

~~Top Secret~~ TIER

CIAPASS - SEIB 99-125CX

[Redacted box]

APPROVED FOR
RELEASE
DATE: APR 2007

Senior Executive Intelligence Brief

(b) (1)
(b) (3)

The SEIB must be returned to CIA within 5 working days



Tuesday, 1 June 1999

National Security Information

**Unauthorized Disclosure Subject to Criminal Sanctions
Reproduction of this Document Prohibited**

Readership is limited to those on approved reader list on file with CIA SEIB Control Officer. The undersigned hereby acknowledge reading this document.

[Redacted signature area]

***** EYES ONLY *****

[Redacted box]

~~Top Secret~~

PASS SEIB 99-125CX
Tuesday, 1 June 1999



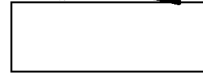
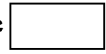


Table of Contents

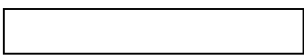


Eurasia

Caspian: Progress on Gas Pipeline, but New Challenges Emerge
Analytic Perspective



14



EURASIA

Caspian:
Analytic Perspective

Progress on Gas Pipeline, but New Challenges Emerge

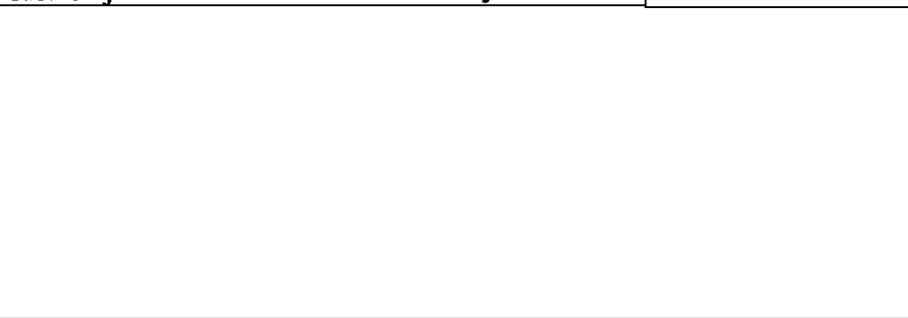
The signing late last month of a gas purchase agreement between Turkmen President Niyazov and Turkish Energy Minister Aktas is a major step in securing access to the Turkish market, but the trans-Caspian gas pipeline (TCP) still faces stiff competition from Russia's Blue Stream project and a new Azerbaijani initiative. The TCP through Azerbaijan and Georgia offers Turkmenistan a way to divert gas exports around Iran, which otherwise could offer Ashgabat an attractive route to Turkish and other European markets.

- Turkish demand is projected to rise from about 15 billion cubic meters this year to more than 50 bcm in 2010, but the market is oversubscribed.
- The TCP is expected to supply 16 bcm per year to Turkey and 14 bcm per year to Europe over the longer term.

Turkmenistan has secured a loan from a German bank to pay its arrears to the US Export-Import Bank, a necessary step before project financing of the TCP can proceed.

Competition From Azerbaijan and Russia

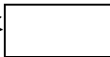
If Baku secures a purchase contract with Ankara, gas exports from Azerbaijan will undermine the feasibility of the TCP.



Meanwhile, financing for Gazprom's pipeline across the Black Sea to Turkey is moving forward despite technical challenges. Officials from Gazprom and Botas—Turkey's state-owned pipeline company—say financing for the Blue Stream project could be completed this month, with construction of the subsea segment starting this autumn, according to press reports.



The Iranian Fallback



If the TCP loses momentum, Ashgabat would be forced to reexamine routes through Iran. A gas pipeline that initially will carry 3 to 10 bcm per year between Iran and Turkey will be finished this year, according to industry press reports.



Spare capacity in Iran's pipeline to Turkey could be used by Ashgabat in a swap agreement, in which Turkmenistan supplies northern Iranian markets with Turkmen gas, freeing Iranian gas for export to Turkey. Such a project would require less than two years and \$200-300 million in infrastructure investment.

