Roland Kobia: Azerbaijan and the EU Share Mutual Interests in the Energy Sector

AT: How far does the European Union intend to develop the relations with Azerbaijan? Which new opportunities will this cooperation give to Azerbaijani people in foreseeable future?

R.K.: The scope of the relationships between Azerbaijan and the European Union (EU) does not depend only on the EU as it is also proportional to Azerbaijan's own political and policy priorities. Any relation between equal partners stems from a shared political will between sovereign entities. Increasing our relations, to the benefit of Azerbaijani and European citizens is both an incredible opportunity and a challenge. Our relation has increased and deepened continuously since the independence of Azerbaijan. One of the latest events showing that the process of convergence is going on at a sustained pace took place as recently as the 16th of July, when Azerbaijan and the EU and Azerbaijan formally launched the negotiations on a new common framework called the "Association Agreement". The latter takes place in the framework of the Easter partnerships and is the deepest form of cooperation that the EU can offer to its partners from third countries. In this first round of discussion, both parties have confirmed their political commitment to broaden the existing legal framework that governs our bilateral relationships, with the view to both widen and deepen the areas of cooperation. The negotiations cover a comprehensive range of areas, from political dialogue, justice, freedom and security, energy, to trade and cooperation in sector policies. Once agreed, and as experience has clearly shown in previous examples of such agreements with other countries, this will positively impact on Azerbaijani people by paving the way to new economic opportunities and diversification, more trading of goods and services, more people-to-people contacts, more mobility, thus allowing Azerbaijani to travel to the EU smoothly. But these are only a few elements, as the new Agreement will bring Azerbaijan closer to the EU in as many areas as the country is willing to engage in. This is a wide political process, the pace of which will depend on political will. Through many recent initiatives at various levels, the EU has clearly shown its willingness to invite Azerbaijan to get closer to the EU, and we are happy to see that the response of Azerbaijan has been consistently expressed as very positive.

AT: Azerbaijan strives to have cooperation with the European Union and NATO, but Azerbaijan is not going to become the member of these organizations, said Foreign Affairs Minister of Azerbaijan Elmar Mamedyarov in his interview published on the 4th of July in the "Frankfurter Algemeine Zeitung" newspaper. How do you consider this statement by Foreign Affairs Minister of Azerbaijan?

R.K.: The way and scope the Republic of Azerbaijan wants to further engage with EU and NATO is a matter of sovereign decision by the Azerbaijani authorities. As far as the EU is concerned, Azerbaijan has not applied for membership. It is a political stance that we respect and that will shape our relations in the future rather than the form of an enhanced partnership. Indeed, short of an accession package which is made available only to countries that have formally expressed the wish to enter into the EU such as Turkey, Croatia and Iceland – the EU is now offering Azerbaijan the most comprehensive package available. The EU is an open and ever-evolving entity. Its doors are open for all countries willing to benefit from what the EU can offer in terms of peace, stability, security and prosperity, based on shared values and principles such as market economy, democracy, rule of law, respect for human rights and good governance. We should always remember that the EU has been a zone of peace for over 60 years now. The EU also offers a market of 500 million consumers amongst the wealthiest, most stable and most solvent in the world. The EU Delegation in Baku is here to support Azerbaijan in getting closer to EU, to cope with all the challenges ahead, to ensure the best results from our bilateral relations via the implementation of the Eastern Partnership, the negotiation of a new Association Agreement and, why not, in the future, a Deep and Comprehensive Free Trade Agreement, just to name just a few. I want to highlight that when one says "the EU", this also covers the Member States, which are of fundamental importance to support Azerbaijan-EU relations, besides the traditional bilateral aspects of their relations. The tireless work of EU Member States in Azerbaijan is key to mutual understanding and progress, and I know that their efforts are much appreciated by Azerbaijan.

AT: European Union plans to cooperate with six former Soviet Union republics in the frame of "Eastern Partnership". In some of these countries still exist "frozen conflicts" (Azerbaijan, Georgia and Moldavia). How does EU plan to contribute to the settlement of these conflicts?

R.K.: First and foremost, the EU does not "plan", as the process has already been formally started by a Summit of Heads of State in May 2009, in which notably President...
Aliyev participated. So the process of "rapprochement" is indeed up and running with six countries of the immediate neighborhood of the EU. We acknowledge the destabilizing potential that the conflicts could trigger, first for the countries concerned, and for the EU because of their vicinity. We are reminded regularly that "frozen" is not the best adjective to properly define those conflicts as unfortunately casualties occur; people suffer from displacements and they continue to heat up the political agenda. The EU, as you know, is traditionally involved in the settlement of conflicts in various ways. Conflict need to be dealt with at the most appropriate level and by the most relevant international actors. In this context, I would like to reaffirm our commitment to transform EU's relations with all of the countries under Eastern Partnership in success stories, including by providing inputs to advance with the resolution of conflicts in region. For the Nagorno-Karabakh, the EU will continue to actively support a peaceful resolution of the conflict in working together with Azerbaijan and the international community. The Minsk group, where an EU Member State – France is sitting, is the key instrument to help preparing the solution that should be eventually agreed by the two countries concerned by the conflict. The EU also believes in multilateralism and wants to include and work hand in hand with the widest range of partners as we believe that the more inclusive a deal is, the more stable and sustainable it is even if that entails amore time to reach it. I have no doubt that our partnership with all countries in the region could trigger positive changes. But whatever the efforts we put in them, solving these conflicts will always remain the ultimate responsibility of conflicting parties.

AT: "Negotiation process on NagornoKarabakh is in decisive stage" such kind of statement was made by president Aliyev during the recent official visit of president of Turkey to Azerbaijan. Can the situation change in foreseeable future?

R.K.: I do not have a crystal ball and as to quote a great author, "I tend to avoid making forecasts, particularly when they concern the future". No one can know the pace of development and what the coming weeks and months will bring, but the EU would wish swift developments as this conflict has been going on for too long, with its lot of human suffering. The only points I can judge from are objective elements and appreciations. For a while, we are observing an intensification of the peace process in the recent past, even if the path is tortuous. Multiple meetings at highest political level between Azerbaijan and Armenia show that there is a base for negotiation and a hope for peaceful resolution. So I agree with your quote of President Aliyev in the sense that the current opportunity should not be missed, and that everything should be done to reach a peaceful solution for the benefit of the people of both countries, and of future generations. The peace process has required so much effort from all sides that a failure is not an option I want to think of. There is simply no reasonable alternative than to find an agreement through mutual compromises. In so doing, the leaders of both countries would remain as historical figures. Time has come to make a step towards peace and open a new chapter in the development of a peaceful and prosperous South Caucasus, in which the three countries could team up to increase their weight on the international scene. The Eastern Partnership initiative could serve as a platform to promote mutual understanding between Armenia and Azerbaijan. Indeed, based on Europe's own experience, we believe that joint initiatives can build confidence, trust, and ultimately stimulate the peace process. In this regard, the EU has recently launched some confidence building measures between the two countries at the level of civil society and journalists in an effort to preparing the ground for peaceful co-existence once the conflict is settled. This is a concrete sign that we believe in an agreement and that for that reason we already prepare the ground for the post-solution period. We do believe that a sustainable resolution requires not only a high level political agreement, but also peace and mutual understanding among ordinary people.

AT: Which role does Azerbaijan play for EU in realization of Nabucco project?

R.K.: Azerbaijan and the EU share mutual interest in the energy sector. It is as important for a supplier to have reliable and solvent clients as it is for a buyer to have reliable and diversified suppliers. When it comes to gas, the long-term relationship and trust in the partner is also key because if the heavy physical investments needed. Azerbaijan plays an important role as a producer, exporter and transit country of energy resources for the EU. It is located in a resources-rich region which has great potential for cooperation. Azerbaijan directly contributes to Europe's energy security by providing a distinct energy channel to satisfy Europe's growing energy demands. The EU offers an attractive market for Azerbaijan in its endeavours to diversify its own exports, and use energy as a means as much as an end. We very much appreciate Azerbaijan's continued and concrete commitment to help develop the Southern Corridor for Energy, including Nabucco. Azerbaijan plays a major role in the realization of this EU priority project, as it is expected that the bulk of gas will come from Azerbaijan. Furthermore, Azerbaijan's geographical location allows it to become a transit country for Turkmen gas, which in turn further increases the attractiveness of Nabucco for the EU. Being a transit country also offers wide economic and political benefits. I believe that our joint effort and commitment will pave the way to the realization of strong and reliable southern energy corridor to the EU. The
recent gas sale and transit agreement between Azerbaijan and Turkey (in June 2010) has opened the door to concrete discussions towards final decisions. I would like here to pay tribute to the impressive and tireless work of companies, both Azerbaijani and European, which are the ones that will eventually make this project happen. Energy projects are extremely complex deals, and for having worked myself in energy matters for some years now, I have witnessed the imposing expertise we find in companies all along the supplier-transit-buyer chain.

R.K.: The European Union hopes to have an agreement between Azerbaijan and Turkmenistan, which in conclusion will let Turkmen gas be delivered to Europe, said Bloomberg news agency on the 3rd of August on reference to the document prepared by energy department of appropriate EU regulator. Is any agreement possible between the sides as the Caspian status issue has not been determined yet?

A.T.: The European Union is strongly supportive of closer energy relations between Azerbaijan and Turkmenistan. The EU indeed believes that the two countries are far from maximising their potential profits and benefits, and could then optimise their relationship for their enhanced mutual benefit. We have been working with both Azerbaijan and Turkmenistan for some time to help finding find common solutions, but the two countries obviously remain entirely sovereign in the final decision. Recently, in the end of June, EU Commissioner Oettinger convened meetings in Brussels and discussed extensively the political, commercial and technical terms of possible trans-Caspian energy link. Discussions are ongoing and further meetings are foreseen in the coming weeks, but some positive signs can already be seen. For example, the recent agreement to ship Turkmen oil from Azerbaijan to Turkey via the BTC pipeline is a good development. Legal questions related to the delimitation of the Caspian Sea would not impede the realization of trans-Caspian initiatives, provided the sides agree on political terms and all modalities of the deal. And I even believe that a major Turkmen-Azerbaijani initiative would facilitate the resolution of outstanding disputes, as it would not only generate mutual benefit, but also trust and good will.

R.K.: Such proposals have already been made in the past, so there is nothing new. I believe that in today's world characterized by growing tensions between supply and demand of energy resources, such proposals are fully understandable. We should not be naïve or hypocritical: energy is a key transversal sector, and a highly competitive one where all actors look for their interests. Hence, the producing countries themselves have to decide to whom and under what terms they want to sell their resources. Russia is an important supplier and partner to the EU, and will remain so. Azerbaijan has its own export diversification strategy and will decide on commercially and technically most expedient proposals. In more general terms, I believe that the scarcity of energy resources in an inter-dependent world should gradually lead us not to confrontation, as it is generally seen, but to cooperation in better addressing energy issues we are facing. New technologies will open up new and unimagined windows as we can already start to see in renewable energies, in nuclear and even in hydrocarbons (CCS, unconventional gas...).

A.T.: One of the obstacles in the country development is closed economy. It is known that Azerbaijani economy has not completely opened yet, which decreases the pace of our development and does not give opportunity for a worthwhile breakthrough ahead. These are big taxes, customs duties and monopoly. What is your opinion about this?

R.K.: In the EU, in all our Member States there is a drive toward transparency, competition and accountability as those are fundamental principles to ensure a sustainable and competitive economy, led by a genuine private sector. Efforts are needed to ensure that the business environment is enhanced and allows for private initiatives, which are the real engine of any successful economies. Look at how fast and deeply some countries in Asia have developed thanks to market economy. We see the accession of Azerbaijan to WTO as a useful step for Azerbaijan to open up its economy and harness the huge economic benefits of accessing world markets. Accessing to WTO will also pave the way to the establishment of free trade agreement with the EU and will broaden the choices for consumers in Azerbaijan, as well as for domestic and foreign investors in the country. The EU can bring in new technologies and know-how, can provide direct investments in specific sectors, thus responding to the call for diversification wisely launched by the President. Azerbaijan can find in the EU financial opportunities to invest capital and develop trade. In the short term, Azerbaijan should focus on approaching these important issues in a forceful manner. The economic boom enjoyed by Azerbaijan needs to be used while it lasts and be turned into a sustainable growth, with active development of non-oil and gas sectors. A more open, diversified and competitive economy are key for a prosperous and sustainable future of Azerbaijan.

A.T.: Thank you for the interview, Mr. Kobia.