The axis of oil: how a plan for the world's biggest pipeline threatens to wreak havoc

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It is a story of empire-building, intrigue, espionage, double-dealing and arm-twisting that Rudyard Kipling would have been proud to write.

Kipling popularised the phrase "The Great Game" to describe the secret battle to dominate central Asia fought between the British Empire, Russia and France.

But even he would have blanched at plans by the United States - with the help of the oil giant BP and British taxpayers - to establish a hegemony across an area stretching from the Russian borders to the Mediterranean Sea.

Inevitably, the need for oil is at the heart of the story. Two former Soviet states, Azerbaijan and Kazakhstan, between them have oil reserves three times the size of America's. The "game" is to find the safest way to get that black gold into the petrol tanks of American cars.

The US has been pushing for a new pipeline since Bill Clinton was in office. At first, companies were reluctant, but the rising price of oil, allied to threats in the Persian Gulf and the likelihood of huge reserves of oil and gas worth as much as $4 trillion under the Caspian, has made them increasingly bullish. The US Environment Department estimates that by 2010, the Caspian region could produce 3.7 million barrels per day. This could fill a large hole in world supplies as world oil demand is expected to grow from 76 million a day, in 2000, to 118.9 million by 2020.
By this time, the Middle Eastern members of OPEC would be looking to supply half of that need.

The geopolitical stakes are high - the pipeline would be able to pump as much as 4.2 million barrels per year, easing the US's reliance on the unstable Gulf states for oil.

The answer is the world's longest export pipeline, a 1,090-mile, 42-inch wide pipe snaking its way within a 500-metre corridor from the Caspian Sea port of Baku, in Azerbaijan, to Ceyhan, in Turkey, via some of the world's most unstable and conflict-ridden nations.

The project will cost up to $4 billion (£2.4bn) and is being built by a consortium of 11 companies led by BP. Almost three quarters of the funding will come in the form of bank loans including some $600 million of taxpayers' money.

The consortium has asked the World Bank and the European Bank for Reconstruction and Development for $300 million each in loans. In addition it has asked government agencies, including Britain's Export Credit Guarantee Department (ECGD), to underwrite the risk of the project being sabotaged by civil war or terrorism.

On Thursday, the project receives its first public test when the International Finance Corporation, an arm of the World Bank, meets to approve its loan.

The decision will be taken on a vote of its 173 country members, although two of the most influential are the US, with almost a quarter of the votes, and the UK, which has 5 per cent of the voting power.

Opponents say if the pipeline is built it will wreak environmental, social and economic havoc along its length.

The Baku Ceyhan Campaign (BCC), which includes Friends of the Earth and the Kurdish Human Rights Project, last week lobbied Hilary Benn, the international development secretary, to vote against it at the IFC.

It handed over a 220-page dossier earlier this month claiming the pipeline would break public lending guidelines on 173 counts.

The Department for International Development steadfastly refused to comment until after the vote, but the opponents are more than happy to fill the vacuum.

They say the environmental threat is two-fold - what happens if the pipeline goes wrong and the destruction it would wreak even if it goes right.

They warn the risk of a serious tanker spillage - on the scale of the Exxon Valdez that polluted miles of coastline when 258,000 tonnes of oil leaked - would be multiplied once the oil starts to flow.

In addition, they say that Turkey lies in an earthquake zone with 17 major shocks in the last 80 years. Since the Baku line will be in place for some 40 years, it says there is a high chance of a major earthquake during its operation.
Environmental groups say that the pipeline poses multiple threats. The potential for havoc begins at the Caspian Sea where the sturgeon fish, whose eggs provide caviar - are already under threat. The Caspian is one of the most polluted bodies of water in the world, and the World Bank estimates that each year a million cubic metres of untreated industrial wastewater is dumped in the sea. Much of this is from oil production, the critics say, and increased production would make it worse at a time when sturgeon numbers are reckoned to be collapsing due to pollution and overfishing.

"The proposed route crosses more than 20 major rivers and several seismic areas. In Azerbaijan, it traverses a desert area that will require at least 10 years for complete habitat recovery," said Carol Welch of Friends of the Earth US.

"In Georgia, the project will clear areas in two dense primary forests, crosses the buffer zone of a protected natural park, and could badly affect several rare and endangered species."

In Turkey there were more than over 500 endemic plant species within the corridor, while a third of the country's globally-threatened vertebrates are to be found within 250 meters of the corridor.

The route crosses two sites protected under national legislation, including a wildlife protection area for the Caucasian grouse, a threatened species. There are two critically endangered plant species and 15 bird species with nesting pairs numbering 500 or less are within the corridor.

But objectors say the impact goes even wider. They claim legal agreements make BP the effective governing power over the corridor, over-riding all environmental, social, human rights or other laws for the next 40 years.

Amnesty International, which is urging the Government to reject the request for export guarantees, accuses the consortium of concluding an unprecedented agreement with the Turkish government which, it claims, will strip local people and workers of their civil rights.

BCC says that Turkey has handed so much power to the consortium that it in breach of treaties it signed with Brussels ahead of its accession to the European Union.

The EBRD is due to make its decision at a meeting on 11 November while Britain's Export Credit Guarantee Department may not make a recommendation on the request for an undisclosed amount of cover to ministers until next year.

A spokeswoman for the ECGD said: "Cover would only be given if the ECGD were satisfied the relevant environmental, social and human rights impacts had been properly addressed, and the financial and project risks were acceptable."

However, critics say the pipeline will destroy the livelihoods of farmers and fishermen along the route and fuel ethnic tensions.

Since the 11 September 2001 terrorist attacks, the US has enthusiastically started building military bases across a region that was off limits during the Cold War, offering financial aid to...
country governments in exchange for permission.

The pipeline will be guarded either by the US Army or by local forces that are dependent on US support. Inevitably, opposition groups to the current governments are labelled terrorists by the Americans.

In his authoritative book, *The New Great Game*, journalist Lutz Kleveman says: "The US-led Afghan campaign has fundamentally altered the geostrategic power equations in central Asia, which has become the new focus of American foreign power."

The role of the World Bank and the EBRD is to provide the imprimatur of public approval for the project.

This is politically significant to some of the smaller, state-owned oil companies in the nine-member consortium in the project, including SOCAR, the Azerbaijani state oil company, which owns 25 per cent of the shares.

Although the financial authorities will decide whether public money goes into the project, BP has warned that it is "commercially robust" and that it will press ahead anyway.

BP mounted a stout defence of its project and of the consultation it has carried out. Toby Odone, its Baku spokesman, said the consortium had carried out extensive consultation in all three countries involved. "We feel we have done plenty in preparation and have done environmental and social assessments for two years," he said.

He said the project, which began building in May and is now 40 per cent complete, would go ahead even if the IFC turned it down and other members of the consortium pulled out.

"We would have to find another approach that worked, but we feel confident and comfortable that the funding will come through," he said.

BP has a 30 per cent stake so failure would jeopardise some $1 billion of revenue. But is more important significant in terms of finding oil supplies outside the Gulf.

It recently signed a $4 billion deal with TNK, the Russian oil giant, but the arrest on Sunday of Mikhail Khodorkovsky, the head of rival oil gain YUKOS, highlights the risk involved.

Protesters have also delighted in contrasting the Baku proposals with BP's attempt in 2001 to re-brand itself as "beyond petroleum" with more focus on hydrogen and renewable energy.

Scheduled to begin working in 2005, the pipeline is expected to bring in more than £65m annually to the regions through which it passes.

But there are doubts about whether the money generated will benefit people and the environment in the area - or simply corrupt officials among the "corridor" governments.

Of course there are alternative routes for a pipeline from the Caspian Sea. The problem, however, is not environmental but
geopolitical. Iran has suggested a route along the eastern shore of the Caspian to Turkmenistan and through Iran to the Persian Gulf. It has offered $1.6 billion towards the cost, but this is unlikely to be accepted. Another possibility would be a south-eastern route to post-Taliban Afghanistan. Lastly Russia is lobbying for the oil to be pumped through its network to the Black Sea port of Novorossiisk, but that would put US oil supplies at risk.

Mr Kleveman warns that imperial ambitions in the region will end in the same way they did for the British and the Russians: "The actors may have changed since Kipling's time but its culmination in war and death remains the same and the victims are nearly always innocent civilians," he writes. "They know why oil is called the Devil's tears."