

The Galled Hippopotamus: The Caspian Sea & Iran

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June 26, 2006

Woodrow Wilson Center
Washington DC

My Points:

- Iran's approach to the Caspian region has changed in the post-Soviet era.
- Iran's is less culpable in the destruction of the Caspian ecosystem than others.
- Despite various activities, Iran has been deprived of most international privileges in the Caspian
- Recently, Iran's foreign policy in regard to the Caspian serves as a function of the country's approach to Asia and close relations with Russia and China

The following presentation was made by Abbas Maleki in connection with his participation in the conference entitled "Iran Under President Ahmadinejad," which was held at the Woodrow Wilson International Center for Scholars on June 26, 2006. The opinions expressed here are those of the speaker and in no way represent the views or opinions of the Woodrow Wilson International Center for Scholars.

Main Issues in the Caspian Region:

- 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 the Russian Soviet Socialist Republic, 1921:

Caspian legal regime as Condominium

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

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

Caspian Boundaries and Legal Effects of State Succession

- **Azerbaijan**: Division with reference to divided Caspian during Soviet era
- **Kazakhstan**: Division based on the 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:

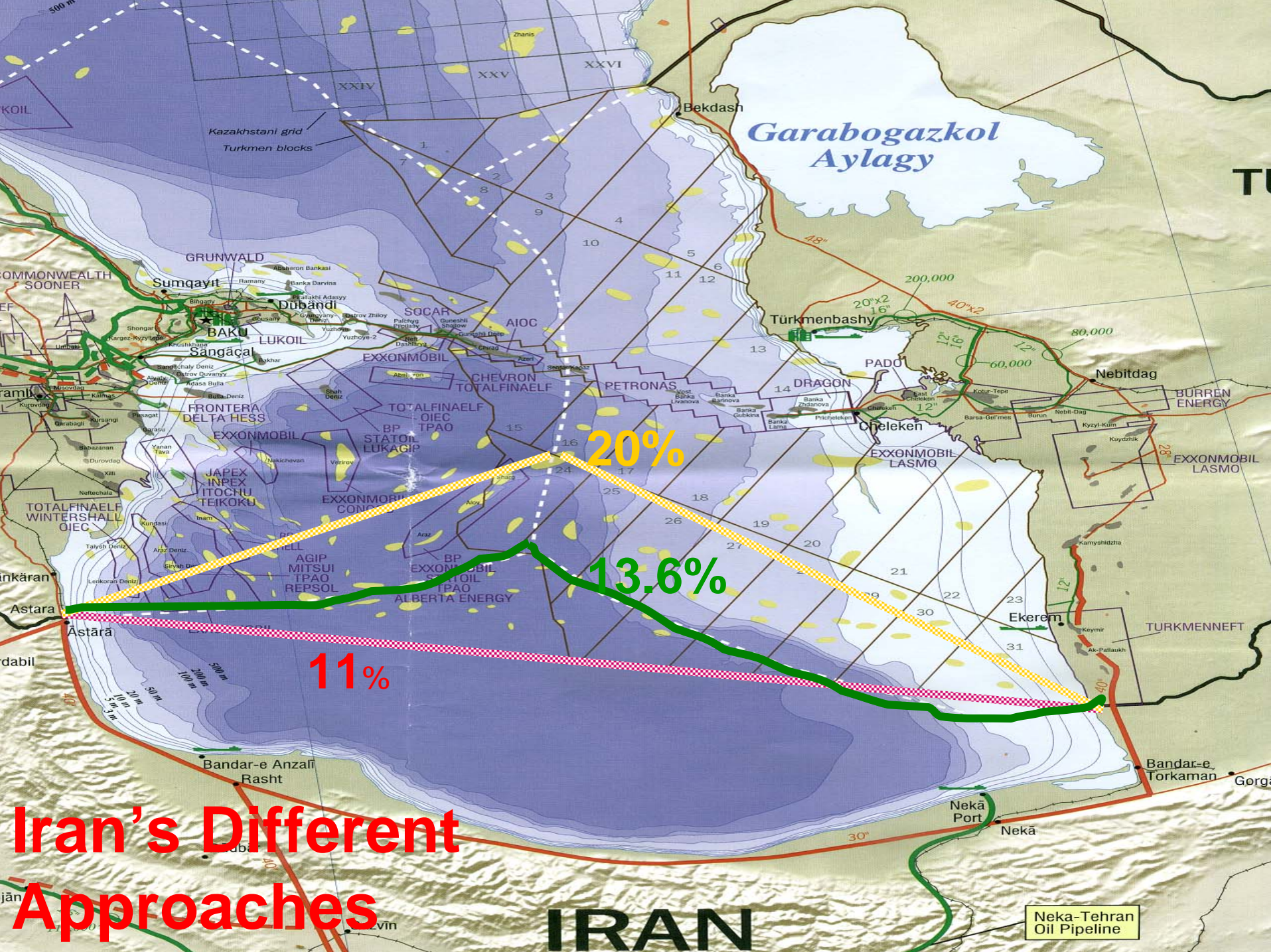
- ***Lake:***
 - Excludes bodies of water that have no outlet to another sea or ocean (Article 122)
 - None of the littoral states are parties to the UNCLOS
 - Caspian contains Continental Shelf or Depression?
 - Navigation rights to non-littoral states?
 - Transit Passage?
 - But littoral states can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

Iran

- 1992-1997: Condominium, Creation of Caspian Cooperation Organization (CASCO)
- 1997-2000: Division of Caspian into 5 equal parts.
- 2000-2005: Division, Iran asks for 20%
- 2006:
- **1921 and 1940** accords are still valid
- The best system for the Caspian is **Condominium**
- If other states wish to divide the Caspian, Iran requires **20%**
- Rejection of **dual regime**, division of seabed and common on surface.
- The **sectored agreements** are appreciated

Different Share of Iran in the Caspian

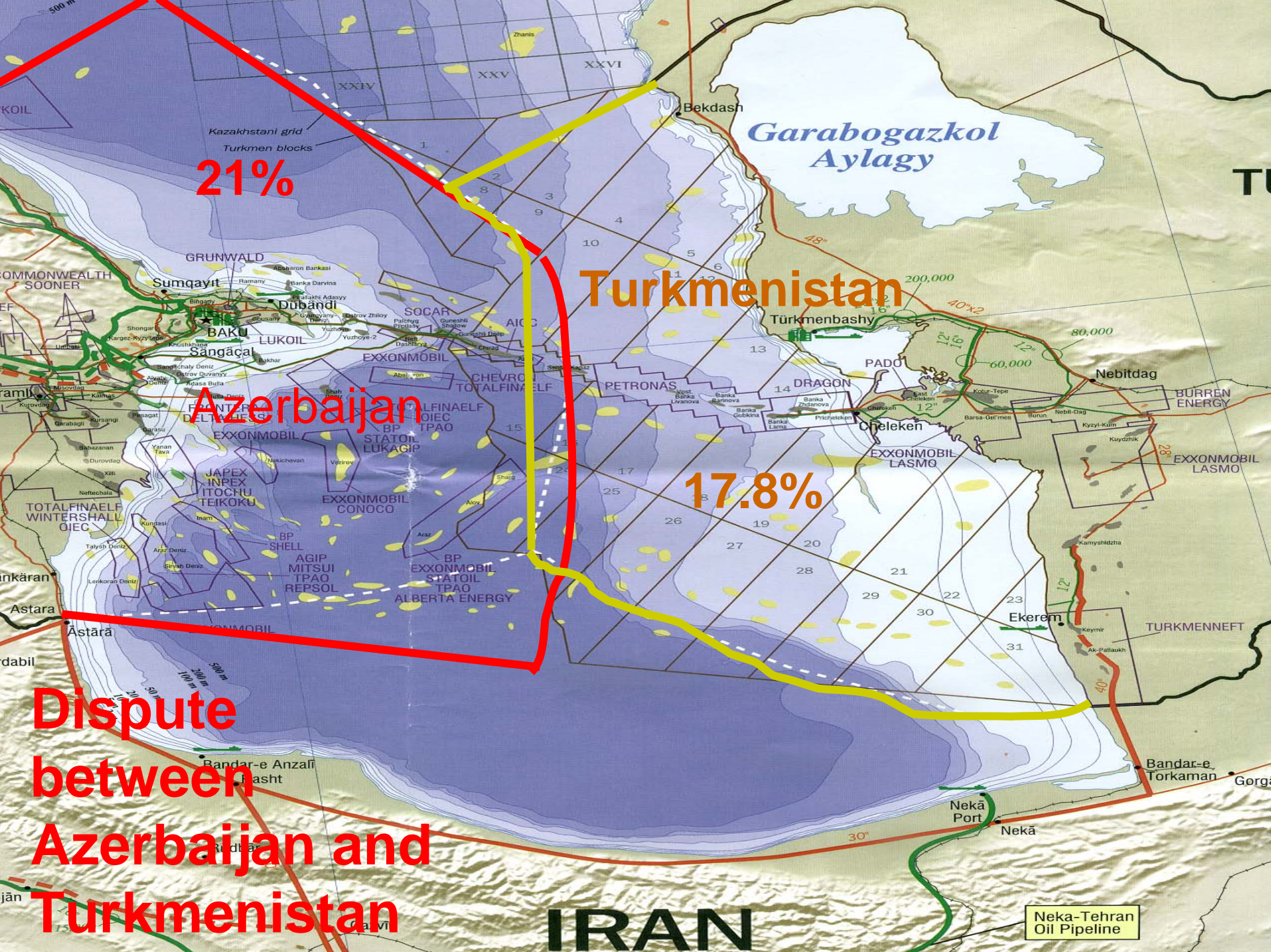
- Azerbaijan approach: Iran receives only 11% of entire Caspian, Soviet maps
- Kazakhstan approach: Iran receives 13.6%, Median line
- Iran approach: 20%, division to 5 portions



Iran's Different Approaches

IRAN

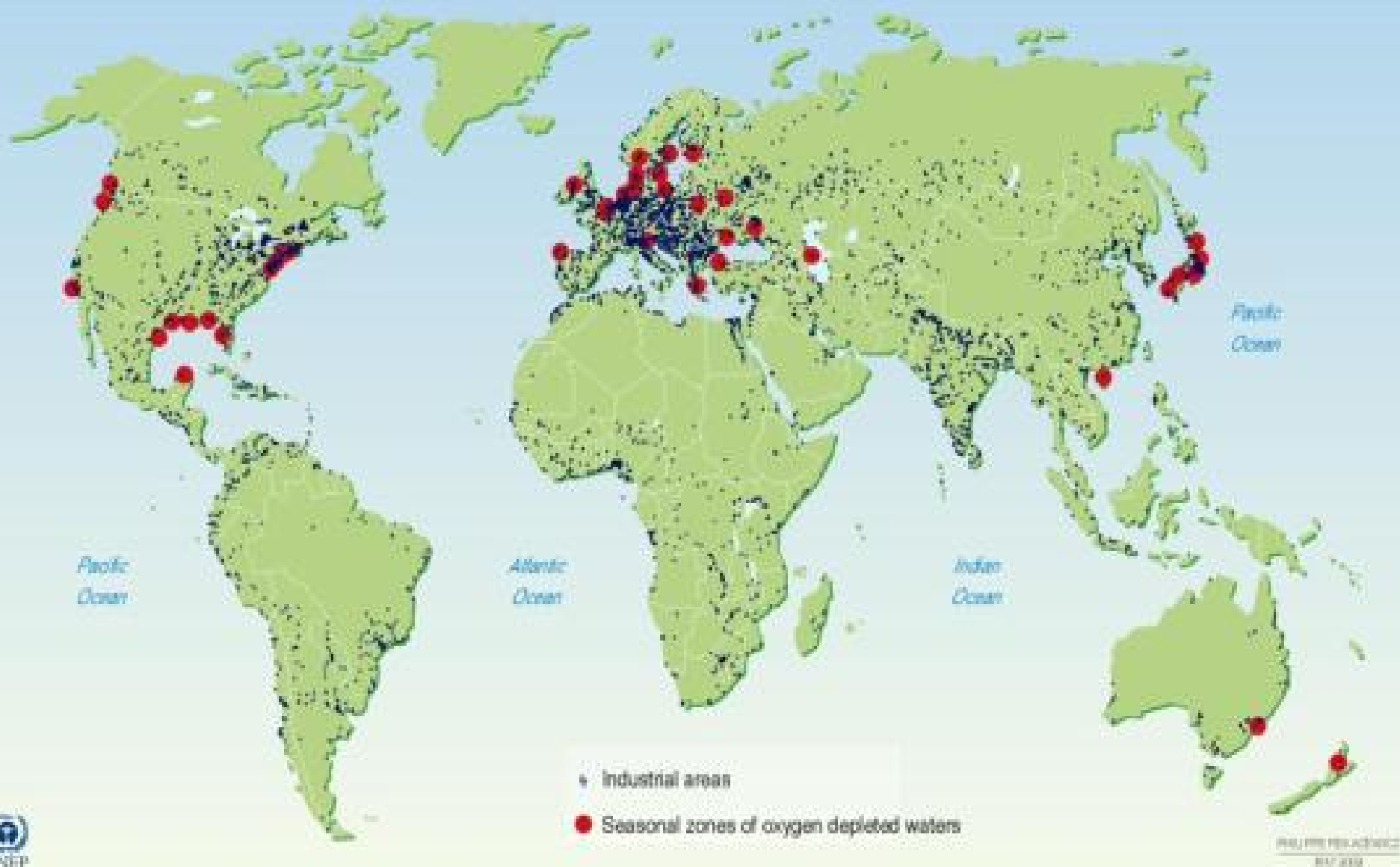
Neka-Tehran Oil Pipeline



Major Threats to the 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 due to the use of chemical fertilizers.

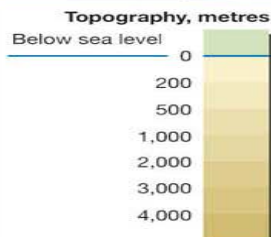
Industrial Areas and Seasonal Zones of Oxygen Depleted Waters



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

Hazards in and around the Caspian

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- Oil and gas drilling
- Projected off-shore pipelines
- Oil wells flooded and leaking
- Area under exploration for oil and gas (high potential)
- Polluted sea (oil, pesticides, chemicals, heavy metals or bacteriological pollution)
- Polluted soils and land degradation
- Soil salinisation

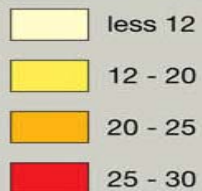
- Polluted rivers (industry and municipal sewage water)
- Land-based source of river pollution (mainly heavy industries)
- Identified poorly stored hazardous industrial waste site or polluting industrial activities
- Former nuclear testing site
- Main direction of sandstorm causing salt transfers toward arable lands of the Volga region

Sources: National Caspian Action Plan of Azerbaijan, 2002; National Action Programme on Enhancement of the Environment of the Caspian Sea, Kazakhstan 2003-2012; Environmental Performance Review of Kazakhstan, UNECE, 2000; Environmental Performance Review of Azerbaijan, UNECE, 2003; Study for Safe Management of Radioactive Sites in Turkmenistan, NATO, 2005; Environment and Security: Transforming Risks into Cooperation, Case of Central Asia, UNEP/UNDP/OSCE, 2003; Global Alarm: Dust and Sandstorms from the World's Drylands, UNCCD, 2001

Infant mortality per region, district or oblast



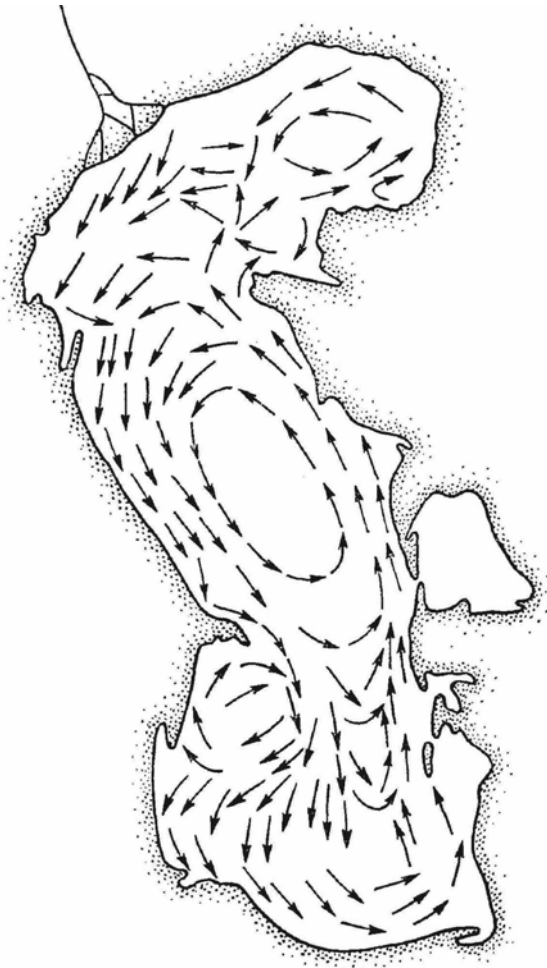
**Children dying under one year of age
per 1,000 live births**



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



The circulation is rather intense over the sea and the exchange of water among its parts constitutes approximately two thousand cubic kilometers a year.

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

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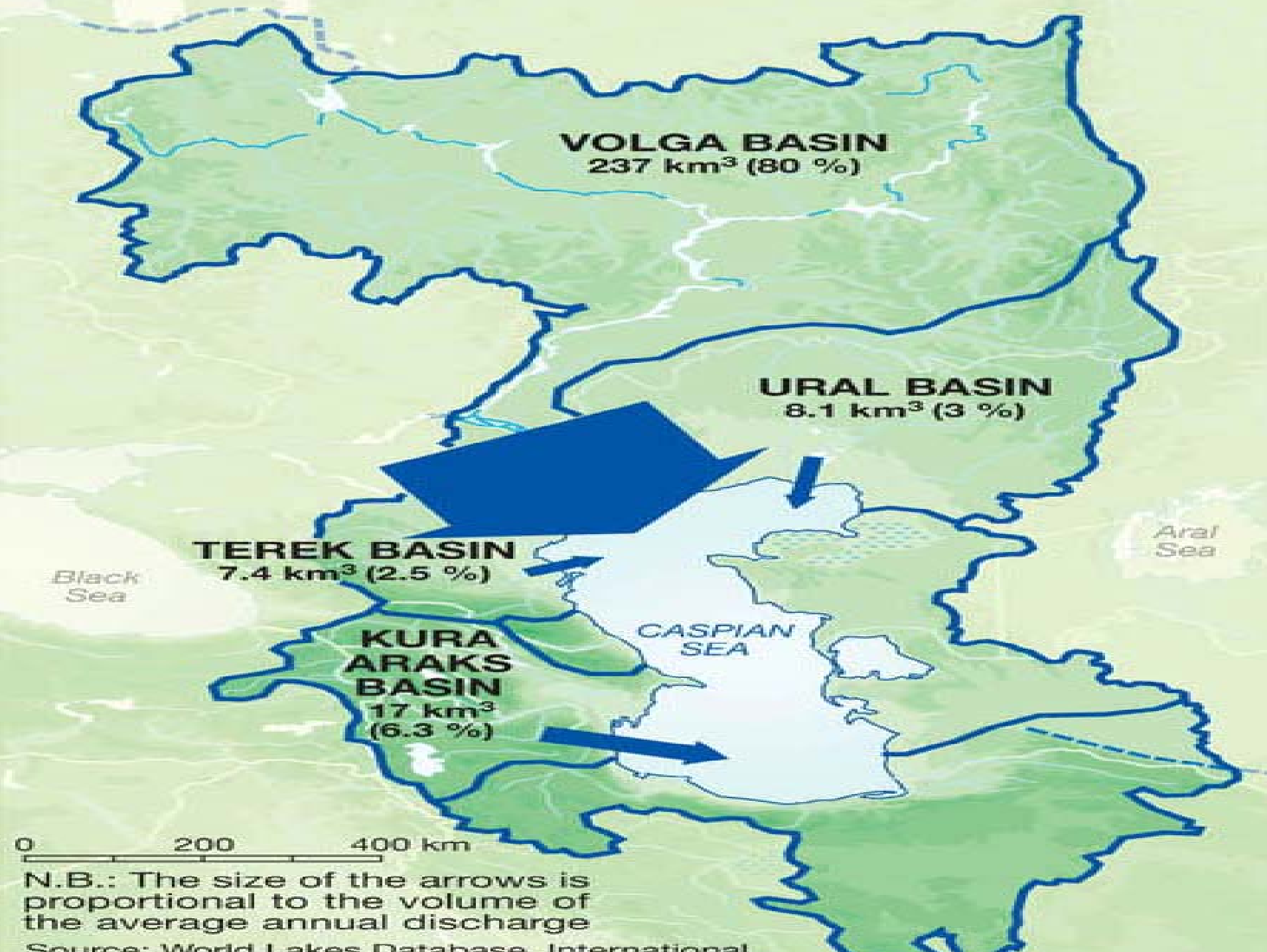


Concentration of *Mnemiopsis leidyi*

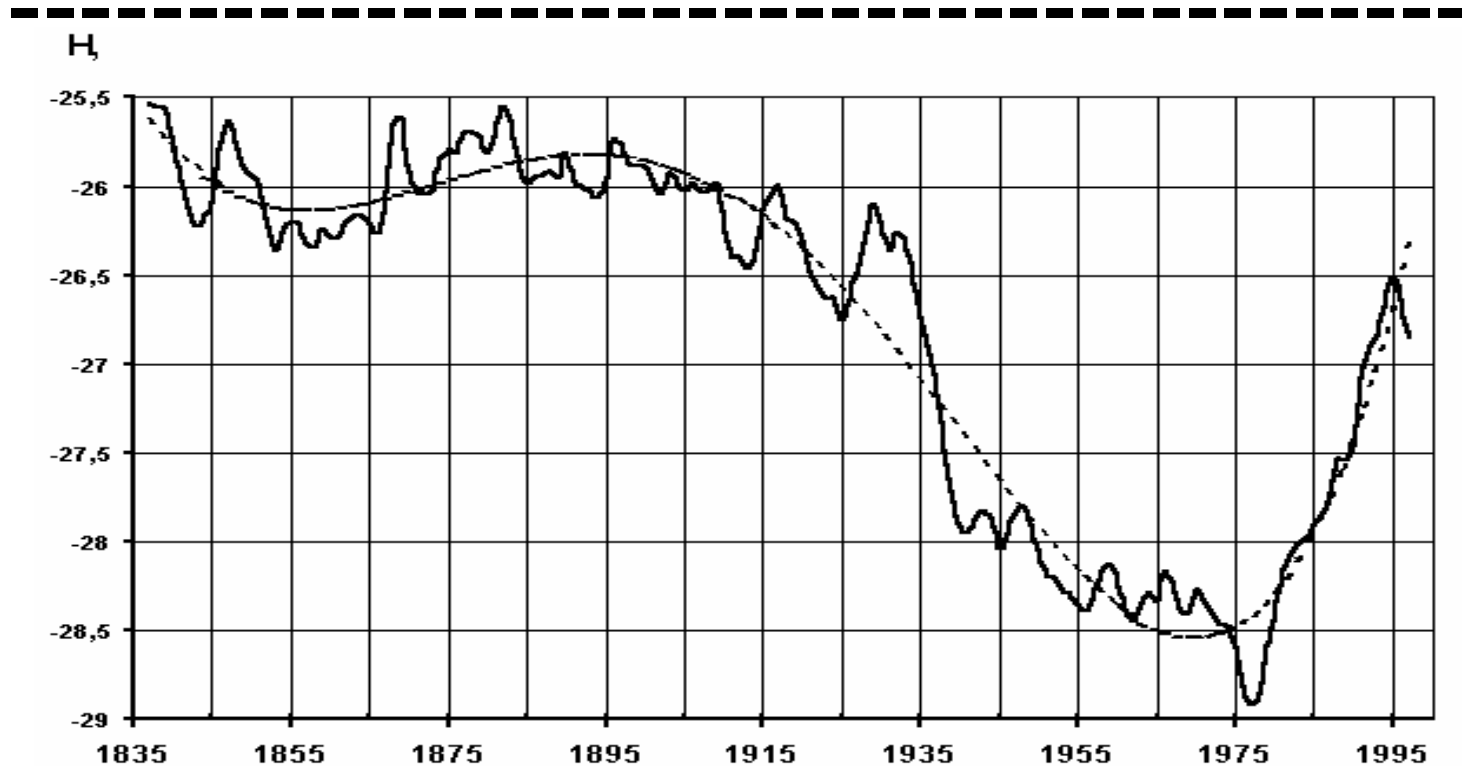
Source: Aladin N.V. (ZIRAS), Chuikov Yu.S. (EPA, Astrakhan), Panov V.E., Plotnikov I.S. (ZIRAS), HELCOM-BSRP Meeting on Ballast Waters, Klapaida-Palanga, February 2005.

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





Sea Level Fluctuations



The multi-annual fluctuations of the sea level are over 3 meters and are the result of variations in river flow and evaporation. Historically, there have been multiple changes of transgressive and regressive phases affecting the sea level.

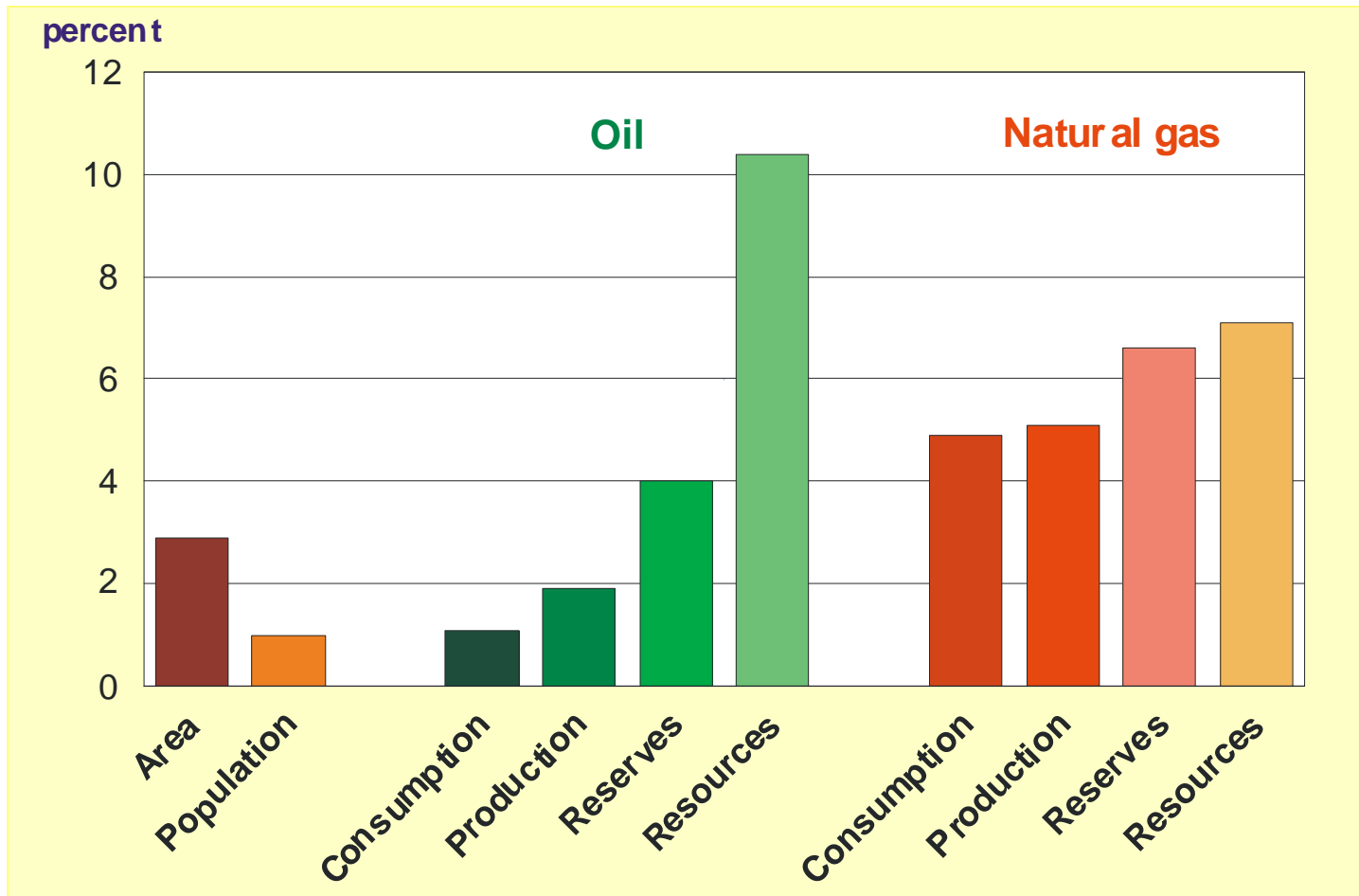
Iran's Privation in Caspian

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

Of the estimated \$60 billion investment in the Caspian, none has been directed towards the Iranian share.

The remaining Caspian states are part of the European hub, Iran is under Middle East sub-region, is deprived from European projects in the region.

World Energy



Energy Routes at a Glance



Sources of Instability and Insecurity for Iran

- Radical approaches to Islam
- Lack of sustainable economic development
- Efforts to change the lifestyle of the people in the region
- Corruption
- Policies of dominated powers in the region
- Ethnic violence
- Great Power conflicts
- Drug trafficking
- Militarization of the Caspian Basin
- Property Rights Disputes over Caspian Sea Resources
- Environmental Aspects

Export Routes

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



Property Rights Disputes over Caspian Sea Resources are a fact but...

- The Convention on Environment was signed in November 2003 in Tehran;
- There is consensus over transportation as stated in the 1940 agreement;
- There are different agreements on species of the Caspian - 50% of sturgeon trade is for Iran;
- There have been rounds of negotiations among littoral states;
- There have been several bilateral and trilateral discussions.

Past Multilateral Efforts to Solve the Legal regime Problems:

- Summits among littoral states' leaders:
 - Tehran 1992
 - Ashgabat 2003
- Ministerial Level:
 - Tehran 1992
 - Ashgabat 1995
 - Moscow 2004
- Working Group Meetings

Working Group Meetings

- Working Groups and the representatives level are preparing a document on the Caspian legal regime which 5 states have agreed to
- Most of the articles had been accepted except:
 - Demarcation of the South Caspian
 - Division of seabed in the South
 - Trans Caspian pipelines
 - Military activities
 - 1st: Almaty 1994
 - 20th: Moscow 2006

Past Bilateral Efforts to Solve the Problems:

- Iran-Russia Summit:
 - Putin-Khatami: March 12, 2001, stated Treaty of 1921 and Agreement of 1940 are still valid
- Iran-Azerbaijan
- Iran-Kazakhstan
- Iran-Turkmenistan

Demilitarized Caspian

- Military presence in the Caspian with non-littoral states' flags was not recognized by the 1921 and 1940 Accords
- Iran has proposed the demilitarization of the Caspian
- Iran also protested the BP oil exploration ship in July 2001.

Confrontation between Iran and Azerbaijan, July 22, 2001



Military Activities

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

Iran's Opportunities in the Caspian (1)

Turkmen Gas

- Gas to Russia: 25 year agreement to reach 100 billion cm/year
- Now 30 billion cm/year
 - \$28 per 1000 cm
 - \$65 (first half 2006)
 - \$100 (second half 2006)
- Russia has monopsony on Turkmen gas to Europe
- Russia sells to Europe \$230
- Gas to Iran: 8 billion cm/year
 - \$42
 - \$65

Agreed to 14 billion during Ahmadinejad' visit to Turkmenistan, July 2006

Iran's Opportunities in the 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 Iranian OIEC

Iran's Opportunities in the Caspian (3)

Refining

- Import of oil products from other countries, especially Azerbaijan
- Between 2006 and 2010, about 11m b/d of refining capacity is expected to be built around the world.
- Much of this growth will take place in Asia, with a 22% jump in refining capacity planned “east of the Suez”, compared to only 6% growth in the Americas and 2% in Europe and Africa.

Alborz Drilling Platform

- 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 in April 2006
- It will work on disputed fields between Iran and Azerbaijan

Iran's Opportunities in the Caspian (4)

Escape to Sanction

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

PIPELINE ROUTES: AN IMPRESSION

Bottlenecks & Pipelines

- 11 oil pipeline projects, 6 operational
- 6 natural gas pipeline projects, 2 operational.
- Of particular note:
 - 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

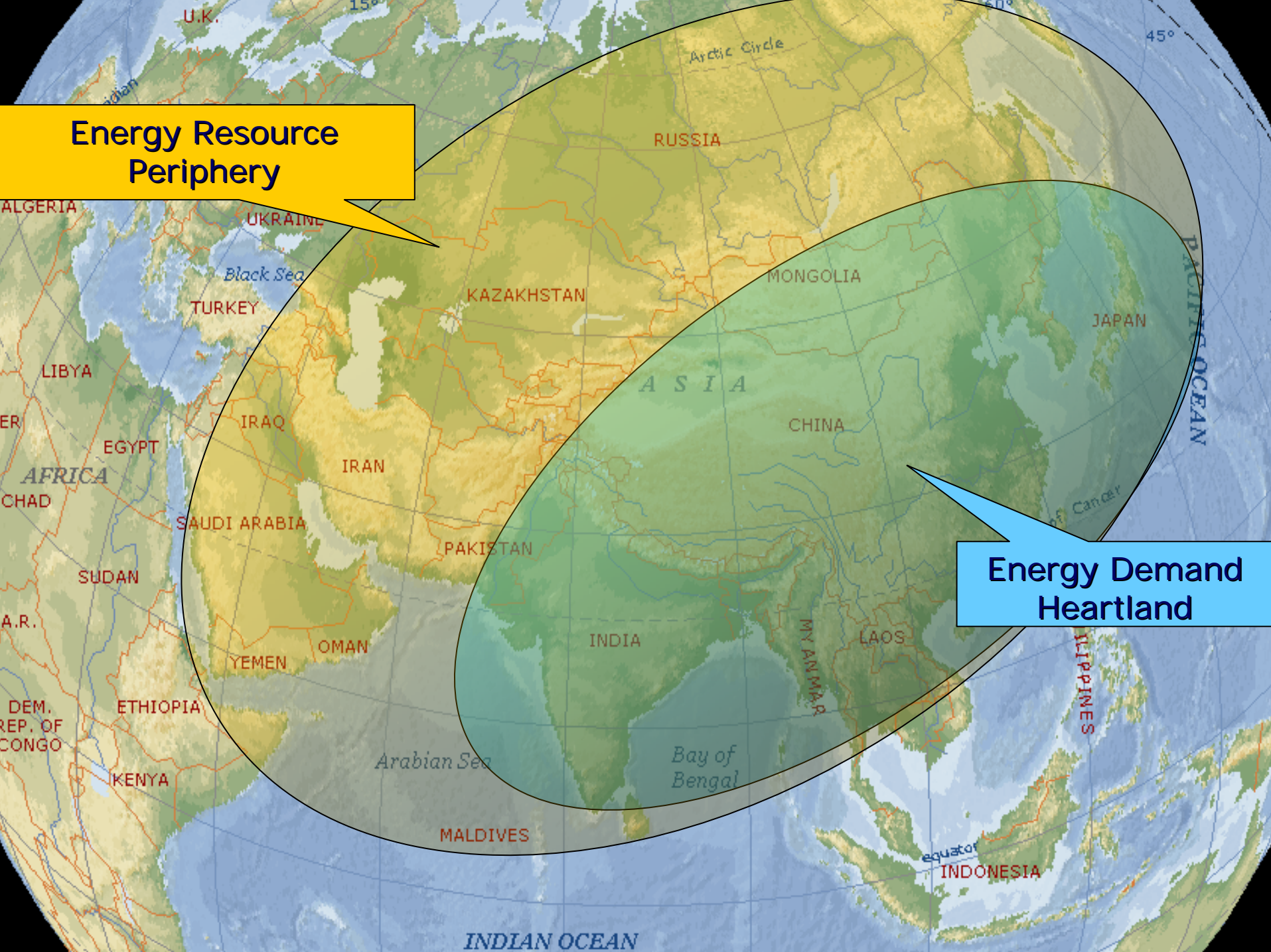


US Military in Asia



**Energy Resource
Periphery**

**Energy Demand
Heartland**



Russia in the Caspian

- Output will reach 400,000 b/d by 2022
- Lukoil is studying 10 prospective fields
- Export from CPC, BTC, Swapping via Iran..

Iran's Opportunities in the Caspian (5)

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:
 - Lack of proper diplomatic climate
 - Using BTC will weaken the argument of Iran that swap is the cheapest
 - For Iran, it is not efficient economically
- BTC: \$4 billion

Iran's Opportunities in the Caspian (6)

Contracts

- Iran's only seismic vessel in the Caspian Sea, Pezhvak, was destroyed in a fire in 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 Iran. Iranian oil fields are in the south. Transportation to Northern refineries is costly.

- Azeri, Russian, and Kazakh crude is close at hand, but must be transported to northern refineries. Iran has built Neka-Tehran pipeline (370,000 bbls/day, 208 miles to Tehran), and now it can buy crude cheaply and transport it to Tehran.
- Not necessary to sell southern Iran crude to northern Iran. Should sell it at Kharg Island and charge sellers \$2.00/bbl for the ability to sell the crude at a higher price.

Neka-Ray Capacity

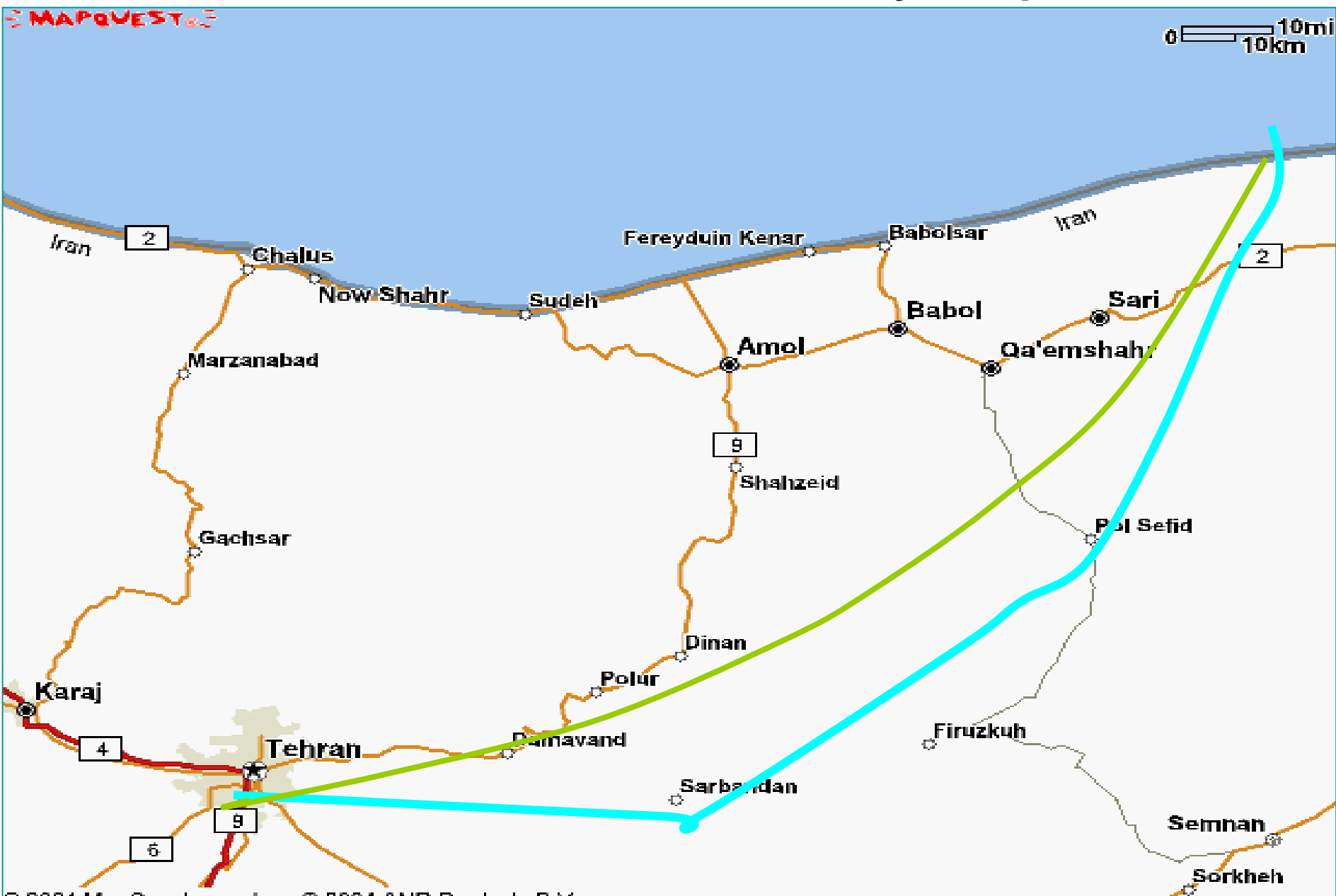
(barrels per day)

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

Neka-Ray Pipeline Specifications

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

Old and New Neka-Ray 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 together in the Caspian region.
- Priority now is oil production, not the pipeline
- Iran's geographical advantages support the secured flow of oil and gas from the Caspian
- Iran-Russia relations demonstrate new cooperation between OPEC and non-OPEC

Conclusions (2)

- Partnership in gas industries between the first and second gas owners.
- Iran has huge unexplored 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
- Cooperation between Iran and Russia in the Caspian means the Caspian Sea and the Persian Gulf are a unique geopolitical fact

Ru 19.1%

Kz 28.4%

Az 17.5%

Tm 17.5%

Ir 17.5%

**My
Proposal**

