

In the Era of U.S. Energy Abundance: The Role of the Caspian Region in U.S. Policy

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FOR MOST OF THE LAST fifty years, international energy policy has been a major focus of U.S. foreign and national security policy.¹ Washington has viewed ensuring the energy security of its allies—especially in Europe, Japan, and South Korea—as part of its own national security. In this approach to energy policy, the United States was unique and contrasted with most Western countries, which generally treated energy policy as part of their economic and/or environmental policies.

Washington has engaged in international energy policy on the highest executive levels in the White House and established influential units within cabinet departments and agencies to promote international energy policies and to integrate them with U.S. national security and foreign policies. Within the Department of State, successive special ambassadors were appointed to promote various international and regional energy policies and, in 2011, a full Bureau of Energy Resources was established.²

In Washington's international energy and national security policies, the Caspian Sea region has drawn supersized attention. Unlike most foreign policy issues, promotion of Caspian energy development and export has enjoyed bipartisan U.S. support for over three decades.³ President Bill Clinton referred to the agreement to establish the Baku–Tbilisi–Ceyhan Pipeline as one of the most

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important foreign policy accomplishments of 1999.⁴ Special envoys for Caspian and Eurasian energy were established to promote development of Caspian energy, unmatched by emissaries to support other regions. The late Senator Richard Lugar, who served as the main champion for the Caspian region in U.S. foreign policy, was also the locomotive for establishment of these special envoy positions and for the Congressional legislation that established the Bureau of Energy Resources at the Department of State. Senator Lugar's actions underscored the connection between U.S. geopolitical goals in the region and Caspian energy.

A mega-shift in the global geopolitics of energy took place over the last decade as increased U.S. production of oil and natural gas vaulted the United States to the position of top global oil and natural gas producer.⁵ From 2008 to 2018, U.S. oil production more than doubled, and the United States transitioned from a net natural gas importer to a net exporter.⁶ In a world awash in U.S. oil and natural gas, some have surmised that Washington's international energy policy will change significantly. In particular, some assume that Washington will stop developing energy production regions like the Caspian Sea and that new

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mega pipelines, like the Caspian export projects, will no longer be needed.

Yet Washington today is actively engaged in global energy politics

despite its new producer super status. In fact, the 2020 oil market crash has seen Washington even more engaged in the geopolitics of oil than in many previous periods. The need to protect the new U.S. production has left Washington as economically tied to the ebbs and flows of the global oil price as when it was a major importer, but from a different vantage point. Low oil prices today are a threat to the U.S. economy—just as high oil prices were in the past.

This article examines if, given the changes in the geopolitics of energy with the meteoric rise of U.S. oil and natural gas production, Washington will continue to champion oil and natural gas pipeline projects abroad, focusing on the case of the Caspian region. Since the collapse of the USSR in 1991, promoting Caspian energy production and export has been a major focus of U.S. international energy and national security policy. The article claims that the newfound U.S. energy abundance does not supplant the contribution of Caspian energy to U.S. foreign policy and international energy policy goals. This is due to several geopolitical and energy policy factors. On the geopolitical front, increasingly aggressive Russian policies and potential spill-over from expected Iranian instability require active U.S. engagement to protect the U.S.-led achievements in the Caspian region realized over the past three decades. Next,

while U.S. and other liquified natural gas (LNG) volumes increase liquidity and security in many gas markets, they do not always supplant pipeline supplies. This is especially due to the prohibitive and volatile prices as well as physical limitations in supplying landlocked states and states located beyond straights, such as the Bosphorus Straits, which prohibit entrance of LNG supply vessels. In addition, with increased challenges to global trade, such as changing policies of the major players like the United States and China, increased awareness of the threat of pandemics, and growing challenges to security of passage in major trade waterways (especially in the Persian/Arab Gulf), many states are rethinking the necessity of pipeline gas supplies to ensure security of supply and price. Accordingly, despite the new U.S. energy abundance, Washington’s continued engagement in Caspian energy development and protection of its past successes will serve U.S. national interests.

CASPIAN ENERGY BACKGROUND

Before delving into the role of the Caspian region in U.S. international energy and foreign policy, it is useful to discuss the background on Caspian energy. The Caspian Sea is an inland sea bordered by Russia, Iran, Kazakhstan, Turkmenistan, and Azerbaijan. Neighboring states—Turkey, Georgia, Armenia, and Uzbekistan—also play an important role in the region’s energy and political developments. The Caspian Sea basin contains significant, unequally distributed oil and natural gas resources; most of the proven energy reserves are concentrated in the eastern side of the sea, with the lion’s share in Kazakhstan. Azerbaijan possesses both oil and natural gas reserves, while Turkmenistan’s proven energy reserves are

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Figure 1: Caspian Oil and Natural Gas Reserves

	OIL	NATURAL GAS
Kazakhstan	30 billion barrels	1 TCM
Azerbaijan	10.99 billion barrels	2.6 TCM
Turkmenistan	0.6 billion barrels	19.5 TCM

Source: Energy Information Agency, US Department of Energy; and BP Statistical Review of World Energy, 2019); Government of Azerbaijan.

mostly natural gas. Russia and Iran’s proven reserves in their respective Caspian sectors are currently insignificant, with their oil and gas resources concentrated in other regions. Azerbaijan and Kazakhstan have succeeded in developing a large

portion of their energy resources, in contrast to their neighbor Turkmenistan.⁷

Trailing behind the Persian Gulf, the United States, Russia, and others, the Caspian is not the world's largest reserve basin of oil and natural gas. However, despite its modest size, the Caspian region has been able to attract large-scale foreign investment since the mid-1990s and turn its resources into production and export. The region managed this success despite its landlocked geography, which adds costs to oil exports, excludes the option of direct liquified natural gas (LNG) exports, and required much greater political coordination than exports from coastal states.⁸

Following the collapse of the Soviet Union, the Caspian region received significant attention from international energy majors.⁹ Initial notice was likely sparked by the Caspian Sea's place in the history of modern oil production. Azerbaijan was the center of global oil production at the beginning of the modern oil era: in 1900, half of the world's oil was produced in and around its capital, Baku. Azerbaijan is also the location of most of the oil industry's "firsts": the first oil well in the world was drilled in 1848 in Baku in Bibi Heybat oil field, the first major oil pipeline in the world was built from Baku to Batumi, the first offshore oil production in the world started in Azerbaijan in 1924 at Bibi Heybat beach, and the first in open sea launched in 1947 at Oily Rocks in the Caspian Sea.¹⁰ However, historic romanticism was not enough alone to sustain commercial interest.

U.S. support for strengthening the Caspian states' newly won independence played an important role in building their perception as stable and thus worthy of investment. There are oil and gas deposits all over the world, a vast majority of which will not be developed. The main factor that investors look for in choosing where to invest are "above-the-ground" conditions, such as a country's respect for the sanctity of contracts and political and regulatory stability that provides a conducive environment for foreign direct investment in the energy sector. The international oil companies perceived Azerbaijan and Kazakhstan as stable states that would ensure the sanctity of contracts they signed.

In addition, the new states offered exceptional commercial conditions: Azerbaijan and Kazakhstan offered foreign investors Production Sharing Agreements (PSAs). PSAs enabled the foreign companies to "book" the volumes produced there, which was important per their traditional business model.¹¹ In the years before the collapse of the Soviet Union, international oil majors faced increasingly narrow opportunities to take ownership stakes in projects. The PSA framework instituted in the Caspian tossed a lifeline to the international majors.

GEOPOLITICS OF THE CASPIAN REGION

The Caspian region has been a geopolitical epicenter since the collapse of the Soviet Union. Several regional and global powers—Russia, Turkey, Iran—are located there and, together with the United States, have vied for influence at this meeting ground of Europe and Asia. The Caspian region also serves as a crucial link in the major air highway (see Figure 1 below) between Europe and Asia. In addition, the South Caucasus part of the region is one of the only parts of the former Soviet Union still up for grabs in terms of superpower alignment: the Baltic states are firmly anchored in the West as EU and NATO members; Central Asia's geographic location, nestled between China and Russia, limits the potential degree of Western security integration; meanwhile, the status of the South Caucasus, Ukraine, Moldova, and potentially Belarus within the East and West alliance systems is still unresolved, rendering these states fierce battlegrounds of U.S.-Russian strategic competition. The Caspian's energy resources are a focus of this international geopolitical interest in the region. However, this interest is not due to a U.S. or Russian desire to control the resources or the profit or transit fees. Rather, this is because the determination of the export routes by and large set the geopolitical options, and thus the independence of the producers.

Figure 2: The Caspian region is a link in the main international air highway



The involvement and weight of the various powers has shifted over time with major impacts on regional developments. In the 1990s, there was little concrete opposition to Washington's activities in the region. Russia was relatively weak, still recovering from the collapse of the Soviet Union. Iran was under sanctions from the mid-1990s and engaged in combatting perceived threats from the region more than exerting influence over it: Tehran had strong concerns that a new and prosperous Republic of Azerbaijan, bordering its own ethnic Azerbaijani minority, could be a source of attraction and impetus for a domestic ethno-nationalist surge in Iran.¹² In this period, Turkey was a strong partner of the United States, and Ankara played an important role as a bridge for cooperation between the United States, NATO, and the Caspian states, especially Azerbaijan and Georgia.

A decade later, the region's geopolitical structure had changed significantly. With the rise of Vladimir Putin came a resurrection of Russia's power in the region, the recovery of Russia's economy, and increasing Russian oil and natural gas production. Russia's invasion of Georgia in August 2008 was a major regional watershed, epitomizing Moscow's return to power in the South Caucasus and the greater Caspian region and Washington's indisposition to stand up to Russia to protect the sovereignty of its allies in the post-Soviet space.

Post-9/11, the Bush administration attached special interest to the region as it sought close ties with the region's moderate Muslim-majority states to demonstrate that the United States was not anti-Islam. Moreover, the Bush Administration saw strategic value in the Caspian region states bordering Iran as part of its efforts to contain and weaken Tehran and thus promoted cooperation with these states on Iran policy.

Under the Obama administration, the geopolitical dynamics of the Caspian region changed again. The Obama administration did not hold much interest in the Caspian region, with the exception of preserving overflight rights and transit to U.S. military bases in Afghanistan. As it sought to strike an agreement with Tehran on its nuclear program, the Obama administration encouraged the states in the region to build cooperation with Iran. As a result, the states largely lost their geopolitical clout in Washington as a bulwark against Iran. Furthermore, as U.S.–Turkish relations continued to decline under the Obama administration with multiple new subjects of disagreement, including those related to U.S. policy in Syria, Turkey's role as a bridge to the Caspian region declined.

An additional element in the geopolitics of the Caspian region are the conflicts centered in the South Caucasus. Throughout the post-independence period, Russia has used these conflicts to assert its geopolitical power.¹³ They

include the Armenia–Azerbaijan conflict, which involves the occupation of Nagorno-Karabakh and additional territories, and the Russian occupations of Georgia’s regions of Abkhazia and South Ossetia. However, to date, these conflicts and occasional flare-ups have not blocked ambitious energy production and export projects. One lesson is that while major energy companies rarely initiate exploration from active conflict zones, they can nevertheless tolerate high degrees of insecurity and still continue their production and export activity.

Academic and policy analysis has taken great interest in the twists and turns in the battles over the legal delimitation and governing conventions of the Caspian Sea. The legal status and delimitations reflect power relations in the Caspian region and thus, the borders and governance regimes were not determined by legal principles. On 12 August 2018, the states bordering the Caspian Sea signed the Convention on the Legal Status of the Caspian Sea. The main features of this agreement included banning any foreign military presence in the Caspian Sea and creating a mechanism to establish new pipelines in and from the Caspian Sea. The restriction of foreign militaries was a major gain for Russia,

which sought to prohibit U.S. deployments in the region at the invitation of Azerbaijan and Kazakhstan. At the same time, the Convention could ease the foundation of a Trans-Caspian pipeline, which Moscow

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opposes. The major loser of the signing of the Convention was Iran, whose position on how to delimitate the Caspian borders was rejected by the four other countries bordering the sea. As a result, Tehran failed to gain recognition of rights to large swaths of territories it claimed in the Caspian Sea and which it held during the Soviet period.

CASPIAN ENERGY AS A TOOL IN WASHINGTON’S NATIONAL SECURITY TOOLBOX

Since the Soviet breakup in 1991, Washington has seen Caspian energy as a tool for achieving its policy goals in the post-Soviet space as well as its larger foreign and international energy policy aims.¹⁴ U.S. goals in the region include improving the economic development and independence of the new states of the former Soviet Union, increasing non-OPEC (Organization of Petroleum Exporting Countries) oil production, and improving European energy security by reducing Europe’s vulnerability to Russian coercion. With the exception of

the promotion of non-OPEC oil, all of these goals are still relevant in the era of U.S. energy production abundance.

In the first two decades following the Soviet collapse, Washington aimed to increase the share of non-OPEC oil in global oil production to weaken OPEC's power and to undermine its dominance in the global oil market.¹⁵ On the eve of the Soviet breakup, OPEC members produced the majority of global oil production.¹⁶ With the ascent of post-Soviet production, this proportion changed, and non-OPEC oil production rose to over half of global oil production. Today, raising the share of non-OPEC oil production is no longer a U.S. policy goal. Following the emergence of the post-Soviet oil production and the meteoric rise in U.S. oil production over the last decade, OPEC members are the source of less than 40 percent of global production.

In the 1990s and early 2000s, as part of its policy to support the independence of the new states and jump-start their economic development, Washington pursued the establishment of westward pipelines from the Caspian. The United States and regional countries believed that if they were able to establish pipeline linkages with the West, those routes could be used for additional transportation, trade linkages, and security cooperation. The U.S. viewed a route westward for energy export as a tool to fortify the Caspian states' independence. For the same reason, Russia attempted to block the establishment of westward pipelines from Azerbaijan and the Caspian and continues to oppose additional exports westward, such as from Turkmenistan via a proposed Trans-Caspian pipeline.

Washington championed the establishment of the Baku–Tbilisi–Ceyhan oil pipeline from Azerbaijan to Turkey, beginning operations in 2006, as well as the South Caucasus Pipeline that brought natural gas from Azerbaijan to Turkey, beginning in 2007. These projects were some of the first major infrastructure projects that broke Moscow's transport monopoly on the landlocked Caspian region. Washington also supported the establishment of the Caspian Pipeline Consortium (CPC) pipeline from Kazakhstan to the Black Sea. The CPC was inaugurated in 2001 and transits Russia, reaching its Black Sea Port of Novorossiysk. U.S. companies were major investors in this route, despite its transit through Russia.

The establishment of energy export pipelines that do not transit Russia allowed Azerbaijan and other states in the region to pursue independent foreign policies and deepen their trade and security cooperation with the United States and Europe. This goal of Washington's foreign policy is not affected by its own energy export abundance and, in fact, is more relevant than in the past due to resurgent Russian attempts to limit the independent policies of regional states. Accordingly, with increasing Russian assertiveness in the Caspian region, Moscow is engaging in activity to reverse or challenge these energy infrastructure

projects, which have been critical in enabling the pro-Western foreign policies of the Caspian producers.

The next major policy goal served by Washington's Caspian energy policy is strengthening European energy security. Stretching back to the Reagan Administration, successive U.S. administrations have viewed strengthening European energy security and blocking the expansion of Russian gas exports into the region as an important goal of U.S. foreign and international security policy.¹⁷ For instance, the Obama and Trump administrations both opposed the establishment of the Nord Stream pipelines from Russia to Germany.¹⁸ Under the Reagan and Trump administrations, the United States even sanctioned Soviet and Russian gas supply pipeline projects into Europe.

U.S. promotion of European energy security through shepherding Caspian gas into Europe has benefitted from wide bipartisan support over the decades and has been a concrete success. As part of this policy, the State Department has promoted the use of Caspian gas as a solution to Europe's vulnerability from dependence on Russian gas, and Caspian energy development has been a topic of cooperation between Washington and successive EU Commissions.¹⁹ These efforts facilitated the establishment of one of the largest and most expensive gas export projects to date—the Southern Gas Corridor from Azerbaijan to Europe. This project connects seven states that operate in six different regulatory systems, links 11 different investing companies and 12 different gas buyers, and has required investments worth \$38 billion. Led by Azerbaijan, it is the first gas supply project in decades to export gas volumes to Europe from a new source, contributing to Europe's supply diversification and energy security and underlining the Caspian's geopolitical significance.

Without Washington's extensive political support, this exceptional project could not have been built. Bringing the pipeline to fruition required lining up the interests of multiple countries (the United States, Italy, Greece, Albania, Azerbaijan, Turkey, Georgia, Bulgaria, and the EU) as well as the interests of several investing international energy companies and a dozen gas buyers. The government and commercial sectors had divergent goals: the companies aimed to bring supplies to the most lucrative markets in Europe in the most cost-efficient manner while Washington and Brussels wanted the gas supplies to reach Europe's most vulnerable markets (i.e., those in Eastern Europe).²⁰ Hence, for close to a decade, Washington and Brussels advocated for the route to lead to markets in Eastern Europe, until ultimately agreeing to support a route—the Southern Gas Corridor—to southern Europe, from which a spur to Bulgaria can reach markets in Eastern Europe.

Figure 3: The Southern Gas Corridor Pipeline project



34 tor natural gas pipelines in southern Europe and can be used to transport natural gas to additional markets in Europe.²¹ Further interconnecting this region and Europe has been a U.S. and EU policy goal for a long time, and this private sector initiative established the connection. The Southern Gas Corridor Phase II can transit new gas production in Azerbaijan and potentially from new gas sources, such as Israel, Central Asia, and, at some point, Iran. The national oil company of Azerbaijan, SOCAR, estimates that Azerbaijan's proven gas reserves stand at more than 2.6 trillion cubic meters. Azerbaijan's estimated reserves represent an additional 3.45 trillion cubic meters.²² New gas volumes are planned to be produced through the initiation of new phases of production in existing fields (Shah Deniz III and deep gas in Azeri–Chirag–Gunashli field complex) and the inauguration of production in new fields. The untapped fields include Babek (400 BCM of gas), Absheron (350 BCM of gas), and Umid (200 BCM of gas). These gas fields also contain extensive condensate reserves. Azerbaijan is engaged in the development plans for these resources and aspires to add 15–20 BCM annually by 2030.²³

In this next phase of Caspian development, new markets and new gas sources will be connected. For many decades, U.S. and European officials have promoted the export of natural gas from Turkmenistan to Europe but failed. While the prospects for success are still not high, they are better than before.

The construction of the Southern Gas Corridor provides a concrete option for authorities in Ashkhabad to export their gas westward, renewing their interest. The Malaysian company Petronas, which holds exploration and production licenses in fields in Turkmenistan's sector of the Caspian Sea and is an investor in Azerbaijan's Shah Deniz field, straddles both sides and is well-placed to encourage these exports. In addition, gas export westward from Turkmenistan would not require a Trans-Caspian gas pipeline but rather an "intra-Caspian" pipeline between the Azerbaijani Shah Deniz field and gas fields in the Turkmenistan sector of the Caspian Sea. This would be a much cheaper, smaller, and potentially less geopolitically sensitive project than a full Trans-Caspian pipeline.

U.S.—CASPIAN ENERGY POLICY DURING RAPID REGIONAL CHANGES

Therefore, even in the era of U.S. oil and natural gas abundance, projects in the Caspian Region serve longstanding U.S. policy goals. Indeed, emerging political and economic developments in the region could support additional U.S. goals. Through active involvement in the next generation of Caspian energy projects, the United States can increase its influence in a growing region that is strategically located in the

center of several global and regional powers: Russia, China, India, Turkey, and Iran. The next phase of Caspian natural gas development will include

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the development of gas in new parts of the region and intra-regional trade. Commercial actors in the region, such as SOCAR, will join international oil companies as major investors and joint ventures will become commonplace. Energy companies in the Caspian region are transitioning from recipients of foreign investment to investors themselves. Interestingly, some of the new energy projects emerging in the region will also serve growing needs within the region rather than export, as growing populations and economies need more energy.

Game Not Over for Russia

U.S. continued engagement in Caspian energy related policy will not only promote U.S. interests, but is needed to preserve the U.S. policy achievements created over the past two and a half decades.

Over the years, Russia has opposed gas supply projects intended for markets in Europe with the exception of those that supply to or transit Rus-

sia. The first export pipeline to be blocked by Russia was the extension of a gas pipeline from Iran to Armenia. This pipeline became operational in 2009 but only after Gazprom bought the pipeline and built it with a small circumference to ensure that this route could not be used to transit Iranian gas into Europe via Armenia.²⁴ Next, as discussions were emerging between Turkmenistan and EU representatives about the potential establishment of a Trans-Caspian pipeline that would enable Turkmen supplies to Europe, a so-called accident occurred in the gas pipeline from Turkmenistan to Russia. This caused a major explosion and disabled the infrastructure, with many observers blaming Moscow for the explosion.²⁵ Turkmenistan was left with no major export outlet, plunging the country into economic crisis, and Ashgabat was significantly deterred for many years from pursuing export of its gas to westward markets.

It is highly likely that Moscow will continue to attempt to disrupt gas supplies from the Caspian into Europe, especially the Southern Gas Corridor, even after their establishment. Moscow has three clear options to pursue this goal: to contribute to the re-ignition of the Nagorno–Karabakh conflict between Azerbaijan and Armenia, to spark conflict within Georgia's territories, including those it occupies, or to encourage conflict between Georgia and Azerbaijan. Following the breakup of the Soviet Union, strong cooperation between Georgia and Azerbaijan was a cornerstone of the energy and transport corridors that were established from the South Caucasus westward. However, in recent years, several challenges to this strategic cooperation have emerged, and Moscow seeks to drive wedges between the two countries. For instance, Moscow has sought to lure Georgia to increase its gas exports from Russia and lower those from Azerbaijan, sowing distrust between some in Tbilisi and Baku. In addition, major protests have emerged over border delimitation between Georgia and Azerbaijan, centred on control of a monastery that straddles the common border; Moscow is likely encouraging this Georgian protest movement.²⁶ As the U.S. has a strong interest in preserving these infrastructure projects, it should use its strong ties with both countries to avert conflict between them, which clearly serves Russia's interests.

Iran: Regional Disruptions

Developments in Iran can also affect U.S. interests in the Caspian region and Washington needs to be aware of the potential implications and be prepared to act. The ruling regime in Iran is facing unprecedented challenges to its rule. Over the past two to three years, extensive waves of anti-regime demonstrations have taken place, encompassing most regions of the country and involving various economic classes. The demonstrations have not challenged

a specific policy or action but the existence of the Islamic Republic regime itself. The regime's legitimacy has been further challenged by its downing of a civilian Ukrainian Airlines plane on 8 January 2020 and the subsequent cover-up attempt, as well as the government's exceptional inability to contain the 2020 COVID-19 outbreak.

Prolonged instability in Iran or all-out regime collapse would have significant implications for the Caspian region. First, natural gas supplies from Iran to Armenia and Turkey and the transit of gas to Azerbaijan's exclave Nakhchevan could be disrupted. Next, massive refugee flows could take place from Iran to neighboring countries in the Caspian region. This would be especially challenging for Azerbaijan, since many of its citizens share family ties with ethnic Azerbaijanis in Iran. Instability in Iran could create border security challenges with Iran's neighbors: Iraq, Afghanistan, Pakistan, Azerbaijan, Turkmenistan, Armenia, and Turkey.

LESSONS FOR U.S. INTERNATIONAL ENERGY POLICY

The United States views global energy security as an important national security goal, and European energy security has been a special focus of U.S. national security policy over the last four decades. As part of this policy, the United States has dedicated significant policy resources to establishing oil export from the Caspian to world markets, and gas exports to Europe. As shown in this article, the U.S.–Caspian energy policy has enjoyed steadfast bipartisan support over multiple U.S. administrations, yielding significant results.

In the last decade and a half, the most significant development in the global energy scene is that the United States has gone from an energy importer to a net-energy exporter and the top producer of both oil and natural gas in the world. The Trump administration has promoted European imports of U.S.-produced LNG as a remedy for European energy security. In addition, Trump sees the sale of oil and natural gas globally as a factor contributing to U.S. economic growth.

In a world awash in oil and natural gas, much of it U.S.-produced, is there still a need for the United States to devote policy attention to European energy security, including the promotion of gas exports from the Caspian to Europe? Are there gas supply needs in Europe that cannot be fulfilled by the U.S. or other LNG?

Security of Price is Part of Energy Security

The new availability of U.S.-produced LNG has not eliminated the need for additional pipeline gas resources into Europe. Despite the impact of the new

U.S. supplies on lower price trends in LNG markets around the globe, it still sells in Europe at a higher average price than most pipeline-supplied options. Hence, many consumers in Europe have found the price prohibitive over the long-term. Energy security demands security of supply, but also security of price. Many states around the globe could tap LNG supplies but find them too expensive. In Australia, for example, despite ample domestic gas production, domestic consumers have to pay high Asian-level LNG prices for domestically produced gas delivered by pipeline. Thus, many regions in Australia find the price prohibitive and opt for coal instead of gas and/or suffer energy shortages, leading to frequent electricity blackouts and brownouts.

Geographic factors also prevent access to LNG supplies. U.S. LNG cannot solve the gas needs of Europe's landlocked states, which it cannot directly access with no seacoast. Most of the single supplied states that are the most challenged in terms of security of supply in Europe are landlocked. In addition, states that are located beyond the Bosphorus Strait cannot directly receive LNG supplies, since LNG vessels by convention cannot transit the Turkish straits.

Increased instability in major trade waterways in recent years, especially in the Persian/Arab Gulf, and growing challenges to globalization from trade policies, pandemics, and more raises questions about the reliability of LNG deliveries, especially for power generation. Thus, in the era of availability of abundant U.S. LNG exports, most countries still prefer pipeline supplies to keep the lights on.

Thus, due to both geopolitical considerations mainly supporting the Westward orientation of the Caspian states and the needs fulfilled in Europe by Caspian gas, it will serve U.S. foreign policy and international energy interests for continued engagement in Caspian energy development and protection of the U.S.-led achievements from the past three decades. U.S. energy abundance does not supplant the contribution of Caspian energy to U.S. policy goals.



NOTES

1. *The author would like to thank several people for their useful comments: Isabella Yepes, Adam Stein, Lavanya Krishnan, Charlotte Scott, and Miles Pomper and Daniel Ackerman for design of the graphics. Brenda Shaffer, "United States," in *Energy Politics* (Philadelphia: University of Pennsylvania Press, 2009), 135–138.

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9. Daniel Yergin and Thane Gustafson “Evolution of an Oil Rush,” *New York Times*, August 6, 1997.
10. Lecture of Elshad Nasirov, Vice-President of SOCAR for Investments and Marketing, ADA University, Baku, Azerbaijan, July 2015 (author’s notes).
11. Companies can count oil volumes produced within a PSA or concession license as part of their reserves, which affects their company value. In contrast, oil volumes produced as part of service contracts, which were generally offered at the time by national oil companies to international oil companies, cannot be “booked” as volumes.
12. Iran is a multi-ethnic country with 50 percent of its population comprised of non-Persians. Approximately one third of the population is comprised of ethnic Azerbaijanis which are located primarily in Iran’s northwest provinces, bordering the neighboring Republic of Azerbaijan. For more on Iran’s view of the Caspian region and potential irredentist ethnic threat, see Brenda Shaffer, “The Islamic Republic of Iran: Is It Really?” in *The Limits of Culture: Islam and Foreign Policy*, ed. Brenda Shaffer (Cambridge: MIT Press, 2006), 219–239.
13. For more on the post-Soviet conflicts in the South Caucasus, see Svante Cornell and Brenda Shaffer, *Occupied Elsewhere: Selective Policies on Occupations, Protracted Conflicts and Territories Disputes* (Washington, DC: FDD, 2020).
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