

Azerbaijan and Turkey: gas agreement almost finished

On 7 June in Istanbul, in the presence of the president of Azerbaijan Ilham Aliyev and the prime minister of Turkey Recep Erdogan, a range of documents was signed concerning bilateral gas cooperation. This represents significant progress in the gas negotiations between both countries, which have lasted several years, and is a signal of their joint intent to activate gas export to the West via the Southern Corridor (including the ITGI and Nabucco pipelines), which the EU has lobbied for. At the same time, however, the general character of signed documents – memoranda and declarations – indicates a need for further talks aimed at specifying the final terms for the sale and transit of the gas from Azerbaijan.

In Istanbul, the Azerbaijan company SOCAR and the Turkish Botas signed a 'Memorandum concerning terms and mechanisms for the sale and transit of raw material', and the energy ministers of both countries signed a parallel 'Memorandum of Understanding on the sale and transit of natural gas' and a 'Declaration on the sale and transit of Azerbaijan's natural gas to and from Turkey'. Although according to the Turkish minister, agreement had been reached on all the most important questions (concerning overdue payments for gas from Azerbaijan, the prices and amounts of the gas to be purchased in the next few years, as well as fees for transit of raw material through the territory of Turkey), several matters remain unclear. Media reports speak of a further 11 billion m³ or so which Azerbaijan had intended to sell to Turkey and EU countries after activating the second phase of production in the Shah Deniz deposits. However, it is not known whether or how terms were specified to set the price of the gas from Azerbaijan for the next few years, or whether Ankara has given up its attempt to obtain the right to re-export gas from Azerbaijan, which Baku had tried to arrange for years.

At the same time, the progress in negotiations over this question which is of strategic importance for both countries, is contributing to the improvement in the political relations between Azerbaijan and Turkey, which have been tense during recent years. This is important for the EU and for European businesses, among others, who have been competing for gas from Azerbaijan, and makes it possible for Azerbaijan to begin formal talks on selling them its raw material. <agl>