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ENERGY INSTITUTES RELEASES NEW STUDY ON CASPIAN PIPELINES

The Energy Institute at the University of Houston's College of Business Administration published a new study entitled *Politics and Economics behind Proposed Caspian Export Pipeline Projects*. The report is the result of joint work of **Dr. Bhamy Shenoy** (Consultant, Hagler Bailly Services and Energy Institute Advisor), **Dr. Gürcan Gülen** (Research Associate, Energy Institute) and **Dr. Michelle Michot Foss** (Director, Energy Institute).

In 1997-98, the Institute participated in a consortium managed by Hagler Bailly Services for the U.S. Agency for International Development. The consortium was engaged in energy sector reform in critical republics of the Newly Independent States (NIS) of the Former Soviet Union including Kazakhstan, Turkmenistan and Georgia, all critical players in the development and export of Caspian Basin oil and gas resources. This report builds in part from knowledge gained through this experience.

The Caspian region has received considerable attention because of the potential of its hydrocarbon resources. The estimated combined reserves for Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan range from 15 to 200 billion barrels of oil and 230 to 650 trillion cubic feet of gas. Currently, oil and gas resources of the Caspian region are compared to oil reserves of the North Sea and gas reserves of North America. Unfortunately, the region is landlocked and fairly distant from hard currency markets, and there are no existing reliable pipeline systems outside Russia's control. In addition to Russia's efforts of maintaining control in the region, there are many religious and ethnic conflicts among the neighboring countries as well as within a single country. Accordingly, the debates among companies operating in the region, local governments and outside forces such as the US and the EU concerning the pipeline options have been capturing analysts' attention.

In this report, besides providing a concise overview of the hydrocarbon potential and geopolitics of the region, we entertain a forecast of the region's export options as well as export revenues complemented with an oil price scenario analysis. Our overall conclusion is a critical one: *given the complexities of the region, it is most likely that any workable solution for pipeline export routes will be a "brokered" one that reflects majority interests and appeases, to the extent possible, minority concerns.*

An excerpt from our report is forthcoming in the **April 5, 1999** issue of the *Oil & Gas Journal*. Copies of the report may be obtained from the Institute. This study is an independent effort and does not reflect the views of U.S. AID or Hagler Bailly Services.