Executive Summary

The European Union’s presence in the Caspian Sea region provides an interesting case. Over the years, the EU has progressively imported fossil fuels from the Caspian countries, while simultaneously aspiring to be a global environmental leader. Despite being an important region in terms of energy security, the EU policies and instruments do not provide an integrated approach to the region. On the other hand, the EU played an important role in establishing the Caspian environmental regime. This policy brief addresses how the EU’s approach to the region can be improved in terms of energy and environment. It is argued that Brussels should aim at developing a coherent and comprehensive energy policy to support the construction of alternative Caspian pipelines. Additionally, the EU should promote an environmental agenda and develop better energy relations with the smaller Caspian states. The recommendations suggest designing a clear vision for the Caspian Sea and aim to help the EU to develop stronger relations with the regional countries.
Аннотация

Присутствие Европейского Союза в регионе Каспийского моря представляет собой интересный кейс. На протяжении долгих лет ЕС регулярно импортирует большие объёмы ископаемого топлива из прикаспийских стран, в то же время, стараясь укрепить свои позиции как лидера экологического движения в мире. Несмотря на то, что регион является важным с точки зрения обеспечения энергетической безопасности, политика и инструменты ЕС не обеспечивают комплексного подхода к региону. Однако, с другой стороны, ЕС сыграл важную роль в установлении экологического режима Каспия. Данный аналитический обзор рассматривает, как можно улучшить подход ЕС к региону с точки зрения энергетики и окружающей среды. Утверждается, что Брюссель должен стремиться к разработке последовательной и всеобъемлющей энергетической политики, чтобы поддержать строительство альтернативных трубопроводов в Каспийском регионе. Кроме того, ЕС должен способствовать продвижению повестки окружающей среды и развивать более тесные энергетические отношения с небольшими прикаспийскими государствами. В качестве рекомендаций предлагается разработать четкое видение в отношении региона Каспийского моря, которое могло бы помочь ЕС в развитии более тесных отношений со странами региона.

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Introduction

The Caspian Sea is the largest landlocked body of salty water in the world, the coastline of which is shared by five littoral states (Azerbaijan, Iran, Kazakhstan, Russia, and Turkmenistan). In terms of geopolitical relevance and energy security, the Caspian Sea plays an important role in the relations between the European Union (EU) and Central Asia. Its legal status has been disputed for many years, but in 2018 the littoral states signed of the Convention on the Legal Status of the Caspian Sea\(^1\), which offers new prospects for regional developments and could be regarded as a breakthrough.

Today, it is challenging to speak about the Caspian Sea as a region with one distinct identity. This is due to the countries’ fragmented commonality, political trajectories, and historical past. However, some common features persist and could explain the Caspian Sea best as an emerging natural resource export region (Anker et al., 2010, 15). It is estimated that the Caspian countries hold 17.4% of the oil reserves in the world and produce 25% of natural gas worldwide.\(^2\)

The energy and environment nexus presents an essential area for the EU’s external policy in the Caspian Sea region. On one hand, the EU depends on the oil and gas from the Caspian region and must seek an effective energy policy. On the other hand, the EU acts as a leader in the area of environment and tries to promote sustainable development globally through its internal and external policies.

It is worth mentioning that the EU’s approach to the Caspian Sea region is not unified under one external or macroregional policy. The EU-Azerbaijan relations are shaped by the Eastern Partnership (EaP) as a dimension of the European Neighborhood Policy (ENP). The relations with Kazakhstan and Turkmenistan are covered by the EU’s Central Asian strategy\(^3\) endorsed in 2019. In 2020 the Enhanced Partnership and Cooperation Agreement\(^4\) between the EU and Kazakhstan entered into force, intensifying bilateral relations. Caused by the tensions, the EU applies a ‘selective engagement’ approach to Russia, while the EU and Iran currently do not have contractual relations.

This policy brief provides an overview of the EU’s developments in securing a better energy policy with the Caspian Sea countries. Then, it analyses the Caspian Sea environmental regime and maps the EU’s environmental efforts in the region. Drawn from these findings, the final

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section offers several recommendations to enhance the EU’s approach to Caspian Sea region in the areas of energy and environment.

**Energy**

Numbers show that the EU is one of the largest energy consuming and import dependent regions in the world. Approximately 10.3% of the world’s energy consumption originates from the 27 EU-countries. At the same time, only 4.4% of the produced energy worldwide comes from EU member states. Next to that, the EU’s energy consumption has been steadily rising again over the last years from 833,10 mtoe in 2015 to 885,79 in 2018. The increasing consumption has only aggravated the EU’s energy dependency rate that has risen to 58%. So, to meet the energy demand, Brussels is forced to look for external suppliers. In that respect, the Caspian region with its extensive energy resources becomes crucial for the EU.

Traditionally, Russia has been the largest energy supplier to the EU out of all Caspian countries. Besides being the biggest exporter of crude oil (30%), Russia tops the list of supplying natural gas to the EU (40%) as well. Iran is equally considered to be a powerhouse in the energy field but lacks connectivity with the EU to compete with Russia in Europe. The other three Caspian states (Azerbaijan, Kazakhstan, and Turkmenistan) are also rich in natural resources but lack export capabilities for European countries (Ibrayeva, 2018). Amongst the top energy suppliers to the EU, we only find Kazakhstan supplying around 7% of crude oil and no other Caspian state besides Russia makes the top 8 of natural gas suppliers.

Nevertheless, recent energy projects have attempted to increase the connection between those countries and the European continent. Already, European governments and firms are investing in Caspian countries by supporting several energy-related projects (Kubicek, 2013). One example is the construction of the Southern Gas Corridor (SCG) that runs through Azerbaijan, Turkey, Greece, and Italy (Siddi, 2019). In addition, Turkmenistan could gain access to the SCG through the development of the Trans-Caspian Pipeline (TCP). As a result of the agreement on the legal status of the Caspian Sea (see below), this pipeline that would connect Azerbaijan and Turkmenistan is allowed to be built without consent of the Russian Federation (Fuhrmann, 2019).

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3 Ibid.
However, to successfully complete these projects the EU will have to navigate through turbulent waters. Because of its central location, the Caspian region and its energy politics is subject to intensive competition. The TCP, for example, has been on the agenda for nearly 25 years but progress on the implementation of those plans has been hindered by disagreements and obstructions by internal and external actors (Shirvanova, 2020). Unsurprisingly, Iran and Russia are wary of the attempts to strengthen the energy export of the remaining Caspian countries as it would harm their current dominance. While the Convention on the legal status of the Caspian Sea to some extent removes their ability to interfere with energy projects in the region, Iran, and Russia still object to the construction of the TCP (Raimondi, 2019). Another issue might be the special energy relationship between Turkmenistan and China, with the latter being the main importer of Turkmenian gas (Yusufu & Xin, 2020). All of this puts commercial and political pressure on Caspian states participating in the SCG and TCP (Sabou, 2016). The EU should be aware of these issues and develop a coherent and comprehensive policy towards the Caspian region. Yet, because of energy policy historically being in the hands of member states policy harmonisation has been difficult to reach. Additionally, member states have different historical ties and varying interests to fulfil their energy demand (Baumann & Simmerl, 2011). Nonetheless, Brussels has made some progress with the Lisbon Treaty transforming energy policy into a shared competence. In response to the growing concerns for the energy dependence on Russia, the EU has also initiated the Energy Union. The main goals of this initiative include energy security and supply, amongst environmental and market-related objectives (European Commission, 2015). Notwithstanding these objectives formed at the EU-level, member states remain unpredictable and self-interested. For example, the construction of the Nord Stream II pipeline, aimed at distributing gas from Russia to Germany without having to cross Ukraine, was widely disputed amongst EU member states. As such, the solidarity principles that were agreed on in the Third Energy Package enclosed in the Lisbon Treaty are undermined (Szulecki et al., 2016). With respect to the SGC and TCP, developing an external strategy that is supported by all member states is crucial to meet the commercial and political challenges facing the Caspian countries. In that sense, the EU cannot afford another Nord Stream II debacle and must act as one.

One way of developing an effective energy policy towards the smaller Caspian states is to address the lack of engagement in the region. Currently, relations between the EU and Azerbaijan, Kazakhstan and Turkmenistan are fragmented and almost solely focused on
energy cooperation (Dupont, 2015). The construction of the SGC and TCP could provide a window of opportunity for the EU to increase its presence in the Caspian region. That way, the EU could pursue broader economic and political objectives and formulate an answer to the influence of China and Russia in the region (Cutler, 2020). In other words, energy relations then get included in a wider frame of cooperation that allows the EU to address other topics e.g., human rights. Moreover, by establishing advanced partnerships with the Caspian states, energy deals can also be concluded within existing platforms. Finally, the EU could use these structures to introduce proposals about energy transition so that it can still uphold its global environmental ambitions.

**Environment**

The Caspian Sea environmental regime has been emerging since 1990s. In 1998 a cooperation framework the Caspian Environment Program (CEP) was launched and operated until 2012 (The Caspian Sea State of the Environment Report, 2019, 92). It was established with the aim to halt the deterioration of environmental conditions of the Caspian Sea and to promote sustainable development in the area for the long-term benefit of the Caspian population (UNEP, 2020).

At this stage the European Union contributed to the CEP under the Technical Assistance for the Central Independent States (TACIS) programme as one of the main donor organisations: UNEP, the World Bank, and UNDP (Frappi & Garibov, 2014, 85).

The second huge milestone in creating the environmental regime was signing of the Framework Convention for the Protection of the Marine Environment of the Caspian Sea (Tehran Convention) in 2003. The Tehran Convention 2003 was approved by all the Caspian Sea countries in 2006 and became the first regional and binding mean for these countries (Nejat et al, 2018, 105). The Tehran Convention Interim Secretariat (TCIS) is hosted and administrated by the United Nations Environment Programme Regional Office for Europe in Geneva (Switzerland).

Environmental cooperation played a facilitative role in solving the issue of legal status of the sea and resulted in the Convention on the Legal Status of the Caspian Sea. “The lessons learned from environmental cooperation have spilled over into the discussion on the legal status of the Caspian seabed” (Bayramov, 2020, 516). “The Convention stipulated that each state shall have

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its national sector of the seabed, while the surface of the sea should be treated as international waters” (Orazgaliyev & Araral, 2019, 974). However, the Convention does not specify maritime borders; their delimitation requires additional agreements on a bilateral basis. Through these functional processes the littoral states constructed new norms, drew regulations, and articulated their national interests addressing environmental and legal concerns of the Caspian Sea.

In other words, environmental cooperation in the Caspian Sea region also bears a strong geopolitical notion for littoral states. Regional countries had to take part in environmental cooperation to avoid unsystematic use of natural resources and as a result minimise environmental concerns and tougher political relations. The analysis of regional geopolitics and environmental issues highlights the role of environmental regulations and their observation by littoral states in achieving a geopolitical convergence and sustainable development of the Caspian basin (Zeinolabedin et. al, 2009).

Currently, the EU is contributing to the improvement of maritime safety and security as well as prevention of marine pollution in the region by the Black and Caspian Sea (BCSEA) project. The project covers Azerbaijan, Georgia, Iran, Kazakhstan, the Republic of Moldova, Turkey, Turkmenistan, and Ukraine. The total budget of the project is € 4M for the period of 59 months; project duration 2017-2021. The project supports the efforts of coastal states to implement relevant international legislation, align their regulatory frameworks with EU legislation and improve the performance of their maritime activities. The project is built on the achievements of previous the EU-funded TRACECA projects ‘Development of common security management, maritime safety and ship pollution prevention for the Black Sea and Caspian Sea’ - SASEPOL - (2009-2011), and ‘TRACECA - Maritime Safety and Security II’ (2013-2015).

These findings lead to the proposition that despite the EU’s dependency on the Caspian Sea energy resources, the EU has not fully exercised environmental leadership in the region. The EU has a strong aspiration to become a globally recognised leader in environmental policy and sustainability. “It has adopted a broad scope of environmental legislation, which has enabled the EU to lead by example at the international level and show the world that a high level of environmental protection is compatible with economic growth.

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and welfare" (Delreux & Happaerts, 2016, 252). The EU's external competences in environmental field along with its policy instruments could contribute to enhancing environmental protection of the Caspian Sea and as well as demonstrate actorness in the region.

As it has been mentioned earlier, the EU's relations with some of Caspian countries are mainly centred on energy politics. Therefore, the EU's engagement in environmental cooperation in the Caspian Sea could bring new dynamics in international relations with the regional sates. Moreover, the long-term decarbonisation objective of the EU could be a challenge as well as an opportunity for external relations with the Caspian countries (Dupont, 2015). If the EU reduces energy consumption as planned according to the European Green Deal\footnote{COM/2019/640 final. The European Green Deal https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52019DC0640}, it can be puzzling to maintain a certain interdependence in the energy sector with the partners to stay influential in the region. However, the EU could also transform the relations based on increasing export of renewable energy or environment friendly technologies if the regional countries are interested in such developments. Nevertheless, the environmental dimension of the EU's approach to the Caspian Sea could play a greater role in engaging the region as well as prepare for low-carbon transition.

**Conclusion**

The review of the EU's approaches to energy and environment in the Caspian Sea demonstrates that more nuanced policy would strengthen the EU's presence in the region. Besides, a more coherent EU policy in the Caspian region would create opportunities to transform bilateral relations with the regional states mainly based on energy diplomacy, address pressing environmental challenges and diversify energy flows coming to the EU single market. As mentioned before, energy and environment policy areas are integrated within already existing policy frameworks ENP and Central Asia Strategy, but the focus on the Caspian Sea as a region is lacking.

A more balanced EU approach to the Caspian Sea region in the field of energy and environment could be achieved through the implementation of the following policy recommendations:

i. Elaborate the EU's vision on the Caspian Sea region and further translate it through already established bilateral relations with littoral states, strategic partnerships, and inter-governmental forums.
ii. More actively support international efforts aimed at safeguarding Caspian environment such as the implementation of the Tehran Convention and UN Environment mission.

iii. Intensify macroregional cooperation with the Caspian states based on EU previous expertise in the areas of environmental protection, marine safety, and green technologies.

iv. Support the construction of alternative pipelines such as the SGC and TCP to lower import dependency on Russia and put emphasis on energy relations with Azerbaijan, Kazakhstan, and Turkmenistan.

v. Build on the principles of the Lisbon Treaty and Energy Union to formulate an effective and comprehensive energy strategy to the Caspian region that is supported by all member states.
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References


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