

Turkmen oil flows to the West through the Baku-Tbilisi-Ceyhan pipeline

On 12 August BP-Azerbaijan, the operator of the Baku-Tbilisi-Ceyhan pipeline, announced that since July of this year a part of the oil flowing through its pipeline originates in Turkmenistan. This means that the BTC route has replaced the previous export route for Turkmen gas through Iran to a considerable extent. The change of transmission route is being blamed on worsening financial conditions for transport via Iran, in part as a result of an intensification of sanctions against Iran by the UN in June of this year.

The Turkmen oil which flowed through the BTC pipeline comes mainly from the Cheleken oil field and is owned by the Dragon Oil firm based in Dubai which has been present in Turkmenistan since 1996. Previously approximately 90% of Dragon Oil's fuel was exported through Iran; however, the last contract, which expired in June this year, was not extended due to the consequences of the UN sanctions. In place of this, on 16 June Dragon Oil signed a one-year contract with SOCAR Trading, a subsidiary of the Azeri state corporation, SOCAR, which is a shareholder in the BTC pipeline. The contract provides for the sale of the entire production – i.e. approximately 50 thousand barrels daily – to SOCAR (approx. 5% of the pipeline's load); SOCAR is then obliged to transport it in oil tankers across the Caspian Sea and then through the BTC pipeline. It seems that the role of the state-owned SOCAR carries great significance for the commencement of supplies; as a shareholder it has preferential conditions for the transit of oil through the pipeline. It may be expected that, should the UN keep up the sanctions, further oil producers from the Caspian Sea region will start supplies (possibly with the mediation of SOCAR) through the BTC pipeline, the capacity of which (60 million tonnes per year) is not being fully exploited. <eko>