

# **The Galled Hippopotamus: Caspian Sea & Iran**

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# My points:

- Iran's approach to the Caspian has been changed along post-Soviet era.
- Iran's share for destruction of Caspian ecosystem is less than others.
- Despite of various activities, Iran has been deprived from most of international privilege in the Caspian
- Recently, Iran's foreign policy in Caspian behaves as a function of Iran's approach to Asia with close relations to Russia and China

# Caspian main issues

- Environment
- Transportation
- Fishery
- Aviation
- Seabed Resources
- Pipelines
- Military presence

# Caspian Legal regime

Was there ever a Soviet –Iranian Regime?

- Treaty of Friendship between Iran and Russian Soviet Socialist republic, 1921:

Caspian legal regime as Condominium

- Agreement on Navigation and Trade between Iran and Soviet Union, 1940:

Name of this lake is The Common Sea of Iran and Soviet



# Caspian Boundaries and legal effects of the State Succession

- **Azerbaijan**: Division with reference to divided Caspian during Soviet
- **Kazakhstan**: Division on the base of Third United Nations Convention on the law of the Seas (UNCLOS)
- **Russia**: Dual regime:
  - Division of Seabed
  - Common on Surface (Condominium)
- **Turkmenistan**: Territorial zone 45 km,  
Compromise between positions of Russia and Iran

# Caspian Legal regime

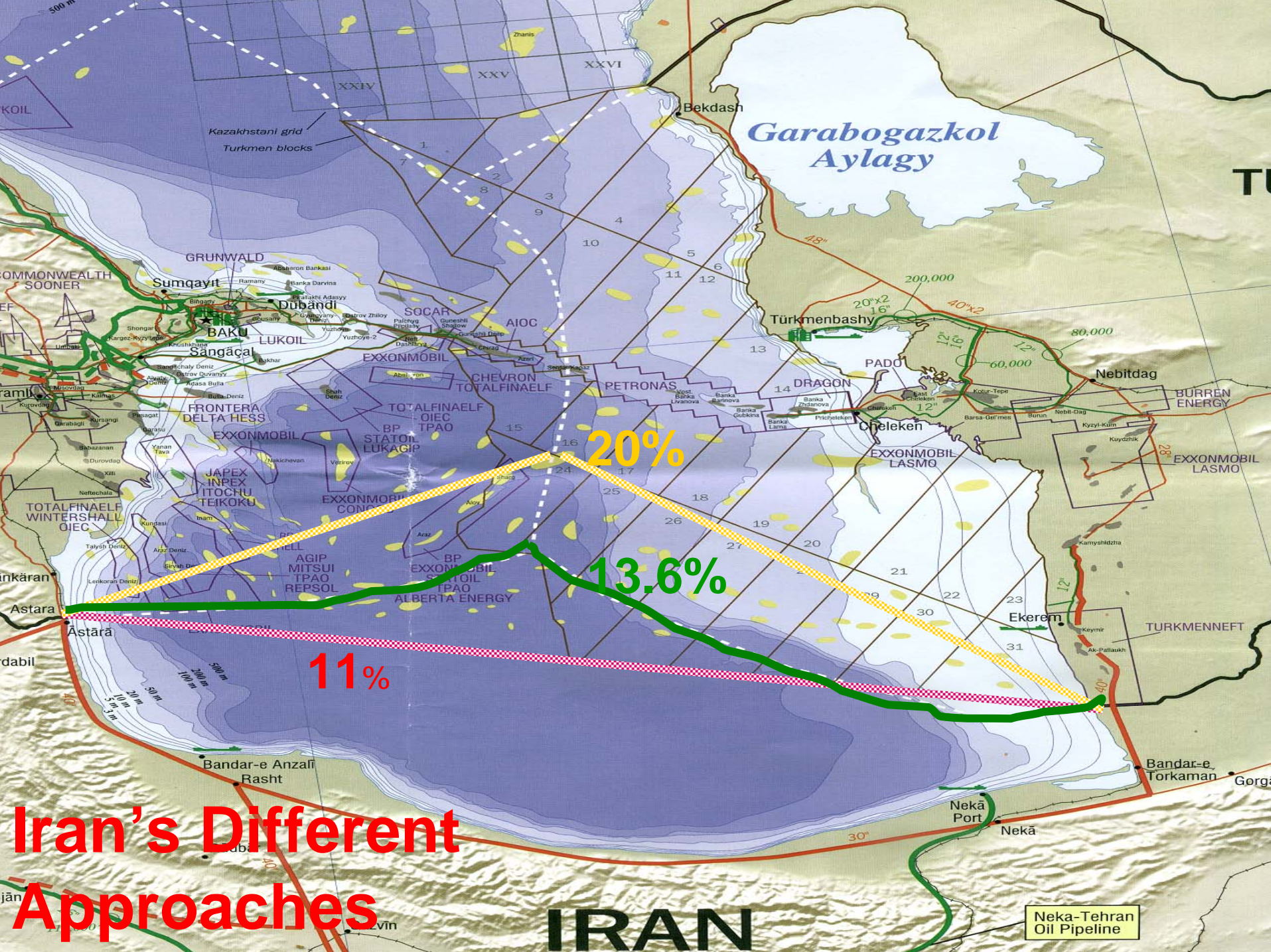
## Applicability of the UNCLOS to the Caspian:

- ***Lake:***
  - Excludes bodies of water have no outlet to another sea or ocean (Article 122)
  - None of the littoral states are parties to the UNCLOS
  - Caspian contains Continental Shelf or Depression?
  - Navigation rights to non-littoral states?
  - Transit Passage?
  - But Littoral States can enjoy from equity and proportionality consideration in UNCLOS
- Tools of delimitation by UNCLOS are practical
  - 5 littoral states have full sovereignty, exclusive control of air space and subsoil, over 24 miles, an EEZ with right of explore hydrocarbon and living resources.

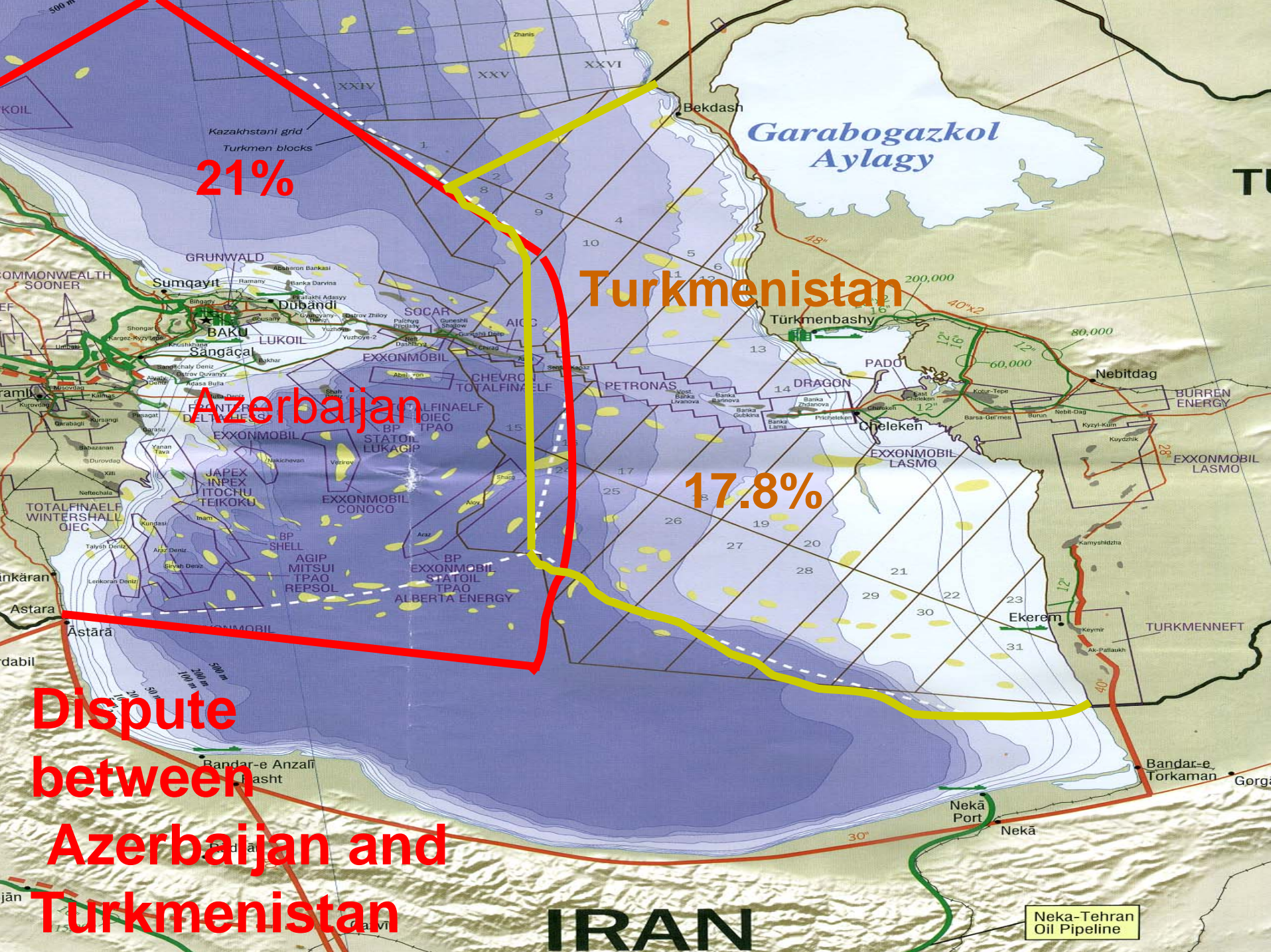
# Iran

- 1992-97: Condominium,
- Creation of Caspian Cooperation Organization (CASCO)
- 1997-2000: Division of Caspian to 5 parts equally.
- 2000-2005: Davison, Iran asked for 20%
- 2006;
- **1921 and 1940** accords still are valid
- The best system for Caspian is **Condominium**
- If other states wishes to divide the Caspian, Iran asks for **20%**
- No acceptance on **dual regime**, division in seabed and common on surface.
- The **sectored agreements** are appreciated









21%

Turkmenistan

17.8%

Azerbaijan

Dispute  
between  
Azerbaijan and  
Turkmenistan

IRAN

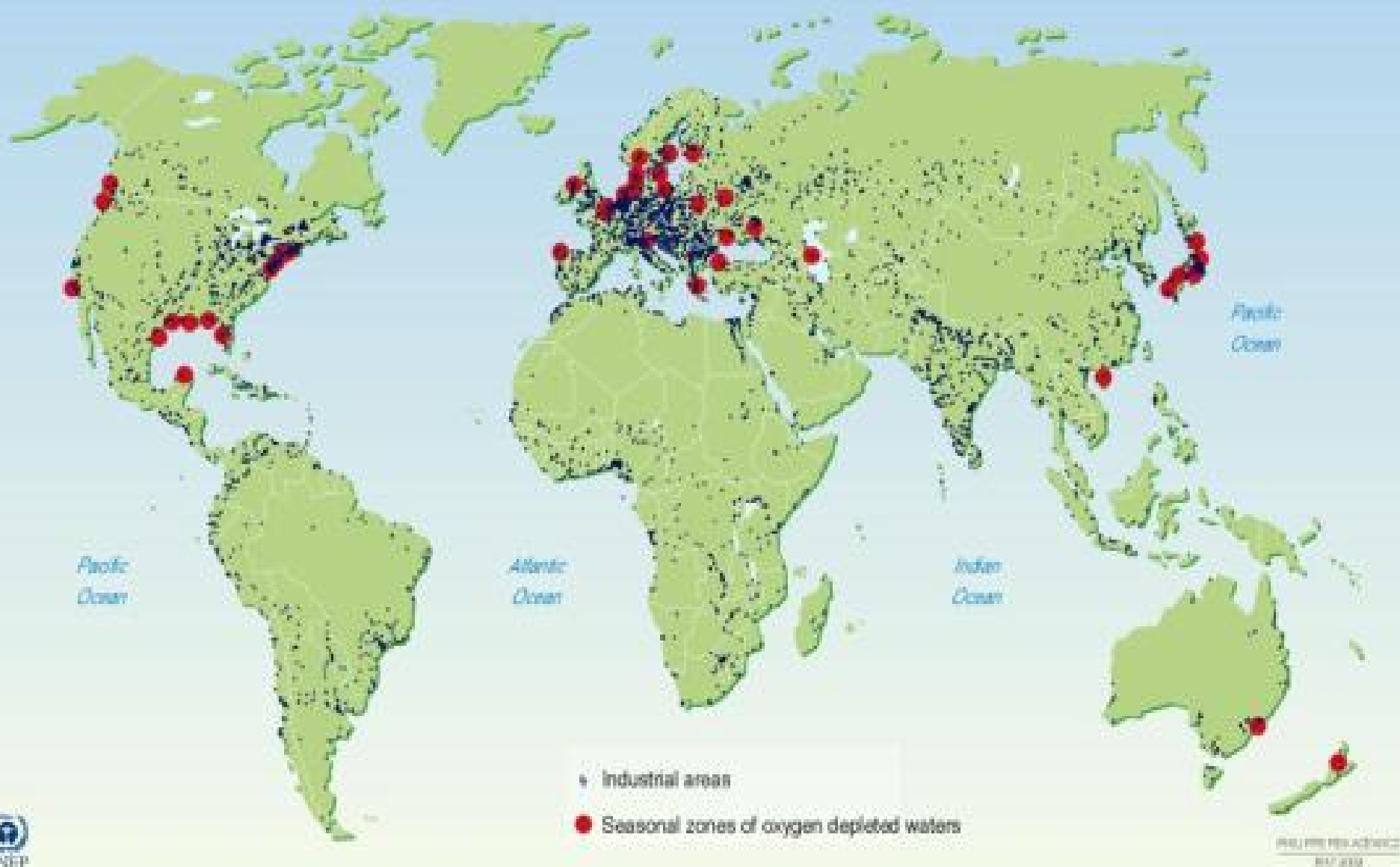
Neka-Tehran  
Oil Pipeline

# Iran's share for destruction of Caspian ecosystem

- Oxygen depleted waters
- Nuclear, chemical and toxic wastes
- Oil well feeding and leaking
- Land-based sources of river pollution
- Land salinization
- Caviar smuggling
- Children dying because of using chemical fertilizers.



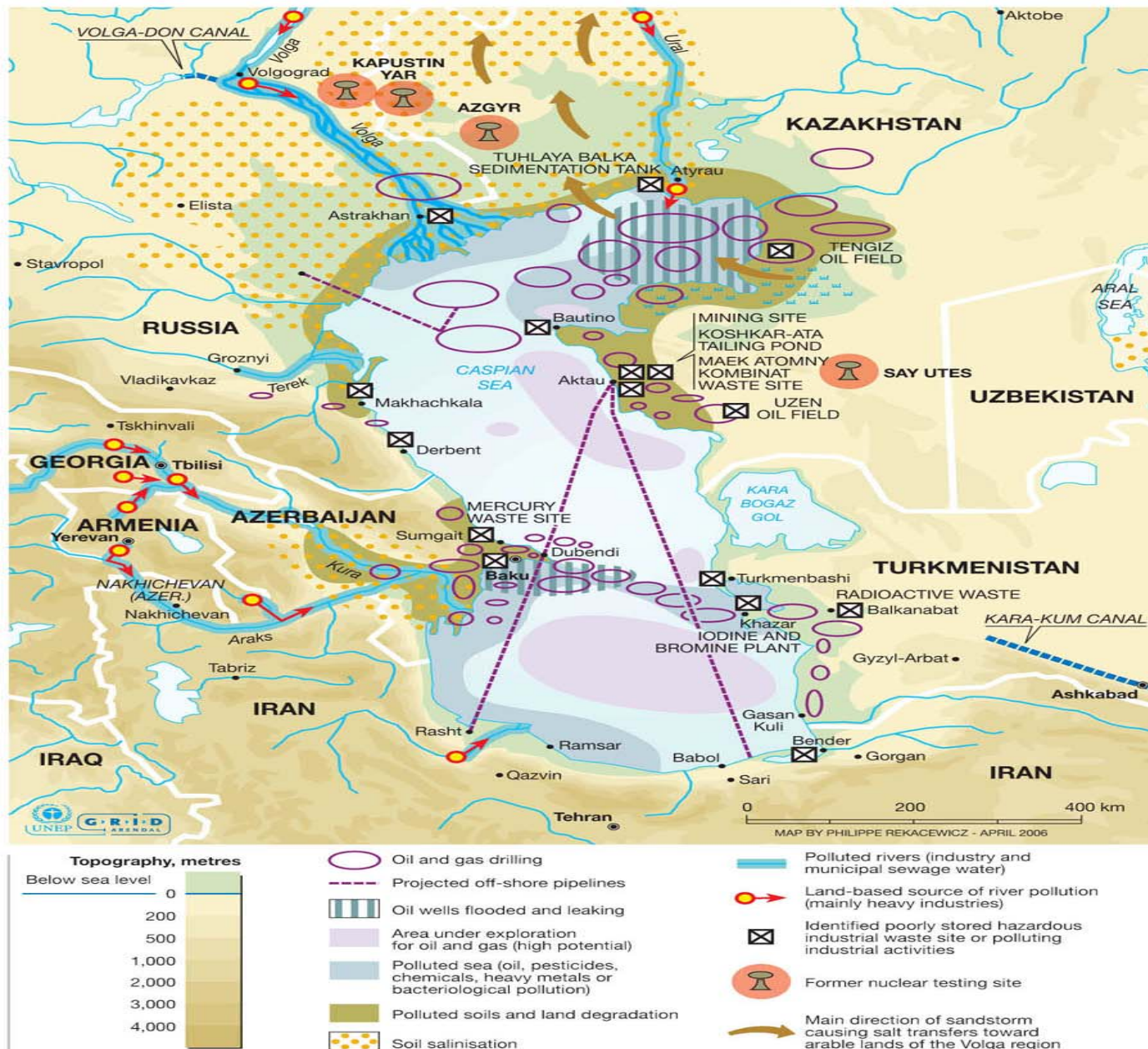
# Industrial Areas and Seasonal Zones of Oxygen Depleted Waters



Source: D. Malakoff, 1998, after R.J. Diaz and R. Rosenberg, 1995; ESRI, 1990.

# Hazards in and around the Caspian

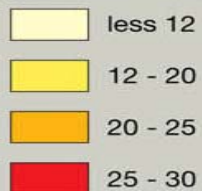
32



# Infant mortality per region, district or oblast



**Children dying under one year of age  
per 1,000 live births**



MAP BY PHILIPPE REKACEWICZ AND CÉCILE MARIN - APRIL 2006

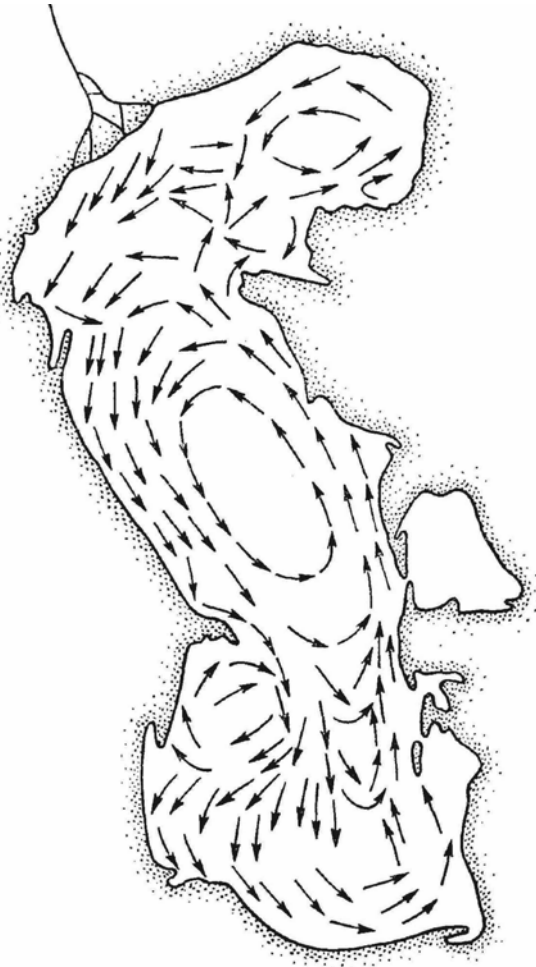
Sources: National statistic offices, figures for 2001, 2003 and 2004.

	rate	year
Iran	12	2004
Azerbaijan	12	2003
Daghestan	14,5	2003
Kalmykia	13,9	2003
Astrakhan	12,6	2003
Atyrau	22	2001
Manghistau	28	2001
Balkan	28	2001



# The Caspian Sea water circulation

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The circulation is rather intensive over the sea and exchange of waters among its parts constitutes about two thousand cubic kilometers a year.

## Comb jelly (*Mnemiopsis leidyi*) spreading through the Caspian Sea

55

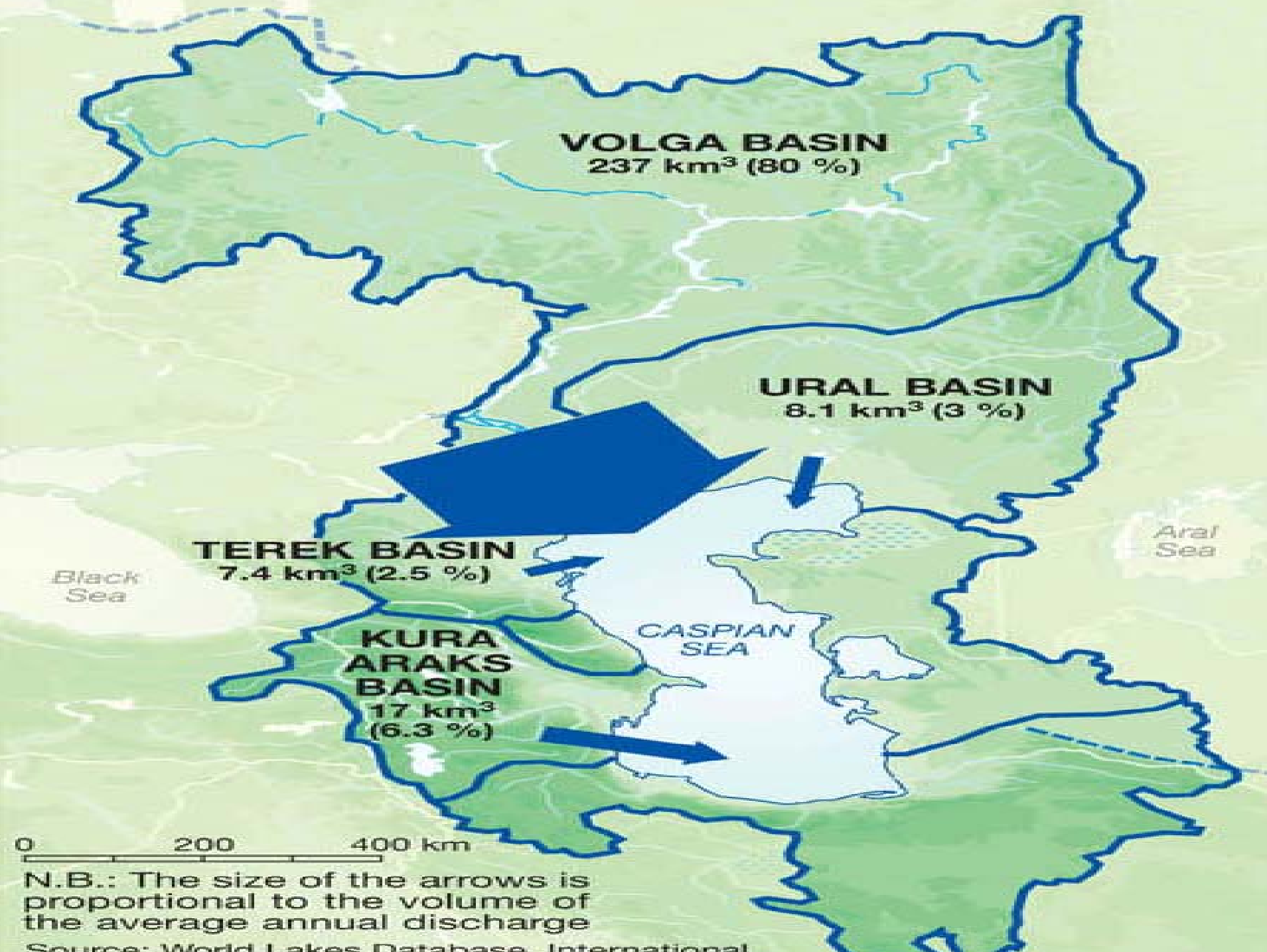


Concentration of *Mnemiopsis leidyi*

Source: Aladin N.V. (ZIRAS), Chuikov Yu.S. (EPA, Astrakhan), Panov V.E., Plotnikov I.S. (ZIRAS), HELCOM-BSRP Meeting on Ballast Waters, Klapaida-Palanga, February 2005.

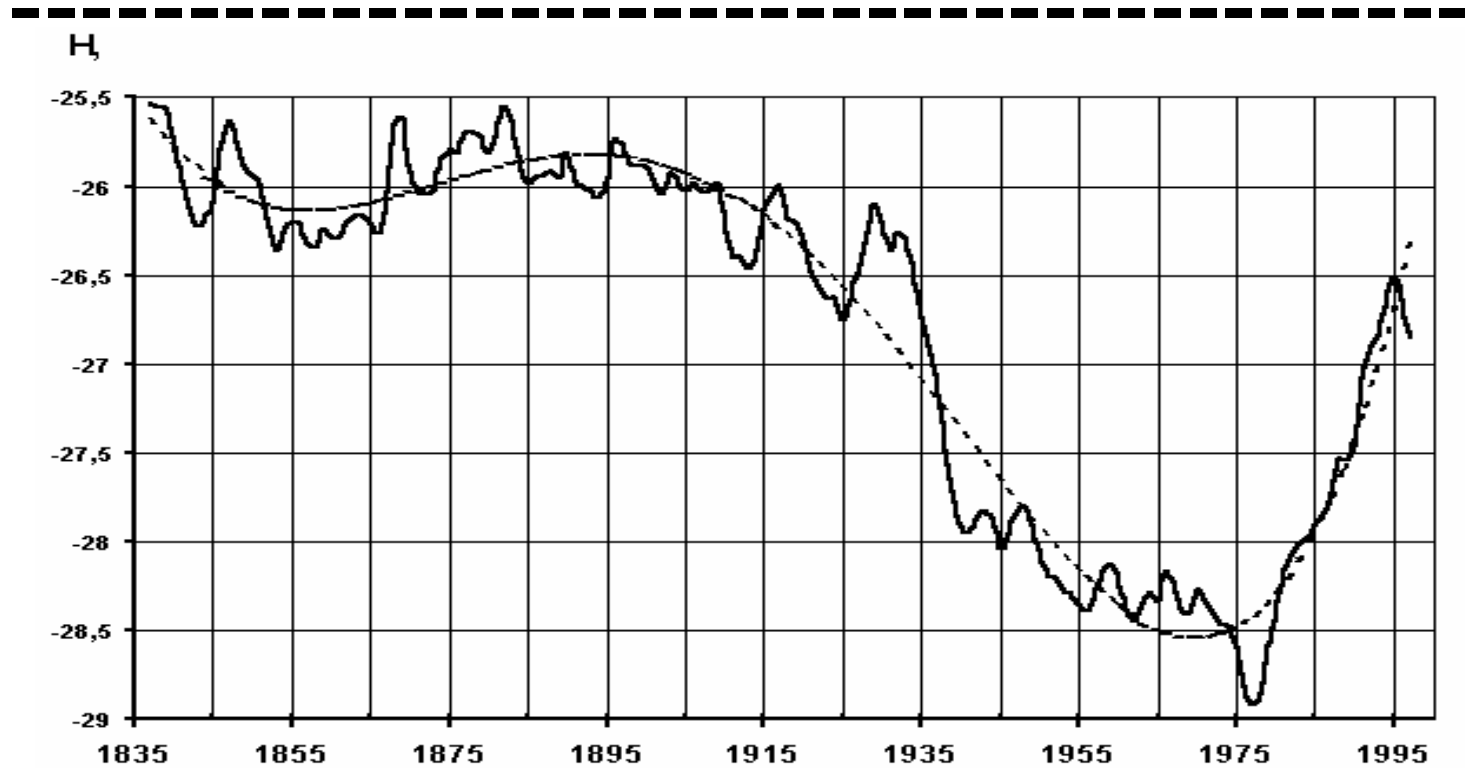
## How the comb jelly (*Mnemiopsis leidyi*) is spreading in the European seas







# The Sea level fluctuations



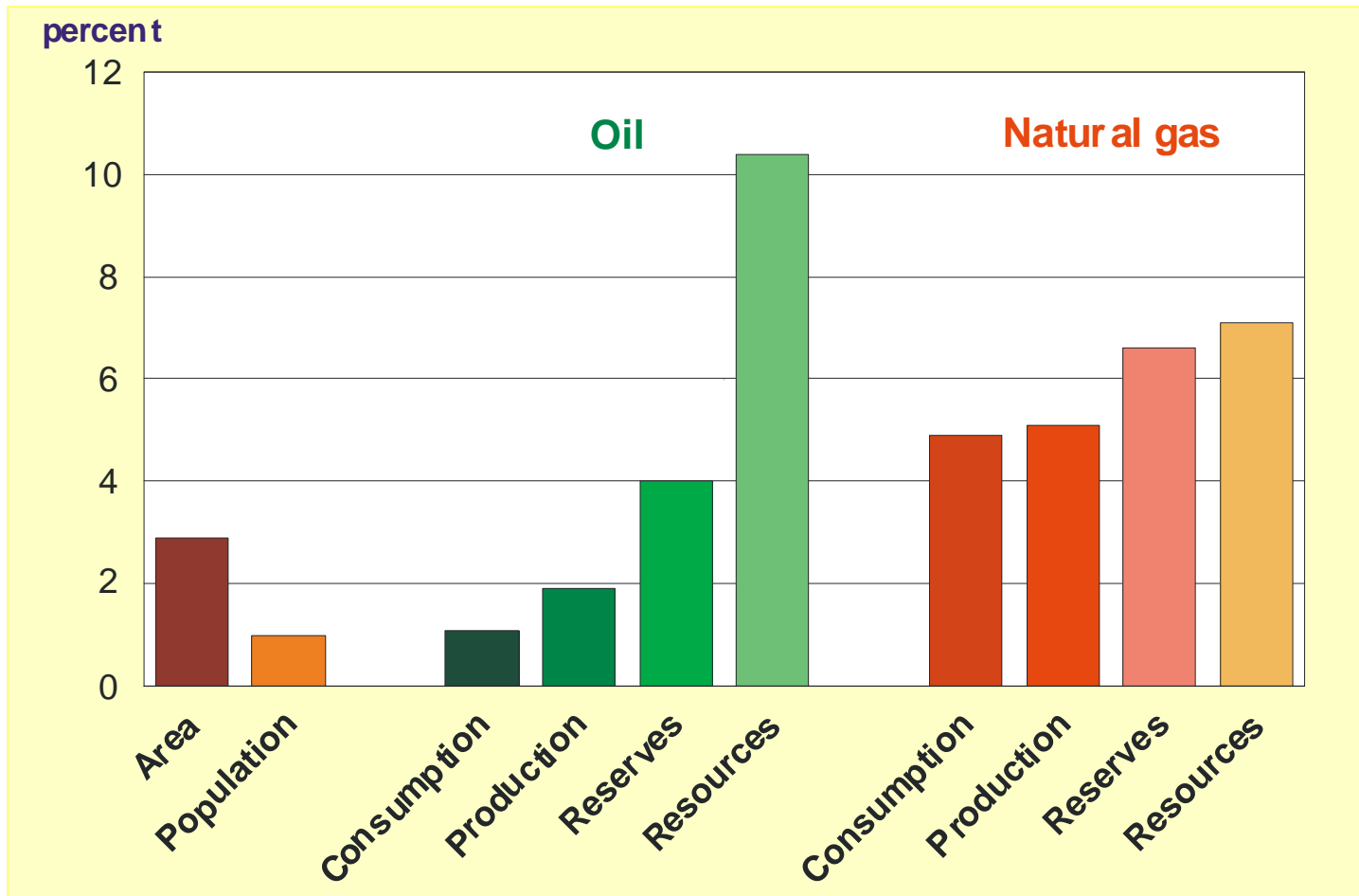
The multi-annual fluctuations of the sea level constitutes over 3 meters and produced by variations of the river flow and evaporation. Over the sea existence period, there were multiple changes of transgressive and regressive phases of its level state.

Despite of various activities, Iran has been deprived from most of international privilege in the Caspian.

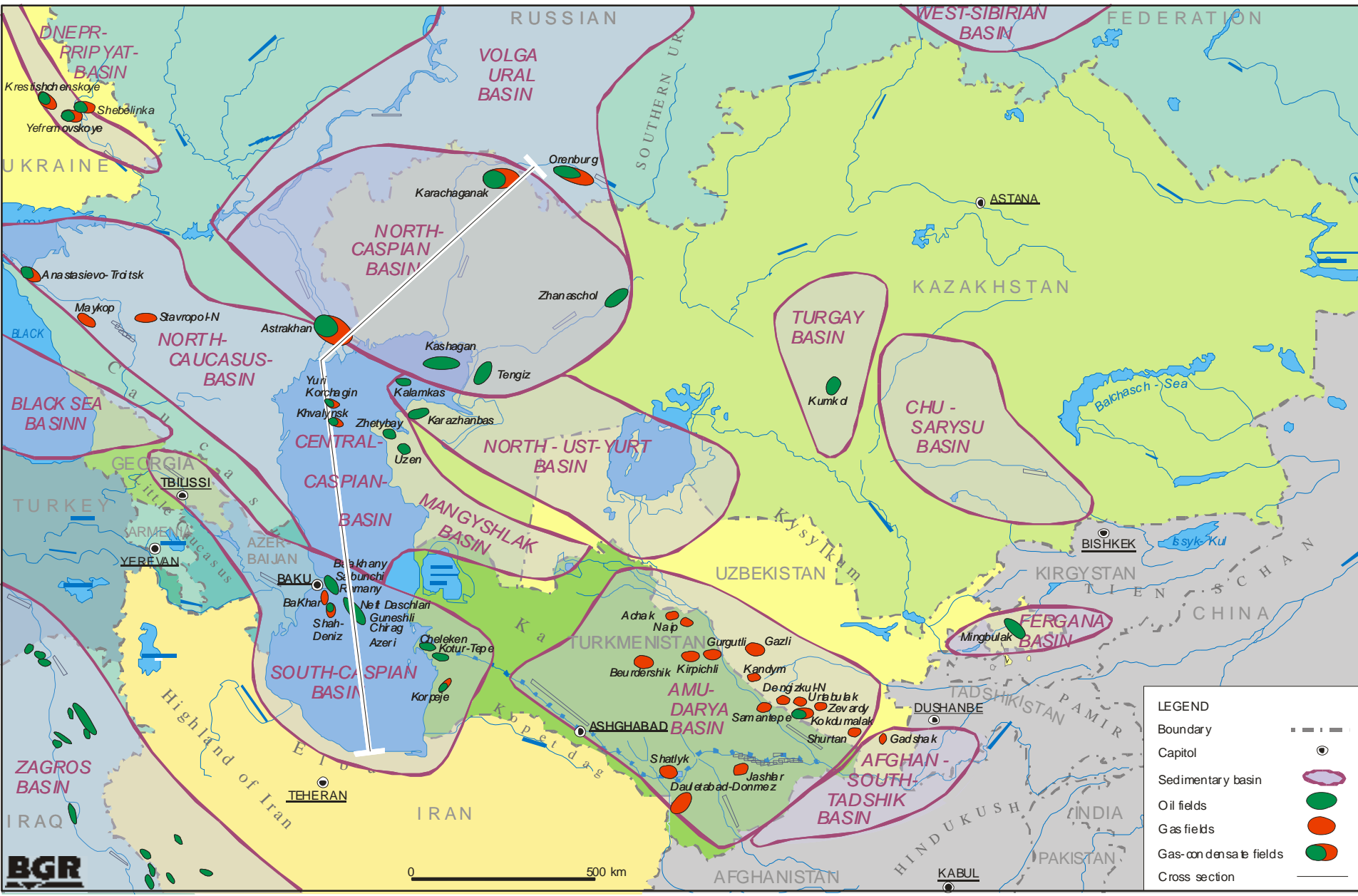
About \$60 billions are invested in the Caspian, but none of them is in the Iranian side.

Rest of the Caspian states are in the European hub inside international organizations.

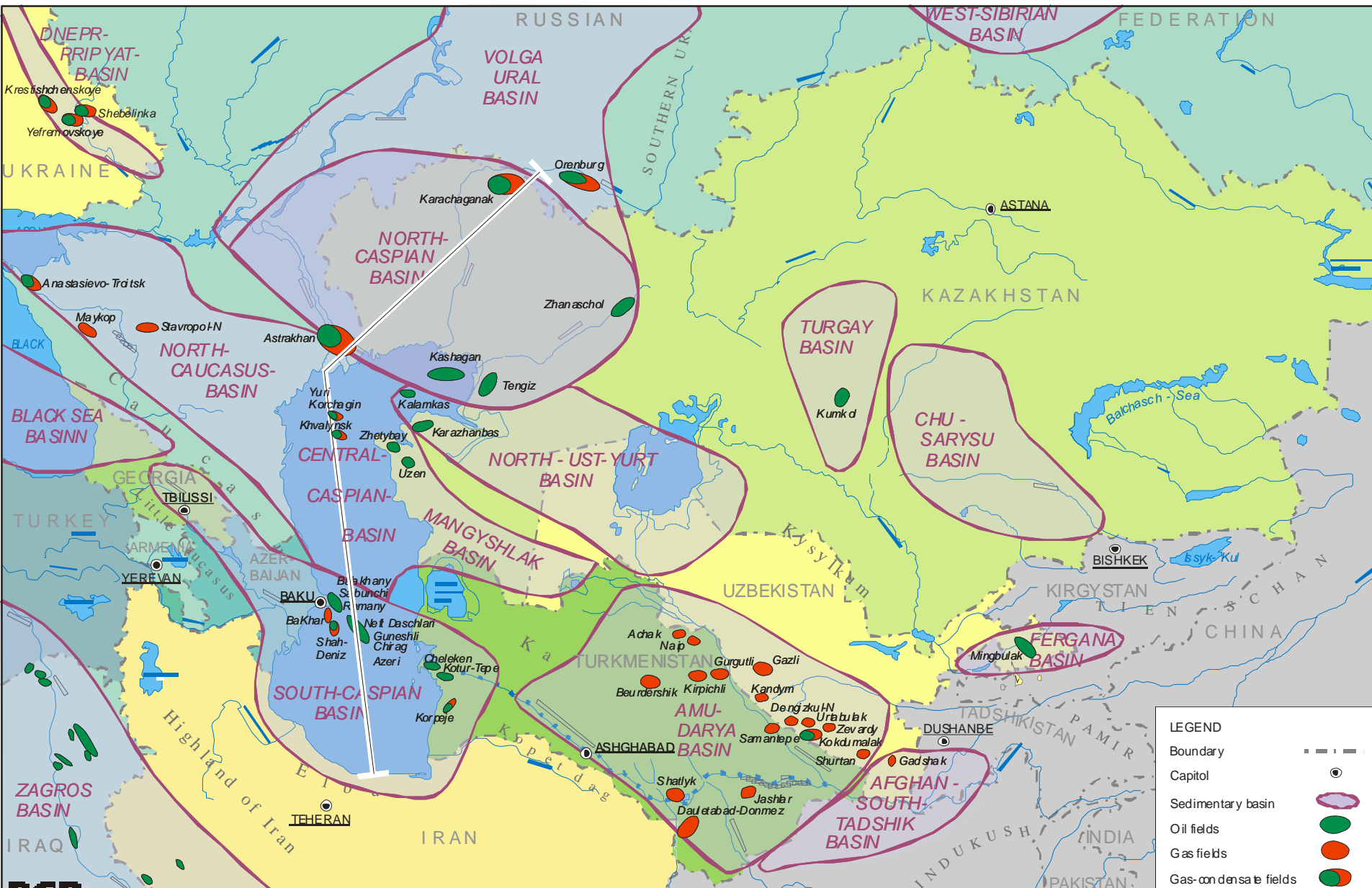
# Shares of the World



# Distribution of Oil Reserves in the Caspian



# Distribution of Gas reserves





## Energy Routes at a Glance





# Sources of instability and insecurity for Iran

- Radical approaches to Islam
- The lack of sustainable economic development
- Effort to change the lifestyle of the peoples in the region
- Corruption
- Policies of dominated powers in the region
- Ethnic violence
- Great Power Conflicts
- Drug Trafficking
- Militarization of Caspian Basin
- Property Rights Dispute over Caspian Sea Resources
- Environmental Aspects

# Export Routes

Existing and Potential Oil and Gas Export Routes From the Caspian Basin



# Property Rights Dispute over Caspian Sea Resources is a fact but

- The Convention on Environment was signed in November 2003 in Tehran.
- Consensus over transportation as 1940 agreement says
- The different agreement on species of the Caspian, 50% of sturgeon trade is for Iran
- Rounds of negotiations among littoral states
- Several bilateral, trilateral discussions.

# Efforts for solving the problems: Multilateral

Summit: Tehran 1992

Ashgabat 2003

Ministerial level:

Tehran 1992

Ashgabat 1995

Moscow 2004

Working Group meetings

# Efforts for solving the problems: Bilateral

- Iran-Russia Summit:

Putin-Khatami: March 12, 2001

Treaty of 1921 and agreement of 1940 still is valid

- Iran-Azerbaijan
- Iran-Kazakhstan
- Iran-Turkmenistan

# Working Group Meetings

Working Groups, Representatives level;

Preparing a document on Caspian legal regime which 5 states have agreed

Most of the articles had been accepted

Except:

- Demarcation of the South Caspian
- Division of seabed in the South
- Trans Caspian pipelines
- Military activities

First: Almaty 1994

20<sup>th</sup>: Moscow 2006



# Demilitarized Caspian

- No military presence in the Caspian with non littoral states' flags has been recognized by 1921 and 1940 accords
- Iran has proposed the demilitarization of the Caspian
- Iran also protested to a BP oil exploration ship in July 2001.

# Confrontation between Iran and Azerbaijan



# Military activities

- Agreement 1940: only coastal states flags are permitted to navigate in the Caspian
- Is presence of foreign military soldiers also Prohibited??
- Russia: Caspian Regional Security and Peacekeeping Forces (CASFORCE)  
Khabaleh in Az, from 1985
- Azerbaijan: Favorable to foreign forces: US radar stations in Astara and Khizbon
- Kazakhstan: War game with US forces
- Turkmenistan: neuter

# Iran's Opportunities in Caspian (1)

## Turkmen Gas

- Gas to Russia: 25 year agreements to reach to 100 billion cm/year

Now 30 billion cm/year

\$28 per 1000 cm

\$65 (first half 2006)

\$100 (second half 2006)

Russia has monopsony for Turkmen gas to Europe

Russia sells to Europe \$230

- Gas to Iran: 8 billion cm/year

\$42

\$65



# Iran's Opportunities in Caspian (2)

## Exploration

- Study of South Caspian by Shell, NIOC
- NIOC Near Deal with Petrobras Over Caspian Exploration
- 10% Of Azeri oil field of Shah Deniz is for OIEC

# Iran's Opportunities in Caspian (3)

## Refining

- Import of oil products from other countries, especially Azerbaijan
- between 2006 and 2010, about 11m b/d of refining capacity was due to be built round the world.
- Much of this growth would take place in Asia, with a 22 per cent jump in refining capacity planned “east of Suez”, compared with 6 per cent growth in the Americas and 2 per cent in Europe and Africa.

# Alborz Platform

- It was built by GVA, Sweden
- Iran's North Drilling Company (NDC) & China Oilfield Services Ltd (COSL)
- \$35 million worth
- Training of NDC staff over the next three years
- Drilling should start from April 2006
- It will work on disputed fields between Iran and Azerbaijan

# Iran's Opportunities in Caspian (4)

## Escape to Sanction

- Caspian is the second route for Iran to the high seas after Persian Gulf
- Chinese activities:
  - Alborz drilling platform
  - Investment in Neka-Ray pipeline
  - Acquiring Petrokazakhstan



# PIPELINE ROUTES: AN IMPRESSION

## Bottlenecks and Pipelines

- 11 oil pipeline projects/ 6 operational
- 6 natural gas pipeline projects/2 operational.

Of particular notice:

- CPC
- BTC
- TCP
- SCP



# Chinese proposed Gas Pipeline



● Oil Field

| Oil Pipeline

/ Proposed Oil Pipeline

● Gas Field

| Gas Pipeline

/ Proposed Gas Pipeline

# Russia Kazakhstan China Oil pipeline



# US military in Asia





**Energy resource  
periphery**

**Energy demand  
heartland**

# Russia in Caspian

- Output will reach to 400,000 b/d in 2022
- Lukoil studies 10 prospective fields
- Export from CPC, BTC, Iran,...

# Iran's Opportunities in Caspian BTC

- Iran sees the BTC as a possible export route for crude extracted from fields in the southern part of the Caspian Sea, said Mahmoud Khagani, the chief director of the Oil Ministry's Caspian oil and gas department.
- Problems: Not proper diplomatic climate
- Using BTC should weaken the argument of Iran that swap is the cheapest
- For Iran it is not efficient economically
- BTC: \$4 billions

# Iran's Opportunities in Caspian Contracts

- Iran's only seismic vessel in Caspian Sea destroyed in fire Pezhvak – Iran's only seismic vessel in the Caspian Sea – has been destroyed in fire, March 2006
- Foreign contractors are not attracted to Iran's hydrocarbon prospects in the Caspian Sea,
- companies are more interested in PSAs offered by other littoral states.

# Pipelines and swaps

- Tehran and other major metropolitan areas are in Northern part of Iran. Iranian oil fields are in the South. Transportation to Northern refineries costly
- Azeri, Russian, and Kazakh crude is close at hand, but must be transported to Northern refineries. Iran builds Neka-Tehran pipeline (370,000 bbls/day, 208 miles to Tehran). Iran can buy crude cheaply and transport it to Tehran
- Not necessary to sell South crude to North Iran, sell it at Kharg Island. And charge sellers \$2.00/bbl for the ability to sell the crude at a higher price.



# Neka-Ray capacities

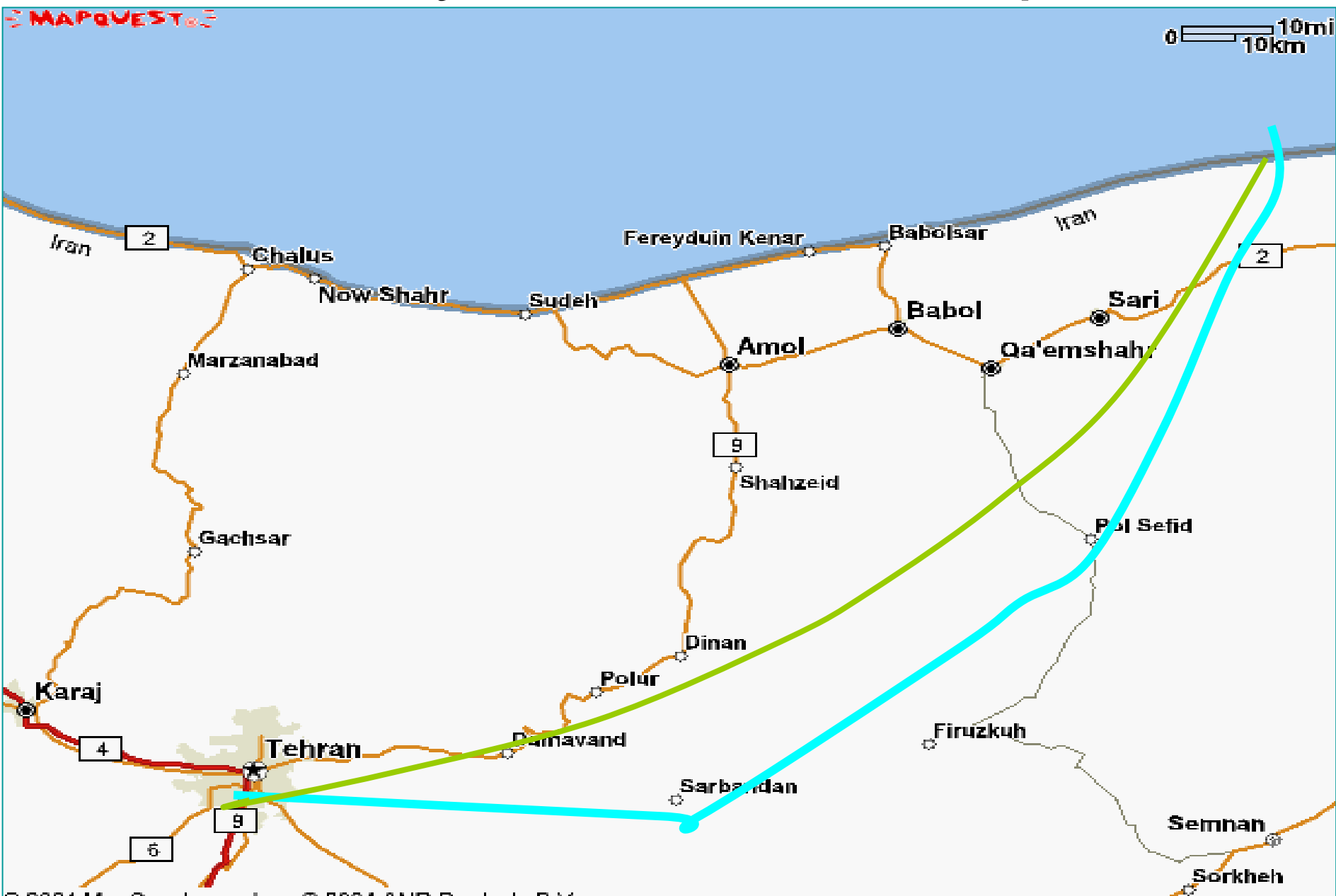
(barrels per day)

- First Phase: 40 000
- Second Phase: 170 000
- Third Phase: 370 000
- Fourth Phase: 500 000

# Neka-Ray Pipeline Specification

- Length: 312 km
- Diameter: 32 inch
- Ecological Situation of the pipeline's location:
  - Forest regions: 42 km
  - Mountainous regions: 114 km
  - Agricultural regions: 156 km

# Neka-Ray Old and New Pipeline



# Caspian Oil Terminals and Neka



# Conclusions

- Iran has waived few interests in the Caspian because of its broader Asian Strategy.
- Iran, Russia and China are working closely in the Caspian
- Critical point is the oil production now not pipeline
- Iran's geographical advantages support the secured flow of oil and gas from the Caspian
- Iran-Russia relations is a new cooperation between OPEC and non-OPEC



# Conclusions (2)

- Partnership on gas industries between the first and second gas owners: Iran has huge underexplored and unused gas deposits. Russia has the technological skills and expertise to develop them.
- Better relation between Iran and two direct Caspian Neighbors: Azerbaijan and Turkmenistan
- Iran and Russia cooperation in Caspian means Caspian and Persian Gulf is a unique geopolitical fact

**Ru 19.1%**

**Kz 28.4%**

**Az 17.5%**

**Tm 17.5%**

**Ir 17.5%**

**My  
Proposal**

