

Azerbaijan and Turkey cannot reach an agreement on gas

On 27 July, the Prime Minister of Turkey Recep Tayyip Erdogan paid a visit to Baku. Despite the elaborate ceremonial, the visit did not bring about any concrete results; first of all, contrary to previous announcements, no agreement was signed on the transit of Azerbaijani gas through Turkey. The differences between Azerbaijan and Turkey pose a serious problem for the EU, as they may further delay the implementation of the Southern Gas Corridor, a project of strategic importance for Brussels.

The preliminary agreement on gas transit was concluded in June 2010, after about two years of negotiations (with strong support from the EU). Since then, further discussions on the details of the agreement have continued. Agreement on transit is crucial for Azerbaijan to start supplying gas to Europe: by 1 October Azerbaijan should decide which of the Southern Corridor projects (ITGI, the Nabucco gas pipeline, or the Trans-Adriatic) will supply its gas to the EU market. A lack of agreement with Turkey means that Baku cannot decide which export route to use; this threatens to delay the second phase of developing Azerbaijan's largest gas deposit, the Shah-Deniz, and consequently delay the supply of gas to the EU. The difficulties in reaching an agreement probably lie in a dispute over the conditions for implementing the second phase of the Shah-Deniz's development. These problems, which are of strategic importance for both Baku and the EU, reveal the country's huge reliance on Turkey. On the other hand, this means that Ankara is aware of the importance of its position in both Baku's and Brussels' calculations, and is working to obtain the best conditions for the purchase and transit of Azerbaijani gas. <ola>