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Azerbaijan's Path to Fulfilling Its Current Role in Building Global Energy Security and Its Prospects for the Future

Abstract

The research problem of this paper concerns energy security in the regional and global dimensions in the context of Azerbaijan's role in its construction, the aim being to verify whether Azerbaijan is one of the key elements in building energy security, especially in the South Caucasus, but also in relation to the European Union and even in a global sense. The factorial and comparative methods were mainly used to examine the indicated subject matter. This article shows that both natural conditions and the appropriate actions of the Azerbaijani authorities have been strengthening the country's role for several decades not only as the main element of the energy security of the South Caucasus, but also as one of the key factors in building the energy security of the European Union and is shaping itself as a significant co-creator of global security in this sphere. Azerbaijan's achievements to date in the sphere of energy security and forecasts for the future allow one to conclude that the state will have an increasingly stronger position as a guarantor of security in the discussed sphere in the South Caucasus, and its role as a co-builder of the Union's energy security will take on new, unprecedented shapes. Also, in the global dimension, the role of Azerbaijan will increase.

Keywords: Azerbaijan, Energy Security, Natural Gas, Crude Oil

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Introduction

The issues raised in this article concern the role of Azerbaijan in the building of global energy security. In order to properly assess the discussed issue, one should look at it not in a fragmentary way, but as a process that began when Azerbaijan regained its independence, leading to the current position of this state in the field of building global energy security. In order for a review of the subject of research to be complete, an attempt should also be made to determine the further, most probable direction of development of the analysed phenomenon. For this reason, the above approach has been used in this study. This will allow for a new perspective on the researched subject, which will be a significant contribution to European or even world science.

The research question posed in the article asks whether Azerbaijan, since regaining independence after the collapse of the Soviet Union, has conducted consistent activities in the field of energy policy, especially regarding the extraction, processing, and transmission of crude oil and natural gas or not, thus becoming one of the key elements of energy security not only in the South Caucasus, but also in Europe and even in the world, and which may become even stronger given the current geopolitical situation related to the victorious Second Karabakh War, and the severance of cooperation between the West and Russia – which had been a strategic supplier of crude oil and natural gas to many European countries – and events in Karabakh on September 19–20th, 2023.

In answering the indicated question, it will be helpful to verify the research hypothesis; practically from the very beginning of Azerbaijan's return to the political map of the world, the country has sought to develop its industry related to the extraction, processing, and transmission of crude oil and natural gas, while taking care to maintain control over it, which strengthens its position in the international arena by making Azerbaijan a strong *subject*, not an *object* of international energy security policy, i.e., a country that not only has deposits of energy resources and a developed sector of the economy related to them on its territory, but also decides on the method of its use and further development. The victory in the 44-Day War, the war between Russia and Ukraine, and the success achieved in Karabakh on September 19–20th, 2023, further strengthened Azerbaijan's current position as one of the key builders of global energy security, also putting forth the prospect of a further strengthening of the country's position in this field. The above statements are supported by such facts as the actions of the Azerbaijani authorities, which, since the 1990s, have sought to modernise and increase the extraction of energy resources,

(also by involving Western capital), while expanding the infrastructure for their transmission, while maintaining ownership control over the energy sector. It is also important to strengthen territorial integrity after the successes in the Second Karabakh War and goals achieved as a result of the activities on September 19–20th, 2023 and the possibility of intensifying cooperation with the European Union in the field of energy supplies after the EU members broke off cooperation with Russia – for many, until recently, a key supplier of crude oil and natural gas.

Due to the volume limitations of this article along with substantive issues, a time limit was applied – the research covers a period which starts from Azerbaijan regaining its independence in the early 1990s to the present day (2023). This is supplemented by various predictions regarding the discussed issues in the medium term. The discussed period is of the greatest importance for determining the role of Azerbaijan in building global energy security, considered as a process. Research on the indicated phenomenon (territorial limit) will focus on the territory of: Azerbaijan; entities with the most significant impact on the South Caucasus; and European Union states. This area is of the greatest importance for the research in question. The objective limitation is related to the narrowing of the research work to issues related to the oil and natural gas industry, as, mainly, these two elements are the most important for studying of the role of Azerbaijan in creating global energy security.

In the 21st century, energy security is one of the main factors necessary to provide the basis for the existence of each state and the societies inhabiting them. That is why it is so important both for individual states and the global dimension.

Azerbaijan's Path Towards Becoming One of the Key Players in the International Energy Security Architecture

Azerbaijan is one of the key states in terms of ensuring global energy security. This is due to several facts. Firstly, the country has significant reserves of oil (*Zasoby ropy Azerbejdżanu starczą na 150 lat*, 2007) and natural gas (*Azerbejdżan ma coraz więcej gazu*, 2020). It is also very important to have extensive, modern infrastructure for the extraction and transport of both of the aforementioned energy resources. Thanks to the wise policy of the Azerbaijani authorities regarding energy resources, as has been pursued for several decades in accordance with the same main goals, i.e., striving to expand and modernise the infrastructure for the extraction and transmission of crude oil and natural gas (Misiągiewicz, 2021, p. 304), while maintaining Azerbaijani control over the energy industry, the state

can decide to which states and how much crude oil and natural gas to sell, both in terms of the state's own energy resources and those from Central Asian states (Misiągiewicz, 2021, p. 303), the transit of which Azerbaijani pipelines may be used to the West.



Figure 1. Azerbaijani Pipelines for Transmitting Energy Resources Westwards: BTC and BTS (for the Transmission of Crude Oil) and BTE (for the Transmission of Natural Gas)

Source: *Baku-Tbilisi-Ceyhan Pipeline*, N.D.

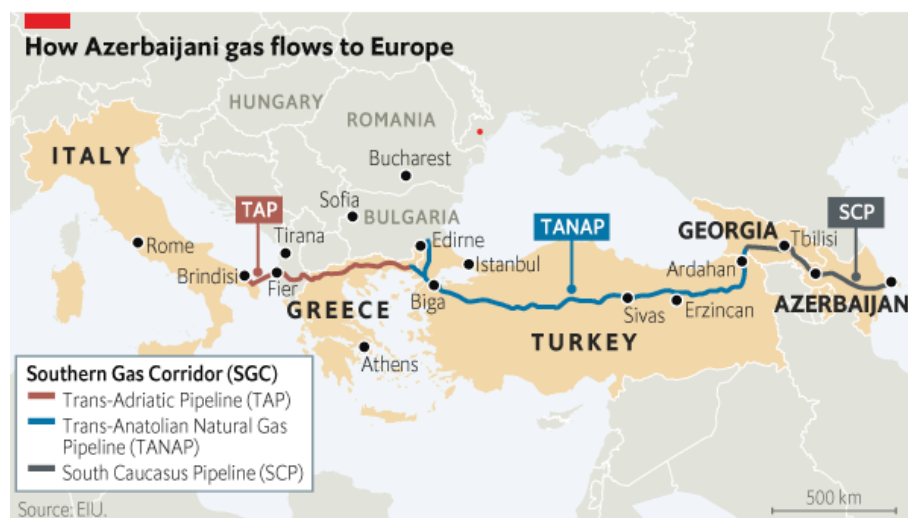


Figure 2. The Southern Gas Corridor Connecting Azerbaijan with Greece and Italy

Source: SOCAR, N.D.

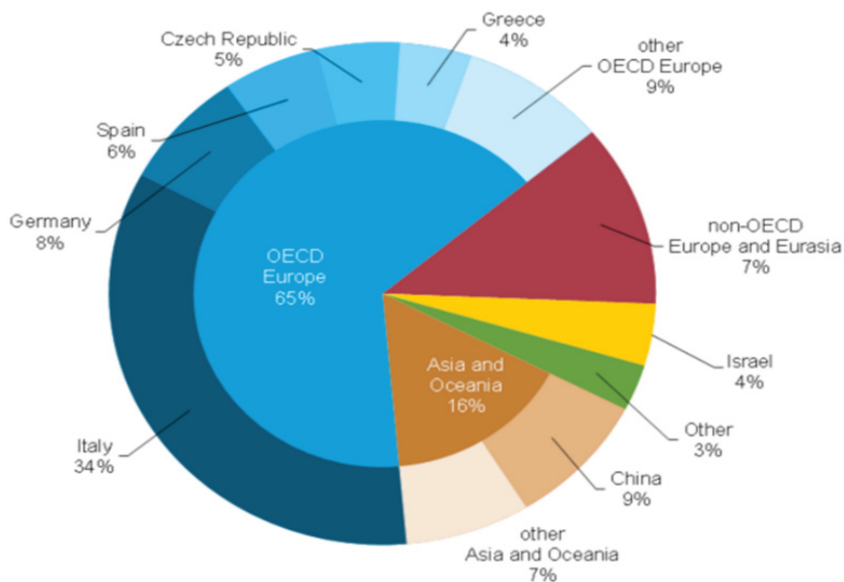


Figure 3. Azerbaijani Crude Oil Exports by Destination States in 2020

Source: EIA, 2021.

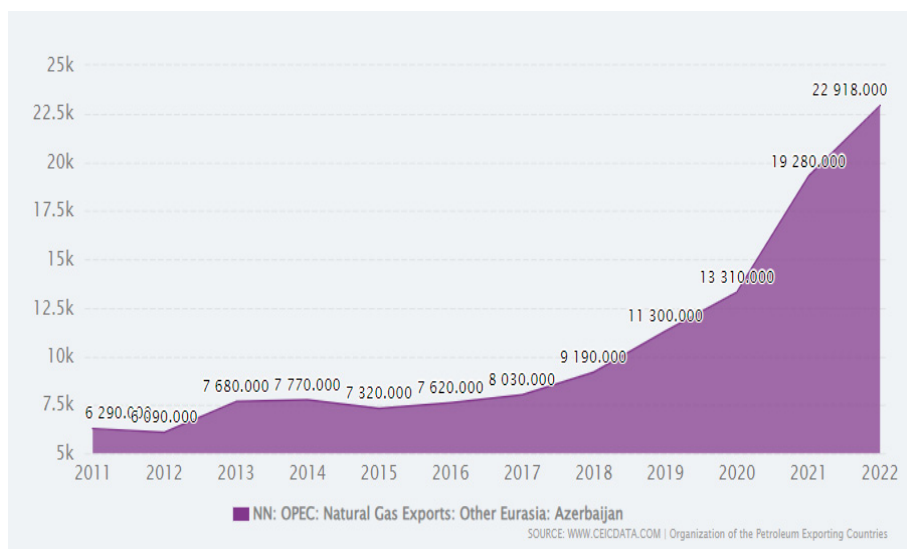


Figure 4. The Increase in the Production and Export of Azerbaijani Natural Gas in 2011–2022

Source: www.ceidatat.com Organisation of the Petroleum Exporting Countries.

One of the first steps towards the current, favourable situation of Azerbaijan as an independent supplier of energy resources was 1994's signing of the so-called "contract of the century", which allowed for extensive, long-term development of modern oil extraction infrastructure thanks to the investments of international oil companies, mainly Western ones, led by the British BP company. Together with Azerbaijan's SOCAR, they formed a consortium under the name Azerbaijan International Operating Company (AIOC) (*The Contract of the Century – A National Strategy for Success*, N.D.). After an extension, the aforementioned "contract of the century" is valid until 2050. Thanks to the implementation of the indicated contract, the production of Azerbaijani oil has increased significantly, strengthening the position of the state as a supplier of this particular energy resource. Investments focused on oil production were supplemented by the construction of the Baku-Tbilisi-Ceyhan oil pipeline. Thanks to the BTC, which was opened in 2006, energy resources have been delivered via Georgia and Turkey to the West (*Heydar Aliyev Baku-Tbilisi-Ceyhan Main Export Pipeline*, N.D.), making Azerbaijan one of the most important oil suppliers to European countries. Azerbaijan is also intensively developing natural gas production, being a country which has significant resources of this energy resource. In this context, it is very important for the state to have gas pipelines to the west that are independent of Russia. Its gas flows through the Baku-Tbilisi-Erzurum pipeline, built parallel to the BTC pipeline (Ochman, 2021). However, the most important in terms of length and capacity is the Southern Gas Corridor, which consists of the South Caucasus Pipeline, the Trans-Anatolian Pipeline, and the Trans-Adriatic Pipeline. Thanks to this infrastructure, Azerbaijani natural gas reaches Greece, Albania, and Italy via Georgia and Turkey (*The Southern Gas Corridor*, 2023). There are also plans to extend it to other European states.

The Role of Azerbaijan in the International Energy Security Infrastructure of the Future

The discussed issues are positively affected by an increase in territorial integrity resulting from Azerbaijan's victory in the Second Karabakh War in which the country regained control over a large part of Karabakh which had been illegally occupied by Armenia, and also regained control over territories around this region. This situation has increased the stability of the state as a result (Stawarz, 2020). As a consequence of Azerbaijan's victory, the state, Armenia, and Russia signed a document guaranteeing a land connection between the main part of Azerbaijan and Nakhichevan

through the so-called “Zangezur Corridor” (Eruygun, 2022). This has opened up new communication opportunities, including in terms of the transport of energy resources to the West, or, to EU countries. The indicated route would be much shorter than the current one, which would reduce not only the time needed to transport crude oil and natural gas to the EU states, but also the price. Maintaining a shorter pipeline would also be cheaper. The territorial stability of Azerbaijan was further strengthened as a result of the actions carried out by the state in Karabakh on September 19–20th, 2023. As a result, on the territory of Azerbaijan, the part of Karabakh over which Azerbaijan did not regain real control after the Second Karabakh War was destroyed, and part of the Armenian armed forces were forced to withdraw, while other Armenian troops in Karabakh were disarmed and disbanded (SONXEBER.NET, 2023). As a result, Baku’s control over this part of Azerbaijan was restored, and Azerbaijan ended the illegal occupation of part of its territory by Armenia and now has real control over its entire territory. The indicated facts not only led to the optimal strengthening of Azerbaijan’s territorial integrity, stability, and strengthening of its position in the South Caucasus; a highly significant element destabilising the region was eliminated – the illegal occupation of part of the territory of Azerbaijan by Armenia. Armenia’s illegal occupation resulted in constant tension between the two countries and the freezing of communication between Azerbaijan and Turkey, as its strategic partner, with Armenia. The latter-mentioned state was supported by Russia, thanks to which it was able to illegally occupy part of the territory of Azerbaijan. However, the Russian Federation used this fact to make Armenia dependent on it in the political, economic, and military spheres. This situation was unfavourable not only for Azerbaijan but also for Armenia. It destabilised the South Caucasus and strengthened Russia’s position in the region. After the end of the illegal occupation of Karabakh by the Armenians – as a result of the Second Karabakh War and the events of September 19–20th, 2023 – Armenia no longer needs Russia as a state supporting the illegal occupation, which gives Armenia a chance to pursue a more independent policy; one less dependent on the Russian Federation. If Armenian society understands that the actions of Armenians in Karabakh and adjacent areas over the last several decades were an illegal occupation of part of the territory of a neighbouring state and does not question the current situation in which Azerbaijan has control over its entire territory, then there is a chance for a permanent stabilisation of relations between both states, thus would significantly strengthen the stability of the South Caucasus and make the region significantly independent from Russian influence. This situation

would further strengthen the importance of Azerbaijan as one of the key players in building energy security in the region, in the European Union, and even globally. The importance of Azerbaijan as a key partner in ensuring the energy security of the European Union is evidenced by the fact that it already supplies 12 billion cubic meters of natural gas to the Member States of that particular international organisation. After the start of Russia's aggression against Ukraine in 2022 and the Western countries' resignation from the supply of that raw material from the Russian Federation, which had historically been the main partner of the European Union in this field, the energy security of many European states has deteriorated. In this situation, Azerbaijan, which has large natural gas deposits that are independent of Russia and also has high-capacity infrastructure for the transmission of natural gas to European countries that is not under the control of the Russian Federation, is gaining a strategically important position as a country that can, to a large extent, replace Russia in the short term as a strategic partner in the field of Europe's energy security. Even greater opportunities in the future would arise if the Azerbaijani natural gas transmission infrastructure to the West was used to transport this raw material from Turkmenistan, which has the fourth largest natural gas reserves in the world. Prospects in this regard have been opened by an agreement between Azerbaijan and Turkmenistan regarding the extraction of natural gas from the bottom of the Caspian Sea and the transmission of gas from Turkmenistan to the West through the Southern Gas Corridor – a gas pipeline connecting Azerbaijan with the European Union.

Azerbaijan's cooperation with Turkmenistan in the field of gas transport from Turkmenistan to the EU has been motivated by Russia's war with Ukraine, with the Russian Federation concentrating most of its military forces and financial resources on actions against its Ukrainian neighbour. The state of the Russian economy and military even before the outbreak of the war did not allow Russia to be involved in several conflicts conducted in parallel. Additionally, the weakening of Russia's capabilities after its attack on Ukraine on February 24th, 2024 – as a result of numerous sanctions imposed on this state by the international community – mean that Russia is unable to influence the states of Central Asia, including Turkmenistan, to the same extent as before. Turkmenistan is aware of this fact, which is why its policy is becoming one that is more and more independent from Russia. Thanks to this, the Russian Federation's opposition to natural gas supplies from Turkmenistan to the European Union is no longer so important for the authorities in Ashgabat. Azerbaijan's intermediation in the transport of energy resources to the West from Kazakhstan, which has

large deposits, creates similar opportunities. The strategic importance of Azerbaijan for the energy security of the European Union was evidenced by a visit to Baku (in August 2022) by Ursula von der Leyen, the head of the European Commission along with the Commissioner for Energy, and their meeting with President of Azerbaijan Ilham Aliyev, and the signing of a Memorandum of Understanding on a strategic partnership in the field of energy. Azerbaijan has been identified as a key partner of the Union in the field of energy security, and one of the main goals has been to increase the supply of natural gas to the EU to at least twenty billion cubic meters of natural gas by 2027 (Trusewicz, 2022).

These facts clearly indicate that Azerbaijan is one of the most important elements of global energy security, and the discussed situation may evolve, strengthening the country's position in the field of building global energy security.

Conclusions

To sum up, it should be stated that the research hypothesis put forward at the beginning has been positively verified, according to which, practically from the very beginning of Azerbaijan's return to the political map of the world, the country has sought to develop the industry related to the extraction, processing, and transmission of crude oil and natural gas, while taking care to maintain control over it, which strengthens its position on the international arena by making Azerbaijan a strong subject, and not an object, of international energy security policy – a country that not only has deposits of energy resources and a developed sector of the economy related to them on its territory, but also presides over the method of its use and further development. The victory in the 44-Day War, the war between Russia and Ukraine, and the success achieved in Karabakh on September 19–20th, 2023, have all further strengthened Azerbaijan's current position as one of the key builders of global energy security, while also raising the prospect of further strengthening the country's position in this field. The above statements are supported by such facts as the actions of the Azerbaijani authorities, which, since the 1990s, have sought to modernise and increase the extraction of energy resources while involving Western capital, expanding the infrastructure for their transmission, and maintaining ownership control over the energy sector. It is also important to strengthen territorial integrity after the successes in the Second Karabakh War and the goals achieved as a result of the activities on September 19–20th, 2023 and the possibility of intensifying cooperation with the European Union in the field of energy supplies after

the EU members broke off cooperation with Russia – until recently a key supplier of crude oil and natural gas for many.

In conclusion, it should be pointed out that the consistent, long-term actions of the Azerbaijani authorities have led to the state gaining a very strong position among the entities on which not only does the energy security of the South Caucasus and the European Union states depend, but also the world. Such a situation became possible thanks to the proper use of the possessed deposits of energy resources. Azerbaijan met the challenge of having energy resources on the one hand, but, on the other, the country overcame myriad obstacles connected to the outdated, insufficient post-Soviet infrastructure for those resources' exploration, extraction, and processing. A sizeable issue was also the lack of appropriate infrastructure for the transmission of crude oil and natural gas to the west, independent of external entities, especially Russia. An additionally unfavourable factor was the shortage of sufficient funds for the necessary modernisation of the sector of the economy related to energy resources, which was the result of the earlier, predatory economy of the USSR authorities against the Azerbaijan Soviet Socialist Republic, and then, after regaining independence, the high costs related to the need to defend its own territory, so illegally attacked by the Armenians, which went down in history as the First Karabakh War. Despite these largely unfavourable conditions, Azerbaijan focused on the rapid development of the sector of the economy related to energy resources while ensuring its continued control over it. This was possible thanks to successful negotiations, mainly with Western partners, as a result of which much-needed missing capital was obtained for the rapid modernisation and expansion of the energy sector related to crude oil and natural gas, all while preventing external entities from taking control of that part of the economy. A similar mechanism was used in the construction of pipelines for the transport of energy resources to the West, bypassing the territory of Russia and independent of the indicated state. Thanks to the aforementioned actions of the Azerbaijani authorities, this country is not now an object, but one of the key subjects of energy security policy not only in the South Caucasus and Europe, but also in the global dimension. Thanks to such a strong position, additionally strengthened by the effects of the Second Karabakh War and the actions of September 19–20th, 2023, which also influenced the stabilisation of the South Caucasus and the weakening of Russia's position in the region, Azerbaijan can take advantage of the favourable situation related to the severance of cooperation between the European Union and the Russian Federation in the field of energy supplies. This opens up great opportunities for further intensification of Azerbaijan's relations with the EU in terms of energy

supplies, which will lead to even greater importance of this country as one of the key entities shaping global energy security.

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