# Midwifing the TCP – a unique opportunity for EU-Georgia strategic cooperation that should encourage EC based reforms in Georgia

**W-Stream Ltd -** ***the promoter of the Trans-Caspian and White Stream Gas Pipelines – essential components of the Southern Gas Corridor***

**Giorgi Vashakmadze** – Director

**Our Colleague and my dear friend Mikhailo Gonchar was supposed to speak at this seminar**

**He apologized - he needs to stay in Ukraine**

**death toll rises in Kiiv…**

**I thought I need to reflect on these and refocus my slides…**

## August 2008 is when Russian military invaded Georgia

## This is how FT was seeing the scenery just 3 weeks before the invasion:

**“The US and most European Union members support Georgia’s efforts to escape Russia’s influence and integrate with the west, including joining Nato. The west is also worried about the security of pipelines taking Caspian oil and gas across the Caucasus to Turkey. Meanwhile, a resurgent Russia sees the region, including the pipelines, as a key test of its capacity to reassert itself in the former Soviet Union.”**

**FT 2008-07-13**
**http://www.ft.com/intl/cms/s/0/0287616e-5108-11dd-b751-000077b07658.html#axzz2tmc0GPw4**

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## The same FT article also said:

**“Abkhazia and South Ossetia are levers with which to put pressure on Tbilisi to slow its pro-west policies and drop its Nato bid. Dmitri Trenin, deputy director of the Carnegie Moscow Center, a think-tank, says: “Russia has no strong interest in Abkhazia itself. Russia is telling Georgia: ‘If you join Nato you will pay a very big price. You will never get back Abkhazia.’”**

**Those who have been participating in East-West Energy Corridor developments remember that similar messages were coming from Russian officials in relation to BTC in late 90-es: If you allow building BTC - you will never get back Abkhazia.**

**Georgia was wise not to stop pipelines, nor its Nato aspirations, but is the territorial integrity the only weak point that Russia might exploit?**

**…weak and nontransparent energy sector allows for another possibility of meddling.**

**Dmytro Vasylovych Firtash running the TV channel in Ukraine can serve as an illustration**

**And in any case – a vulnerable and nontransparent energy sector means less reinvestments, less best practices, less competitive economy, less jobs…**

**..and in a way – a less reliable transit counterpart to others**

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**Today, Georgia's energy sector is much farther away from Energy Community standards then it was 9 years ago.**

**United national Movement government have thrown away practically all legislative reforms achieved through and with the help of the US and EU  funded institutional building programs. The practice was even worth.**

**A one time chance – the big privatization – conducted by the UNM and so highly praised worldwide have brought neither best business standards, nor sustainability to the sector.**

**The main thing was forgotten by public to look into: nontransparent privatization of energy assets allows to steal a portion of revenue for many years ahead…**

**There was no public discussion on reasons why Georgia was persistently ignoring EU calls on joining the Energy Community starting from 2006.**

**Even when President Barroso publicly stated in 2010:**

"Concerning the diversification of energy sources and routes, the development of the Southern corridor is a key priority for the European Union. We attached great importance to the crucial transit role played by Georgia**. And I encourage Georgia to formally apply for membership to the Energy Community. This would enable further deepening of our relations and reinforce Georgia's attractiveness for energy investments.“**

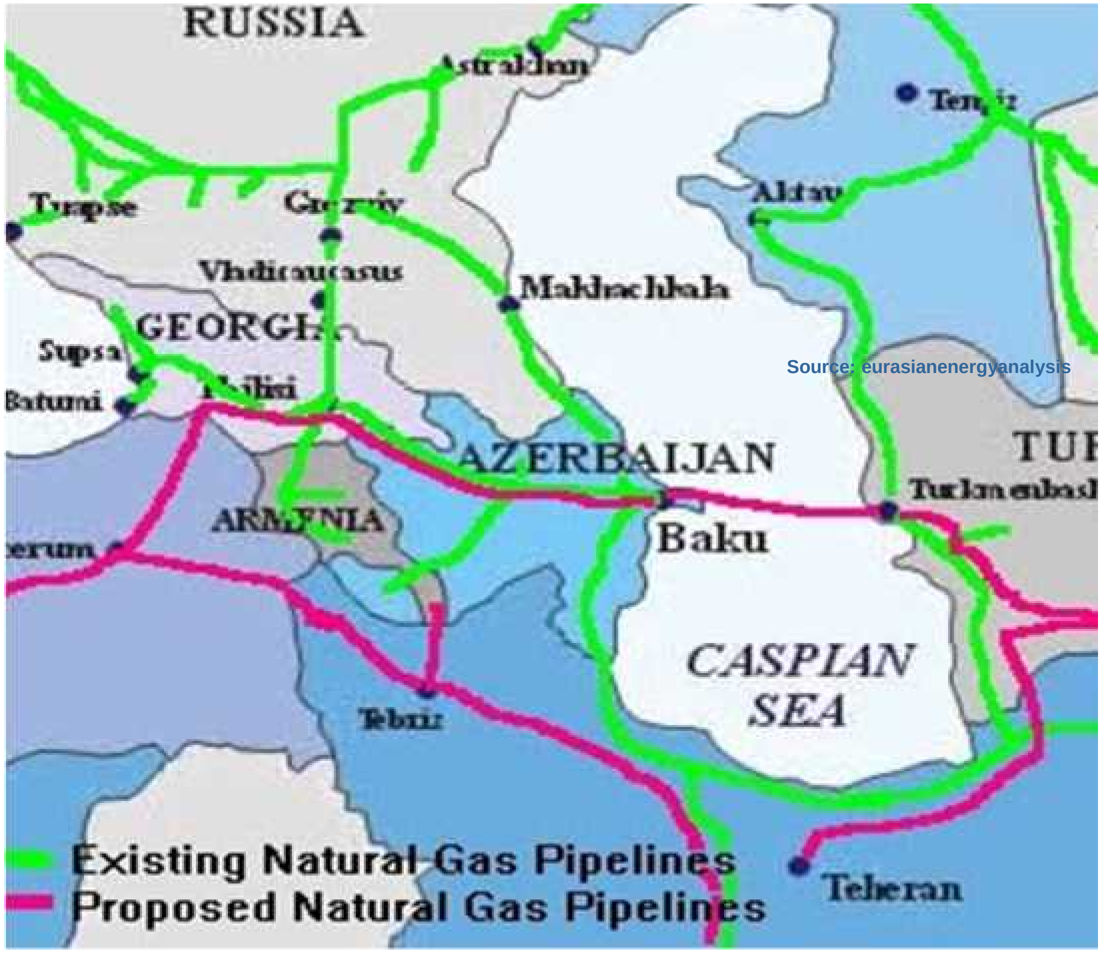
**…there was a complete silence both from government officials as well as media and expert community. This could serve as an alert, but as many other facts, it was missed in the west: the west was convinced that Georgian reforms deserve applauds only.**

## The same year 2010: eurasianenergyanalysis wrote about a new fresh attempts on sale of Georgian North-South gas pipeline:

**Georgian Prime Minister Nika Gilauri promised that if Georgia sold shares of the pipeline, that the government would keep controlling interest. The opposition tried to hold the prime minister to his word by offering an amendment that would limit the sale of pipeline shares to 49 percent. Had the amendment passed, it would have been impossible for the government to sell control of the pipeline to any outside investors. Parliament rejected the amendment, leaving open the possibility that either GAZPROM or a GAZPROM affiliate could snap up the pipeline.**

**Gazprom was a targeting Georgian North-South gas pipeline since 1995. Such things are important to keep in mind while negotiating some of the EC Treaty application for Georgia.**

**e.g. Russia might demand to provide access for Gazprom to existing and future pipelines, basing its claim on the EU Third Energy Package. Every country has its geopolitical peculiarities and the so-called regional approach was frequently missing targets in the past.**



# Transit of a strategic commodity like gas is lucrative for countries and apart from cash dividends it is perceived to bring huge geopolitical benefits.

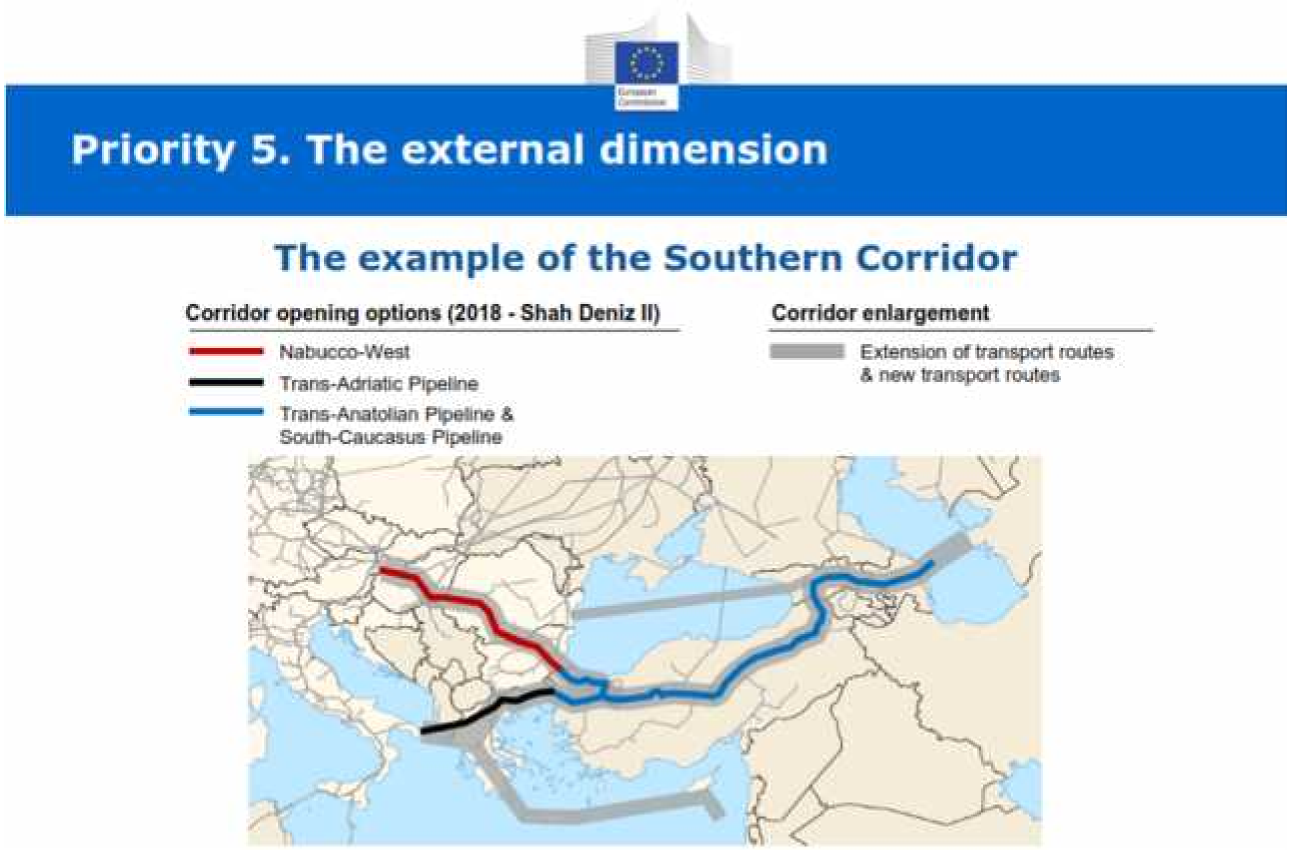
**How the diplomacy was using Turkmen gas transit as a high value bargaining chip and a possible 'carrot' to engage with Iran back in 2009, can serve as an illustration for this:**

In response to Turkmen President Gurbanguly Berdymukhammedov saying that "Today we are looking for conditions to diversify energy routes and the inclusion of new countries and regions into the geography of routes", Deputy Assistant Secretary of State George Krol suggested that the US remained open to the prospect of gas from Central Asia being exported to Europe via Iran. The audience included Iranian delegates.


**Zawya, 2009:** http://www.zawya.com/printstory.cfm?storyid=ZAWYA20090429061640&l=061600090429

# Corridor enlargement implies gas from Eastern Caspian

White Stream




## Energy priorities for Europe

**Presentation of J.M. Barroso, President of the European Commission, to the European Council of 22 May 2013**
**http://ec.europa.eu/commission_2010-2014/president/news/archives/2013/05/pdf/energy_en.pdf**

**China started earlier and has proven that the distance of 6700km is not too long when it comes to Turkmen gas**


Sources: "China's Worldwide Quest for Energy Security" International Energy Agency 2000;

# The next stage - Trans-Caspian Pipeline

White Stream

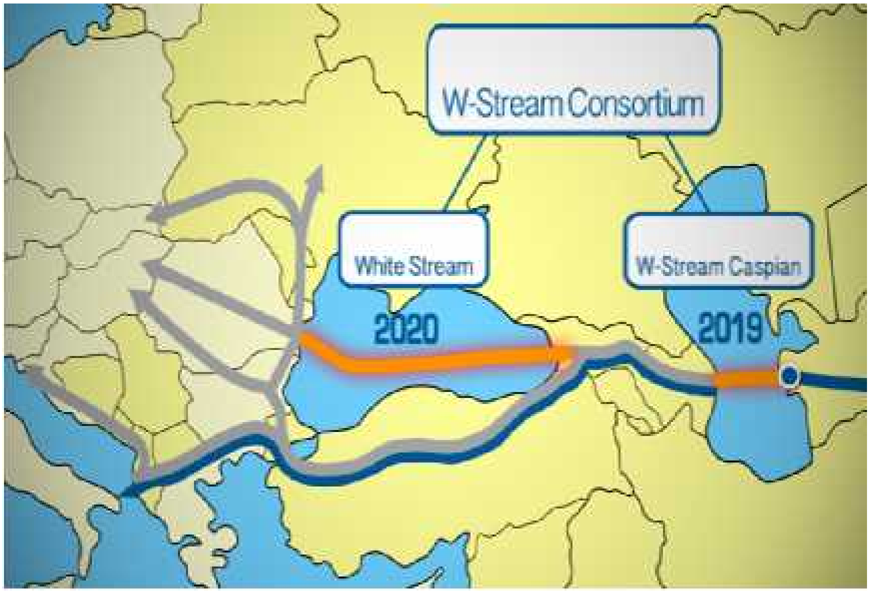
**Now it is proven: Only the South Pars field between Qatar and Iran is larger.**

**For long there were controversial views about Turkmenistan's reserves; the costs and commercial feasibility of their development.**

**Turkmenistan has overcome difficulties and has proven not only the sustainability of its reserves, but also the possibility of extracting more gas in commercially attractive manner.**

**Although the works on Galkynysh field started in 2009, 22 wells are already drilled. On September 4 Turkmenistan will host invited guests from many countries to celebrate the start of commercial production within the phase one development of the field.**

**The Government of Turkmenistan is building the so-called East-West pipeline that will already have the capacity of 30 bcma by 2015 making it ready to supply gas into Trans-Caspian pipeline.**



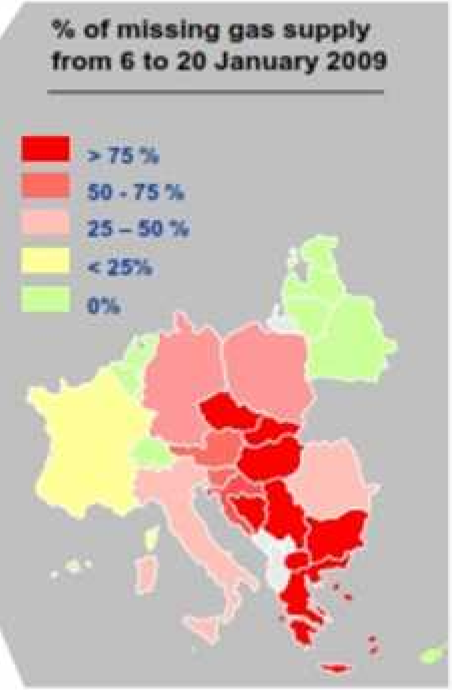
# SGC and CEF

White Stream

European Commission

## Multiple objectives assigned to the SGC

- Open a reliable and significant route for gas from the Caspian Region, the Middle East and the Eastern Mediterranean Basin
- Improve Security of Supply in Southern Europe
  - ⇨Diversifying the countries put most at risk in the 2006 and 2009 supply cut-offs
- Reduce transit risk
  - ⇨Creating a new physical bridge to import gas in Europe
- Increase wholesale competition
  - ⇨Bringing new gas volumes to (new) gas hubs, fostering liquidity and competition in the wholesale markets




**The ultimate objective of the Southern Gas Corridor is to bring up to 90-100bcm/a of new gas volumes from the Caspian Region, the Eastern Mediterranean Basin and the Middle East in Europe**

Energy

# The ***strategic objective*** of the SGC

**Can the SGC fulfill all assigned objectives?**

**The EU strategy document - Energy infrastructure priorities for 2020 and beyond (17 November 2010) – outlines the parameters of the Southern Gas Corridor:**

***“The strategic objective of the corridor is to achieve a supply route to the EU of roughly 10-20% of EU gas demand by 2020, equivalent roughly to 45-90 bcma”***

**One key point is: wholesale competition will increase if the new supply is sizeable.**

# Critical role of the SGC for achieving the desirable energy mix that is lower in emission and keeps industry in Europe

**"…But the largest concentration of gas at global level is in the Southern Corridor, in the path of countries that stretches from Kazakhstan through to Egypt. ..Those countries are desperate to have relationships with gas consuming countries; we have the biggest market in the world, a great many things to offer those countries and we should make it our responsibility to reach out and bring that gas to the European Union."**

http://www.naturalgaseurope.com/gasnaturally-gas-week-2013-brendan-devlin

# Caspian gas

W-Stream

**How important is the role of Caspian gas?**

**Commissioner Oettinger:**

**"Caspian gas is our salvation"**

**28 November 2012**

**"Access to Caspian gas - a key issue for the EU "**

**8 September 2011**

**"The trans-Caspian pipeline is a major project in the Southern Corridor"**

**12 September 2011 EUROPEAN COMMISSION PRESS RELEASE**

# SD2 gas into TAP – the great start of the Southern Gas Corridor

White Stream

**The first project of the southern corridor is now under way, making it possible to bring necessary plans for "enlargement" on track.**

**Commissioner Oettinger:** ***''Ten bcm is a good start, but … If 10 bcm is all that there is, I will not fly to Baku and seek controversy with Russia for that.'***

**Reuters, Nov 28, 2012**

**What are the possibilities for timely Corridor enlargement? Where should the next gas come from?**
**Azerbaijan has reserves in addition to SD but will take some time to develop.**
**Iraq is promising, but there is no confidence in speed of development.**
**East-Mediterranean gas could be developed timely, but where would the gas go if LNG option is chosen?**

# "Southern Corridor" and the *”trust in gas”*

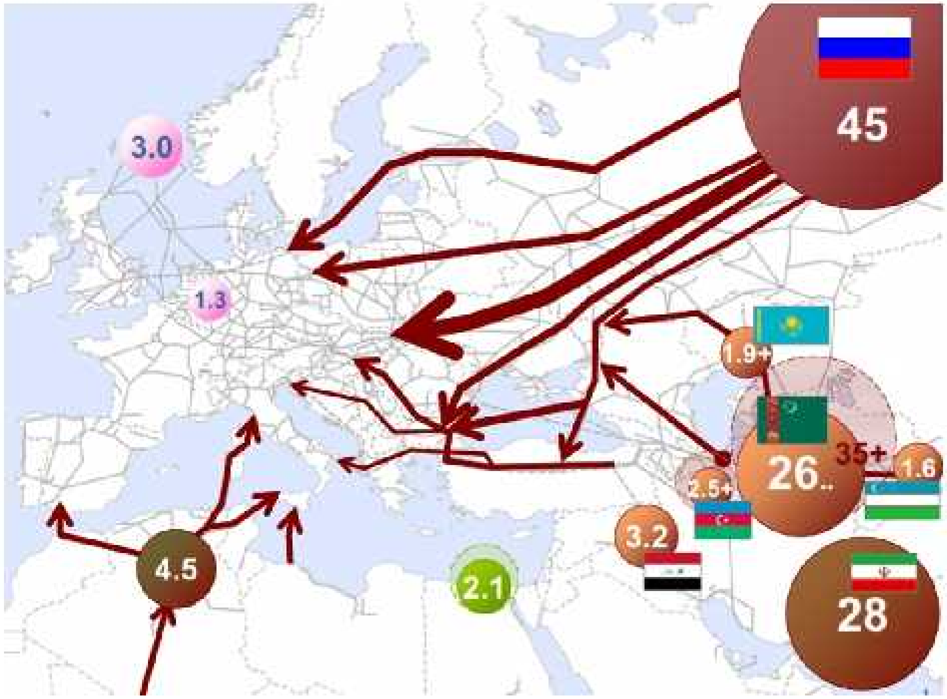
White Stream

**Gas supply from Turkmenistan can closely follow the SD2 without insurmountable obstacles. The choice of TAP and the commencement of its implementation have created good conditions for making this a reality.**

**Availability of sizable quantities of Turkmen gas will affect the size of the EU’s gas market positively, and thus bring more opportunities to other suppliers:**

*"If the Russians reconcile themselves to the fact that "Southern Corridor" is inevitable and that their former satellites of Turkmenistan and Azerbaijan have the right to make independent decisions, the Europeans will have far more trust in gas as energy carrier of future”*

**Guenther Oettinger, September 2011 Deutsche Welle**



# Europe's gas supplies from Russia and the Caspian will supplement each other

White Stream


**…therefore there is no need for Caspian gas to flow via the South Stream**

# W-Stream Caspian

White Stream

**W-Stream Trans-Caspian pipeline to feed into SCP-X and further into both complementary and mutually reinforcing pipelines - the TANAP across Turkey and White Stream across the Black Sea**

**With the development of CEF, the Trans-Caspian pipeline has become an essential component of the two key Southern Gas Corridor bundles forming the Projects of Common Interest of the EU**

European Commission

**Clear EU Policy line on the Southern Gas Corridor**

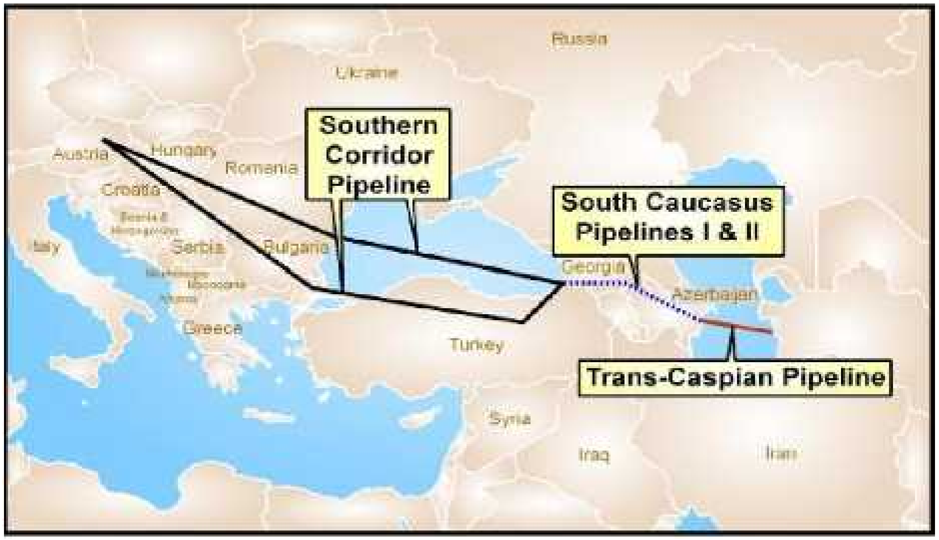
# .. two entry points for Caspian gas: via Turkey and the Black Sea

Directorate-General for Energy

EUROPEAN COMMISSION

# Two entry points approach aligns multiple interests

White Stream




- **The EU** needs diversity of routes as well as of sources. The capacity of the Southern Gas Corridor should comply with its strategic role.
- **Caspian** needs a clear prospect of sufficiently large, reliable revenue stream to warrant large, new direct gas trade deals and investment in upstream exploration and production and TCGP.
- **Turkey's 'land bridge to Europe'** is in many ways the natural gas pipeline route, but the prospect of a transport monopoly slows progress on agreements, while the existence of a range of joint interests with Russia contributes towards increaser risk perception for TCP and upstream in CA.

# Turkey will benefit from the concurrent development of TANAP and White Stream

White Stream

**White Stream will enable Turkey to achieve its strategic objectives**

- **Monopoly transit to EU can severely limit developments in Caspian and hence the flows of gas from Caspian via Turkey**
- **Concurrent development of TANAP and White Stream will not only result in increased transit through Turkey from the Caspian, but also provide enhanced supply diversification and competition**
- **Turkey is also vitally interested in helping Caspian countries to strengthen their economies and independence; there is no better way for this than enabling them to establish large scale strategic trade relations with the EU**

White Stream

**Gas market in the EU constantly changes:**

**Russia saw its records for exports tumble in 2013. Despite the economic recession, and despite the growth of coal-fired generation at the expense of gas in Germany, continental Europe's biggest gas market, Russia grabbed market share from its major competitor, Norway, and exported one-sixth more gas in 2013 than it had in 2012, albeit at a slightly lower unit price. Platts**

# Turkmen gas for European consumers: How to make it a reality

## Europe has a great plan and an ally for this

# “Our main Transit Function of Georgia must earn huge dividends”

Bidzina Ivanishvili, February 2014

**http://news-cafe.gipa.ge/index.php?option=com_content&view=article&id=794:newcitizen&catid=201&lang=geo**

# Our team – now: “W-Stream”

W-Stream

**Successful projects to which our team members have contributed.**


**The project that failed in spite of all efforts in late 90-s, including ours**

# THANK YOU!

# Background

# White Stream is a feasible project to take part of Caspian gas and complement TANAP

White Stream

## Our work, co-funded by European Commission, has proven:

- **Economic** and **commercial** feasibility
- **Technical** feasibility - proven ultra-deep water pipeline technology
- **Legal** feasibility

**White Stream is technically, legally and commercially viable and offers increased security of supply via diversification of routes within the Southern Corridor and flexibility in capacity build-up**


POLAND
BELARUS
UKRAINE
SLOVAKIA
AUSTRIA
HUNGARY
ROMANIA
SERBIA
BULGARIA
GREECE
TURKEY
GEORGIA
AZERBAIJAN
ARMENIA
Black Sea
Caspian Sea
TURKMENISTAN
IRAN