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Vugar Mammadzada Mahammadali
Khayal Iskandarov Ibrahim
Arzuman Gasanov Gardashkhan

CASPIAN REGION: GEOPOLITICAL ARENA. CLASH OF INTERESTS AND ENERGY SECURITY

Introduction

Following the collapse of the USSR, fledgling independent states came into existence in the Caspian region, a new environment of international relations emerged bringing the energy factor to the fore in the domestic and foreign policies of these countries. In this environment, on the one hand, favorable conditions for national security, stable and sustainable development were created, and on the other hand, the region gradually became a global political arena.

Due to its rich hydrocarbon resources and location between Asia and Europe, Caspian basin is particularly important destination, making Azerbaijan, Kazakhstan and Turkmenistan more attractive because of their oil and gas potential. As the role and position of the Caspian region in the global energy arena grow, along with Russia and Iran, the traditional regional powers, the US declares this region a zone of national interest, while EU countries, Turkey and Israel are making serious efforts to be represented in the region.

Azerbaijan is located in a geopolitical region where the interests of different countries clash. Azerbaijan opens the way to the Caspian Sea for a number of important, non-regional countries which are in need of oil and natural gas. However, it is worth noting here that energy disputes have long been a source of international tensions and have been factors in previous wars[1].

Both the US and Russian politicians consider the Caspian basin as a major area of interest and geopolitics of their countries. Russian *political analyst* and

Vugar Mammadzada Mahammadali – War College of the Armed Forces, Republic of Azerbaijan, ORCID: https://orcid.org/0000-0002-5381-0387
Khayal Iskandarov Ibrahim – War College of the Armed Forces, Republic of Azerbaijan, ORCID: https://orcid.org/0000-0001-8975-6530, e-mail: xayal1333@gmail.com
Arzuman Gasanov Gardashkhan – War College of the Armed Forces, Republic of Azerbaijan, ORCID: https://orcid.org/0000-0002-3642-1689

[1] *The energy security challenge in Central and Eastern Europe*, report by Ausrine Armonaite (Lithuania) Rapporteur, 175 ESCTD 18 E rev.1 fin, 17 November 2018, https://bit.ly/2XSpSS8.

strategist Alexander Dugin views the Caspian basin and the South Caucasus as a region where the interests of the United States and Russia have always been clashing throughout years. According to him, "the geopolitical characteristics and coordinates of the region require the constant confrontation of Russia's geopolitical, geo-economic and military geostrategic interests with of the US and NATO"[2]. In particular, he considers the control of Caspian oil production and export routes to the West the main goal of the struggle between these two geopolitical parties. He believes that if the US takes the control of these routes, then its global hegemony will be ensured[3].

According to Brzezinski, "Despite its limited size and small population, Azerbaijan, with its vast energy resources, is also geopolitically important and is a cork of the glass bottle containing the resources of the Caspian Sea basin, as well as Central Asia"[4].

Having gained an opportunity to intervene in the Caspian basin after the end of the Cold War, the US government began to consider the Caspian basin as an alternative source of energy to the Arabian Peninsula. For this reason, the US seeks to politically and economically disconnect post-Soviet states from Russia[5] and wants to create an alternative fuel and transportation system in the Caspian basin to enhance the maneuverability and sustainability of the global energy system.

Thus, diversification and assurance of energy supply are key to energy security for Europe and North America alike. However it poses a particular challenge for Eastern and Central Europe, which has long relied heavily on Russian gas and oil, leaving the region vulnerable to Russian suasion[6]. Thus the realization of the projects slated to bring energy from the Caspian basin to Europe remains a priority.

Various researchers touched upon different aspects of this topic. Ilham Aliyev[7], Inessa Baban[8] and Ali Hasanov[9] addressed the issues regarding Azerbaijan's hydrocarbon resources and policy of energy security. Aleksei Baliev[10], Bradley

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[2] A. Hasanov, *Xəzər-Qara Dəniz Hövzəsi və Cənubi Qafqazın Geoiqtisadiyyatı: Azərbaycanın Enerji Siyasəti* (Bakı, "Zərdabi. LTD" MMC, 2016).

[3] Ibidem.

[4] V. Mammadzada, K. Iskandarov, *Azərbaycanın enerji siyasəti və transregional layihələrinin təhlükəsizliyi*, "Milli Təhlükəsizlik və Hərbi Elmlər" 2019, No 3(5), pp. 66–73.

[5] T.L. Thomas, *Russian National Interests and the Caspian Sea*, Foreign Military Studies Office, Fort Leavenworth, KS. This article was previously published in *Perceptions* Volume IV, Number 4 (December 1999–February 2000), pp. 75–96, https://bit.ly/349CJBK.

[6] *The energy security challenge in Central and Eastern Europe*… .

[7] I. Aliyev, *Caspian oil of Azerbaijan (Каспийская нефть Азербайджана)* (Москва: Известия, 2003).

[8] I. Baban, *Azərbaycanın Avratlantik enerji təhlükəsizliyində yeri və rolu. Azərbaycan. Geosiyasi dayaq nöqtəsi*, "Azerbaijan Focus" 2010, No 3, pp. 149–160.

[9] A. Hasanov, *Xəzər-Qara Dəniz Hövzəsi və Cənubi Qafqazın Geoiqtisadiyyatı: Azərbaycanın Enerji Siyasəti*… .

[10] A. Baliev, *The Kizlars: Oil and Terror. Transit of Azerbaijani oil to Russia in the North Caucasus*, (*Кизляр: нефть и террор. Транзит азербайджанской нефти в Россию через Северный Кавказ под угрозой*), 14.04.2010, https://bit.ly/2QIydWI.

O'Neil and et al.[11], Gennady Chufrin[12], Vugar Mammadzada and Khayal Iskandarov[13] studied the security of transregional energy projects, as well as the security of the Caspian Sea Region as a whole. Pasquale Demicco[14], Adam Stulberg[15], Aigerim Ibrayeva and et al.[16] highlighted the Russian energy manipulation and importance of Caspian basin as an alternative to diversify the energy sources. We will primarily focus on the transnational energy projects, where the Caspian basin is involved and the security of energy routes, which are designed to diversify hydrocarbon sources. Research methods, as hystorical/ comparative analysis and synthesis have been widely used in the paper.

Contract of the Century

In the global world, energy policy is no longer considered merely as an economic phenomenon. In this case, the specific weight of the political components is more pronounced. Energy resources make Azerbaijan an important actor in international relations.

Having regained its independence, the Republic of Azerbaijan began to forge relations with western oil companies to ensure its energy security and to become an important player in the global energy market. On February 23–25, 1994, in London, the President of the Republic of Azerbaijan, Heydar Aliyev was pledged a serious diplomatic support against the pressure coming from Russia and Iran for the implementation of an international oil contract and British Petroleum (BP) was designated an operator of this project with a 31% stake[17]. However, the realization of this agreement was not smoothly achieved. Russia and Iran were exerting pressure on Azerbaijan and its partners, implying that the legal status of the Caspian Sea had not been determined yet. On April 27, 1994, with the purpose of preventing the fulfillment of the "Contract of the Century" the Russian Foreign Ministry sent an official note to British Foreign Ministry which stated that the status of the Caspian Sea was not determined and even though the agreement was signed, it would not be considered a legal document. Boris Yeltsin signed a confidential directive (№396) on the national interests of

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[11] B. O'Neil and et al., *National Security & Caspian Basin Hydrocarbons*, International Association for Energy Economics, Second Quarter (2011), pp. 9–15.

[12] G. Chufrin, *The Security of the Caspian Sea Region* (Oxford University Press, 2001).

[13] V. Mammadzada, K. Iskandarov, *Azərbaycanın enerji siyasəti və transregional layihələrinin təhlükəsizliyi…*

[14] P. Demicco, *A cold winter to come? The EU seeks alternatives to Russian gas*, October 2014, Policy Department, Directorate-General for External Policies, https://bit.ly/2rhecvQ.

[15] A. Stulberg, *Well-Oiled Diplomacy. Strategic Manipulation and Russia's Energy Statecraft in Eurasia* (SUNY Press, January 3, 2008).

[16] A. Ibrayeva and et al., *Importance of the Caspian Countries for the European Union Energy Security*, "International Journal of Energy Economics and Policy" 2018, No 8(3), pp. 150–59.

[17] S. Chernyavsky, *Ten years of the history of Azerbaijan: 2003–2013* (*Десять лет истории Азербайджана: 2003–2013 годы*) (Москва: Флинта, 2013), p. 55.

Russia in the Caspian Sea on July 21, 1994[18]. A similar (official note) threat was sent by the Russian Foreign Ministry to Azerbaijan on September 12, 1994[19]. In order to soften Moscow's tough position Azerbaijan gave a 10% stake to LUKoil, Russia's largest oil corporation and encouraged its participation in the "Contract of the Century". Thus, in 1994 the Contract of Century was signed in Baku with the participation of 11 major foreign oil companies (BP, Amoco, Unocal, LUKoil, Statoil, Exxon, TPAO, Pennzoil, McDermott; Ramco; Delta Nimir) representing six countries (UK, USA, Russia, Norway, Turkey and Saudi Arabia) and Western states gained an opportunity to participate in the oil and gas production of the Azerbaijani sector of the Caspian Sea[20]. However, Russia's state interests in the region remained unchanged, and LUKoil abandoned the project in 2003 by selling its stake to Japan's IPEX. Even after the signing of the "Contract of the Century", the pressure of Moscow on Baku was not relieved. In 1995–1996, Russia also did not allow the vessels floating under the Azerbaijani flag to use the Volga-Don canal[21].

Russian ambitions and Northern route

The routes through which Azerbaijan's oil and gas reserves are exported have emerged as a political issue from the very beginning of the country's independence. The determination of the direction of the strategic, geopolitical export routes has become an important part of the struggle for dominance between Russia and the West. The Russian Federation controls the north-western shore of the Caspian Sea and only a negligible part of its extensive energy reserves appear to be located in the Caspian Basin. Therefore, the Russian Federation has adopted a strategy of involvement in the energy business of the other, by means of joint resource development (production revenues) and granting access to the Russian oil and gas pipeline system (transport revenues)[22]. Russia, one of the main players of this struggle, was trying to ensure the export of the oil and gas reserves of the Caspian Sea to the world markets only through its Northern route. Russia's main goal is to maintain its leading position in the global energy market and the traditional mechanisms of influence on the Caspian basin's energy resources. The geostrategic interests of Russia in the Caspian region chime with of Iran's. Iran threatens Azerbaijan as the key geo-economic partner of the West in the region to undermine their transnational geo-economic and energy interests

[18] I. Aliyev, *Caspian oil of Azerbaijan*, p. 73.

[19] Ibidem, p. 309.

[20] *The Contract of the Century – a national strategy for success,* 18 September 2019, https://on.bp.com/2OC6bd2.

[21] T.L. Thomas, *Russian National Interests and the Caspian Sea…* .

[22] A. Ibrayeva and et al., *Importance of the Caspian Countries for the European Union Energy Security…* .

in the Caspian Basin and the South Caucasus[23]. While Iran positions itself to circumvent sanctions and Caspian Sea boundary disputes, Russia's strategy and influence is well established. Russia's objective regarding Caspian hydrocarbons appears focused on commercial control and limiting competition. Russia has significant inroads to the Caspian with its common history to the former Soviet countries and existing infrastructure[24].

On January 18, 1996, an agreement was signed in Moscow between the Republic of Azerbaijan and the Russian Federation on the transit of Azerbaijani oil through the Russian territory. The 1535 kilometers long Baku-Novorossiysk pipeline, with a total annual capacity of 18 million tons which was put into operation in 1997 was intended to transport Azerbaijani oil through the territory of Russia to the Black Sea port of Novorossiysk. The Baku-Novorossiysk pipeline has important political implications for Russia, which seeks to strengthen its position in the region, but there were a number of serious obstacles to its transformation into a major export route. First of all, it should be noted that the production capacity of the Baku-Novorossiysk pipeline is lower compared to the annual oil production in Azerbaijan. On the other hand, the crossing of the pipeline through the North Caucasus (Dagestan and Chechnya), where the situation is unstable, is a risk factor for its safety and uninterrupted operation[25]. Thus, during the Russian-Chechen war in the 1990s, more than 100 times oil thefts were recorded from the Baku-Novorossiysk pipeline. In Chechnya, stolen oil was shipped to covert refineries, and cheap gasoline was a source of constant income for the rebels to continue their military operations[26]. Taking the threat of terrorism into account, in 2000 Russia shifted the route of the Baku-Novorossiysk pipeline to the Kizlyar district of Dagestan bypassing the territory of Chechnya[27]. However, Chechen rebels attacked the Kizlyar district of Dagestan and attempted to seize the territory where the pipeline was passing through. Between 2001 and 2009, the Baku-Novorossiysk pipeline was raided more than 90 times[28]. Baku's decreasing interest in this route was also due to the economic factors. Thus, the export of Azerbaijani oil via the Baku-Novorossiysk route cost more than the export via Georgia. In addition, high quality Azerbaijani oil, exported under the Azeri Light and Brent brands, is mixed with Siberian and Kazakh oil containing high sulfur content in Novorossiysk and is sold under the cheaper Urals brand. The limited capacity of the Turkish Black Sea straits is also one of the factors that adversely affects the security of the Northern route.

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[23] A. Hasanov, *Azərbaycan Respublikasının Milli İnkişaf və Təhlükəsizlik Siyasətinin Əsasları* (Bakı: "Zərdabi LTD", 2016), p. 394.

[24] B. O'Neil and et al., *National Security & Caspian Basin Hydrocarbons…* .

[25] A. Stulberg, *Well-Oiled Diplomacy. Strategic Manipulation and Russia's Energy Statecraft in Eurasia*, p. 147.

[26] *Protecting Critical Energy Infrastructure from Terrorist Attacks*, CTN Newsletter Special Bulletin (January, 2020), p. 26, https://bit.ly/34oWrcy.

[27] R. Kandiyoti, *Pipelines: Flowing Oil and Crude Politics* (I.B. Tauris; Reprint edition, June 15, 2012).

[28] *How the USA Fought for Caspian Oil and Gas in Chechnya* (*Как США воевали за нефть и газ Каспия в Чечне*), Ср, 12 Сентябрь 2018, https://bit.ly/2QLnriz.

US' Caspian strategy and Western route

In 1998, President Clinton entrusted his administration to formulate US energy strategy in the Caucasus and the Caspian region. The US, European countries and Turkey were interested in exporting oil and natural gas produced in Azerbaijan through the Western route, minimizing dependence on Russia by obtaining the required energy resources from alternative sources.

The US and Great Britain were thinking of diversifying energy routes originating from the Caspian Sea in order to increase maneuverability and sustainability of the global energy system. The security had to be the main factor in the projected alternative pipelines, and would have to bypass Russia and Iran. Determining the optimal route to the West was one of the key issues. Although the shortest of these routes was the territory of Armenia, it was unrealistic to construct the pipelines through its territory, since it occupied 20% of Azerbaijan. Then the only route was the Georgian territory, since the Western countries excluded the use of Iran as a corridor[29].

The Baku-Supsa oil pipeline, launched in 1999, was the first oil route of Azerbaijan to the West passing through Georgia. The Baku-Supsa pipeline was constructed with the support of Azerbaijan International Operating Company (AIOC), which includes 11 oil companies from the United States, Great Britain, Japan, Norway, Russia, Turkey and Saudi Arabia. Initially, the pipeline's capacity of 115,000 barrels per day was subsequently increased to 220,000 barrels. It was not enough to export oil resources of Azerbaijan. However, the construction of this pipeline, one of the alternative routes for the export of hydrocarbon resources of the Caspian Sea, was an important step towards ensuring energy security of Azerbaijan and Georgia on the one hand and weakening Russia's position in the Caspian Sea. October 29, 1998, the presidents of Azerbaijan (Heydar Aliyev), Georgia (Eduard Shevardnadze), Turkey (Suleyman Demirel), Kazakhstan (Nursultan Nazarbayev) and Uzbekistan (Islam Karimov) signed the declaration of the construction of the Baku Tbilisi Ceyhan (BTC) pipeline in Ankara with the participation of then US Secretary of Energy Bill Richardson.

By the time the BTC pipeline project came to light, it was clear that the main threat to these pipelines would be regional separatism. When the BTC pipeline project was announced, the separatist tendencies among the unified Armenian population in Georgian Javaxeti territory were intensified relying on the Russian military base stationed in Akhalkalaki, as it was in Abkhazia and South Ossetia. However, it was not possible to create a new separatist center on the Georgian Javaxeti territory. Despite all the obstacles, the BTC pipeline, which was launched in April 2003, began delivering the first oil in 2006. The Russian military base was evacuated from the Akhalkalaki territory of Georgia in the same year when BTC was brought into operation, although the withdrawal of the Russian military base from Akhalkalaki was opposed by the local Armenian

[29] J. Nichol, *Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S.Interests*, Congressional Research Service, April 2, 2014, https://bit.ly/2OAAiRV.

population. The length of the BTC pipeline is 1,767 km (443 km in Azerbaijan, 248 km in Georgia, 1076 km in Turkey), with an export capacity of 50,000,000 tons of oil and construction cost of $ 4 billion[30].

Following the realization of the BTC, main export pipeline, Azerbaijan's new Southern Gas Corridor (SGC) project was generated. The Trans-Anatolian Pipeline (TANAP) and its follow-up Trans-Adriatic Pipeline (TAP) are one of the main parts of the SGC, transporting the natural gas from the Shah Deniz-2 to the West. These pipelines enable the export of natural gas from the Middle East to Europe, along with the Caspian basin. Seven countries are involved in the implementation of the SGC: Azerbaijan, Georgia, Turkey, Bulgaria, Greece, Albania and Italy. In the future, the three Balkan countries may also join the SGC. The SGC is one of the priority projects for the EU and 10 billion cubic meters of Azerbaijani gas is estimated to be transported from the Caspian region to the West through Georgia and Turkey. The first gas through the Southern Gas Corridor was delivered to Turkey on June 12, 2018 and to Greece on June 15, 2019. Turkey and Azerbaijan formally marked the completion of TANAP on November 30, a milestone in a major project to help reduce Europe's dependence on Russian gas. TANAP crosses the breadth of Turkey, east to west, and could transport up to 16 billion cubic meters (bcm) of Azeri gas a year. Europe is allocated 10 bcm, with 6 bcm earmarked for the Turkish market. Capacity could be increased to 31 bcm with additional investment[31].

It is planned to reach Italy by 2020, passing through Albania. Azerbaijan's transformation into a driving force in the implementation of global projects and in the international economic and political processes is accompanied by the strengthening of official Baku's position[32].

Russian analysts view these projects in Azerbaijan as an attempt to create a new "anti-Moscow energy bloc on the Russian border"[33]. However, the experts in Azerbaijan underscore: "Our energy policy is multi-faceted. We are neither pro-Russian nor pro American-European, we have a policy that is in line with our national interests and needs to diversify our energy. Our energy policy is multi-faceted. We are neither pro-Russian nor American-European. We pursue a policy that meets our national interests and diversify our energy routes"[34]. Russia's concern is not economic, but rather geopolitical and strategic. Russia is concerned that Azerbaijan's cooperation with the West will not only create a basis for economic modernization and soft political integration with the Western community, but also brings Azerbaijan closer to NATO.

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[30] A. Hasanov, *Azərbaycan Respublikasının Milli İnkişaf və Təhlükəsizlik Siyasətinin Əsasları…* .

[31] "Turkey and Azerbaijan mark completion of TANAP pipeline to take gas to Europe", November 30, 2019, https://reut.rs/361NIOf.

[32] "Нефтепровод Баку-Тбилиси-Джейхан проект стабильности для южного Кавказа", 12.09.19, https://bit.ly/2QIBwgU.

[33] P. Demicco, *A cold winter to come? The EU seeks alternatives to Russian gas…* .

[34] I. Baban, *Azərbaycanın Avratlantik enerji təhlükəsizliyində yeri və rolu. Azərbaycan. Geosiyasi dayaq nöqtəsi…* .

The realization of the BTC main export pipeline or the South Caucasus Pipeline has been an important economic and political event, which has radically changed the geopolitical situation in the Caspian and Black Sea region and in addition ensured its security. Undoubtedly, the political importance of these pipelines is far greater than their economic importance. The project ended Russia's monopoly on oil and gas exports in the Caspian and Black Sea region, and created favorable conditions for Azerbaijan and Georgia to withdraw from the political influence of Moscow and strengthen their independence.

Kazakhstan and Turkmenistan, which have rich hydrocarbon resources, also contribute to the development of oil and gas pipelines stretching westward, creating conditions for a broad economic and security area that encompasses the Caspian Sea region and Central Asia.

Despite all Russia's efforts to keep a grip on the export of the energy resources in the Caspian basin, Moscow failed to protect its geo-economic and geopolitical interests in its struggle against the West. Despite all Russia's resistance, most of the hydrocarbon resources produced in Azerbaijan are exported to the world markets through the Baku-Tbilisi-Ceyhan oil, Baku-Tbilisi-Erzurum and TANAP gas pipelines. Currently, most of Kazakhstan's oil is shipped to Europe via the Tengiz-Novorosiysk pipeline, but Astana is looking for options to diversify its export routes. Due to the lack of consensus on the price, Russia ceased importing natural gas from Turkmenistan in 2016, and as a result, the importance of the Chinese market has grown significantly. Ukraine's search for alternative sources and routes outside Russia to ensure its own energy security also has a negative impact on the latter's position in the energy market as a transit country.

These processes necessitate creating the alliance of Azerbaijan, Georgia and Turkey located in the Russia-Armenia-Iran triangle. Today, regional projects such as Baku-Tbilisi-Ceyhan, Baku-Tbilisi-Erzurum, TANAP, TAP, Trans-Caspian and Baku-Tbilisi-Kars have become one of the main economic, political and geopolitical factors that strengthen this strategic alliance. The lack of sufficient natural resources in Georgia and Turkey further increased the geostrategic importance of Azerbaijan in the region[35].

Status of the Caspian Sea

One of the main problems in the Caspian Basin in the production and export of energy resources was the failure to determine the status of the sea in accordance with international conventions. It goes without saying, Caspian Sea territorial disputes among all five littoral nations (Azerbaijan, Kazakhstan, Turkmenistan, Russia and Iran) inhibit directly or indirectly the development efforts. Before 1991, the USSR and Iran divided the Caspian Sea in accordance with governing agreements focusing on fishing rights and blocking foreign-military presence.

[35] V. Mammadzada, K. Iskandarov, *Azərbaycanın enerji siyasəti və transregional layihələrinin təhlükəsizliyi…* .

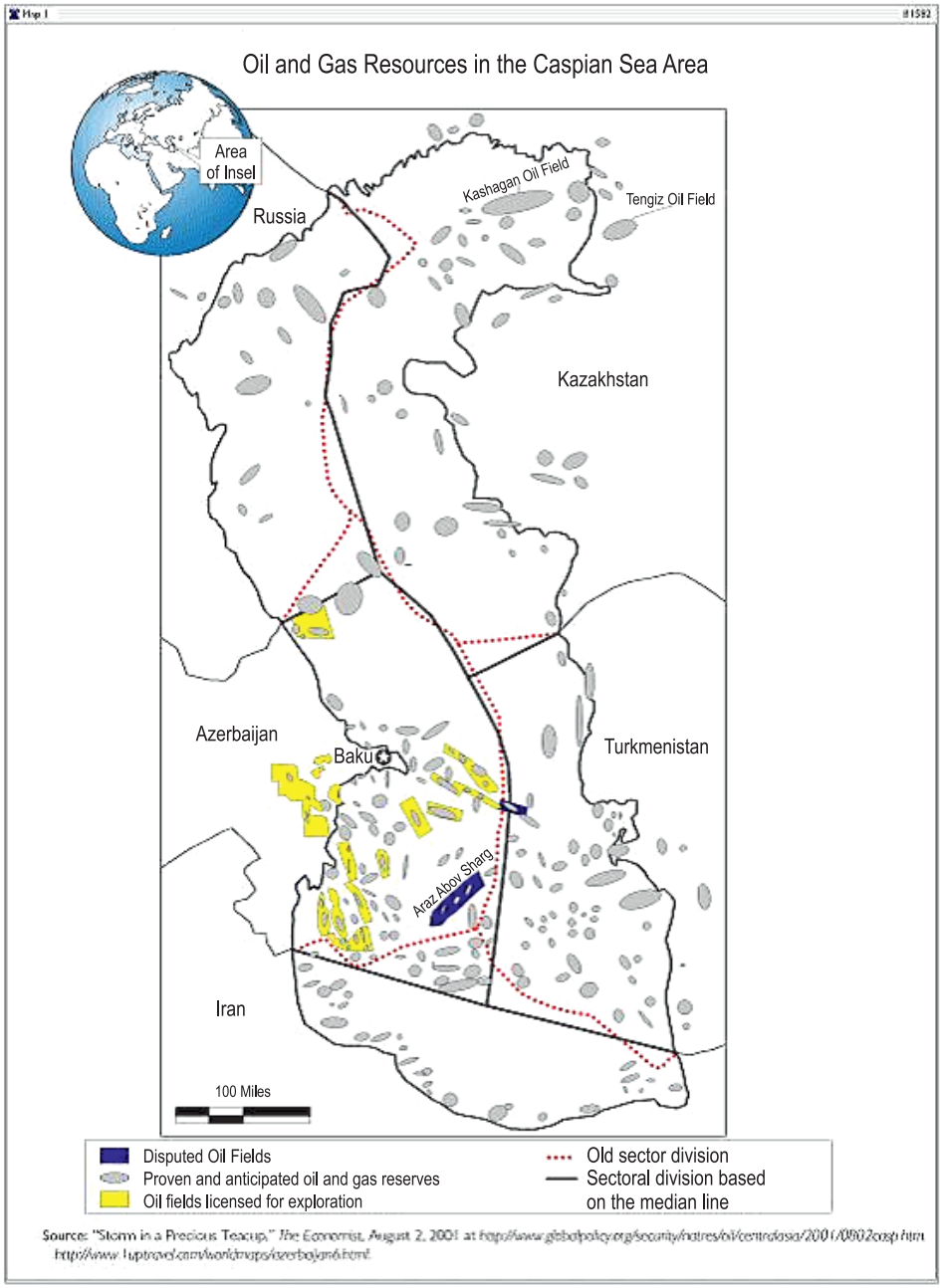

Figure 1. Division based on a median line

Immediately following the USSR's collapse, Russia focused inward for survival, while Kazakhstan and Azerbaijan focused outward insisting the Caspian Sea be divided based on a median line (Figure 1) where each state maintains a region proportional to its coastline length (Kazakhstan 29%, Azerbaijan 20%, Russia 16%, Turkmenistan 21%, and Iran 14%). In contrast, in an attempt to capture more territory, Iran asserts any division should give each state an equal fifth (20%) of the Caspian (Figure 2)[36].

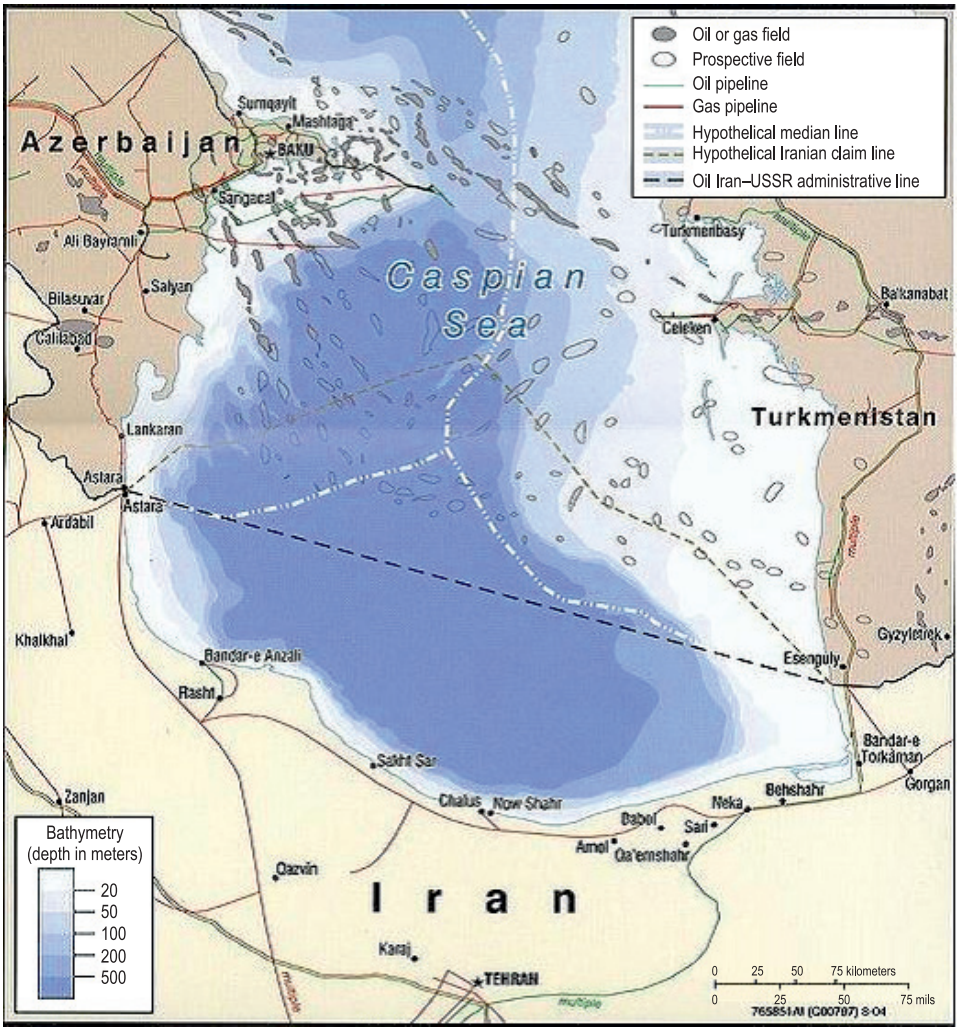

Figure 2. Iran's proposal for division

[36] B. O'Neil, Robert C. Hawkins, C.L. Zilhaver, *National Security & Caspian Basin Hydrocarbons*, *International Association for Energy Economics*… .

After a long dispute (27 years) between the parties, the Convention on the Legal Status of the Caspian Sea was signed on August 12, 2018 at the Fifth Caspian Summit in Aktau, Kazakhstan with the participation of the presidents of Russia, Kazakhstan, Azerbaijan, Iran and Turkmenistan[37]. The reason why Russia and Iran compromised on the status of the Caspian Sea was one of the main provisions of this Convention, which dictates a ban on the deployment of non-coastal armed forces in the Caspian Sea.

The separation principles of the national sector, as enshrined in the convention determine that the implementation of any offshore projects relates exclusively to the neighboring countries. Similarly, only these countries determine the routes of pipelines and cables from their sectors. Thus, Russia will not prevent the implementation of the Trans-Caspian Gas Pipeline (TCGP) project, which passes through the Azerbaijani and Turkmen sectors under this convention (Figure 3).

Figure 3. Proposed Trans-Caspian Pipeline Route from Turkmenistan to Azerbaijan
Source: R. Stokes, *Why upcoming convention will not solve Trans-Caspian Pipeline problem*, May 22, 2018, https://bit.ly/2D4NkC2.

This convention also envisages the construction of pipelines along the bottom of the Caspian Sea, and coastal countries can do this bilaterally in their sectors. At the same time, Moscow's willingness to compromise on the construction of the TCGP is related with the changes in the European gas market. If Moscow previously feared that Caspian gas would compete with Gazprom, now thinks Turkmenistan's supplies will compete with American liquefied gas. The gas pipeline from Turkmenistan to Azerbaijan was to be built by crossing the bottom of the Caspian Sea in 1998. But then Russia and Iran blocked the project, raising environmental concerns in the Caspian Sea. They argued that all five coastal countries should have a consensus about the Caspian pipeline. Whereas Russia, without such agreement created joint ventures with Kazakhstan on various projects. Kazakhstan controls one of the largest oil reserves in the world. The only current option for transporting Kazak oil to the west coast of the Caspian is via

[37] I. Baban, *Azərbaycanın Avratlantik enerji təhlükəsizliyində yeri və rolu. Azərbaycan. Geosiyasi dayaq nöqtəsi…* .

surface vessels which don't have the capacity to make them a viable alternative to Russian oil pipelines. The requirement for oil and gas pipelines beneath the Caspian Sea will become readily apparent in the future as the full potential of Kazak oil supplies are realized. Estimates are, "…within 20 years Kazakhstan could potentially become the largest oil producing nation outside of the Middle East." This creates a continuous link from Central Asia to the southern coast of Turkey and opens up one of the largest known oil reserves to Western markets unfettered by Russia and Iran[38]. Apart from it, the TCGP will pay dividends to the transit countries (Azerbaijan, Georgia, and Turkey) and the exporter (Turkmenistan). Azerbaijan, Georgia, and Turkey will enjoy positive returns along with an increasingly diversified energy portfolio of supplies which will enable the countries to attain greater economic independence. Turkmenistan will enjoy a positive net present value of $80 million per year due to reduced transport expenses. The influx of revenue will increase stability in a region that has been fraught with economic and political uncertainty since the fall of the USSR[39]. Obviously, for Russia and Iran, the struggle for natural resources in the Caspian Sea is now in the second place, and security issues are of utmost importance to them.

Security of the transit routes

The future of all countries depends on important energy infrastructure. Russia's reaction to the political events in Ukraine in 2014, and in particular its accession to the Crimea, military involvement in the separatist movements in eastern Ukraine and the catastrophe of the Malaysian airline MH17 caused a great comment on the European dependence on the Russian energy sector in general and, in particular, on the natural gas. The price dispute, which led to the cessation of Russia's supply to Ukraine in June 2014 and the possibility of interruptions with gas supplies to Europe, has led to resumption of appeals for the diversification of European gas supplies and the reduction of Russian imports.[40] Although, the Caspian region produces only 2% of today's world oil production, the U.S. Department of Energy (DoE) and Energy Information Administration (EIA) estimate Caspian oil is nearly 15% of total world reserves. Likewise, natural gas production is only three percent of world output, but International Association for Energy Economics these same sources estimate the actual level closer to six percent[41]. These facts prove that the Caspian hydrocarbons are absolutely critical for global energy security. There are

[38] B. O'Neil, Robert C. Hawkins, C.L. Zilhaver, *National Security & Caspian Basin Hydrocarbons*, *International Association for Energy Economics*… .

[39] Ibidem.

[40] A. Ibrayeva and et al., *Importance of the Caspian Countries for the European Union Energy Security*… .

[41] B. O'Neil, Robert C. Hawkins, C.L. Zilhaver, *National Security & Caspian Basin Hydrocarbons*, *International Association for Energy Economics*… .

essentially three ways to move energy overland from the Caspian basin to Europe: through Russia, through Iran and through Azerbaijan. Given the unique strategic challenges posed by Iran and Russia[42], the importance of Azerbaijan's pipelines running through Georgia and Turkey has been increasing in European energy security. Completion of the Southern Gas Corridor (SGC) now seems likely and represents an interesting contrast to previously failed efforts to strengthen regional energy links, like the Nabucco project. That said, the SGC does confront public resistance in southern Italy, which will host the terminus for the TAP. The SGC includes the Shah Deniz 2 gas field in Azerbaijan, the South Caucasus Pipeline extension (Azerbaijan-Georgia), the Trans-Anatolian Pipeline through Turkey (TANAP) and the TAP. This broad project is seen as a far better option than the now-cancelled South Stream pipeline that would have moved Russian gas under the Black Sea to Bulgaria. That particular project was cancelled, as it was incompatible with EU competition regulations – a standard that should be applied to Nord Stream 2[43]. But are Azerbaijan's oil and gas pipelines secure? The pipelines (including planned projects) that deliver oil and gas from the Caspian to Europe are both highly valuable and vulnerable. Russia has a clear interest in discouraging the movement of Azerbaijani energy to Europe and it seems very willing to exercise both diplomatic and military leverage in the South Caucasus to further this ambition[44].

Oil and gas resources in the Caspian region are extracted not only from the land but also from the Sea (Figure 4).

The protection of pipelines in the Sea is a more complex process than their protection on the ground. Offshore products in Azerbaijan are delivered to Sangachal Terminal with two submarine pipelines, each 100 km long. The storage, technical processing and distribution of crude oil are implemented there. The absence of submarines in the Azerbaijani fleet unlike some Caspian countries (Russia and Iran) complicates the protection of the pipelines transported through the bottom of the Caspian Sea to Sangachal Terminal. Underwater facilities are monitored and designated by hydroacoustic stations installed on vessels of Azerbaijan Caspian Sea Fleet. The provision of the security has become more challenging since the cyber war techniques rose. Threats to the energy infrastructure are diverse and can emanate not only from state actors, but also from sub-state actors.

In 2019, Azerbaijan signed a contract of $10,082812 with VSE Corporation of the US *Naval* Sea *Systems Command* (NAVSEA) to improve the security in the Caspian Sea. According to the agreement, VSE should deliver antiterrorist and counter-intelligence equipment to Azerbaijan, as well as provide training within the country to support Azerbaijan's maritime security program in the Caspian Sea[45].

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[42] *The energy security challenge in Central and Eastern Europe…* .

[43] Ibidem.

[44] Ibidem.

[45] *Heads of State of Caspian littoral states signed Convention on legal status of Caspian Sea in Aktau*, 12 August 2018, https://bit.ly/2rkzwRm.

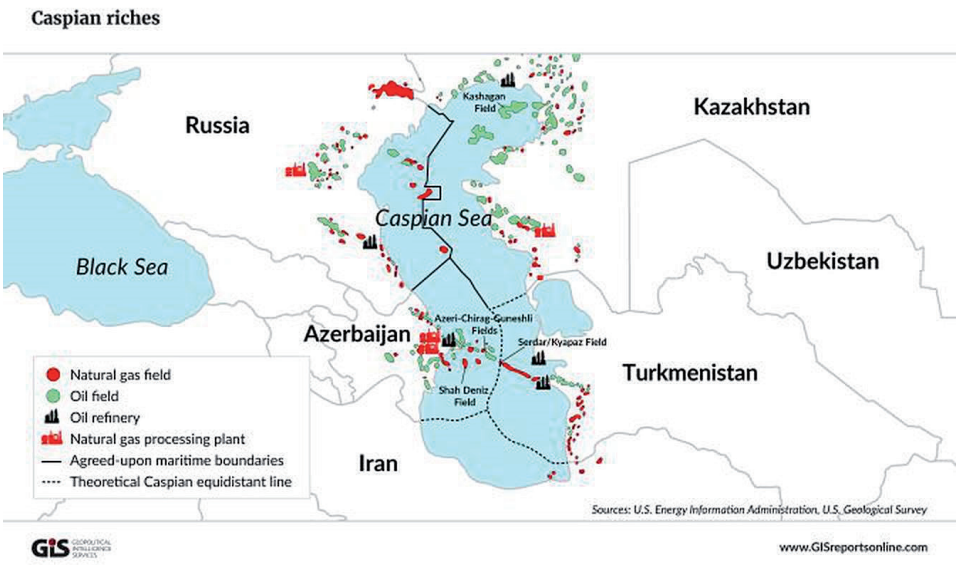

Figure 4. Caspian Sea region oil and natural gas infrastructure
Source: *Caspian oil and gas in a world of plenty*, Geopolitical Intelligence Services, https://bit.ly/2XQ0lZI.

Since Russia perceives the trans-regional oil and gas pipelines stretching from Azerbaijan to the West as a geo-economic rivalry, then the regional competition is an increased risk. Apart from it, the western route of Azerbaijan's trans-regional pipelines BTC, BTE, Baku-Supsa, Trans-Caspian, TANAP and TAP pass through one of the most sensitive and risky regions in the world. The absence of Azerbaijan's access to the world ocean makes it necessary to use Georgia as a geo-economic corridor. However, conflicts, such as Armenia-Azerbaijan, Georgia-Abkhazia, Georgia-South Ossetia are still present in the region, and there is a confrontation between Turkey and Kurdish separatists (PKK) in the east of the country. Considering these risks, the pipelines are built underground. Even though the construction of underground pipelines is financially costly, it protects the pipelines from a number of physical hazards. However, these measures are also not sufficient to ensure the safety of the pipelines[46].

Armenia has caused a serious damage to Azerbaijan's critical infrastructure by occupying 20% of its territory. This situation made it necessary to identify a list of strategic assets susceptible to enemy attack (to provide better protection) and to take adequate (preventive and distracting) steps. Complete destruction of the existing infrastructure in the occupied territories, Armenia's full control over the Sarsang reservoir, as well as the *Mingachevir* Thermal *Power Plant*

[46] G. Chufrin, *The Security of the Caspian Sea Region*… .

and enemy's attempts to target to oil and gas pipelines and other critical infrastructure should be analyzed and evaluated[47]. Official statistics show that the energy sector is a top priority amongst the threats to critical infrastructures. Armenia threatens to blow up oil and gas pipelines implemented by Azerbaijan in case the war is escalated. For this purpose, Armenia has also gained the Iskander missile system. This is a major threat not only to the countries in the region, but also to a number of countries (US, EU and Israel) that desperately need the hydrocarbon resources of Caspian basin. Even though Armenia's attack on Azerbaijan's pipelines is a serious blow to Yerevan's position on an international level, it is the most effective way to inflict economic damage on Azerbaijan. In October 2007, Vice Speaker of the Armenian Parliament Vahan Hovanisyan said that "if Azerbaijan attacks, its oil potential will be destroyed first". BTC passes 15 km from the contact line. However, for Armenians, pumping stations along the pipeline are much easier targets. It should be noted that there are two pumping stations in Azerbaijan and Georgia, four in Turkey and two pressure regulating stations.[48] Two of these stations in Azerbaijan could be hit. The scariest option is to blow up the Sangachal oil terminal in any way, 55 km south of Baku. For this purpose, the main goal of the Armenians is to intimidate Western oil investors and prevent investment in the country. Thus, Azerbaijan's oil and gas sector will be regarded as a risky investment[49].

In modern, highly integrated economies, attacks mounted even by small groups of terrorists can have a devastating economic, social and even political impact[50]. Energy Infrastructure (EI) is a potentially attractive target for terrorist organizations. Terrorist organizations can inflict huge damage on the opposite side by launching attacks on the EI, spending small amounts with small groups. For example, the attack on the oil pipeline by terrorists in Southeast Iraq cost $ 2,000, while the damage to the state was more than $ 500,000,000. We have to understand that it is impossible to provide a complete and ideal protection of thousands of kilometers of pipelines[51]. Although the terrorist attacks on EI are not accompanied by significant human losses, there is a high risk that top-down devastating domino effect might affect energy-dependent state.

This is a list of the oil sector's objects susceptible to terrorist attacks.
– Oil wells and platforms;
– ships and tankers (oil-transporting);
– pipelines;
– refineries[52].

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[47] *Energy Security and the PKK Threat to the Baku-Tbilisi-Ceyhan Pipeline*, "Terrorism Monitor" 2008, vol. 6, issue 18, https://bit.ly/2XSewNY.

[48] T. Allahyarova, *„Kritik İnfrastruktur" və onun təhdidlərdən qorunması: Dünya təcrübəsi və Azərbaycanda tətbiqinin zəruriliyi*, "Strateji Təhlil" 2018, No 3–4 (25–26), pp. 39–64.

[49] V. Mammadzada, K. Iskandarov, *Azərbaycanın enerji siyasəti və transregional layihələrinin təhlükəsizliyi…*

[50] *The energy security challenge in Central and Eastern Europe…* .

[51] *Protecting Critical Energy Infrastructure from Terrorist Attacks*, p. 39.

[52] Ibidem, p. 46.

On November 17, 2004, a BTC pipeline transmitting station was exploded in the village of Chorchana, Georgia[53]. This terrorist act was the first attack on the BTC pipeline.

The PKK terrorist organization assumed responsibility after the blast of pump number 30 of the BTC pipeline in Erzincan, Turkey, on August 5, 2008 (Figure 5).

Figure 5. Explosion in Turkey on august 05, 2008
Source: *Baku-Tbilisi-Ceyhan was blown up Not by Kurdish Bomb But by Russian Laptop*, 18 December, 2014, https://bit.ly/2OzxxR6.

In the aftermath of this terrorist act, more than 30,000 barrels of oil were dispersed, Turkey lost $ 500,000 a day ($ 11 million for 21 days), British Petroleum (BP) $ 5 million a day ($ 105 million for 21 days), and Azerbaijan made a loss of more than $ 1 billion[54]. (Figure 6)

Several days after the BTC terrorist attack, a violent clash between Georgia and Russia over South Ossetia raises speculation about the incident.

The five-day war in Georgia in August 2008 showed that the crisis in any of the transit countries resulted in serious regional and even global risks. This, in turn, dictates the importance of countries with transit and energy sources for global energy security[55]. Although Russia did not blow up the BTC pipeline passing through Georgia in the August 2008 war, it destroyed some railroads and trains used in oil transportation. Explosion of BTC in Turkey and railroad disruptions in Georgia made it necessary to transport some of Azerbaijan's oil products through the Russian route. During the Georgian-Russian conflict,

[53] Ibidem, p. 11.
[54] *Siber savaşın miladı*, 11.12.2014, https://bit.ly/35F41jQ.
[55] *Bakü-tiflis-ceyhan Ham Petrol Boru Hattı'ndaki Patlama*, 06.08.2008, https://bit.ly/2rmqzqn.

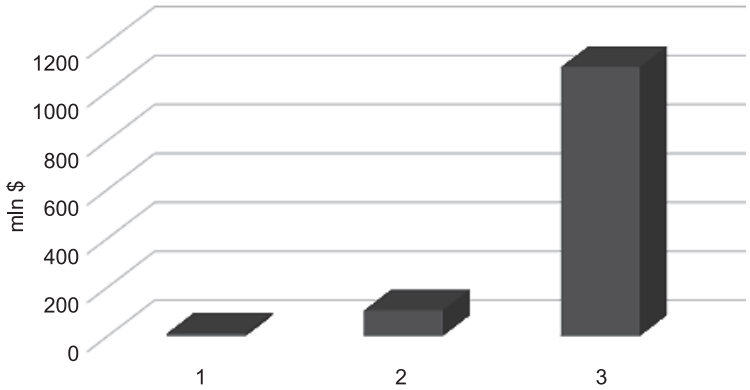

Figure 6. Export damage to Turkey (1), British Petrolium (BP) (2) and Azerbaijan
Source: A. Baliev, *The Kizlars: Oil and Terror. Transit of Azerbaijani oil to Russia in the North Caucasus*, (*Кизляр: нефть и террор. Транзит азербайджанской нефти в Россию через Северный Кавказ под угрозой*), 14.04.2010, https://bit.ly/2QIydWI.

Georgia's Prime Minister Nika Gilauri said that the purpose of the bombing of Russia's Rustavi region was to blow up the BTC pipeline. After the BTC blast in Turkey, Russian politician Alexander Dugin told the Turkish press, "BTC is a dead-end project. World and regional countries have seen that the party that can ensure the security of energy routes is not NATO but Russia"[56].

On August 12, 2008, during Russian-Georgia confrontation Baku-Supsa pipeline (at 27 km) was exploded with military tactical Iskender missiles (NATO reporting name SS-26 Stone). The Baku-Supsa pipeline was temporarily suspended[57]. The Russian-Georgia conflict proved that energy infrastructure could become a target in any conflict. It should be noted that any attacks and provocations in the territories of the transit countries (Georgia and Turkey) will definitely affect Azerbaijan.

Apart from Azerbaijan's oil and gas pipelines (BTC, BTE, Baku-Supsa, TANAP, TAP and Trans-Caspian) the Baku-Tbilisi-Kars (BTK) railway also runs through the unified Armenian population of Georgia. On July 23, 2019, on the op ening day of the BTK Railway, a section of Akhalkalaki was blocked by local Armenians and all traffic was closed as a result of it. The provocation of the Akhalkalaki Armenians once again demonstrated how dangerous this region was[58]. (Figure 7)

In addition to the provocations in Georgia PKK terrorists committed an explosion at the Baku-Tbilisi-Erzurum gas pipeline on the night of October 4, 2012, near the village of Sarkamish in the Turkish province of Kars. As a result,

[56] K. Kornely, *Challenges to the South Caucasus regional security aftermath of Russian–Georgian conflict: Hegemonic stability or new partnership*? "Journal of Eurasian Studies" 2011, vol. 2, issue 1, pp. 15–20, goo.gl/nNzMCx.

[57] *Protecting Critical Energy Infrastructure from Terrorist Attacks*, p. 11.

[58] D. Cohen, *The BTC, oil prices and a war in the Caucasus*, August 15, 2008, https://bit.ly/2XESUUU.

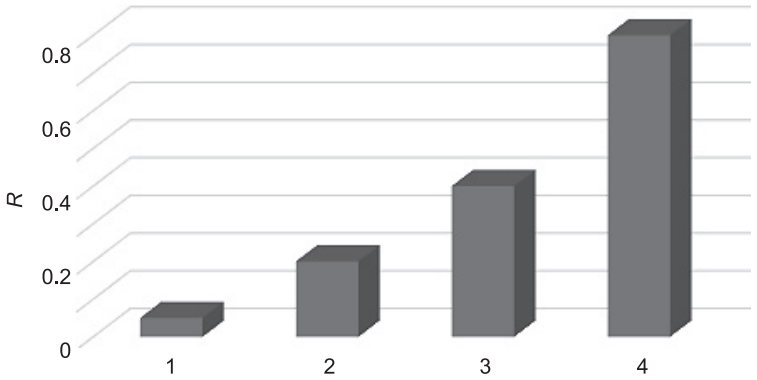

Figure 7. Expert risk assessment of BTC, BTE, Baku-Supsa, TANAP and TAP oil pipelines and BTK railway (countries): 1. Azerbaijan territory, 2. Georgia territory, 3. Akhalkalaki region, Georgia, 4. Turkey

gas export from Azerbaijan was completely stopped[59]. On August 4 and 25, 2015, the natural gas supply was halted again by the PKK terrorist attacks on the section of Sarkamish village of the BTE pipeline in Turkey,[60] but only a few days later, gas transport was restored. The BTE has 4 gas transmission stations, one in Azerbaijan and 3 in Georgia, each of which requires special protection. It should be noted that since June 2015, the ceasefire agreement between Turkey and the PKK has been violated and fierce fighting between the parties has begun. Since October 2019, Turkey has launched new attacks against the PKK extension of YPG in Syria. If Turkey fails to prevent PKK terrorist attacks on its territory, transnational oil companies, facing serious financial losses, may seek alternative routes or compromise with the PKK.

Mathematical evaluation of terrorist attacks

Having considered the data from previous years' terrorist attacks to determine whether there are any threat to the security of energy infrastructure, let us assume that **y** is a quantity that characterizes the threats and can obtain a finite number of **n_1, y_2, …, y_n.** Then it always has a finite mathematical expectation

$$\mathbf{M(y) = \sum_{i=1}^{n} y_i \cdot p_i}$$

[59] *Armenian diversion on Baku-Tbilisi-Kars highway* (*Армянская диверсия на магистрали Баку-Тбилиси-Карс*), 24.07.2019, https://bit.ly/2Da98fn.

[60] *Bakı-Tbilisi-Ərzurum qaz kəməri partladılıb*, Avqust 25, 2015, https://bit.ly/2OAGA3Z.

The dispersion of random number **y** is calculated with the following formula:

$$\mathbf{D} = \mathbf{M}\big(\mathbf{y} - \mathbf{M}(\mathbf{y})\big)^2$$

Specifically, when **y** is a discrete random number its dispersion

$$\mathbf{D} = \mathbf{M}\big(\mathbf{y} - \mathbf{M}(\mathbf{y})\big)^2 = \sum_{\mathrm{i}=1}^{\mathrm{N}} \big(\mathbf{y}_\mathrm{i} - \mathbf{M}(\mathrm{y})\big)^2 \cdot \mathbf{p}_1$$

The square root of the dispersion is called the medium square inclination. Using the aforementioned theory, let's see whether there might be an act of terrorism in the near future. Based on the reports, the numbers of terrorist attacks on the pipelines occured in previous years are shown in Table 1.

Table 1. Number of terrorist attacks on the pipelines in previous years

Years	Number of terrorist attacks
2008	2 (two)
2012	1 (one)
2015	2 (two)
2018	1 (one)

My is the mathematical expectation and **p** is its probability. As the probability of this incident is not known, we can evaluate the potential terrorist attacks by knowing how wrong **My**'s value is. *y* is a vector representing the number of terrorist acts that have occurred over the years. **σ** is a vector indicating possible deviations from these values. Thus, it is possible to estimate the possibility of future terrorist attacks. This calculation is performed in the Mathcad program:

$$\mathrm{n} = 13,\ y = (0, 0, 2, 0, 0, 0, 1, 0, 0, 2, 0, 0, 1)$$

$$Years = \begin{pmatrix} 2006, 2007, 2008, 2009, 2010, 2011, 2012, \\ 2013, 2014, 2015, 2016, 2017, 2018 \end{pmatrix}$$

$$\sigma = \begin{pmatrix} 0.0005, 0.0005, 0.00015, 0.0005, 0.0005, 0.0005, 0.0003, \\ 0.0005, 0.0005, 0.00015, 0.0005, 0.0005, 0.0003 \end{pmatrix}$$

The calculation of terrorist attacks will be implemented in the following way:

$$p_i = \frac{1/\sigma_i}{\sum_{i=1}^{n} 1/\sigma_i}, \qquad \sum_{i=0}^{n} p_\mathrm{i} = 1$$

$$My = \sum_{i=0}^{n} y_i \cdot p_i, \qquad My = 1.359517$$

$$Dy = \sum_{i=0}^{n} (y_i - My)^2 \cdot p_i, \qquad Dy = 0.71969$$

Here, $\mathbf{p_i}$ is a probability of possible terrorist attacks' $\mathbf{y_i}$ value. **y** is the number of expected terrorist attacks. **Dy** shows the deviation from **My**. From the results of My ≈ 1, it can be concluded that terrorist attacks may occur in the near future.

Conclusions

Due to its geostrategic position, Caspian region is the place where the interests of different countries clash. As the role and position of the Caspian region in the world energy system grows, it becomes a playground of geopolitical and geo-economic competition between the Western countries (US and EU), and traditional neighbours (Russia and Iran). In this struggle, Azerbaijan's position paves the way for a number of important, non-regional countries to have an access to oil and natural gas resources. European countries, dependent on Russia's energy sources, have a particular interest in the Caspian region to ensure their energy security. In the region, EU energy security is based on integration and diversification. Russia and Iran, dominating the Caspian region, try to hamper the presence of foreign actors in the region.

However, despite all Russia's and Iran's efforts to exert influence on the production and export of energy resources in the Caspian region, Moscow and Tehran have not been able to maintain their geo-economic and geopolitical interests in the struggle against the West. Despite Russia's resistance, most of the hydrocarbon resources produced in Azerbaijan are exported to the world markets through the Baku-Tbilisi-Ceyhan oil and the Baku-Tbilisi-Erzurum and TANAP gas pipelines bypassing Russia and Iran. These pipelines have not only provided significant commercial profits for the participating countries but have also strengthened their independence and facilitated the implementation of new projects. The ongoing TAP and Trans-Caspian gas pipelines will significantly increase the capacity of the Western route. Azerbaijan's Western-backed transregional projects encourage diversification of energy resources, with the expectation of freeing the Central Asian countries (Turkmenistan, Kazakhstan and Uzbekistan) from the monopoly of Russia and China. The diversification of oil and gas pipelines by Azerbaijan does not only serve the country's energy security, but also has a positive impact on the efficient and purposeful organization of transnational energy exports. At present, Azerbaijani oil is supplied to the Mediterranean and world markets through Baku-Tbilisi-Ceyhan and to the Black Sea ports and European markets through Baku-Supsa and Baku-Novorossiysk pipelines. The next project envisages the extension of the Baku-Supsa line through the Odessa-Brody-Plock-Gdansk route to Eastern Europe, which in the near future will create a giant energy network.

However, the route of pipelines, which is the basis of a new energy network for the European countries, runs through the world's one of the most dangerous regions. The Armenian population living in Armenia, Javakhetia and Akhalkalaki regions of Georgia, and the PKK terrorist organization, which is active in Turkey are considered the real threats, while Russia and Iran are geopolitical competitors. The sovereignty and territorial integrity of the energy producing and transit countries such as Azerbaijan, which provide the energy security of the Euro-Atlantic area, must be supported, and a considerable pressure must be exerted on the separatist movements in the region.

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CASPIAN REGION: GEOPOLITICAL ARENA. CLASH OF INTERESTS AND ENERGY SECURITY

SUMMARY

The Caspian region is one of the most important regions of the world with its rich hydrocarbon resources, which in turn draws attention from different countries. The purpose of this paper is to underscore the geopolitical importance of the Caspian basin and the impact of its energy resources on the energy security of non-regional countries. The realization of the "Contract of the century" has been specified in the paper. Russian hegemony has been evaluated and the characteristic features of Northern route have been introduced. The authors attempted to delineate the US' strategy in the Caspian region and to judge the security of the Western route stretching from the Caspian Sea. The status of the Caspian Sea has been clarified based on the most recent information. Threats to the security of the transit routes have been identified and measures have been offered to prevent possible incidents. A formula was suggested for the mathematical evaluation of possible terrorist attacks on the pipelines in the foreseeable future.

KEY WORDS: Caspian Sea, Central Asia, Southern Corridor, energy security, threats