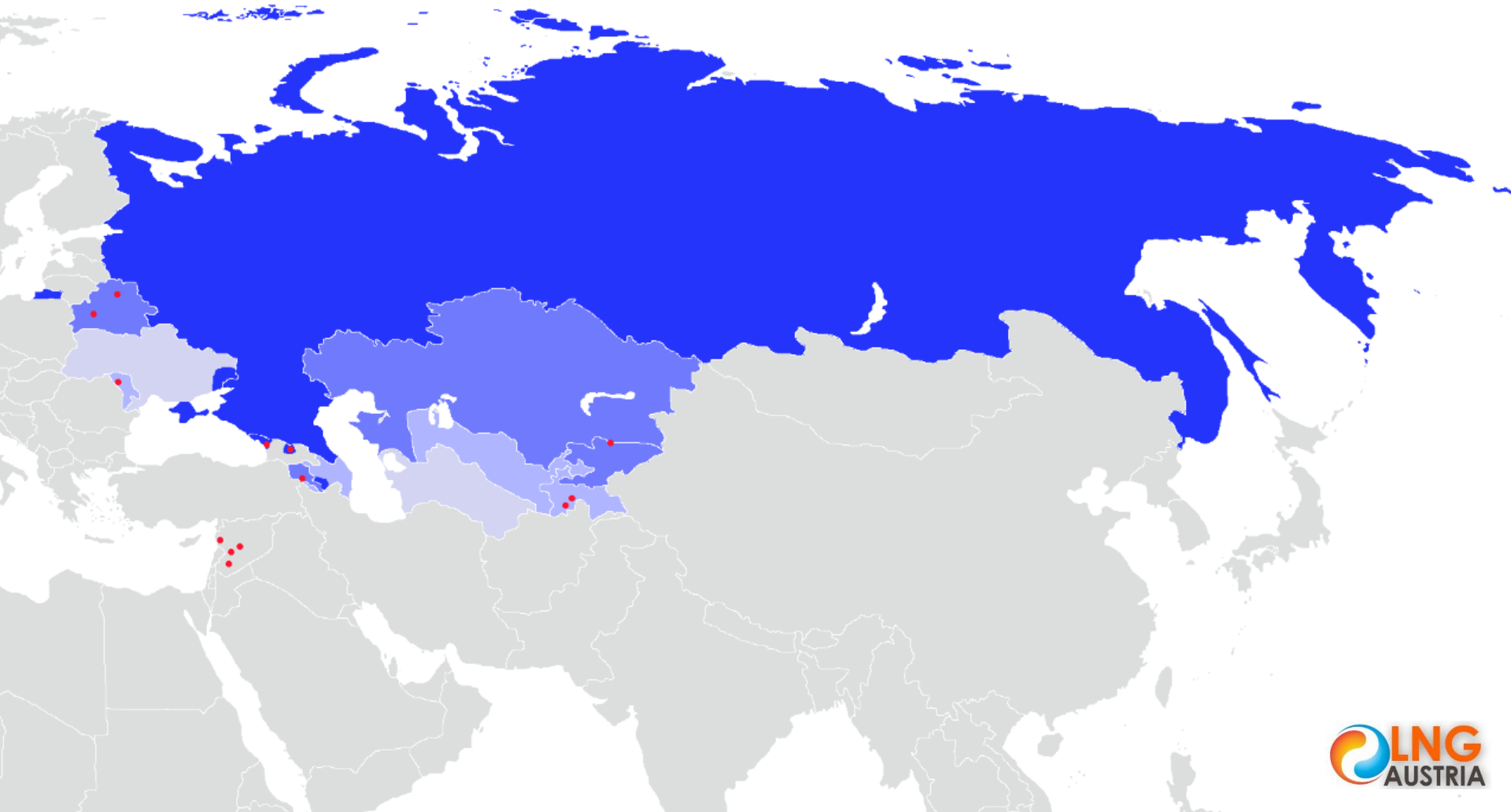
Russia

- Russias quasi empire costs a lot of money
- The commodity cycle does not swing back in Russias favor
- American shale puts a plug on oil (and gas) prices
- More pipeline gas means less LNG (maybe)

Once upon a time



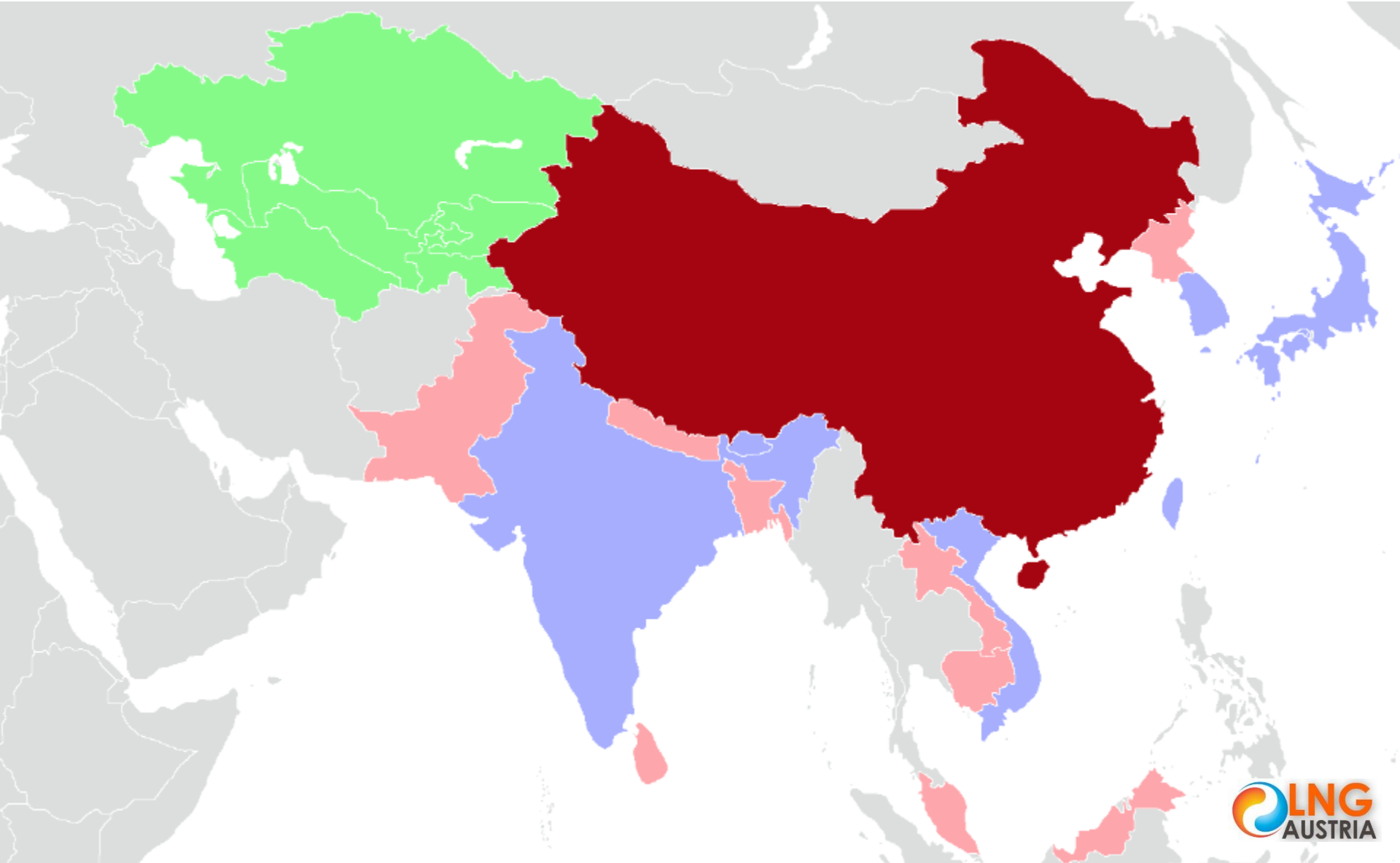
The empire today

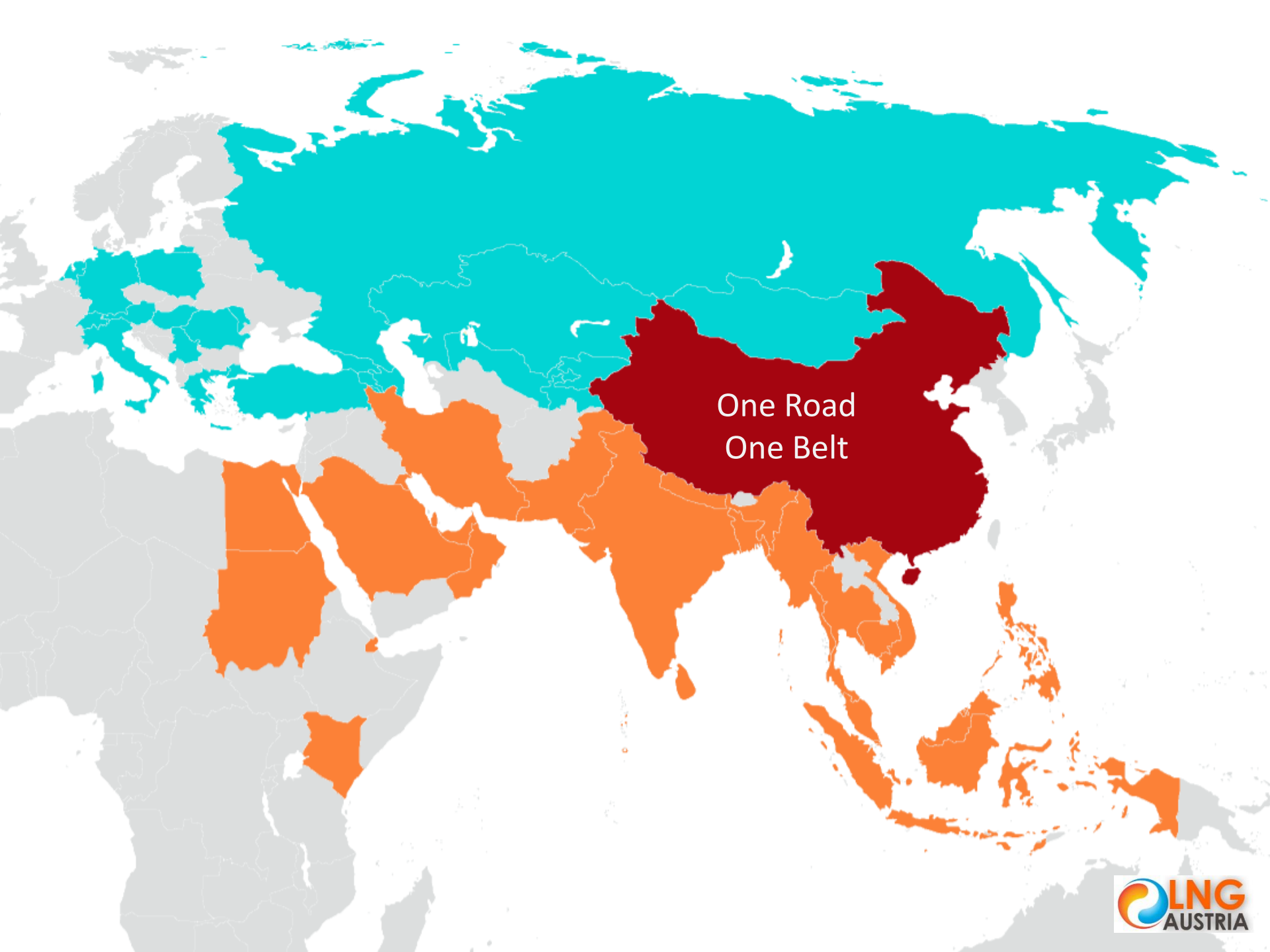


Chinas dilemma

- China has built massive overcapacities in everything
- Their economic system shows signs of a giant property bubble
- Debt is growing massively and OBOR will put this on steroids
- China holds more than a trillion USD in outstanding debt and its growing

China's world



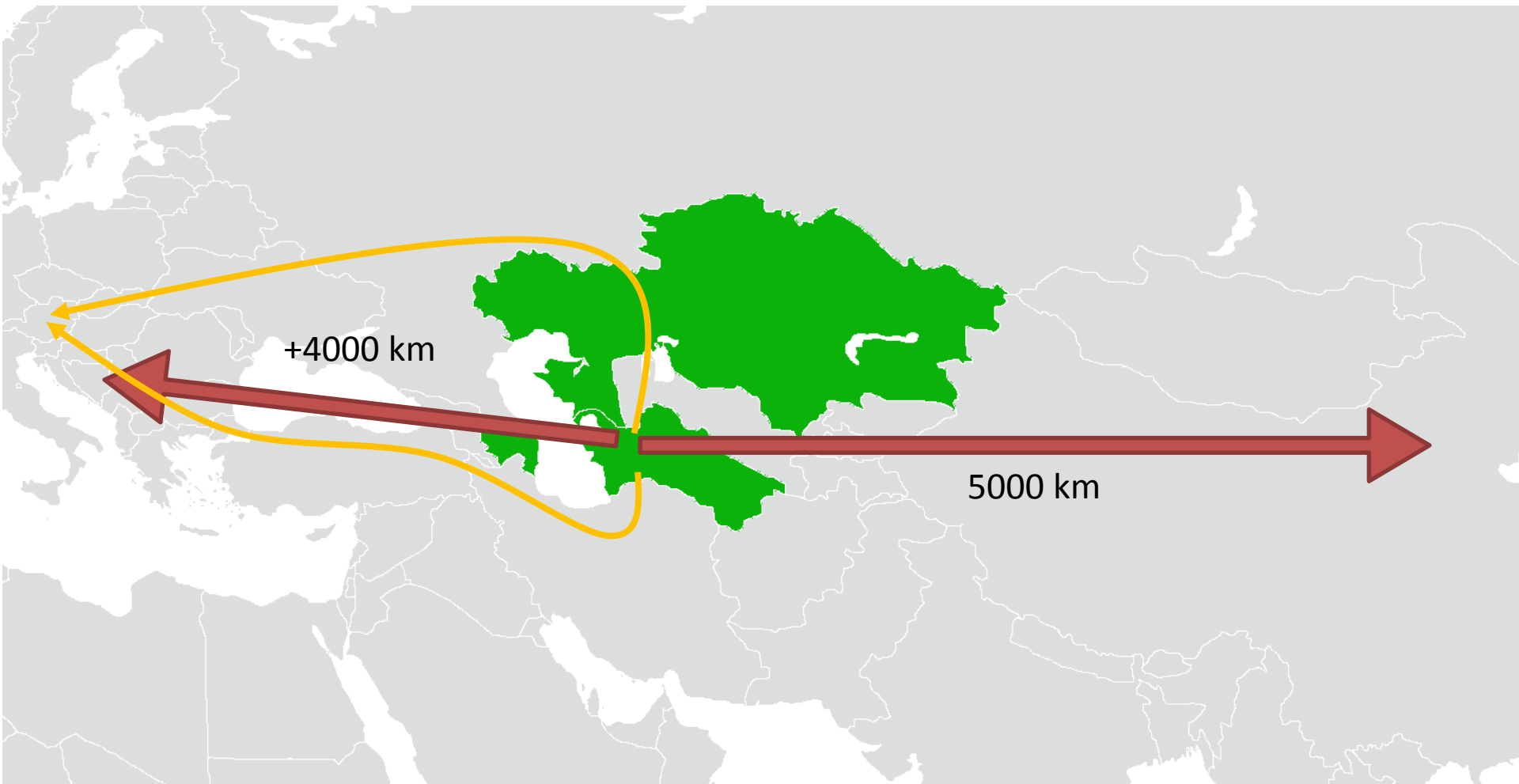


One Road
One Belt



Iran

The Central Asian Dilemma



THE ISSUES

The central argument

- Sea or Lake
- UNCLOS jurisdiction
- Territory
- Pipeline laying
- Veto power



Sea or Lake

- Treaty Soviet Union – Iran makes it inland body of water and Russia is legal successor of Soviet
- Russia considers itself and its near abroad an informal empire outside the realm of the International laws
- UNCLOS applicability would lead to UN having jurisdiction in much of the Sea
- The incentive is for an amicable division in order to exploit the petroleum and gas they need the revenues from

The true motivations

- Russia and Iran want their veto power on anything that happens in the Caspian
- The others want to exploit their perceived share of the Caspian
- Only UNCLOS application would ensure pipeline building

ENERGY CONSTRAINTS

The Concept of Gas that's Stranded

When the effort is not worth the pain



Pipe is NOT pipe

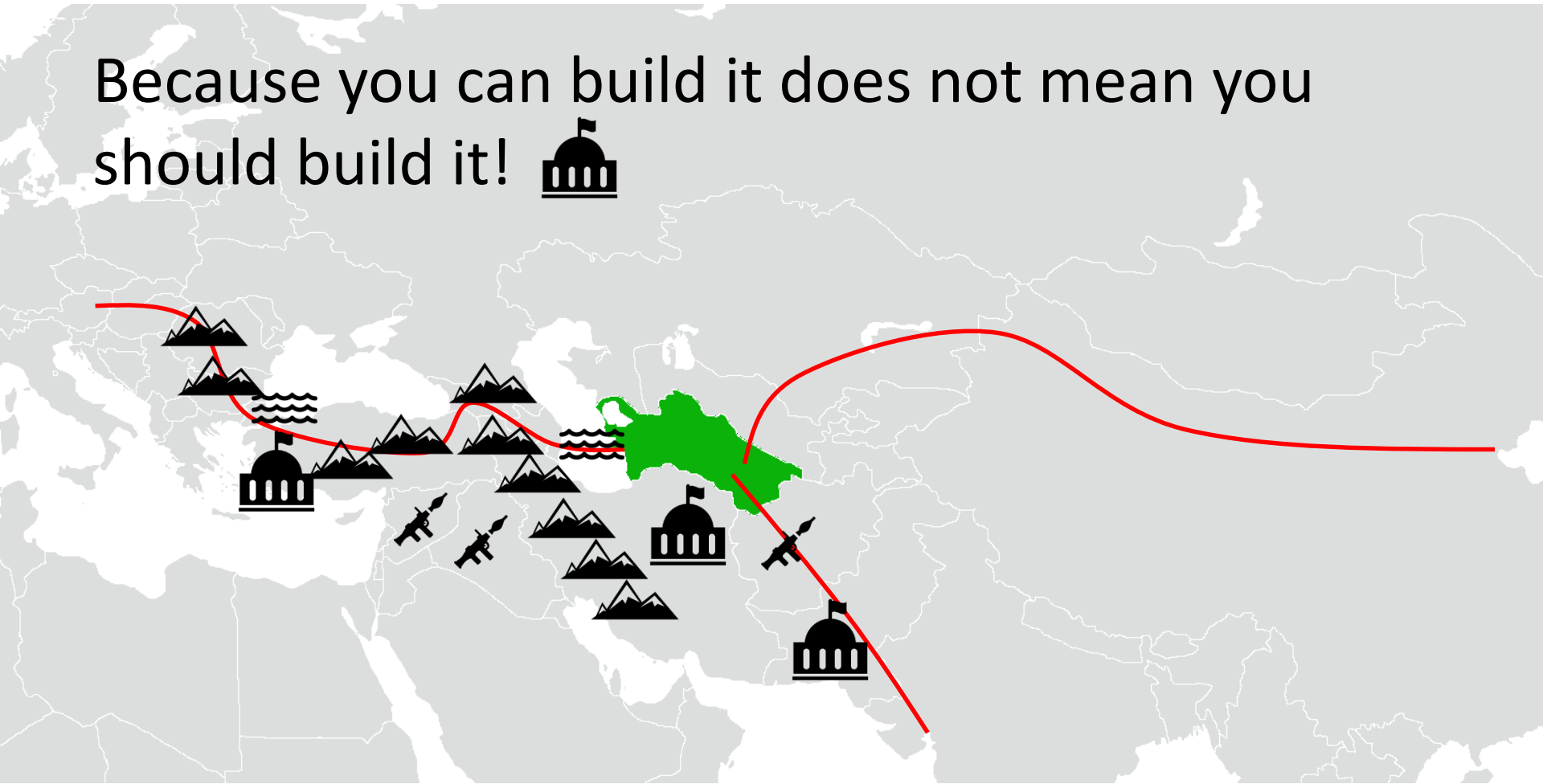
- Pipes in flatland are cheaper than through mountains
- Onshore is cheaper than offshore
- Settled areas is more expensive than uninhabited areas
- Politics play a huge role in financing

The transit country curse

- Transit countries take a lot of money for the right of passage as a best case scenario
- Often they want to buy and resell in order to take much bigger profits (Iran, Russia)
- Stacking transit countries is a recipe for failure
- North Stream and South Stream are testament to this

Pipe Dreams

Because you can build it does not mean you should build it! 



Old thinking

We use the tools of the past in order to solve the problems of the future!



THOUGHTS

LNG might be a (limited) solution

- Crossing the Black Sea by pipeline is very hard and expensive
- Mid-scale solution to Romania would probably be more competitive
- Countries like Iran, Pakistan and China need LNG as a fuel
- Transformation to a gas economy

Wishful thinking

- Between announcements and the hard way to reality
- Russia and Iran want veto powers over what can be done in the Caspian Sea
- Russia may use the announcement to play for time

Post It for European leaders

- Europe needs alternatives to Russian gas but not for any price
- LNG will put a cap on what can be done in the future
- Central Asia must show initiative by itself
- AGRI might be a solution if done sensibly



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