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# EUROPEAN UNION – AZERBAIJAN RELATIONS

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# New Direction



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# EUROPEAN UNION – AZERBAIJAN RELATIONS AND THE ARMENIA – AZERBAIJAN CONFLICT

**Vasif Huseynov**

Azerbaijan's relations with the European Union (EU) have evolved along a progressive path since the start of bilateral communications in the early 1990s. Since then, the two sides have achieved a wide range of accomplishments in the areas of political dialogue, trade, investment, economy, culture, etc. Today, Azerbaijan and the EU are approaching the end of negotiations to upgrade the framework of their relations. This is currently based on the EU–Azerbaijan Partnership and Cooperation Agreement, signed in 1996, that entered into force in 1999. The EU is Azerbaijan's main trading partner and represents 36.7% of Azerbaijan's total trade with a 51% share of

the country's exports and a 16% share of its imports.

Relations between the two parties have been reinforced by the growing engagement of the EU with the South Caucasus since Russia's invasion of Ukraine in February 2022. During this period, the EU has become the major mediator in the Armenia–Azerbaijan peace negotiations and has regularly organized high-level contacts between the two countries and achieved some important breakthroughs. The EU's support for the territorial integrity of Azerbaijan has been a critical factor in the evolution of relations between Baku and Brussels.

## Negotiations on a new framework agreement between the EU and Azerbaijan

In 1998, a year before the Partnership and Cooperation Agreement entered into force, the European Union appointed a special envoy to Azerbaijan and, in 2000, Azerbaijan's Permanent Representation to the EU was established. The year 2004 marked another important development in relations between Azerbaijan and the European Union when Azerbaijan was included in the European Union Neighbourhood Policy. This opened up new opportunities for bilateral relations and supported the implementation of reforms in the economic, political, legal, and administrative spheres in Azerbaijan. The material and technical support provided by the EU to Azerbaijan played an important role in the implementation of economic and political reforms. In 2006, the European Union–Azerbaijan Action Plan was adopted that gave great importance to strengthening mutual relations between the parties and supporting security and stability, as well

as economic prosperity. In 2009, Azerbaijan was included in the Eastern Partnership (EaP) program of the EU.

In 2010, the EU proposed a new type of legal framework for the EaP countries, the Association Agreement (AA). Although the Azerbaijani government initially started negotiations with the EU for an AA, in 2013 decided against it, criticizing the EU-centric nature of the proposal. Baku declared its opposition to any deal that might violate the strategic and equal nature of its relations with the EU. Instead of an AA, the Azerbaijani government proposed two alternative frameworks that it believed would be better aligned with the interests and objectives of Azerbaijan. Baku's first initiative, the Strategic Modernization Partnership (SMP), proposed in 2013, would, in contrast to the AA, not be legally binding;

preserve the Partnership and Cooperation Agreement (PCA) of 1996 as the legal basis for relations; exclude politically controversial issues; and clearly mention Azerbaijan's territorial integrity in relation to the Armenia–Azerbaijan conflict.

The EU dismissed the SMP but demonstrated a more receptive attitude to the second proposal, the Strategic Partnership Agreement, that was initiated by the Azerbaijani government at the Riga Summit of the EaP in 2015. In November 2016, the European External Action Service obtained a mandate for negotiations from member states in the EU Council and, in February of the following year, the sides began negotiations.

## The Russia–Ukraine War: Bringing Europe and Azerbaijan Closer

“Today Azerbaijan and the European Union (EU) have become closer to each other more than ever,” observed Peter Michalko, the EU ambassador to Azerbaijan, at an event dedicated to Europe Day on May 12, 2022, in Baku.<sup>2</sup> According to Lithuanian Ambassador Egidijus Navikas, relations between Azerbaijan and the EU intensified following the 2020 Second Karabakh War, as European companies are actively involved in reconstruction work in the territories liberated from Armenian occupation, and the EU is playing an influential mediating role in establishing peaceful relations between Azerbaijan and Armenia.<sup>3</sup> The consequences of Russia's invasion of Ukraine—in particular, the regional political tensions; security threats and challenges; disruption of traditional connectivity routes; and the energy crisis in Europe—have created further incentives and necessities for closer bonds between the EU and Azerbaijan.

The basis for these relations is multilayered and propitious. Azerbaijan has signed strategic partnership agreements with nine members of the EU and developed strong ties with many of them. With a \$15 billion annual trade turnover, the EU is Azerbaijan's main trading partner, accounting for about 37 per

In late 2019, Azerbaijan's President Ilham Aliyev revealed that the stumbling blocks in negotiations for a new agreement related to the EU's expectation for Azerbaijan to accede to the World Trade Organization (WTO) and proposed controls on the price of natural gas exported by Azerbaijan. “The time has not come for such a membership [to the WTO], since the basis of our exports today is oil and gas,” stated President Aliyev.<sup>1</sup> Concerning energy prices, he disclosed that the proposal was for Azerbaijan to sell gas for export at domestic prices, which was unacceptable to Baku as Azerbaijani citizens are provided with natural gas at a discounted price. Despite these challenges in the negotiations, the sides have not given up and seek to reach agreement in the near future.

cent of the country's total trade and amounting to two-thirds of the EU's trade with the whole South Caucasus region. The EU is the major investor in the Azerbaijani economy, having invested up to \$20 billion in different projects in Azerbaijan.

Amid the efforts of Europe to reduce its gas dependency on Russia, Azerbaijan's gas exports are seen as one alternative source. For example, a ten-point plan to reduce Europe's dependence on Russian gas, proposed by the International Energy Agency, includes Azerbaijan as an alternative source in this context.<sup>4</sup> The intensifying visits of European officials to Baku in recent weeks to explore opportunities to increase Azerbaijani gas exports promise to deliver positive outcomes in the near future. Both sides are strongly interested in this cooperation.

Azerbaijan's standout role as an alternative for the EU is—in the context of Russian efforts to leverage its energy resources as seemingly the only effective instrument for pressure against the West—seen by some as a potential source of conflict between Baku and Moscow. Azerbaijani gas plays a critical role in the energy security of some Eastern European countries the gas demand of which is relatively low,

so Azerbaijani gas can be instrumental in reducing dependency on the Kremlin. The fact that Azerbaijani gas exports cannot completely substitute Russian exports to the EU, which, until recently, amounted to more than 150 billion cubic meters (bcm) a year, has so far helped assuage concerns in Moscow.

“We never planned to replace Russian gas. This is not possible due to incomparability of volumes,” President Aliyev said at a conference in April 2022 when answering a question about the possibility of such competition between the Kremlin and Baku.<sup>5</sup> He added, “Our energy policy has never raised questions in Russia. We have never had any questions or discussions in any form. I am sure that this will not have a negative impact on our relations with Russia.” However, as Azerbaijan's role in Europe's energy security expands, this situation is likely to change in the future. Therefore, a shift in relations between Baku and Moscow will necessitate the pursuit of a more cautious foreign policy on Azerbaijan's part and stronger support from the EU for Baku's efforts to effectively handle the challenges that this new strategic partnership in energy is sure to bring. More information about the EU–Azerbaijan strategic partnership in the energy sector will be provided in the contribution to this report by Mr. Shahmar Hajiyev, senior fellow at the AIR Center.

Azerbaijan is also an important actor in Europe–Asia connectivity. Owing to disruptions along the trans-Russia Northern Route because of the Ukraine war, the Trans-Caspian International Transportation Route, also known as Middle Corridor, has gained momentum. Over the last few months, numerous international logistics companies have decided to expand their Europe–Asia operations through the Middle Corridor.

Azerbaijan, Kazakhstan, and Georgia are interested in developing this transportation route, the potential of which is estimated at 10 million tones or 200,000 containers per year. These three countries plan to establish uniform tariffs for domestic shippers and

improve and simplify the work of carriers along the corridor.<sup>6</sup> This will boost the transit role of the South Caucasus for Europe–Asia connectivity and serve as another encouraging factor for closer engagement of the EU with this region.

Against this background, the EU has, in recent months, started to play an active role in the Armenia–Azerbaijan peace process. The leaders of the two South Caucasian republics met online on February 4 and in person on April 6 and May 22 through the mediation of European Council President Charles Michel. The sides have achieved some progress in this process, launched the preparatory work for a peace treaty, and agreed on the establishment of an international commission on the delimitation of Armenian–Azerbaijani border, which has not been done since the two countries regained their independence from the Soviet Union in 1991.

It is worth noting that, as of writing, since the beginning of this year, the representatives of the two South Caucasian republics have met exclusively via the mediation of the EU, while the only Russia-mediated meeting—that of the foreign ministers on May 12—took place on the sidelines of another major event and brought no new initiative to the negotiations. This is why Russia feels irritated, if not threatened, by the “shameless attempts of Brussels to appropriate [...] the agenda proposed last year by the OSCE [Organization for the Security and Cooperation in Europe] Minsk Group co-chairs (solving urgent humanitarian issues [and for the] preparation of a peace treaty between Baku and Yerevan).”<sup>7</sup>

It is believed that one of the major reasons for Armenia's recent reluctance to fulfil the commitments it has undertaken at the EU-mediated meetings (e.g., its refusal to meet with the Azerbaijani side on April 29 and on May 7–12, when the sides were to create the delimitation commission according to the agreed timeframe) is pressure from Russia and Armenia's pro-Russian opposition groups. The fact that Armenian Prime Minister Nikol Pashinyan reneged on these

1 Turan, “I. Aliyev: WTO Rules Should Not Apply to Gas Prices for EU”, December 24, 2019. Available at: [https://www.turan.az/ext/news/2019/12/free/politics\\_news/en/86106.htm](https://www.turan.az/ext/news/2019/12/free/politics_news/en/86106.htm) (Accessed: September 21, 2022).

2 Azernews, “Azerbaijan among EU's main energy partners”, May 12, 2022. Available at: <https://www.azernews.az/business/193676.html> (Accessed: September 30, 2022).

3 Ibid.

4 International Energy Agency, “A 10-Point Plan to Reduce the European Union's Reliance on Russian Natural Gas”, March 2022. Available at: <https://www.iea.org/reports/a-10-point-plan-to-reduce-the-european-unions-reliance-on-russian-natural-gas> (Accessed: September 21, 2022).

5 Trend.az, “Президент Ильхам Алиев: Наша энергетическая политика никогда не вызывала у России вопросов” [President Ilham Aliyev: Our energy policy never raised questions in Russia], April 29, 2022. Available at: <https://www.trend.az/azerbaijan/politics/3589150.html> (Accessed: September 30, 2022).

6 Haqqin.az, “Азербайджан, Грузия и Казахстан смягчают таможенные процедуры” [Azerbaijan, Georgia and Kazakhstan soften customs procedures], May 20, 2022. Available at: <https://haqqin.az/news/246865> (Accessed: September 29, 2022).

7 Ria Novosti, “МИД ответил на вопрос о готовности США возобновить работу ОБСЕ в Карабахе” [The Foreign Ministry answered the question about the readiness of the United States to resume the work of the OSCE in Karabakh], April 21, 2022. Available at: <https://ria.ru/20220421/obse-1784790072.html> (Accessed: September 30, 2022).

commitments following his April 19–20 Moscow visit, which was in contrast to his more constructive statements prior to this visit, substantiate these claims about Russian intervention in the process. However, there is optimism in the region that the EU's efforts to push for a breakthrough in the negotiations will deliver some results in the coming months.

All these developments are encouraging Azerbaijan and the EU to deepen their bilateral ties and open a new chapter in their relationship. Thus, it is expected that the two sides will finalize their talks on a new

framework agreement, which has been in negotiation since 2017, and sign it in the near future. According to President Ilham Aliyev, the process was delayed owing to pandemic-related restrictions and the 2020 war between Armenia and Azerbaijan. He has, however, reiterated that more than 90 per cent of the agreement is ready: “We have an agreement, but it was signed many years ago [in 1996]. The new agreement is very comprehensive. It incorporates the new realities after Second Karabakh War and will definitely address the new situation in the world,” he stated on April 29.<sup>8</sup>

## The European Union on Azerbaijan's Territorial Integrity

Bilateral relations between the EU and Azerbaijan have been positively influenced by the non-partisan and unbiased approach of the EU institutions to the Armenia–Azerbaijan conflict, the importance they attach to a peaceful settlement to the conflict in line with international law, and their steady support for Azerbaijan's territorial integrity. This position has been consistently reiterated by, among others, a long list of resolutions and other important documents adopted by the European Parliament, joint declarations of the Eastern Partnership summits, and the statements of high-level officials of the EU.

Not only did these documents make a noteworthy contribution to Azerbaijan–EU relations, they also reaffirmed the consistency in the EU's opposition to a forced change of internationally accepted borders in its Eastern neighborhood. The European Parliament resolution dated 18 April 2012 that contained recommendations to the executive bodies of the EU on the negotiation of an EU–Azerbaijan Association Agreement stressed the EU's recognition of the sovereignty and territorial integrity of Azerbaijan and reiterated its approach to resolving regional conflicts in accordance with the basic principles of the Helsinki Final Act.<sup>9</sup> The resolution correctly mentioned that the Armenia–Azerbaijan conflict undermined the stability and development of the South Caucasus region and

constituted a stumbling block in relations between the EU and the region's countries.

The constant risk of an escalation in the conflict, and thus the unacceptability of the status quo, was also recognized by the European Parliament resolution of 20 May 2010 on the need for an EU strategy for the South Caucasus. This resolution highlighted the importance for the conflicting sides to engage in substantive dialogue and take appropriate measures to preclude a resumption of armed hostilities in the region.<sup>10</sup> Importantly, the resolution underlined the need for the implementation of relevant UN Security Council resolutions. This was of particular importance for Azerbaijan, as UN Security Council Resolutions 822, 853, 874 and 884 of 1993, which called for the immediate withdrawal of occupation forces from the occupied territories of Azerbaijan and the restoration of its territorial integrity, remained unimplemented for about three decades.

This position was maintained by related documents signed by the EU and Azerbaijan and adopted by the European Parliament. In this regard, the document of July 11, 2018, signed by the European Commission and the Azerbaijani government and concerning the partnership priorities, bears special importance.<sup>11</sup> The document recognized the inviolability of

the internationally recognized borders and the independence and sovereignty of both parties as the basis of any bilateral cooperation. The resolution of the European Parliament of January 15, 2020, on the implementation of a common foreign and security policy similarly confirmed the EU's commitment to supporting the sovereignty, territorial integrity and political independence of EaP countries within their internationally recognized borders.<sup>12</sup>

Over time, the EU has demonstrated increasingly more active engagement with the conflicts in its Eastern neighborhood and has reacted quickly to provocative actions that have threatened to destabilize the region and lead to a military escalation. For instance, in June 2020, two official documents prepared by the European Parliament touched on the Armenia–Azerbaijan conflict. On June 10, reacting to the construction of a road that would directly connect Armenia and the occupied territories of Azerbaijan, members of the European Parliament (Chair of the Delegation Marina Kaljurand, the European Parliament's Standing Rapporteur on Armenia, Traian Băsescu, and the European Parliament's Standing Rapporteur on Azerbaijan, Željana Zovko) issued a joint statement that characterized this as a violation of international law.<sup>13</sup> Concluding that the project was an attempt to “consolidate the illegal occupation of Nagorno-Karabakh and its surrounding territories,” the statement urged “the authorities of Armenia and Azerbaijan to conscientiously take their obligations in negotiations on a peaceful settlement of the conflict within the internationally recognized borders of Azerbaijan.”

In June 2020, the European Parliament adopted another document that was of great importance not only for Azerbaijan but also for other EaP countries suffering from unresolved conflicts. This document, adopted as a recommendation to the executive bodies of the European Union in the run-up to the

virtual summit of June 19, 2020, reaffirmed the EU's commitment to the territorial integrity of all the EaP countries and its support for the settlement of regional conflicts within the internationally recognized borders of the respective countries.<sup>14</sup>

Stressing the necessity of the settlement of these conflicts, the European Parliament called for: The immediate withdrawal of foreign troops from all occupied territories and for an end to military hostilities, which unnecessarily claim the lives of civilians and soldiers while hampering socio-economic development, thus enabling hundreds of thousands of internally displaced people (IDPs) to return to their homelands.

The parliament also recommended that the Vice President of the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy “develop a more active role for the EU” in the conflict resolution process and take measures to prevent future conflicts in the region.

The resolutions, statements and recommendations, and other documents adopted by the institutions of the European Union, provide a strong basis for EU–Azerbaijan relations and demonstrate the high potential for more comprehensive cooperation between the two sides. Unfortunately, however, the European Parliament has also adopted documents that have damaged the institution's reputation in Azerbaijan and undermined societal trust in the European Union. “I have forgotten the number of anti-Azerbaijani resolutions adopted by the European Parliament at different times,” President of the Republic of Azerbaijan Ilham Aliyev said on receiving a delegation from the European Parliament in July 2022.<sup>15</sup> The latest such resolution, adopted almost unanimously (635 votes to two; 42 abstentions) on March 9, 2022, criticized Azerbaijan's policies against cultural monuments in the territories liberated by Azerbaijan during and after the Second Karabakh War.

8 Official Website of the Ministry of Foreign Affairs of Azerbaijan, “Ilham Aliyev attended the international conference themed “South Caucasus: Development and Cooperation” at ADA University”, April 29, 2022. Available at: <https://losangeles.mfa.gov.az/en/news/3612/ilham-aliyev-attended-the-international-conference-themed-south-caucasus-development-and-cooperation-at-ada-university> (Accessed: September 29, 2022).

9 EUR-Lex, Document 52012IP0128, April 18, 2012. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52012IP0128> (Accessed: September 26, 2022).

10 Official website of the European Parliament, “European Parliament resolution of 20 May 2010 on the need for an EU strategy for the South Caucasus (2009/2216(INI))”. Available at: [https://www.europarl.europa.eu/doceo/document/TA-7-2010-0193\\_EN.html](https://www.europarl.europa.eu/doceo/document/TA-7-2010-0193_EN.html) (Accessed: September 26, 2022).

11 Official website of the European Union External Action, “Partnership priorities between the EU and Azerbaijan reinforce the bilateral agenda”, July 11,

2018. Available at: [https://www.eeas.europa.eu/node/48244\\_en](https://www.eeas.europa.eu/node/48244_en) (Accessed: September 26, 2022).

12 EUR-lex, “Annual report on the implementation of the Common Foreign and Security Policy”, January 15, 2020. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020IP0008&from=EN> (Accessed: September 27, 2022).

13 Official website of the European Parliament, “Joint statement by the Chair of the Delegation, Mep Marina Kaljurand, the European Parliament's Standing Rapporteur on Armenia, Mep Traian Băsescu and the European Parliament's Standing Rapporteur on Azerbaijan, Mep Željana Zovko”, June 10, 2020. Available at: [https://www.europarl.europa.eu/cmsdata/208877/KALJURAND\\_BASESCU\\_ZOVKO\\_Joint%20statement\\_new%20highway%20between%20Armenia%20and%20Nagorno%20Karabakh.pdf](https://www.europarl.europa.eu/cmsdata/208877/KALJURAND_BASESCU_ZOVKO_Joint%20statement_new%20highway%20between%20Armenia%20and%20Nagorno%20Karabakh.pdf) (Accessed: September 26, 2022).

14 Official website of the European Parliament, “European Parliament recommendation of 19 June 2020 to the Council, the Commission and the Vice-President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy on the Eastern Partnership, in the run-up to the June 2020 Summit”, June 19, 2020. Available at: [https://www.europarl.europa.eu/doceo/document/TA-9-2020-0167\\_EN.html](https://www.europarl.europa.eu/doceo/document/TA-9-2020-0167_EN.html) (Accessed: September 26, 2022).

15 Trend, “I even forgotten number of anti-Azerbaijani resolutions adopted by European Parliament at different times - President Ilham Aliyev”, July 19, 2022. Available at: <https://en.trend.az/azerbaijan/politics/3622742.html> (Accessed: September 26, 2022).

Contrary to the spirit of the abovementioned documents signed between the EU and Azerbaijan, and the reaffirmation of the EU's support for the territorial integrity of Azerbaijan, this document accused Azerbaijan of territorial claims against Armenia and the erasure of "Armenian cultural heritage" in the Karabakh region of Azerbaijan. The parliament disregarded the well-documented evidence manifesting that Armenia had systematically destroyed historical, cultural, and religious monuments belonging to Azerbaijanis in the formerly occupied territories of Azerbaijan. During the 27 years of occupation, the European Parliament never criticized the destruction of the cultural heritage of Azerbaijan in the territories that were illegally under the control of Armenia.

Azerbaijani observers often point to the influence of the Armenian diaspora and the Armenian lobby on such institutions and their biased statements.<sup>16</sup> This influence is strikingly evident in France, where the diaspora of half a million Armenians has significant

political influence. Even though some sensible Armenian intellectuals have raised their voices against the country's territorial claims to the internationally-recognized territories of Azerbaijan and called for a resolution of the conflict within the territorial integrity of both states, in late 2020, both chambers of the French Parliament unanimously adopted legislative documents calling for the recognition of the independence of a puppet entity called the "Nagorno-Karabakh Republic" that was once declared in the sovereign territories of Azerbaijan.

This biased stance of one of the leading EU member states in the Armenia–Azerbaijan conflict has had unavoidable implications for the policies of the EU. Nevertheless, despite such disruption, "there is a good history of relations between the European Union and Azerbaijan" and "[t]hese relations are developing very successfully especially now," as President Aliyev noted in his meeting with the European Parliament delegation in July 2022.<sup>17</sup>

## EU Policies towards the Armenia–Azerbaijan Peace Process after the Second Karabakh War

The resolution of the Armenia–Azerbaijan conflict opens up new opportunities for Azerbaijan–EU relations. Throughout its engagement with the region, it has been a challenge for the EU to come up with an approach acceptable to both Baku and Yerevan. While Yerevan demanded that the EU emphasize the self-determination principle concerning the occupied territories of Azerbaijan, Baku called on Brussels to treat the territorial integrity of Azerbaijan with the same approach it applies to other territorial conflicts in the neighborhood. The liberation of the occupied territories of Azerbaijan in 2020 and the launch of negotiations on the delimitation and demarcation of the Armenia–Azerbaijan borders in 2022 are likely to generate a more favorable political environment for the EU to engage with the countries of the region.

However, in order to effectively leverage the opportunities created by the post-war situation, the EU needs to treat the regional countries equally and

consider their concerns in its policies regarding the region. For example, Brussels was widely criticized in Azerbaijan in 2021 after the announcement of an aid package for the EaP countries. Disregarding Azerbaijan's need to demine and rehabilitate the totally destroyed Karabakh region, the EU allocated substantially less aid to Azerbaijan (less than €200 million) than to Georgia (€3.9 billion) or Armenia (€2.6 billion).<sup>18</sup> The EU has failed to provide a convincing explanation for this discrepancy, which raises questions about the true nature and objectives of the investment package and has had a negative impact on the EU's image among Azerbaijanis.

Nevertheless, to the benefit of relations between Azerbaijan and the EU, Brussels quickly adjusted its policies towards the region, and this provides a strong basis for further success. On December 14, 2021, Brussels hosted the first EU-mediated meeting of the Armenian and Azerbaijani leaders. Organized

on the sidelines of the summit of the Eastern Partnership program and with the participation of European Council President Charles Michel, the outcomes of the meeting were of great importance. The meeting presented a new format for post-war peace negotiations between the sides. This was a remarkable development against the backdrop of the declining role of the OSCE Minsk Group and Russia's emergence as the sole power broker in the post-war peace process. For Azerbaijan, the EU was seen as a more desirable mediator than the Minsk Group, which had proved rather ineffective and often controversial owing to the embedded pro-Armenian bias in the policies of France, one of the co-chairs along with the USA and Russia.

On February 4, 2022, the leaders of Armenia and Azerbaijan met online with the mediation of France's President Emmanuel Macron and President of the European Council Charles Michel. This summit coincided with a meeting of the Advisory Council of Southern Gas Corridor in Baku that was attended by two European commissioners: Commissioner for Neighborhood and Enlargement Oliver Varhelyi and Commissioner for Energy Kadri Simson.

The summit of the leaders and the statements made by the commissioners in Baku were, for several reasons, of great importance for the peace process between Armenia and Azerbaijan following the Second Karabakh War of 2020 and the role of the EU in the region. Above all, they demonstrated that the EU had opted to engage with Armenia and Azerbaijan in a more balanced form, paying commensurate attention to their individual concerns and expectations. This was an important policy shift

## The EU's role in the Armenia–Azerbaijan Peace Process following the Outbreak of the Russia–Ukraine war

In general, the EU's reconsideration of its policies towards Armenia and Azerbaijan, and its pursuit of a more balanced approach, have buttressed the EU's place in the post-war peace process and helped it play a more impactful mediating role following Russia's invasion of Ukraine, which reduced Moscow's role as a mediator between Baku and Yerevan.

The April 6 summit of the leaders of Armenia and Azerbaijan through the mediation of European Council President Charles Michel in Brussels was a historic

in the EU engagement with the South Caucasus and, in particular, the normalization process of Armenia–Azerbaijan relations.

The statement shared by European Council President Michel and French President Macron following the February 4 meeting, as well as the reactions voiced by President Aliyev and Prime Minister Pashinyan, demonstrated some notable changes in the EU's approach to the peace process. First, according to media reports and the statements of the leaders, all the topics discussed at the summit concerned the post-conflict period. Neither the European leaders nor their Caucasian counterparts raised "pre-war" issues such as the revival of the Minsk Group and the settlement of the status issue. The statement of presidents Michel and Macron focused primarily on the efforts for reducing tension, building trust, providing access for UNESCO to the territories of Armenia and Azerbaijan, and restoration of regional transportation links.

The second remarkable change in EU policies was observed with respect to the investment plan in the South Caucasus. Commissioner Varhelyi, in the course of his Baku visit, announced that a financial package amounting to €2 billion was to be allocated to Azerbaijan within the framework of the economic investment plan. He said the sides are considering the implementation of specific projects including those for the recovery and reconstruction process in Azerbaijan. The EU's decision to support Azerbaijan's economy and its reconstruction efforts in the Karabakh region is likely to have a positive impact on EU–Azerbaijan relations and the negotiations for the new framework agreement that the sides have been discussing since 2017.

event in the cooperation between the sides. Unlike the December 14 trilateral summit, which also took place in this format but on the sidelines of another major event (the summit of the Eastern Partnership program), the latest summit was the sole purpose of the visit of Azerbaijani President Ilham Aliyev and Armenian Prime Minister Nikol Pashinyan to Brussels. Therefore, it clearly signified the growing mediating role of the EU in the Armenia–Azerbaijan peace process—a role that is welcomed by both Baku and Yerevan, .

16 Mammadli, Matin, "Erməni lobbisi və Fransa xarici siyasəti" [Armenian lobby and French foreign policy], July 2021. Available at: <https://aircenter.az/uploads/files/lobbi.pdf> (Accessed: September 26, 2022).

17 Trend, "I even forgotten number of anti-Azerbaijani resolutions adopted by European Parliament at different times - President Ilham Aliyev", July 19, 2022. Available at: <https://en.trend.az/azerbaijan/politics/3622742.html> (Accessed: September 26, 2022).

18 Mejlumyan, Ani, "Armenia gets aid boost from EU", 2021. Available at: <https://eurasianet.org/armenia-gets-aid-boost-from-eu> (Accessed: October 26, 2022).

On April 6, Azerbaijan's President Ilham Aliyev and Armenia's Prime Minister Nikol Pashinyan, met in Brussels through the mediation of by the European Council President Charles Michel. It was also the first time for the leaders of Armenia and Azerbaijan to pay a visit to Brussels for the sole purpose of negotiating about their disputes. Hence, the summit was of great symbolic as well as political significance marking a growing mediating role of the EU in the Armenia-Azerbaijan peace process and offers a viable alternative to the Russia-mediated negotiation format.

The four-hour talks between the sides culminated in the announcement of two critical decisions. First, the leaders of the two South Caucasus republics agreed to convene a bilateral commission for handling the delimitation and demarcation of their interstate border by the end of April. Although Baku and Yerevan had previously agreed on this in their Russia-mediated summit on November 26, as announced by Russian President Vladimir Putin following the summit, they had failed to establish the commission by the end of 2021.

The Brussels summit also, as President Michel put it, started the preparations for an Armenia-Azerbaijan peace treaty. According to their agreement, the foreign ministers of the two countries were tasked with starting the preparations for the future peace treaty and initiating talks and contacts in this direction. A few days after the summit, the sides made the first major move in this direction: On April 11, the foreign ministers of Armenia and Azerbaijan, for the first time in recent years, talked on the telephone, without any third-party mediation, as a follow-up to the agreements reached at the level of the leaders of both states.

In his meeting with EU Special Representative Toivo Klaar in Baku on April 19, President Ilham Aliyev noted that the Brussels summit was “the starting point” for the normalization of Armenia-Azerbaijan relations and work towards a peace treaty. It is notable that, although Armenia and Azerbaijan had

been negotiating in the Russia-mediated trilateral format for more than a year, such an important development was achieved through the mediation of the EU.

On May 22, the leaders of Armenia and Azerbaijan met in Brussels with the mediation of Charles Michel, President of the Council of European Union (EU), as a follow-up to their previous three EU-mediated summits (December 14, 2021, and February 4 and April 6, 2022). The meeting delivered “tangible progress,” as reported by President Michel, in relation to transportation projects and border delimitation.

Building on the agreement reached in their first EU-mediated summit on December 14, when they agreed the terms of the railway connection along the Zangazur corridor, on May 22 the leaders agreed on the terms of a highway through the same corridor. In a press statement, President Michel declared that the sides had agreed on the major principles of border administration, security, and land fees, and also on the customs procedures to be applied to these connections.<sup>19</sup> The following day, President of Azerbaijan Ilham Aliyev confirmed that an agreement had been reached in Brussels on the Zangazur corridor.<sup>20</sup> However, the details of this agreement have yet to be disclosed.

The Brussels summit also generated tangible progress in talks on the delimitation and demarcation of the Armenia-Azerbaijan state borders. The day after the summit, both sides announced the composition of their respective state commissions, and on the following day (Tuesday, May 24), the two commissions met on the Armenia-Azerbaijan state border and launched their work. This finalized the negotiations about the establishment of a border commission that had first started a year previously when, on May 19, 2021, amid the border disputes between Armenia and Azerbaijan, Russian Foreign Minister Sergey Lavrov proposed the establishment of a border commission of the two countries with the participation of Russia as a mediator and consultant.<sup>21</sup>

Although Russia has remained an important actor in this process and in general Armenia-Azerbaijan peace negotiations, its role has diminished in parallel with the remarkable growth of the EU's role. It is worth noting that, since the beginning of this year, the representatives (foreign ministers and national leaders) of the two South Caucasian republics have met exclusively via the mediation of the EU, while the only Russia-mediated meeting, that of the foreign ministers on May 12, took place on the sidelines of another major event and brought no new initiative to the negotiations.

On August 31, Brussels hosted the next trilateral summit of President Ilham Aliyev and Prime Minister Nikol Pashinyan through the mediation of European Council President Charles Michel. This summit was organized within the timeframe proposed at the previous breakthrough summit of the three leaders on May 22. The most important publicly known outcome of this meeting, the fourth such summit mediated by the EU since December 2021, related to the initiative for a peace treaty between Armenia and Azerbaijan.

“Today we agree to step up substantive work to advance on the peace treaty governing inter-state relations between Armenia and Azerbaijan,” said President Michel in a press statement following the summit.<sup>22</sup> In order to work on draft texts of the treaty, the foreign ministers of both countries were tasked to meet in September 2022. This will be followed by the next summit of the leaders in November, according to President Michel.

Following the summit, both the Azerbaijani president and the Armenian prime minister talked positively about the prospects of signing a peace treaty in the near future. “I think that we can finalize and sign a peace agreement within several months. I think this is realistic if the Armenian side expresses the same will,” stated President Aliyev in an interview with the Italian newspaper *Il Sole 24 Ore*. In a similar vein, a pro-government publication in Armenia quoted the prime minister as saying, in a closed meeting with members of parliament, that his country is ready to sign a peace treaty with Azerbaijan by the end of this year.

In this context, it was of great importance that both Armenia and Azerbaijan were among the European countries invited to the first gathering of the European Political Community (EPC) in Prague on October 6. Not only did this meeting further reinforce the bonds between Azerbaijan and the European Union, it also made an important contribution to the peace talks between Baku and Yerevan. On the sidelines of the Prague summit, historic meetings were held between the leaders of Armenia and Azerbaijan as well as those of Armenia and Turkey. Mediated by EU Council President Charles Michel and French President Emmanuel Macron, the meeting of President Ilham Aliyev of Azerbaijan and Prime Minister Nikol Pashinyan of Armenia delivered remarkable progress on the path towards normalization of relations and ending the conflict between the two South Caucasian republics.

According to the European Council's statement, Armenia and Azerbaijan committed to recognizing each other's territorial integrity: “Armenia and Azerbaijan confirmed their commitment to the Charter of the United Nations and the Alma Ata 1991 Declaration through which both recognize each other's territorial integrity and sovereignty.”<sup>23</sup> The Alma Ata declaration is the document through which former Soviet states (excluding the Baltic states and Georgia) established the Commonwealth of Independent States (CIS), formalized the disintegration of the Soviet Union, and recognized each other's territorial integrity and sovereignty.

This came close on the heels of a recent escalation along the Armenia-Azerbaijan state border that resulted in Azerbaijan taking control of some disputed areas that Armenia claimed to be part of its internationally recognized territory. The agreement on the mutual recognition of territorial integrity thus opens a window of opportunity to accelerate the delimitation and demarcation process and eliminate disputes that can lead to armed confrontation. This issue is also reflected in the abovementioned statement, according to which Armenia and Azerbaijan confirmed that their mutual recognition of

19 Official website of the Council of the European Union, “Press statement by President Michel of the European Council following a trilateral meeting with President Aliyev of Azerbaijan and Prime Minister Pashinyan of Armenia”, May 23, 2022. Available at: <https://www.consilium.europa.eu/en/press/press-releases/2022/05/23/press-statement-by-president-michel-of-the-european-council-following-a-trilateral-meeting-with-president-aliyev-of-azerbaijan-and-prime-minister-pashinyan-of-armenia/> (Accessed: September 26, 2022).

20 APA, “Agreement reached in Brussels on the Zangazur corridor, Azerbaijani President says”, May 23, 2022. Available at: <https://apa.az/en/official-news/agreement-reached-in-brussels-on-the-zangazur-corridor-azerbaijani-president-says-376776> (Accessed: September 26, 2022).

21 Civilnet, “Yerevan and Baku at Impasse Over Border After Azerbaijani Incursion”, May 20, 2021. Available at: <https://www.civilnet.am/en/news/608046/yerevan-and-baku-at-impasse-over-border-after-azerbaijani-incursion/> (Accessed: September 25, 2022).

22 Official website of the Council of the European Union, “Press statement by President Charles Michel following the trilateral meeting with President Aliyev of Azerbaijan and Prime Minister Pashinyan of Armenia”, 31 August 2022. Available at: <https://www.consilium.europa.eu/en/press/press-releases/2022/08/31/press-statement-by-president-charles-michel-following-the-trilateral-meeting-with-president-aliyev-of-azerbaijan-and-prime-minister-pashinyan-of-armenia-31-august-2022/> (Accessed: September 26, 2022).

23 Official website of the Council of the European Union, “Statement following quadrilateral meeting between President Aliyev, Prime Minister Pashinyan, President Macron and President Michel, 6 October 2022”, October 7, 2022. Available at: <https://www.consilium.europa.eu/en/press/press-releases/2022/10/07/statement-following-quadrilateral-meeting-between-president-aliyev-prime-minister-pashinyan-president-macron-and-president-michel-6-october-2022/> (Accessed: October 27, 2022).

territorial integrity and sovereignty “would be a basis for the work of the border delimitation commissions and that the next meeting of the border commissions would take place in Brussels by the end of October.”<sup>24</sup>

Another important event that took place on the sidelines of the Prague summit was the first meeting between Prime Minister Pashinyan and Turkish President Recep Tayyip Erdogan. Reportedly, the two leaders discussed further steps for the normalization of Turkish–Armenian relations and, in particular, the opening of the land border for citizens of third countries and the implementation of direct air cargo transportation between Armenia and Turkey. Reaffirming the previous support of his government for the Armenia–Azerbaijan peace process, the Turkish president stated, in a press conference, that his country will normalize relations and that its land

border, air space, and railway connections with Armenia will be reopened as soon as Armenia signs a peace agreement with Azerbaijan.

All these developments create a unique opportunity for Armenia and Azerbaijan to proceed with the peace treaty and other initiatives that will be critical to generate peace and stability in the region. President Aliyev, in an interview following the Prague summit, stated that, if there was agreement, the working groups of the two countries would start working on the draft text of the peace deal and the sides would sign the treaty by the end of 2022. Thus, the EU’s efforts to promote peace between Azerbaijan and Armenia promise to deliver a positive outcome and help the two countries of the South Caucasus normalize their relations and open a new chapter in their bilateral relations.

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<sup>24</sup> Official website of the Council of the European Union, “Statement following quadrilateral meeting between President Aliyev, Prime Minister Pashinyan, President Macron and President Michel, 6 October 2022”, October 7, 2022. Available at: <https://www.consilium.europa.eu/en/press/press-releases/2022/10/07/statement-following-quadrilateral-meeting-between-president-aliyev-prime-minister-pashinyan-president-macron-and-president-michel-6-october-2022/> (Accessed: October 27, 2022).

# ENERGY IN THE RELATIONSHIP BETWEEN AZERBAIJAN AND THE EUROPEAN UNION

**Shahmar Hajiye**

## Introduction

Today, energy resources are one of the key factors for economic growth and political and social stability. Diversifying energy supplies, securing access to energy-rich regions and ensuring the safe export of energy resources to global energy markets are among the most important objectives of energy producers and consumers.

The ongoing Russia-Ukraine war has radically changed the security and economic landscape of Eurasia. It has pushed all the European Union (EU) member states to think about reliable energy supplies, so Azerbaijan's energy resources, especially natural gas, are now valuable for ensuring diversification of energy sources and routes. Azerbaijani natural gas cannot match or compete with the volumes of gas that Europe received from Russia; nevertheless, particularly in the wake of rising prices for natural gas and Europe's efforts to wean itself off Russian gas, Azerbaijan's valuable role in providing an alternative source of energy for European markets has been acknowledged by the EU.

Touching upon the cooperation between Azerbaijan and the EU, it is worth noting that the parties continue successful cooperation in different sectors. According to Peter Michalko, the EU Ambassador in Azerbaijan, "Today Azerbaijan and the EU have become closer to each other more than ever, and Azerbaijan is one of

the key energy partners of the European Union."<sup>25</sup> The current geopolitical developments, especially the war between Russia and Ukraine, the energy crisis, and connectivity challenges using traditional routes, make it important to deepen cooperation between the EU and its partners.

To this end, Azerbaijan and the EU have signed several strategic partnership agreements. It is worth noting that the EU is Azerbaijan's main trading partner, accounting for about 36.7 per cent of Azerbaijan's total trade. The EU continues to be Azerbaijan's biggest export market and second-largest source of imports, having a 51 per cent share of Azerbaijan's exports and a 16 per cent share of its imports.<sup>26</sup>

One of the main pillars of Azerbaijan-EU bilateral cooperation is energy, as the Caspian Basin country exports crude oil and natural gas to European energy consumers. It should be underlined that an inter-regional energy project to transport the first Caspian gas to EU energy markets, the Southern Gas Corridor (SGC), has already been finalized, and Azerbaijan has been successfully exporting natural gas to Europe since December 2020.

Amid European efforts to reduce gas dependency on Russia, Azerbaijan's gas exports are seen as an

<sup>25</sup>Azernews, "Azerbaijan among EU's main energy partners" May 12, 2022. Available at <https://www.azernews.az/business/193676.html>, (Accessed: September 5, 2022).

<sup>26</sup> Official website of the European Commission, "EU trade relations with Azerbaijan. Facts, figures and latest developments". Available at: [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/azerbaijan\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/azerbaijan_en) (Accessed: 5 September 2022).

alternative. For example, a ten-point plan to reduce Europe's dependence on Russian gas proposed by the International Energy Agency includes Azerbaijan as an alternative source in this context.<sup>27</sup> The intensifying

visits of European officials to Azerbaijan and fruitful negotiations between the parties will open a new era for energy cooperation, as Baku and Brussels are both interested in such an outcome.

## Europe's Energy Crisis amid the Russia-Ukraine War

It is worth noting that, following Russia's recent switching off of natural gas supplies and the explosion in the Nord Stream pipeline, natural gas and electricity prices have risen to record levels in Europe. Russian natural gas imports have decreased, and year-on-year comparisons show a staggering 90% drop not only in the transit route through Belarus, but also in those via Nord Stream (-12%), Ukraine (-51%) and TurkStream (-14%).<sup>28</sup> The earlier call of EU energy ministers for all EU countries to voluntarily decrease gas use by 15 per cent compared with average annual consumption between 2016 and 2021 accelerated the search for energy alternatives in addition to the process of building up gas reserves before the winter. Natural gas prices, which are increasing on international markets, also occupy an important place on the agenda of the UK. For instance, the UK's annual energy imports from Russia are worth £4.4 billion. Great Britain has announced that it will issue licenses for the exploitation of new gas and oil fields in the North Sea. Because of the rise in prices, UK residents will receive an extra £400 of public assistance towards their gas and electricity bills.<sup>29</sup>

Considering the current situation in the EU, according to 2021 statistics, Germany imported 142 billion cubic meters (bcm) of natural gas from Russia during the year. Imported gas from Russia has long benefited Germany's low-cost, competitive industries. Moreover, natural gas is considered a "bridging technology" that provides relatively low-carbon-emission production and supports the phase-out of nuclear power. It

should be noted that, since the beginning of Russia's invasion of Ukraine, Germany has reduced the share of imported gas from 55% to 35%. Nevertheless, it is still looking for an energy alternative. Recently, against the emerging energy crisis, the German government has emphasized that it can restart coal and nuclear power plants. At the same time, it was decided that public buildings can be heated to a maximum of 19°C, and citizens are being urged to save energy.

In addition, the Netherlands, Belgium, and Norway can be added to the list of countries that are experiencing difficulty in replacing natural gas imported from Russia. Germany has signed an agreement with the United Arab Emirates to support energy security and industrial growth.<sup>30</sup> The main aim of the German government is to buy as much LNG as possible to substitute Russian gas in the mid-term.

The French natural gas export company GRTgas announced, in a written statement, that the company is trying to adapt its network to develop new capacities for natural gas export from France to Germany and will transport more gas to the country from mid-October.<sup>31</sup> It should be noted that the French authorities explained that the aquifers used, which account for 90 % of storage infrastructure in France, must be filled to a sufficiently high level and emptied to a sufficiently low level each year. The rate at which gas can be withdrawn from storage infrastructure also decreases as the stock decreases.<sup>32</sup> According to a press conference, if the population

complies with energy saving measures, there will be no interruptions and, in the alternative scenario, they will overcome this problem with the cooperation with the EU. LNG terminals in France could play an important role as the country could export gas in exchange for electricity.

In the middle of the West's energy crisis, an essential part of EU planning is to purchase LNG from the USA, Qatar, Algeria, the UAE, and others. For instance, the USA continues to send more LNG to Europe to support the continent's energy demand. Almost 70% of its export cargoes, 4.37 Mt, headed to Europe in September 2022, up from 56% and 63%, respectively, in the previous two months. The higher shipments to Europe left fewer cargoes for Asia, Latin America, and the Caribbean.<sup>33</sup>

## The role of Azerbaijan as a reliable energy partner for Europe

The war between Russia and Ukraine has pushed all EU member states to think about reliable energy supplies. Azerbaijan's energy, now especially gas exports, is valuable for ensuring diversification of energy sources and routes, although it cannot match or compete with the volumes of gas that Europe received from Russia. Particularly in the wake of rising prices for natural gas and Europe's efforts to wean itself off Russian gas, Azerbaijan's valuable role in providing an alternative source of energy for European markets has been acknowledged by the European Union.

In December 2020, Azerbaijan started exporting gas to Europe through the SGC. Although the share of Azerbaijani gas in the EU's total gas imports is less than two per cent, it is of strategic importance for some Eastern European countries. We should note that, against the background of Europe's efforts to reduce gas dependence on Russia, Azerbaijan is viewed as an alternative gas exporter. An example is the ten-point plan for reducing Europe's dependence on Russian gas proposed by the International Energy Agency that includes Azerbaijan as an alternative source. In recent years, intensive negotiations between European officials and the Azerbaijani

However, as European countries are not fully equipped to receive sufficient fuel to replace Russian natural gas, Azerbaijan's partnership plays a crucial role. Azerbaijani natural gas is crucial for the diversification of supplies and routes, especially for southern Europe and the western Balkans. Now even Serbia, traditionally considered a close ally of Russia, is interested in buying Azerbaijani gas. For this purpose, construction works of the Serbia-Bulgaria gas interconnector (IBS) have already started, and this project will provide a direct link for the gas networks of Bulgaria, Romania, Greece and Hungary to the gas networks of other South Eastern European countries. It should be underlined that Serbia will be able to import Azerbaijani natural gas and LNG from Greece via the IBS pipeline which is crucial for Serbia's efforts to diversify energy supply sources and routes.

government have taken place to explore the possibilities for increasing the export of Azerbaijani gas to Europe.

During the Eighth Ministerial Meeting of the Southern Gas Corridor Advisory Council, held in Baku on February 4, 2022, the EU Commissioner for Energy, Kadri Simson, and the EU Commissioner for Neighborhood and Enlargement, Oliver Varhelyi, reaffirmed the strategic energy partnership between the Republic of Azerbaijan and the European Union on the basis of the shared goals of long-term energy security, security of supply, and the green energy transition. The parties particularly underlined the successful outcome of the first full-scale operational year of the SGC and its contribution to providing reliable, competitive, and affordable energy supplies from Azerbaijan to markets in Georgia, Turkiye and Europe.<sup>34</sup> The strategic role of Azerbaijan as an exporter of secure, stable, and affordable energy to Europe is rising amid gas shortages and high prices on global energy markets.

A groundbreaking agreement between Azerbaijan and the EU was achieved on July 18, 2022, when the European Commission signed the new "Memorandum

27 International Energy Agency, "A 10-Point Plan to Reduce the European Union's Reliance on Russian Natural Gas", March 2022. Available at: <https://www.iea.org/reports/a-10-point-plan-to-reduce-the-european-unions-reliance-on-russian-natural-gas> (Accessed: September 21, 2022).

28 Official website of the European Commission, "Quarterly report On European gas markets" PDF, Volume 15 (issue 2, covering second quarter of 2022). Available at: [https://ec.europa.eu/info/sites/default/files/energy\\_climate\\_change\\_environment/overall\\_targets/documents/quarterly\\_report\\_on\\_european\\_gas\\_markets\\_q2\\_2022\\_final\\_0.pdf](https://ec.europa.eu/info/sites/default/files/energy_climate_change_environment/overall_targets/documents/quarterly_report_on_european_gas_markets_q2_2022_final_0.pdf) (Accessed: October 1, 2022).

29 Bolton Paul, Research briefing № 9523, "Imports of energy from Russia" PDF, October 17, 2022. Available at <https://researchbriefings.files.parliament.uk/documents/CBP-9523/CBP-9523.pdf> (Accessed: 21 October 2022).

30 CGTN, "Scholz in the Gulf: German Chancellor oversees signing of energy deal in the UAE", 01 October 2022. Available at: <https://news.cgtn.com/news/2022-10-01/VHJhbnNjcmliwDY4NjI1/index.html> (Accessed: October 6, 2022).

31 Reuters, "France to create gas export capacity towards Germany – regulator", October 7, 2022. Available at: <https://www.reuters.com/business/energy/france-create-gas-export-capacity-towards-germany-regulator-2022-10-07/> (Accessed: October 10, 2022).

32 Official Journal of the European Union, "COMMISSION DECISION (EU) 2022/444", June 28, 2021. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022D0444> (Accessed: December 10, 2022)

33 Reuters, "More U.S. LNG heads to Europe despite output constraints", October 3, 2022. Available at: <https://www.reuters.com/business/energy/more-us-ling-heads-europe-despite-output-constraints-2022-10-03/> (Accessed: October 6, 2022).

34 Official website of the European Commission, "The eighth Ministerial Meeting of the Southern Gas Corridor Advisory Council", February 4, 2022. Available at [https://ec.europa.eu/info/news/eighth-ministerial-meeting-southern-gas-corridor-advisory-council-2022-feb-04\\_en](https://ec.europa.eu/info/news/eighth-ministerial-meeting-southern-gas-corridor-advisory-council-2022-feb-04_en), (Accessed: September 15, 2022).

of Understanding on a Strategic Partnership in the Field of Energy” with Azerbaijan to increase imports of Azerbaijani natural gas to Europe by at least 20 bcm/y by 2027. This document opened up a new era for cooperation between Brussels and Baku. According to EU President von der Leyen:

Today, with this new Memorandum of Understanding, we are opening a new chapter in our energy cooperation with Azerbaijan, a key partner in our efforts to move away from Russian fossil fuels. We are also laying the foundations of a long-term partnership on energy efficiency and clean energy, as we both pursue the objectives of the Paris Agreement.

EU Commissioner for Energy Kadri Simson also noted:

The new Memorandum of Understanding underlines the strategic role of the Southern Gas Corridor in our diversification efforts. Azerbaijan has already increased the natural gas deliveries to the EU and this trend will continue, with up to 4 bcm of additional gas this year and volumes expected to more than double by 2027.<sup>35</sup>

For the EU, the SGC is a significant source for the diversification of natural gas supplies to Europe, in particular for southeastern European countries, which are highly dependent on a few sources.

The signed memorandum of understanding (MoU) between Baku and Brussels is important for Europe’s energy security, and Baku is ready to increase natural gas flow to the continent. However, as noted by President Ilham Aliyev:

To double the export to Europe is a big deal. We need investments, we need to expand the capacity because our pipeline, which brings our gas to Europe, has a capacity of 10 billion cubic meters - TAP. So, we need to expand it up to 20 bcm. It needs money, it needs agreement between the shareholders and all that is a process.<sup>36</sup>

So, it is clear that Azerbaijan is expecting to sign long-term gas purchase agreements with its European partners, and the current geopolitical scenario in Europe makes it necessary to sign such agreements as soon as possible.

Analyzing the MoU, it is worth noting that, along with natural gas exports, another important aspect of EU–Azerbaijan energy cooperation will be the development of green energy. Under the REPowerEU Plan, the EU plans to bring its total renewable energy generation capacity to 1,236 GW by 2030, in comparison with the 1,067 GW by 2030 envisaged under Fit for 55 scheme.<sup>37</sup> In particular, replacing coal, oil, and natural gas in the industrial sector will help to cut dependency on Russian fossil fuels. It should be noted that about 30 per cent of EU primary steel production is expected to be decarbonized through the use of renewable hydrogen by 2030.

To this end, Azerbaijan aims to produce more electricity from renewables. Important green energy projects include those signed with the UAE’s Masdar energy company to build a 230-MW solar power park and with Saudi Arabian energy company ACWA Power to build the 240-MW Khizi-Absheron wind power plant. These green energy projects will play a significant role in increasing the share of renewable energy sources in the country’s energy system up to 30 per cent by 2030. Moreover, this process will be an important means for decreasing the use of natural gas in electricity production. The signed MoU envisages the export of electricity to Europe in the coming years; thus, Baku and Brussels will examine the development of electricity interconnections between the EU and Azerbaijan, including through the Black Sea and through the Nakhchivan Autonomous Republic of Azerbaijan.

Azerbaijan and EU member states can also cooperate in the field of LNG. Similar to Romania’s Romgaz, Azerbaijan’s SOCAR is considering developing a Black Sea LNG project. The two companies have signed an MoU and agreed to perform a feasibility study for such a project, which would include an LNG plant, a regasification plant and other facilities needed to transport gas from the Caspian Sea.<sup>38</sup>

Last, but not least, the EU and Azerbaijan are also interested in the prospects for the development of capacity for the generation, transport, and trading of renewable hydrogen. Therefore, TAP officials are assessing the options for transporting hydrogen to Europe in the future. This pipeline will therefore be

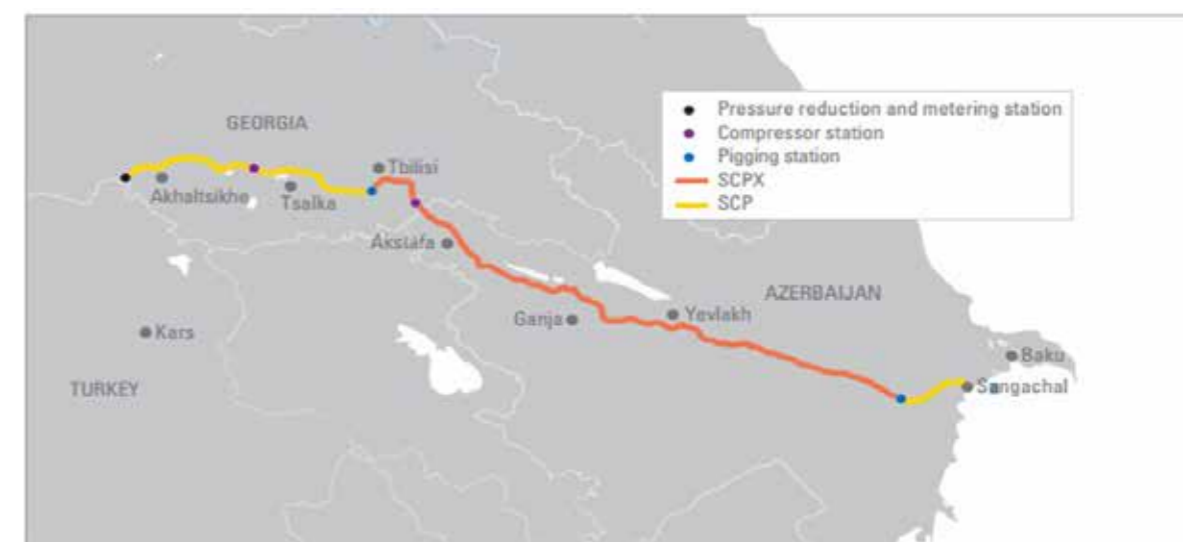
able to deliver not only natural gas, but also hydrogen, which is strategically and economically important for Europe. In brief, TAP has a crucial role to play in supporting European energy security by diversifying energy supplies and supporting decarbonization efforts.

## The Southern Gas Corridor: Diversification of Supply Sources and Routes

It should be underlined that it was very important for Azerbaijan to ensure the operation of the SGC by providing state support for the effective implementation of the full-field development of the projects for the Shah Deniz gas-condensate field (SD2), South Caucasus Pipeline Expansion (SCPX), Trans-Anatolian Natural Gas Pipeline (TANAP) and Trans Adriatic Pipeline (TAP). All the segments of the SGC are significant energy infrastructure projects that open up new

opportunities not only for Azerbaijan, but also for the Caspian region to export natural gas to European energy markets.

One of these important energy projects is SCPX, which forms the first link in the SGC chain of pipelines. This expanded Southern Caucasus Pipeline (SCP) system ties into TANAP at the border with eastern Turkiye, which, in turn, connects with the Trans Adriatic Pipeline (TAP) at Turkiye’s western border.<sup>39</sup>



Source: BP

TANAP, the Turkish segment of the SGC project, is the longest (1,811 km) and largest diameter (56 in.) natural gas pipeline in Turkiye, the Middle East, and Europe, and was built to transport the natural gas extracted in Azerbaijan’s Shah Deniz Region to, first, Turkiye and then Europe. TANAP could be expanded up to

31 bcm transmission capacity, which supports the energy security of the involved states. This project, an important segment of the SGC, established a strong basis for the TAP project, which is the final section of SGC for delivering Azeri gas to the European energy market.

<sup>35</sup> Official website of the European Commission, “EU and Azerbaijan enhance bilateral relations, including energy cooperation”, July 18, 2022. Available at: [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_22\\_4550](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_4550), (Accessed: August 10, 2022).

<sup>36</sup> Trend, “Boosting TAP capacity requires funding, consent between shareholders - President Ilham Aliyev”, September 3, 2022. Available at: <https://en.trend.az/azerbaijan/politics/3640111.html> (Accessed: 01 October 2022).

<sup>37</sup> Official website of the European Commission, “REPowerEU: affordable, secure and sustainable energy for Europe”, Available at: [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/repowerEU-affordable-secure-and-sustainable-energy-europe\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/repowerEU-affordable-secure-and-sustainable-energy-europe_en) (Accessed: September 28, 2022).

<sup>38</sup> Reuters, “Romania’s Romgaz, Azerbaijan’s Socar to consider Black Sea LNG project”, October 19, 2022. Available at: <https://www.reuters.com/business/>

[energy/romanias-romgaz-azerbaijans-socar-consider-black-sea-lng-project-2022-10-19/](https://www.bp.com/en_romanias-romgaz-azerbaijans-socar-consider-black-sea-lng-project-2022-10-19/) (Accessed: 20 October 2022).

<sup>39</sup> Official website of British Petroleum, “South Caucasus Pipeline Project”. Available at: [https://www.bp.com/en\\_ge/georgia/home/who-we-are/scp.html](https://www.bp.com/en_ge/georgia/home/who-we-are/scp.html) (Accessed: October 18, 2022).



Source: www.tanap.com

TANAP has both economic and geopolitical significance. First, Azerbaijan has shown an ambitious desire to be a net gas exporter to the European energy market, which has been highly dependent on Russian gas sources, and security and diversity of supply is a sensitive issue for EU energy security. By delivering new gas sources from the Caspian Sea to European energy consumers, Azerbaijan will contribute to EU energy security. Second, TANAP is important for Türkiye to meet both its own growing natural gas demand and to become a transit country. Energy projects make Turkey a regional energy hub and increase its geopolitical importance.

For many years, Azerbaijan has supplied natural gas to Georgia and Türkiye via the SCP and TANAP. However, the success of Azerbaijan's energy strategy and the availability of its resources opened a window for delivering Caspian gas directly to European energy consumers. TAP is the European leg of the SGC that transports gas to Europe from Azerbaijan's offshore Shah Deniz Stage Two (SD2) project. Connecting with TANAP at the Greek–Turkish border, TAP crosses northern Greece, Albania, and the Adriatic Sea before

coming ashore in southern Italy and connecting to the Italian natural gas network.

The SGC is a very important inter-regional energy project and a great achievement for Azerbaijan that has established strong relationships with its European partners. TAP, the European leg of the SGC, opened new opportunities for European energy consumers. The initial capacity of the pipeline is 10 bcm/year of gas, and a future expansion will increase this to 20 bcm/year. TAP creates favorable conditions for diversification of gas sources and supply routes. Azerbaijani gas supplies will reach southeastern Europe and the western Balkans, regions that have high gas dependence on a few suppliers. In addition, TAP supports gas interconnectors in Europe such as the IGB interconnector between Greece and Bulgaria. Also, for southeast Europe, TAP can provide an exit point to the planned Ionian Adriatic Pipeline (IAP) to link to markets in Croatia, Albania, Montenegro, and Bosnia and Herzegovina.<sup>40</sup> TAP is a mega-energy project that involves several countries, international energy companies, and financial institutions such as ADB, EBRD, and EIB. The TAP project became a reality due to the cooperation of all the actors involved.



Source: TAP

As previously mentioned, TAP supports natural gas connections in Europe including the recently inaugurated IGB interconnector in Bulgaria. Commissioned on October 1, 2022, this is a very important step towards the energy security of the region. With an initial capacity of 3 bcm/y pipeline will transport contracted 1 bcm/y of Azerbaijani gas to Bulgaria.<sup>41</sup> In the future, pipeline's capacity can be increased to 5 bcm/y, thereby enabling Azerbaijan's natural gas supply to enter energy markets of Serbia, North Macedonia, Romania and further to Moldova and Ukraine.

The EU supported this project and allocated about €250 million for its realization. It is crucial for the Bulgarian system, which currently relies almost exclusively on a single source (95% of the whole market) and on a single north–south route for its supply needs. IGB will be the first Bulgarian cross-border route that will be at the disposal of new-entry shippers.<sup>42</sup> It will enable the diversification of imported gas supplies through Greece, including complementary supply sources from the Caspian, the Middle East, the eastern Mediterranean, and LNG supply via new and existing terminals in Greece and/or Türkiye.

Thus, IGB will ensure the diversification of natural gas supply sources and routes for Bulgaria and will play a key role in ensuring the country's energy security. At the same time, the existence of this interconnector strengthens the position of Azerbaijan. With the launch of the IGB project, Bulgaria also desires to become an energy hub in the region, because states such as Serbia, Romania, and North Macedonia are very

interested in the purchase of Azerbaijani natural gas.

Now, it is obvious that the SGC, with all its sections, is a very important inter-regional energy project and a great achievement for Azerbaijan. The SGC has broadened economic, political, and security cooperation with Türkiye, as well as establishing strong relationships with European partners. From a geopolitical standpoint, TAP is the first pipeline supplying Caspian gas to Europe. Taking into account the volatility in oil markets, it is highly important for Azerbaijan to be a net gas exporter. TAP has demonstrated cooperation and integration between Azerbaijan, Türkiye, and European countries. In addition, the pipeline contributes to the economic, political, and energy security of all involved actors.

For Europe, TAP provides, first and foremost, a diversification of gas sources and supply routes. Azerbaijani gas supplies will reach southeastern, central and western Europe, regions that have high gas dependence on a few suppliers. In general, the European Green Deal aims to reduce greenhouse gas emissions, and it identifies natural gas as one of the main energy sources to provide a stepping stone for the future. A total of 10 bcm of natural gas from Azerbaijan has entered Europe through TAP and, at present, more than 28 million cubic meters per day of gas are transported to Europe through the pipeline. Thus, TAP is not only contributing to the energy supply to European consumers day by day, but is also strengthening the integration of Azerbaijan into the European gas market.<sup>43</sup>

40 Hajiyev, Shahmar, "The news you possibly missed: TAP pipeline up and running", Euractiv, November 19, 2020. Available at: <https://www.euractiv.com/section/azerbaijan/opinion/the-news-you-possibly-missed-tap-pipeline-up-and-running/> (Accessed: 10 October 2022).

41 Official website of the President of Republic of Azerbaijan, "Ilham Aliyev attended inauguration of Greece-Bulgaria Gas Interconnector in Sofia", October 1, 2022. Available at: <https://president.az/en/articles/view/57439>, (Accessed: October 10, 2022).

42 Georgieva, Teodara, "IGB project Gas Interconnector Greece-Bulgaria", CESEC Plenary meetings 23-24 October, Brussels. Available at: [https://energy.ec.europa.eu/system/files/2018-10/presentation\\_icgb\\_brussels\\_23-24\\_october\\_0.pdf](https://energy.ec.europa.eu/system/files/2018-10/presentation_icgb_brussels_23-24_october_0.pdf) (Accessed: October 19, 2022).

43 Official website of Ministry of Energy, "Azerbaijani gas transported to Europe via TAP reaches 10 billion cubic meter", March 17, 2022. Available at: <https://>

## Conclusion

Azerbaijan has proved itself a reliable energy partner for Europe for many years, and now Azerbaijan–EU energy cooperation is entering a new phase. The vast energy resources of the country, including renewables, will enable Azerbaijan to play an even more important role in the future energy security of Europe. It is worth noting that, currently, Azerbaijan supplies natural gas to Türkiye, Georgia, Greece, Bulgaria, and Italy. In 2021, Azerbaijan exported about 19 bcm of natural gas, of which 8.2 bcm went to Europe. In 2022, the gas supplied is expected to reach 22 bcm, of which 11.5 bcm will be supplied to Europe. With the global energy crisis, it is now obvious that the demand for natural gas is increasing, and Azerbaijan has the potential to increase gas deliveries to Europe by using its gas reserves in the Caspian Sea as well as accessing natural gas sources from other countries. To this end, Azerbaijan aims to increase the natural gas supply to Europe up to 20 bcm by 2027, as well as increasing the capacity of TANAP from 16 to 32 bcm/y.

Azerbaijan and the EU have great potential to strengthen and expand energy cooperation. This includes cooperation on not only natural gas supply, but also on energy efficiency, electricity supply, renewable energy, and green hydrogen. It is apparent that recent developments in Azerbaijan’s energy sector will increase the country’s export capacity

in the next decade. In addition, Azerbaijan can play an important role as an energy hub in the region by exporting Caspian energy resources to Western energy markets. Moreover, by supporting renewable energy sources, Azerbaijan will successfully balance the use of natural gas and renewables in electricity production, and this will create new opportunities for electricity production and export.

In the end, energy projects have raised Azerbaijan’s geopolitical importance in the world, and energy strategy will continue to be an important component of the country’s foreign policy. To date, Azerbaijan’s energy policy has been aimed at modernizing the energy sector and adapting policy instruments and the regulatory framework to rapidly changing energy markets. In this regard, the main aim of Azerbaijan’s energy strategy is to optimize the energy sector and to provide a reliable energy supply system. Energy resources will continue to form Azerbaijan’s main exports; therefore, all necessary structural and organizational reforms, as well as innovation, are important for the country’s energy sector over the coming decades. In short, Azerbaijan’s strategy has focused on securing the country’s national interests and supporting Europe’s energy security. Developments in global energy markets, mainly the future of natural gas in the decarbonization effort of Europe, will continue to affect Azerbaijan’s energy relations with its partners.

# GLOBAL INSECURITY: NEW MOMENTUM FOR THE MIDDLE CORRIDOR

**Naghi Ahmadov**

## Background

The Middle Corridor, or Trans-Caspian International Transport Route (TITR), one of the three main land routes in Eurasia, aims to develop connectivity between East and West. As a new multimodal transit corridor, the Middle Corridor extends from the China-Kazakhstan border to Europe, passing through Kazakhstan, via the Caspian Sea, and through Azerbaijan and Georgia using rail, road, and sea connections. The symbolic date of its formation can be considered October 2013, the date of creation of the Coordinating

Committee that included Azerbaijan, Georgia, Kazakhstan, Romania, and Turkey. The purpose of this multimodal freight transportation route is to increase freight traffic between China, Central Asia, the Caspian and Black Sea basins, and European countries, while bypassing existing routes through Russia and passing instead through Azerbaijan. Another important development in this regard was the establishment, on February 20, 2014, of the Coordination Committee of Azerbaijan, Kazakhstan, and Georgia to develop the TITR.



Photo: Railway Supply magazine

The Middle Corridor initiative creates a natural synergy with the Belt and Road initiative. China and Turkey signed a “Memorandum of understanding on aligning the Belt and Road initiative and the Middle Corridor initiative” during the G-20 summit in Antalya, Turkey, in November 2015.<sup>44</sup> However, despite frequent discussion of synergy between the Middle Corridor and the BRI, cooperation is limited to the signing of such memoranda.<sup>45</sup>

In addition to the aforementioned countries, the Middle Corridor initiative is supported by Afghanistan and Tajikistan. The Turkey–Georgia–Azerbaijan–Turkmenistan–Afghanistan transit corridor (“Lapis Lazuli”) is crucial for landlocked Afghanistan and Tajikistan. The agreement on the Lapis Lazuli corridor was signed by Georgia, Afghanistan, Turkmenistan, Azerbaijan, and Turkey in Ashgabat, Turkmenistan, on the sidelines of the 7th Regional Economic Cooperation Conference on Afghanistan on November

14–15, 2017. As a part of Eurasian connectivity and the Middle Corridor, the Lapis Lazuli transport corridor will serve to deepen regional integration by creating new opportunities to increase trade volume. The multimodal East–West Lapis Lazuli corridor, which originates in Afghanistan, is composed of overland routes that pass through Turkmenistan followed by ferry connections across the Caspian Sea to Azerbaijan; from there, goods continue by rail to Georgia, Turkey, and, potentially, on to Europe.

In brief, the Middle Corridor is 2,000 km shorter and more favorable in terms of climatic conditions in comparison with the Northern Corridor; this minimizes transportation costs and increases the profitability of transportation in the Eurasian space. Another geopolitical advantage of the Middle Corridor project is that it creates a direct railway connection, which promotes multilateral cooperation among Turkic states.

## Azerbaijan’s Role in Shaping Regional Transport Connectivity

Azerbaijan’s favorable geographical position supports the development of connectivity between Asia and Europe. Therefore, during the past decade, the necessary steps have been taken with partners in the region within the framework of the TITR. By improving its transportation infrastructure in recent years Azerbaijan has developed various projects, including the Port of Baku and the Baku–Tbilisi–Kars (BTK) Railway, an important leg of the Middle Corridor that started operations at the end of 2017.

On March 31, 2022, Azerbaijan, Georgia, Turkey, and Kazakhstan signed a quadrilateral statement on the development of the TITR that aimed at strengthening cooperation and increasing the transit potential of the countries along the corridor. Within the framework of cooperation under the Middle Corridor, a “Joint Cooperation Protocol” was signed between the Ministers of Transport of the Turkic Council member countries. It was announced that a joint venture

between Georgia, Azerbaijan, Turkey, and Kazakhstan would likely be officially ready early to mid-2023. One of the priorities is to increase the competitive advantage of the BTK railway in Europe–Asia transport and accelerate the implementation of work to increase the capacity of this line. This joint venture would provide high-quality intermodal transport and logistics services, harmonize cross-border rates, and introduce a unified IT platform to fully automate cargo transport services from China to Turkey and the Black Sea ports.<sup>46</sup> In addition, a Coordination Board was created at the level of deputy ministers and is expected to bring practical solutions to the problems that may arise in the field of transportation between countries.

It is expected that BTK, which was set to carry 1 million passengers and 6.5 million tonnes of cargo per year initially and an annual 3 million passengers and 17 million tonnes of cargo by 2034, will offer a new perspective on uninterrupted transportation between

China and Europe.<sup>47</sup> Transportation through the Middle Corridor using BTK shortens the transportation time by one third compared to ocean routes. Together with Turkey and Georgia, efforts have been made to quickly complete the construction of the BTK railway line, which is of vital importance in the Middle Corridor.<sup>48</sup>

Azerbaijan intends to increase the annual carrying capacity of the BTK railway to 5 million tonnes and the capacity of Baku International Sea Trade Port from 15 million to 25 million tonnes. For this purpose, Azerbaijan will make additional investments in these projects.<sup>49</sup>

## Impact of the Russia–Ukraine War on the Middle Corridor

Eurasian connectivity and the Middle Corridor have recently attracted enormous scrutiny and gained greater recognition following the Russia–Ukraine War. The EU and US sanctions against Russia have had a serious impact on international transport and cargo transportation. It has been observed that the traditional trade routes have lost their relevance, the direction of international East–West cargo transportation has changed, and an enormous cargo flow has been diverted from the north to the south. Even countries that are neutral in the conflict are rerouting cargo flows and looking for alternative ways to deliver their goods. In this context, sanctions have sharply accelerated the growth of cargo volume recorded in recent years in freight transportation along the TITR, or Middle Corridor.

Within the framework of the fifth package of sanctions the EU imposed, among other actions, sanctions on Russian Railways OJSC (РЖД). On April 9, following the introduction of the next round of sanctions prohibiting Russian and Belarusian trucks from entering the territory of the EU, transit-logistics chains passing through Russia were paralyzed. Owing

to the current situation, Mærsk, DSV, DB Schenker, and other global logistics operators have already stopped cooperation with Russian Railways. The Chinese authorities have also opened a new route for freight trains from the city of Xi’an in the northwest of Shaanxi province to the German city of Mannheim. The first train, loaded with 42 containers and weighing 316 tonnes, left Xi’an on April 13. It was reported to have passed through Kazakhstan, Azerbaijan, Georgia, Romania, Hungary, Slovakia, and the Czech Republic, and reached the city of Mannheim, covering a total distance of 11,300 km.<sup>50</sup>

It should be noted that, by the end of 2021, the volume of rail container transportation between China and the EU through the territory of Russia had reached one million standard containers (TEU). The increase in the volume of products transported was mostly due to the stable position of railway transport during the COVID-19 crisis. During the pandemic, the most competitive qualities of railway transport, such as reliability, regularity, environmental cleanliness, delivery speed, and price stability, have especially manifested themselves.

## The Growing Demand for the Middle Corridor

There had been long-term international institutional transport integration development initiatives before the China’s Belt and Road initiative, the Transport Corridor Europe–Caucasus–Asia (TRACECA) being

the most notable.<sup>51</sup> However, until recently, rail transportation along the Middle Corridor has always been of minor importance compared with other types of transportation.

44 Azer, Ozlem Arzu; Min, Wei and Ülker, Yasemin, “The strategic importance of the ‘Belt and Road Initiative’ connectivity with the ‘Middle Corridor’ program in Turkey”, *Güvenlik Bilimleri Dergisi*, November, 2021, 10(2), pp. 543–566. Available at: <https://dergipark.org.tr/en/download/article-file/2100801> (Accessed: September 30, 2022)

45 Mardell, Jacob, “On the ‘Middle Corridor,’ China is largely absent”, *Berlin Policy Journal*, October 15, 2019, Available at: <https://berlinpolicyjournal.com/on-the-middle-corridor-china-is-largely-absent/> (Accessed: October 25, 2022).

46 Papatolios, Nikos, “Middle Corridor joint venture to be established in 2023”, *RailFreight*, April 7, 2022, Available at: <https://www.railfreight.com/beltandroad/2022/04/07/middle-corridor-utlc-to-be-established-in-2023/> (Accessed: October 24, 2022).

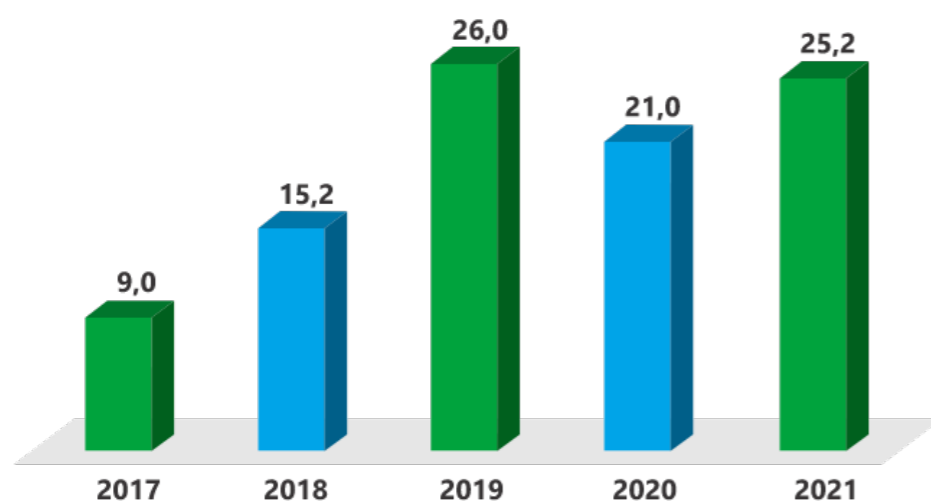
47 Shahbazov, Fuad, “Baku–Tbilisi–Kars Railway to Become Central Asia’s Gateway to Europe”, *Central Asia–Caucasus Analyst*, December 7, 2017. Available at: <https://www.cacianalyst.org/publications/analytical-articles/item/13486-baku-tbilisi-kars-railway-to-become-central-asias-gateway-to-europe.html> (Accessed: October 21, 2022).

48 AZƏRBAYCAN24, “Azerbaijani deputy minister draws attention to necessity of regulation of tariff policy in Middle Corridor”, October 25, 2022. Available at: <https://www.azerbaycan24.com/en/azerbaijani-deputy-minister-draws-attention-to-necessity-of-regulation-of-tariff-policy-in-middle-corridor/> (Accessed: October 25, 2022).

49 “President of Azerbaijan, Prime Minister of Georgia made press statements”, October 24, 2022, <https://president.az/en/articles/view/57676> (Accessed: November 18, 2022).

50 China Daily, “China’s Xi’an launches new freight train service to Europe”, April 14, 2022. Available at: <https://www.chinadaily.com.cn/a/202204/14/WS6257ee07a310fd2b29e57099.html> (Accessed: October 25, 2022).

51 Kenderdine, Tristan, Bucsky, Peter, “Middle Corridor—Policy Development and Trade Potential of the Trans–Caspian International Transport Route”, ADBI Working Paper 1268, Tokyo: Asian Development Bank Institute, 2021. Available at: <https://www.adb.org/publications/middle-corridor-policy-development-trade-potential> (Accessed: October 20, 2022).



Source: International Association, "Trans-Caspian International Transport Route"

As briefly discussed above, on March 9–10, 2022, negotiations were held between representatives of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan, the Ministry of Digital Development and Transport of Azerbaijan, and the Ministry of Economy and Sustainable Development of Georgia. In order to develop the TITR route, the parties have agreed to establish a joint venture that will resolve issues related to tariff determination, cargo declaration, use of unified IT solutions, and consolidation of transit cargo.<sup>52</sup> After the start of the joint venture, it is expected that it will be possible to transport up to 10 million tonnes per year, including up to 200,000 containers, via this route.

Formalization of the joint venture is expected to be completed in early to mid-2023. It is planned to establish a joint enterprise with the participation of the railways of the four countries that are members of the Trans-Caspian International Transport Route Association. At the end of March, the latest meeting of the expert working group on the development of this international transport corridor was held in Almaty, Kazakhstan. Owing to the sharp increase in the demand for cargo transportation, the members of the association decided to accelerate the creation of

a single logistics operator within the framework of a joint venture.

If, earlier, the route was operating at a quarter of its capacity, according to the results for the first quarter of 2022, it was achieving 95 per cent. During the first four months of the year, 8,696 TEU containers were transported through the Middle Corridor. This is a 30 per cent increase over the same period last year. The Azerbaijani government expects three-fold or even greater growth by the end of this year, compared with the situation in 2021.<sup>53</sup> Moreover, a general meeting of the Trans-Caspian International Transport Route Association forecast a doubling of container traffic in 2022 compared with that in 2021, and a sixfold increase in cargo volumes to 3.2 million tonnes in 2022.<sup>54</sup>

Georgian Economy Minister Levan Davitashvili said the freight turnover along the Middle Corridor has increased by 30 per cent this year, while the cargo flow from Kazakhstan to Georgia has increased six times year-on-year.<sup>55</sup> And, according to Natig Jafarov, Director of ADY Container LLC, during the first 10 months of 2022, container cargo transportation on the TITR increased by 45 per

cent compared with the flow in same period of the previous year.<sup>56</sup>

Although the Middle Corridor has numerous shortcomings that could be troublesome, it currently offers an opportunity.<sup>57</sup> A well-functioning Middle Corridor would provide diversification and resilience in supply chains for the entire continent of Europe.<sup>58</sup>

## The Middle Corridor's Extension to Europe

Access to the Black Sea via Georgian ports, which provide ferry connections to Bulgarian and Romanian ports, is significant. Companies from Georgia, Azerbaijan, and Kazakhstan have launched new feeder vessels operating between Georgia's Poti and Romania's Constanta ports.<sup>60</sup> Maersk has launched a new rail-sea service connecting Asia to Europe through Central Asia in response to customers' ever-changing supply chain needs.<sup>61</sup> At the same time, Finnish Nurminen Logistics has also joined the Middle Corridor.<sup>62</sup>

In the Black Sea, Azerbaijan's ADY Container launched a ferry service linking the Georgian ports of Batumi and Poti with the Romanian port of Constanta. On September 5, 2022, Azerbaijani feeder vessel *Rasul Rza*, which previously transported goods from China to Europe, for the first time transported cargo from Central Asia to Romania.<sup>63</sup> *Rasul Rza* delivers containers from Batumi to Constanta port and back, making six

To conclude, as geopolitical tension in the region still remains, it is expected that a significant part of traditional traffic will continue to shift to the Middle Corridor in the near future. "Issues related to the development of the Middle Corridor are the call of the time," as President of Azerbaijan Ilham Aliyev observed.<sup>59</sup>

trips per month.<sup>64</sup> A connection from the new terminal of Teiuş in Romania to Duisburg, Germany, completed in September 2022, gives hope that the link will later be extended to the port of Constanta, following which it can play a major role in the Middle Corridor.<sup>65</sup>

EU support under the TEN-T program would further help to increase the capacity of the Middle Corridor. In November 2022, the European Bank for Reconstruction and Development (EBRD) launched a study to examine the best possible connections between Central Asian countries and the European TEN-T network. This will continue until the summer of 2023. According to EBRD's assessment, the capacity difference between the Northern Route and the Middle Corridor is huge. Considering that, in 2021, the Russian route carried 1.5 million TEUs, in 2022 the Middle Corridor will reach a capacity of 80,000 TEUs at best, close to its maximum capacity of about 100,000–120,000 TEUs.<sup>66</sup>

56 "During the 10 months of this year, container cargo transportation through the Middle Corridor has increased by 45 percent", November 18, 2022, <http://adycontainer.com/en/during-the-10-months-of-this-year-container-cargo-transportation-through-the-middle-corridor-has-increased-by-45-percent/> (Accessed: November 21, 2022).

57 Avdaliani, Emil, "Circumventing Russia", CEPA, August 31, 2022, Available at: <https://cepa.org/article/circumventing-russia/> (Accessed: October 25, 2022).

58 Carafano, James Jay and Nate, Silviu, "The West Should Welcome the Middle Corridor", *National Interest*, October 1, 2022, Available at: <https://nationalinterest.org/feature/west-should-welcome-middle-corridor-205085> (Accessed: October 21, 2022).

59 Report, "President of Azerbaijan: Development of Middle Corridor - call of time", October 13, 2022. Available at: <https://report.az/en/foreign-politics/president-of-azerbaijan-development-of-middle-corridor-call-of-time/> (Accessed: October 24, 2022).

60 PortSEurope, "Companies launch new feeder service between Poti and Constanta", May 26, 2022. Available at: <https://www.portseurope.com/companies-launch-new-feeder-service-between-poti-and-constant/> (Accessed: November 21, 2022).

61 Maersk.com, "Maersk launches a revamped Middle Corridor rail service". Available at: <https://www.maersk.com/news/articles/2022/05/16/maersk-launches-a-revamped-middle-corridor-rail-service>, May 16, 2022. (Accessed: November 22, 2022)

62 Newsilkroaddiscovery.com, "Nurminen Logistics' new southern Trans-Caspian route, train departed from Chongqing", May 11, 2022. Available at: <https://www.newsilkroaddiscovery.com/nurminen-logistics-new-southern-trans-caspian-route-train-departed-from-chongqing/> (Accessed: November 22, 2022).

63 Azvision, "Azerbaijani feeder vessel transports cargo from Central Asia to Europe for first time", September 5, 2022. Available at: <https://en.azvision.az/news/161117/azerbaijani-feeder-vessel-transport-cargo-from-central-asia-to-europe-for-first-time.html> (Accessed: November 22, 2022).

64 ADY Container, "Cargo transportation from Constanta to Aktau is carried out with reefer containers", July 1, 2022. Available at: <http://adycontainer.com/en/cargo-transportation-from-constant-to-aktau-is-carried-out-with-reefer-containers/> (Accessed: November 22, 2022).

65 Van Leijen, Majorie, "With this Duisburg–Romania train, Middle Corridor gets new perspective", September 20, 2022. Available at: <https://www.railfreight.com/railfreight/2022/09/20/with-this-duisburg-romania-train-a-new-middle-corridor-route-is-born/> (Accessed: November 22, 2022).

66 Papatolios, Nikos, "EU scrambles for Central Asian connections, a response to growing Russian presence?", November 16. Available at: <https://www.railfreight.com/corridors/2022/11/16/eu-scrambles-for-central-asian-connections-a-response-to-growing-russian-presence/> (Accessed: November 22, 2022).

52 Sadikhova, Nargiz, "Azerbaijan, Kazakhstan, Georgia to create joint venture for Middle Corridor's development", *Trend*, March 11, 2022. Available at: <https://en.trend.az/casia/kazakhstan/3567236.html> (Accessed: October 10, 2022).

53 Papatolios, Nikos, "ADY Container: pushing boundaries to tackle Eurasian transport challenges", May 30, 2022, *RailFreight*, Available at: <https://www.railfreight.com/beltandroad/2022/05/30/ady-container-pushing-boundaries-to-tackle-urasian-transport-challenges/> (Accessed: September 30, 2022).

54 Papatolios, Nikos, "Middle Corridor set to double traffic and sixfold volumes in 2022", *Railfreight*, May 12, 2022, Available at: <https://www.railfreight.com/beltandroad/2022/05/12/middle-corridor-set-to-double-traffic-and-sixfold-volumes-in-2022/> (Accessed: October 25, 2022).

55 Agenda.ge, "Freight turnover in Middle Corridor up by 30% – economy minister", October 21, 2022, Available at: <https://agenda.ge/en/news/2022/4100> (Accessed: October 21, 2022).





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