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INFLUENCE OF AN ENERGY FACTOR ON THE RELATIONS BETWEEN AZERBAIJAN AND RUSSIA²

Abstract:

The relations between Azerbaijan and Russia have deep historical roots. For about two centuries they have been part of common state – Russian empire and the Soviet Union. Such cohabitation in the frames of one state had led to emergence of common features in development of two societies. One of these features is an important role of oil and gas production in economy.

But despite of this similarity the Azerbaijani-Russian relations were not always benevolent. First of all, Azerbaijan for almost two centuries had been under Russian occupation. Even after dissolution of the USSR the relations of the former center – Moscow with the former Soviet republic which restored the independence – Azerbaijan, remained difficult. Practically from the first years of independence energy factor in the Azerbaijani-Russian relations has had the negative impact on already tense relations between two countries.

During the modern period, after the beginning of gas production on new fields in Azerbaijan and after completion of the Southern gas corridor' construction on delivery of the Azerbaijani gas to Europe, the Azerbaijani-Russian relations will expect hard times again.

Keywords:

Azerbaijan, Russia, the EU, energy factor, oil, gas

Introduction

As it is well known from history, Azerbaijan was the alone oil-prone province in the Russian empire in the 19th century. The industrial oil

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production in Baku began in 1870. Already in 1901 Azerbaijan produced 11 million tonnes of oil, that was more than 50% of world oil production and 95% of the whole Russian empire's oil production³.

In the Soviet period Azerbaijan continued to be one of the largest oil suppliers of the whole USSR. For example, in 1941 the oil production in Azerbaijan reached 23.6 million tonnes (76% of the all oil produced in the USSR)⁴. But later the volumes of produced oil in Azerbaijan began to decrease. The falling of oil production was connected with exhaustion of the old oilfields and with detection of new oilfields in other regions of the USSR. As a result, the share of Azerbaijani oil in total soviet oil production decreased (in 1950 – 39.1%, in 1960 – 12%, in 1970 – 5.7%, in 1980 – 2.4%)⁵. After the dissolution of the USSR when Azerbaijan and Russia became independent states, they have kept some features of the development inherited from the former USSR. Firstly, in both countries the energy factor (I mean oil and gas) has still played the crucial role in the economy development (share of GDP, budget revenues and export). In the table 1 you can see the comparative figures.

Tab. 1. Oil and gas importance in the Russian and Azerbaijani economies in 2016

Indicators	Azerbaijan	Russia
<i>Share of oil and gas in GDP (%):</i>	34,3	12
<i>Share of oil and gas in budget revenues (%):</i>	52,7	35,9
<i>Share of oil and gas in export (%):</i>	86,24	67,8

Source: *State Committee of Statistics of Azerbaijan*, <www.stat.gov.az> and *Russian Federal Service of State Statistics* <www.gks.ru>.

Second common feature between Azerbaijan and Russia is the fact that the sphere of oil and gas production and export is mostly controlled by state. For instance, there is only one state-owned company in Azerbaijan (SOCAR – State Oil Company of Azerbaijani Republic) that has a right to produce oil and gas in the onshore and offshore fields⁶. The situation in Russia is more complicated, because there are private oil and gas producing and exporting companies, like LUKOIL⁷. Nevertheless, the lion share of gas (77.3%) and almost half of oil

³ M. Mir-Babayev, *Kratkaya istoriya azerbaydzhanskoj nefi*, Baku 2009, pp. 41, 200.

⁴ Ch. Sultanov, *Neft*, Baku, 2004, p. 190.

⁵ Neftyanyye kamni - gorod v otkrytom more, *Great.az*, 04.02.2018, <<http://great.az/azerbaycan/10955-neftyanyye-kamni-gorod-v-otkrytom-more-baku.html>> (20.04.18).

⁶ For more information concerning SOCAR see: www.socar.az.

⁷ Dobycha nefi v Rossii, *TAdviser.ru*, 23.03.2018, <http://www.tadviser.ru/index.php/%D0%A1%D1%82%D0%B0%D1%82%D1%8C%D1%8F:%D0%94%D0%BE%D0%B1%D1%8B%D1%87%D0%B0_%D0%BD%D0%B5%D1%84%D1%82%D0%B8_%D0%B2_%D0%A0%D0%BE%D1%81%D1%81%D0%B8%D0%B8> (22.04.18).

(47.6%) produce the state-owned companies, like GAZPROM and ROSNEFT⁸. But what is more important, even the private oil and gas producing companies in Russia try to pursue the state policy in their export operations. The Russian officials, in their turn, try to lobby the interests of the national oil and gas producing companies in the world markets. And we can often see the representatives of Russian oil and gas producing companies in the official delegations during the visits to other countries.

So, energy factor plays a crucial role not only in economy, but also in foreign policy of both countries, because Azerbaijan and Russia try to increase their oil and gas export possibilities and expand the geographical borders of the export.

Literature review

The state and development of the Russian-Azerbaijani relations in the sphere of energy security is one of hot topics in research literature, which causes heated debates and contradictory estimates in journalism. All sources on this subject can be divided into two groups conditionally. The first group (mostly Western and Azerbaijani sources) can be characterized as totally supporting the Azerbaijani position in its rivalry with Russia over the routes for delivering gas from Caspian basin to Europe and encouraging Azerbaijani attempts to make a contribution into the European energy security. The following sources belong to that group.

First of all, *“Azerbaijan and the New Energy Geopolitics of Southeastern Europe”* edited by Margarita Assenova and Zaur Shiriyeu. In this book the authors describe the relations between Azerbaijan and the states of Southeastern Europe as well as other European regions, prospects of mutual investments, gas delivery to the Southeastern states via Southern Gas Corridor from Azerbaijan and Turkmenistan, and the Russian energy strategy towards the same region. In the second book – *“The South Caucasus – Security, Energy and Europeanization”* edited by Meliha B. Altunisik and Oktay F. Tanrisever, the authors describe the Azerbaijani foreign policy postures and priorities, Southern Gas Corridor and European energy security as well as challenges to this project from Russian side. Other books, like *“Sovremennyye mezhdunarodnyye otnosheniya i vneshnyaya politika Azerbaydzhana”* (*“The Modern International Relations and Foreign Policy of Azerbaijan”*), *“Politika natsionalnogo razvitiya i bezopasnosti Azerbaydzhanskoy Respubliki”* (*“The National Development and Security Policies of Azerbaijan Republic”*) by Ali Hasanov are totally devoted to the different aspects of the Azerbaijani foreign policy, its energy policy, relations

⁸ "Gazprom" v 2017 godu uvelichil dobychu gaza na 12,4%, TASS.ru, 03.01.2018, <<http://tass.ru/ekonomika/4856164>> (23.04.18) and *Добыча газа в РФ в 2017 г. выросла до 690,5 млрд куб м.*, UAEnergy.com.ua, 04.01.2018, <<http://uaenergy.com.ua/post/30385>> (23.04.18).

with other states, including Russia, Azerbaijani-Russian rivalry for the gas markets of Georgia, Turkey and Southeastern Europe.

The second group of sources (mostly Russian) is characterized as totally supporting the Russian position as dominating state in the Post-Soviet space and especially in the Caspian basin, also justify attempts of Moscow to keep control over sources and especially routes of transportation of oil and gas from the Caspian region to Europe. The authors of such sources support Russian policy despite it uses political and economical tools for pressure on the independent governments in the Caspian basin. One of such tools was the absence of legal status of the Caspian Sea. Among these sources I can point at “*Politika Rossii v Kaspiyskom regione*” (“*Russian Policy in the Caspian Region*”) by Sergey Zhiltsov, “*Kaspiyskiy region. Politika, ekonomika, sotrudnichestvo*” (“*The Caspian Region. Politics, Economics Cooperation*”) by Sergey Zhiltsov and Igor Zonn, “*Rol energeticheskoy diplomatii v formirovaniy vneshney politiki Rossii na sovremennom etape*” (“*Role of Energy Diplomacy in Formation of Russian Foreign Policy at the Present Stage*”) by Sofia Chernitsyna and “*Neft i gaz Kaspiyskogo morya: mezhdru Yevropoy i Aziyey*” (“*Oil and Gas of the Caspian Sea: Between Europe and Asia*”) by Victor Katona.

Predicting further development of the Russian-Azerbaijani relations, the above-mentioned authors believe that Azerbaijan will adhere further to multivector foreign policy, balancing between the West and Russia. On the other hand Russian analysts do not assume deterioration in the Russian-Azerbaijani relations as a result of rivalry for sales markets of gas in Europe, because they do not see threat in the Southern gas corridor, being sure that Azerbaijan has not enough gas to become the strong contender of Russia in the gas market of Europe. But they are mistaken as they do not take into consideration the possibilities of Azerbaijan to produce more gas in the nearest future and gas from Turkmenistan which will go to Europe by means of the Transcaspian gas pipeline. In my opinion, I am sure that the independent power policy pursued by Baku will lead to aggravation of the Russian-Azerbaijani relations in the medium term. I will explain my statement further in the main next.

Theory

I have chosen the theory of realism for my research, because I am studying mainly political aspects of the bilateral relations between Azerbaijan and Russia. Despite the fact that my research is aimed at the investigating the energy factor influence on the bilateral relations, but taking into consideration the fact that both states (first of all Russia) use its oil and gas resources mostly as a political tool for strengthening their international positions, I have decided to concentrate mainly on the political aspects of Azerbaijani-Russian relations.

As it is well known Russia has been a predominant state in the post-Soviet space for centuries. That is why the Moscow's foreign policy in this space obviously became the most influential for the states existing here. Russia was and is a realist, revanchist and revisionist great power, quick to redraw blunders based on perceived national interest, what were demonstrated on the recent example of Crimean annexation. Actually, Russia after small period of liberalism at the beginning of 1990s returned to its historical trend in foreign policy – realism, used by tsarist and Soviet governments⁹.

That is why I have decided to choose realism as a main theory for this research, because the events which has taken place in the post-Soviet space since 2008 underlined that in this area the realism has still ruled. I mean the Russian attempts to subdue Georgia, Ukraine and other states from its near abroad. There is no place for liberalism, constructivism and the other theories of international relations.

But, neither realism in its pure variant, nor neorealism does suit my research thesis perfectly. In my research I have taken a decision to use another model of international system, differing from realist's view, which first was suggested in 1958 by Abramo F. K. Organski – power transition model. This model rejected three fundamental aspects of the realist view of world politics.

First, the realists insist, that international system is anarchical, but from power transition point of view, the international system is hierarchical and the states accept relations between them based on differences in the power distribution among them.

Second, the power transition theory means, that the rules governing the domestic and international political system are very similar.

Third, the power transition theory understands the international competition as a struggle for net gains which can be extracted from conflict or cooperation.

The hierarchical structure suggested by power transition model consists of the most powerful nation in the international order at the top. Beneath the great powers are disposed, below them are the middle powers, then – small powers and at the bottom of this pyramid are small states¹⁰. From this point of view, Russia is one of the great powers dominating in the post-Soviet space and in considerable part of Eurasian continent, and Azerbaijan is a small power, dominating only in the South Caucasus region.

Hierarchies are characterized by divisions of labor, specialization, and authority structures. Anarchies show the opposite characteristics: there is no division of labor, and no evidence of any obedience. War is the ultimate arbiter of conflicts of interest, and self-help is the only reliable strategy for survival or

⁹ S. Maintra, *Realism in Russian Foreign Policy: Crimean Case*, "CLAWS Journal", summer 2014.

¹⁰ J. Kugler, A. F. K. Organski, *The Power Transition: a Retrospective and – Prospective Evaluation* [in:] *Handbook of War Studies*, Boston 1989, pp. 172-173.

defense of national interest¹¹. Under hierarchy David C. Kang means “a system of international relations organized around a central, dominant power that involves shared expectations of rights and responsibilities for both the dominant and secondary powers. Nations in this system have a shared set of expectations about state behaviour based on continually updated information about state preferences and intentions, shared experiences, as well as deep history. This set of shared expectations reduces the security dilemma”.¹²

Moreover, hierarchy is more stable than anarchy because anarchy is based on a balance of power or equality of the states. But two approximately equal states can lure for a war to know out which state is dominant.

Hierarchy can save the stability by using a combination of benefits and sanctions that the dominant power provides to the lesser powers. So, in contrast to the realist views about state behaviour, according to which the subordinate states should fear the dominant state and balance against that state, in hierarchy the subordinate states can try to develop the good relations with the dominant state in order to gain benefits. Thus, good relations with the dominant state provide not only the survival but even the prosperity of the subordinate states through a flow of goods, trade, and technology. And on the contrary, rejection of the hierarchy leads to a conflict, because the dominant power has to intervene in order to reestablish the hierarchical system¹³.

But, despite such clear evidence in favor of hierarchical international system, in reality in every regional hierarchy on lower level we can find states which are dissatisfied with the dominant power. These states feel threatened by the dominant power and its coalition and that is why they continue to behave as if the system is anarchic. These states try to develop alternative diplomatic or military strategies as non-alignment or development of nuclear weapon, support for insurgencies or terrorism in order to oppose the status quo in existing hierarchy, despite they do not have the resources to directly challenge the preponderant power¹⁴.

And what is important, the theory of “subaltern realism” also claims that political elites of developing countries, including post-communist and post-Soviet states, perceive the international system as hierarchy with the great powers on the top. But the internal situation in their states in their view is a battlefield with different anarchic forces, often supported from abroad, for the

¹¹ J. C. Hsiung, *Anarchy, Hierarchy, and Actio Popularis: An International Governance Perspective*, paper for delivery on the Panel on “Hegemony, Hierarchy and International Order”, the International Studies Association (ISA) Annual Meeting, Montreal, Canada, 19.04.2004, p. 5.

¹² D. C. Kang, *The theoretical roots of hierarchy in international relations*, “Australian Journal of International Affairs”, September 2004, Vol. 58, No. 3, p. 339.

¹³ *Ibidem*, pp. 344-347.

¹⁴ J. E. Strakes, *Situating the ‘Balanced Foreign Policy’: The Role of System Structure in Azerbaijan’s Multivector Diplomacy*, “Journal of Balkan and Near Eastern Studies”, 2013, Vol. 15, No. 1, p. 44.

control over states¹⁵. That is why, after the dissolution of the USSR, Azerbaijan faced the problems of state security (civil wars, interstate conflicts, ethnic separatism, coups). In such situations the political elites of small states have to think more about preservation of their power and pursue very careful foreign policy, directed for balancing between the strong states in seeking support against the threats from the internal political forces¹⁶.

That is why, on the one hand, Azerbaijan has provided the balanced foreign policy since 1993, manoeuvring between aforementioned axes, and not tying itself toughly with any of powerful centres. The continuation of this policy became the joining of Azerbaijan in the non-alignment movement in 2011. So, from this point of view Azerbaijan is a dissatisfied state, but on the other hand, trying to pursue the independent foreign policy, official Baku makes the great efforts to maintain the good relations with Moscow. The Azerbaijani authorities understand the enormous superiority of Russia in military and economic power over Azerbaijan and recognize the hierarchical order on the post-Soviet space with Russia at the top.

As unsatisfied state Azerbaijan tries to pursue the independent on regional hierarchy (Russia) policy. Examples of these are: refusal to join the entities led by Russia – CSTO and EEU, refusal to support the Moscow's intention to create the Caspian Sea economic cooperation organization, support for the territorial integrity of Georgia and Ukraine, and refusal to recognize the independence of Abkhazia and South Ossetia as well as annexation of Crimea. Also, Baku develops relations with the USA and the EU, takes part in NATO programmes and EU's Eastern Partnership, proceeds independent energy and transport policies. The results are – Baku-Supsa and BTC oil pipelines, BTE, TANAP and TAP gas pipelines, BTK railroad, Transcaspian international transport route – all bypassing Russian territory. Besides, despite the negative Russian position, Azerbaijan provides Georgia with gas and oil, and Ukraine with oil.

On other hand, Baku does not make attempts for decisive military resolution in its conflict with Armenia over Nagorny-Karabagh despite the military and economic preponderance over Armenia because of the Russian position. As it is known Moscow and Erevan are military allies in the frames of CSTO and Russia will not permit to Azerbaijan to break the existent status-quo in Armenian-Azerbaijani conflict. As well, Baku refused the sheer political support for the governments in Tbilisi and Kyiv during their open military opposition to Russia and tries to conduct careful energy policy. For example Azerbaijan refused the Nabucco and Nabucco-West gas pipelines having faced

¹⁵ M. Ayoob, *Inequality and theorizing in International Relations: The Case for Subaltern Realism*, "International Studies Review", Fall 2002, No. 4, pp. 27-48.

¹⁶ D. Streyks, *Iyerarkhicheskiye globalnyye struktury i ikh vozdeystviya na vneshnepoliticheskiye predstavleniya Azerbaydzhana*, "Kavkaz i globalizatsiya", 2009, Vol. 3, p. 60.

the rigid resistance of Russia. The destination of these pipelines was Central and Western Europe – the old Russian gas market. Using pressure Moscow avoided this threat to its plans. Azerbaijan in its turn has chosen other pipelines – TANAP and TAP. They are not so ambitious, directed to the Southeastern Europe and not so dangerous for Russian gas delivery plans.

Such behaviour of official Baku means that it has not only recognized the existent hierarchical order with Russia on the top, but also realized that its chances to challenge Russia openly in the scramble for power are equal to zero. Nevertheless, Azerbaijan, as unsatisfied state, not always happy with Russian policy in the Caucasus and in the Caspian region, tries to challenge Russian power implicitly where it can relying on support of Western states. A sheer example of such attempt is the construction of TANAP and TAP pipelines for delivering Azerbaijani and later the gas from Central Asian states to Southeastern Europe, Italy and further to Central Europe.

Previous crises in relations

The Azerbaijani attempts to defend its sovereign right for independent oil and gas production and also for supply of energy resources along independently chosen route in any point of the world already led to collision of interests with Russia several times. Initially this factor consisted in a choice of a route for export of Azerbaijani oil. From Soviet period there was an oil pipeline on which the Azerbaijani oil had been transported to Russian Black Sea port – Novorossiysk, and further by tankers to the global markets. But in the first half of 90s there were some problems which had indirect (war in Chechnya, problems concerning passing of the Russian tankers through the Turkish straits Bosphorus and Dardanelles to the Mediterranean Sea), and direct (personal hostility of the then Russian president Boris Yeltsin to the then president of Azerbaijan Heydar Aliyev, the pro-Armenian position of Moscow in the Karabakh conflict and, in general, the policy of pressure rendered by the Kremlin on Azerbaijani authorities with the purpose to force Azerbaijan to enter the CIS and the CSTO and to pursue the pro-Russian policy) negative influence on bilateral relations¹⁷.

As a result, all above-mentioned factors forced the authorities of Azerbaijan of that time to pursue the balanced foreign policy. On the one hand, Baku, being under the large pressure of Moscow, made a concession and started transporting some quantity of oil using the *northern (Russian) pipeline Baku-Novorossiysk*. On the other hand, the authorities of Azerbaijan signed on September 20, 1994 the *Contract of the century* with the large oil-extracting

¹⁷ A. Gasanov, *Sovremennyye mezhdunarodnyye otnosheniya i vneshnyaya politika Azerbaydzhana*, Baku 2013, pp. 905-42.

companies of the West on development of the Azerbaijani oil fields on the shelf of the Caspian Sea¹⁸.

Then Azerbaijan began to export the most part of the extracted oil to the world markets bypassing the Russian territory to the Georgian coast of the Black Sea using the new oil pipeline Baku-Supsa. Later it began to work the main export oil pipeline Baku-Tbilisi-Ceyhan (BTC) by which the Azerbaijani oil through Georgia and Turkey, bypassing straits comes to the Turkish coast of the Mediterranean Sea¹⁹. It should be noted that all this time the Northern route have been working for maintenance of the normal relations with Russia. But this pipeline has never been loaded at full capacity – 5 million tonnes of oil per year, at best only at 50%. For example, in 2017 SOCAR transported via Russian pipeline only 1.5 million tonnes of oil and the same quantity is planned for 2018²⁰.

Certainly, it could not satisfy Moscow and periodically Kremlin tried to show vulnerability of BTC and Baku-Supsa oil pipelines. For example, during the Georgian-Russian conflict of 2008 Russian military planes repeatedly dropped bombs in dangerous proximity from the oil pipeline²¹. Now the Russian military bases are deployed in self-proclaimed and recognized only by Moscow the Republic of South Ossetia. The Russian soldiers in South Ossetia provide the policy of creeping occupation, gradually moving border deeper into Georgian territory, coming nearer to Baku-Supsa oil pipeline and once even controlled a small piece of pipeline²².

Over time, the gas factor was added to an oil factor in the Russian-Azerbaijani relations. It occurred after completion of construction of the gas pipeline Baku-Tbilisi-Erzrum (BTE) when the Azerbaijani gas also went to Europe bypassing the Russian territory through Georgia and Turkey²³. As a result, Azerbaijan not only found sales markets for its own gas, but also pressed Russia – the traditional supplier of gas for both European, and neighboring countries – a bit in these markets. In particular, Baku began to provide more than 95% of Georgia's needs for gas, having relieved it of gas dependence on

¹⁸ P. Ipek, *Azerbaijan's Foreign Policy and Challenges for Energy Security*, "Middle East Journal", 2009, Vol. 63, No. 2.

¹⁹ *Ibidem*.

²⁰ M. Tsurkov, *SOCAR i «Transneft'» soglasovali prokachku nefi cherez Rossiyu v 2018 godu*, Trend.az, <<https://www.trend.az/business/energy/2845098.html>> (23.04.18).

²¹ T. Blyumgardt, *Khronologiya avgustovskoy voyny 2008 goda mezhdou Rosiyey i Gruziiyey*, Kavkazia.net, 07.08.2011, <<http://kavkazia.net/Georgia/article/1312767626.php>> (25.04.18).

²² *Russia Quietly Encroaches on Georgia*, Stratfor.com, 28.07.2015, <<https://worldview.stratfor.com/article/russia-quietly-encroaches-georgia>> (25.04.18).

²³ E. Mekhdiyev, *Energeticheskiy faktor vo vneshney politike Azerbaydzhana*, "Problemy postsovetского prostranstva", 2016, No. 1.

Russia²⁴. Thereby, Azerbaijan deprived Moscow of the important tool of pressure concerning Tbilisi. In addition, Baku for the first time started delivering gas to Turkey²⁵, thereby creating the future threat to energy, and, therefore, to political interests of Moscow in Turkey, and continues to supply some of the European states with its oil. Hence, the competition between two states in energy sphere is still going on.

Current situation

Azerbaijan of course loses competition for volumes of oil and gas export just because of the smaller volumes of oil and gas production, what is related to its limited natural resources. You can see it more detailed in the tables 2, 3 and 4.

Tab. 2. Oil and gas reserves in Azerbaijan and Russia in 2017 according to different sources

Indicators	Azerbaijan	Russia
<i>Crude oil – proved reserves:</i>	1bln.t (CIA) 1bln.t (BP) 1,5bln.t (SOCAR) ²⁶	11bln.t (CIA) 15bln.t (BP) 30bln.t (Ministry of natural resources and environment of Russian Federation)
<i>Natural gas – proved reserves:</i>	1tcm. (CIA) 1,1tcm. (BP) 2,55tcm. (SOCAR)	47,8tcm. (CIA) 32,3tcm. (BP) 73,2tcm. (Ministry)

Source: *CIA World Factbook*, <<https://www.cia.gov/library/publications/the-world-factbook/>>; *BP Statistical Review of World Energy 2017*; Ministry of Natural Resources and Environment of the Russian Federation, <<http://www.mnr.gov.ru>>.

As you can see, in the form of table 2, I used three sources in which data differ much from each other. These sources have strong and weak sides. For example, the *CIA World Factbook* and *BP Statistical Review of World Energy* are more credible sources, but they operate with outdated data (end of 2016 in the case of BP and the beginning of 2017 in the case of CIA). The data from

²⁴ *SOCAR namerena uvelichit' postavki azerbaydzhanskogo gaza v Gruziiyu*, EADaily.com, 31.01.2018, <<https://eadaily.com/ru/news/2018/01/31/>> (25.04.18).

²⁵ N. Abbasova, *Azerbaydzhan v 2017 g. uvelichil postavki gaza v Turtsiyu na 1%*, *Interfax.az*, 22.02.2018, <<http://interfax.az/view/726641>> (25.04.18).

²⁶ *Eksperyty podschitali zapasy nefi i gaza v Azerbaydzhane*, Capost.media, <<https://capost.media/news/economy>> (26.04.18).

SOCAR and Ministry of Natural Resources and Environment of the Russian Federation are less credible because of the natural desire of authorities in both countries to exaggerate data on reserves of hydrocarbons. But, on the other hand, these institutions have more modern data (end of 2017 in the case of Russian ministry and the beginning of 2018 in the case of SOCAR).

Table 3. Volumes of oil and gas production and export in Azerbaijan

Years	2008	2009	2010	2011	2012	2013	2014	2015	2016
Oil product. (mln.t)	44,5	50,4	50,8	45,6	43,4	43,5	42,1	41,6	41
Oil export (mln.t)	36,9	44,3	44,5	39	36,8	36,7	35,2	35,1	35
Gas product. (bcm.)	16,3	16,3	16,7	16,4	17,2	17,9	18,8	19,2	29,4
Gas export (bcm.)	5,2	5,9	6,2	6,8	6,6	7,3	8,1	8,1	8,3

Source: State Committee of Statistics of Azerbaijan, <www.stat.gov.az>.

Tab. 4. Volumes of oil and gas production and export in Russia.

Years	2008	2009	2010	2011	2012	2013	2014	2015	2016
Oil product (mln.t.)	488,5	494,2	505	511,4	518	523,3	526,7	534	547,6
Oil export (mln.t.)	243,1	247,5	250,7	244,5	240	236,6	223,4	245	254,8
Gas product (bcm.)	665	582	650	670	654	668	640	635,3	640
Gas export (bcm.)	195,4	168,4	177,8	189,7	178,7	196,4	174	185,5	208,6

Source: Russian Federal Service of State Statistics, <www.gks.ru>.

Nevertheless even such small volumes of oil and gas, like Azerbaijan has, can be very useful for some states. As a matter of fact, consumers would like to deal with several more or less stable and reliable sources at once, in order to avoid the strong dependency on one source of energy resources and to have affordable prices for oil and gas. But these conditions are possible only if there is a competition in the market between several producers and consumers have the possibilities to choose the best one. This situation is especially important for European gas and oil markets. Azerbaijan, delivering its small volumes of oil and gas to the world markets, including Europe, of course cannot replace Russia, but can help to decrease their dependency, at least a little bit.

In the tables 5 and 6 you can see the main directions of Russian and Azerbaijani oil export.

Tab. 5. Ten states which were the main consumers of Azerbaijani oil in 2016 (million tonnes)

Italy	4,92
Taiwan	2,46
Israel	2,07
Germany	1,91
France	1,72
India	1,3
Portugal	0,82
Czech Republic	0,75
Croatia	0,69
China	0,67

Source: State Customs Committee of Azerbaijan, <www.customs.gov.az>.

Tab. 6. Ten states which were the main consumers of Russian oil in 2016 (million tonnes)

Netherlands	49,8
China	47,8
Germany	23,6
Belorussia	19,4
Poland	19,3
Italy	15,6
South Korea	12,4
Japan	10
Finland	9,7
Slovakia	5,7

Source: Russian Federal Customs Service, <www.customs.ru>.

Comparing these two tables we can see that despite the enormous difference in the volumes of oil exporting to the world markets, both states are similar in their attempts to export more oil to the European countries.

Unfortunately, we cannot observe the similar picture comparing the gas export of both states to Europe. Azerbaijan has still exported very small volumes of gas and they have not reached Europe yet. In the table 7 you can see this comparison.

Tab. 7. Main consumers of Russian and Azerbaijani gas in 2016 (bcm) and plans for nearest future

States	Russia	Azerbaijan
<i>Germany</i>	49,83	-
<i>Turkey</i>	24,76 (it's planned to deliver 15,75 bcm. more via Turkish Stream after 2019)	6,3 (it's planned to deliver 6 bcm. more from 2018 via TANAP)
<i>Italy</i>	24,69	it's planned to deliver about 8 bcm. annually after 2020 via TAP
<i>The UK</i>	17,9	-
<i>France</i>	11,47	-
<i>Poland</i>	11,07	-
<i>Austria</i>	6,08	-
<i>Hungary</i>	5,54	-
<i>Czech Republic</i>	4,54	-
<i>Netherlands</i>	4,22	-
<i>Slovakia</i>	3,69	-
<i>Bulgaria</i>	3,18	1 bcm after 2020 via TAP
<i>Greece</i>	2,68	1 bcm after 2020 via TAP
<i>Finland</i>	2,5	-
<i>Serbia</i>	1,75 (from 2018 – will be more 2)	-
<i>Denmark</i>	1,75	-
<i>Romania</i>	1,48	-
<i>Slovenia</i>	0,52	-
<i>Bosnia-Herzegovina</i>	0,22	-
<i>Georgia</i>	0,1	2 (in 2018 will be 2,7)
<i>Macedonia</i>	0,07	-

Source: State Customs Committee of Azerbaijan, <www.customs.gov.az> and Gazprom Export, <www.gazpromexport.ru>.

Plans for future

But in the nearest future the overall picture can change. Now Azerbaijan is working over the development of new gas fields on the Azerbaijani shelf of the Caspian Sea. Industrial gas production in the new fields has already begun²⁷.

²⁷ Na Sangachalskom terminale sostoyalas tseremoniya ofitsialnogo otkrytiya Yuzhnogo gazovogo koridora, Azertag.ru, 29.05.2018, <https://azertag.az/ru/xeber/Prezident_Ilham_

The construction of the Trans-Anatolian Natural Gas Pipeline (TANAP)²⁸ on delivery of the Azerbaijani gas through Georgia and Turkey to Europe has been recently completed²⁹ and Azerbaijan has already begun to deliver its gas using the new pipeline³⁰. Using TANAP and the new capacities of gas, Azerbaijan is going to double the volumes of its gas exported to Turkey³¹. As it is well known, TANAP is intended from 16 bcm annually, as planned for 2020, to 23 bcm for 2023 and 31 bcm for 2026. There is also discussion about more ambitious capacities beyond 31 bcm. Some experts and officials are speaking about up to 50 bcm, depending on the availability of Caspian gas volumes from Turkmenistan transiting Azerbaijan, Georgia and Turkey towards Europe³².

Moreover, the Trans-Adriatic Pipeline (TAP³³) by which the Azerbaijani gas will spread across all Southeastern and the Central Europe has to become the European continuation of TANAP³⁴. For example, the governments of Bulgaria and Greece have signed recently the agreement for construction of the gas interconnector between the two countries (IGB)³⁵. The aim of this interconnector is to serve for delivering of Azerbaijani gas to Bulgaria. Using aforementioned projects Azerbaijan will make a contribution to the ensuring energy security of Europe.

At the same time, implementation of the above-mentioned projects can endanger the Russian gas monopoly in Turkey and Europe. Especially by that time gas from Turkmenistan, and further from Uzbekistan and Kazakhstan, where the capacity of gas exceeds the corresponding capacity of Azerbaijan can be connected to TANAP via the Trans-Caspian gas pipeline³⁶. For example,

Aliev_prinyal_uchastie_v_ceremonii_oficialnogo_otkrytiya_YUzhnogo_gazovogo_koridor_a_OBNOVLENO_VIDEO-1167221> (30.05.2018).

²⁸ Why TANAP?, TANAP.com, <<http://www.tanap.com/tanap-project/why-tanap>> (28.04.18).

²⁹ V turetskom gorode Eskishehir sostoyalas tseremoniya otkrytiya proyekta TANAP, Azertag.az, <https://azertag.az/ru/xeber/V_tureckom_gorode_Eskishehir_sostoyalas_ceremoniya_otkrytiya_proekta_TANAP_V_ceremonii_prinyal_uchastie_Prezident_Azerbaidz_hana_Ilham_Aliev> (04.08.2018).

³⁰ L. Zeynalova, *Azerbaydzhan nachal pervyye kommercheskiye postavki gaza v Turtsiyu*, Trend.az, 30.06.2018, <<https://www.trend.az/business/energy/2923233.html>> (04.08.2018).

³¹ I. Shafiyev, *Azerbaydzhan i Turtsiya tvoryat istoriyu*, Trend.az, 13.06.2018, <<https://www.trend.az/business/energy/2916538.html>> (04.08.2018).

³² M. Assenova, Z. Shiriyev (ed.), *Azerbaijan and the New Energy Geopolitics of Southeastern Europe*, The Jamestown Foundation, Washington 2015, p. 41.

³³ <<https://www.tap-ag.com>> (28.04.2018).

³⁴ *Pervyye kommercheskiye postavki gaza po TAP v Yevropu nachnutsya v marte 2020*, <[Oil-gas-energy.com.ua](http://oil-gas-energy.com.ua)>, <<http://oil-gas-energy.com.ua>> (28.04.2018).

³⁵ *Bulgaria and Greece sign agreement on construction of gas interconnector*, Bnr.bg, 29.06.2018, <<http://bnr.bg/en/post/100989959/bulgaria-and-greece-sign-agreement-on-construction-of-gas-interconnector>> (04.08.2018).

³⁶ B. Pannier, *Trans-Caspian Pipeline: Technically Possible, Politically Difficult*, RFERL.org, 24.05.2015, <<https://www.rferl.org/a/turkmenistan-natural-gas-europe-pipeline-tcp/27033746.html>> (28.04.2018).

only Turkmenistan can offer up to 40 bcm per year. But agreeing to participate in this project, Ashgabad would not risk to harm its relations with Russia adding just a few bcm to the Southern Gas Corridor. Only large volumes would make such a risk profitable enough³⁷.

Also Iran³⁸ can play an important role in supplying Europe with its gas, using the existing system of pipelines in Caucasus. “The combination of Iran resources and Caucasus as a corridor of energy supply could be a proper solution for enhancement of energy security in Europe³⁹”.

In the table 8 you can see comparison of the natural gas capacities with the volumes of its production and export in the states mentioned above.

Tab. 8. Gas capacities, production and export of some states from Caspian basin

States	Natural gas – proved reserves (tcm.)	Natural gas – production (bcm.)	Natural gas – export (bcm.)
Turkmenistan	7,5 (CIA-2017) 17,5 (BP-2016)	83,7 (CIA-2015) 66,8 (BP-2016)	40,3 (CIA-2015)
Uzbekistan	1,84 (CIA-2017) 1,1 (BP-2016)	55,7 (CIA-2015) 62,8 (BP-2016)	14,7 (CIA-2014)
Kazakhstan	2,4 (CIA-2017) 1 (BP-2016)	21,38 (CIA-2016) 19,9 (BP-2016)	13,7 (CIA-2016)
Iran	33,5 (CIA and BP)	184,8 (CIA-2015) 202,4 (BP-2016)	8,38 (CIA-2015)

Source: *CIA World Factbook*, < <https://www.cia.gov/library/publications/the-world-factbook/>>; *BP Statistical Review of World Energy 2017*.

Moscow understands the threats to its gas monopoly in Southeastern Europe and tries to fend off these threats. Now the Russian Gazprom is proceeding apace the building of Turkish Stream gas pipeline⁴⁰. Turkish Stream project competes with the Azerbaijani-led TANAP as the mainstay of the EU-backed Southern Gas Corridor concept and creates some problems. First, by delivering large quantities of Russian gas to Europe via Turkey, Gazprom could preempt Turkmenistani gas volumes and even Azerbaijani post-Shah Deniz

³⁷ M. Assenova, Z. Shiriyev (ed.), *op. cit.*, p. 45.

³⁸ A. Mustafayev, *Iran mozhet naladit eksport gaza cherez TANAP*, Trend.az, 24.04.2018, <<https://www.trend.az/business/energy/2892605.html>> (28.04.2018).

³⁹ *Energy security and competition over energy resources in Iran and Caucasus region*, “AIMS Energy”, 2017, No. 5 (2), p. 236.

⁴⁰ *Zaversheno stroitelstvo pervoy nitki „Turetskogo potoka”*, Gazprom.ru, 30.04.2018, <<http://www.gazprom.ru/press/news/2018/april/article425722>> (30.04.2018).

volumes from entering TANAP en route to the European market. Such a move would undercut the Southern Corridor's strategic position as a non-Russian transit route for non-Russian gas supplies.

Second, the Turkish Stream, directed to the gas supplying of Turkey and Southeastern European states, like Greece and Bulgaria, would lead to the further increasing the region's overall dependence on Russian energy.

Third, the stated purpose of Turkish Stream – just as South Stream's before it – is to shift Russian gas exports away from transiting through Ukraine and maintain pressure on government in Kyiv⁴¹.

Conclusion

All above-mentioned facts show fragility and instability of the Russian-Azerbaijani relations (despite how close partners they may seem now) by the example of only one, but very important factor – energy. Moreover, Azerbaijan has had already a negative experience of clash of interests with Russia in energy sector in previous years. Moreover, despite good relations between Russia and Azerbaijan in the present the energy factor has still cluttered the bilateral relations. That is why Moscow, protecting its own interests, can apply many tools only for the sake of weakening the position of Baku and prevention of implementation the projects, so dangerous to Russia. The tool kit in hands of the Kremlin is wide. Firstly, even if Baku and Ashgabat will continue constructing the TCG, Moscow can force both states to stop construction of the gas pipeline, using its Caspian military fleet. Moreover, the main part of Azerbaijani infrastructure on oil and gas production is located on the Caspian seashore, as well as the capital of Azerbaijan that make them very vulnerable to the attacks from the sea⁴². Secondly, Moscow can put pressure upon Azerbaijani civilians, working and living in Russia and compelling them to return to Azerbaijan. That will lead to difficulties in Azerbaijani economy and to growth in the number of Azeris dissatisfied with the authorities of the country. Russia has used this tool already in previous years.

Till 12 August 2018, Russia could use a factor of lack of regulation of the Caspian Sea legal status that could prevent construction of the Trans-Caspian gas (TCG) pipeline⁴³. Without the Turkmen gas the Southern gas corridor loses the meaning because Azerbaijan per se has no necessary volumes of gas for filling the pipeline. However “Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan have signed a convention regulating the legal status of the Caspian Sea. The document states that the Caspian littoral countries have the

⁴¹ M. Assenova, Z. Shiriyev (ed.), *op. cit.*, p. 35.

⁴² A. Gasanov, *Politika natsional'nogo razvitiya i bezopasnosti Azerbaydzhanskoj Respubliki*, Baku 2014, p.128.

⁴³ M. B. Altunışık, O. F. Tanrisever, *The South Caucasus – Security, Energy and Europeanization*, Routledge, 2018, p. 189.

right to lay underwater cables and pipelines. This could lead to energy projects, including a Trans-Caspian gas pipeline that would be important for the EU. At the same time, Russia is blocking access for all other states, guaranteeing its dominance in the region”⁴⁴.

At last, Moscow can initiate the outbreak of war in a zone of the Karabakh conflict by means of the Armenian ally that will interrupt operation of pipelines because they would appear in a zone of military operations.

Here I can suggest some recommendations how to avoid possible confrontation between Azerbaijan and Russia as followed:

1. In these conditions Baku has to continue to adhere to the balanced foreign policy. That is, Azerbaijan must do all the best not to deteriorate its relations with the Western countries, in particular with the European Union and the USA. Because such a deterioration would narrow a field for a political manoeuvre of Baku between force poles.
2. It is vital to Azerbaijan to work out and sign an agreement with the EU on strategic and equal partnership as soon as possible. In my opinion it would boost the political support of Azerbaijan from the side of the EU and the USA. It would become an important trump in hands of Baku for carrying out independent of Russia policy.
3. At the same time Baku should continue its previous policy directed to maintenance the positive relations with Moscow.

And at the end I would like to recommend to other researches to study the economical aspects of the energy factor’s influence on Russian-Azerbaijani relations, because I have studied only political aspects of bilateral relations in this case. Also it would be useful to study the influence of the oil and gas factor on the inner policy of both states as well as how this factor strengthen the ruling regimes in Russia and Azerbaijan.

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