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Director of Central Intelligence



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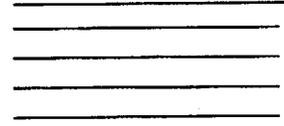


# National Intelligence Daily

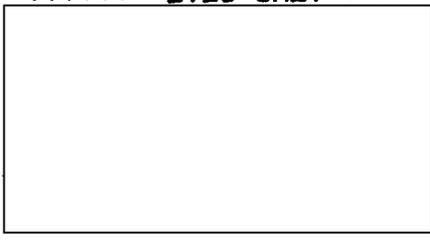
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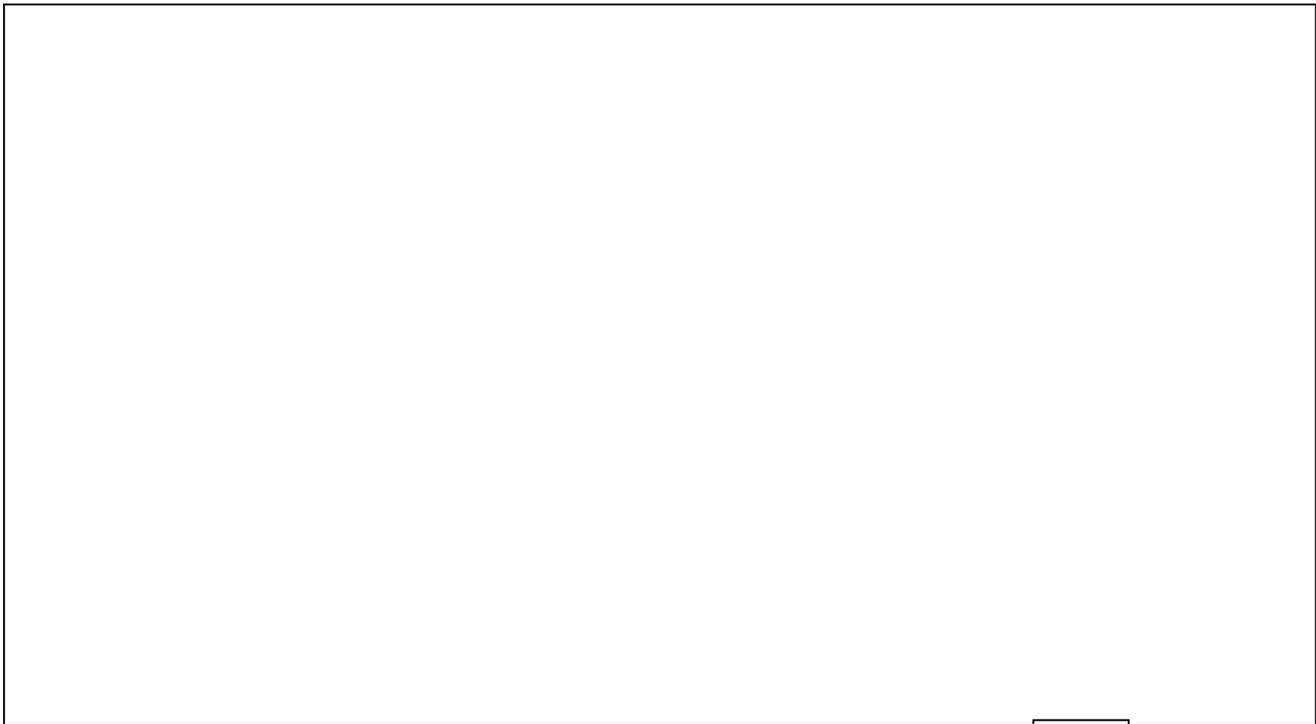


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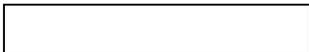
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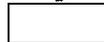


CASPIAN REGION: Dynamics of Pipeline Decisionmaking



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**CASPIAN REGION: Dynamics of Pipeline Decisionmaking** 

Tehran's recent agreements with Kazakhstan and Turkmenistan have contributed to the momentum for oil and gas pipelines through Iran as these states step up their efforts to secure outlets for their energy resources. Iran has intensified its diplomatic efforts to become a major transit state for Caspian oil and gas exports.

- Almaty's and Ashgabat's overriding goal is to secure a non-Russian outlet for their petroleum resources.
- Both see Iran as a counterweight to Russian influence in the region, 

**Factors Driving Decisions** 

Personal preferences of the key decisionmakers—Kazakhstani President Nazarbayev and Turkmen President Niyazov—will be an important factor in coming decisions. Nazarbayev regards good relations with the US as important, and he would accept a cross-Caspian route for Kazakhstan's next pipeline if it had financial backing.

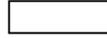
- Nazarbayev, however, has said Kazakhstan will need a pipeline to Iran over the long run, according to  press reports. 

Niyazov also supports strengthening ties to the US but gains immediate benefits from a soon-to-be-completed pipeline spur to Iran. Moreover, a dispute with Azerbaijan over offshore territory demarcation and Niyazov's personal dislike for Azerbaijani President Aliyev have prevented discussions of a cross-Caspian route. 

With development of oil resources in the eastern Caspian region still in the early stages, decisions on major new oil pipelines are still years away. In the interim, a high level of US commercial involvement in the eastern Caspian would counter momentum for pipelines through Iran.

- The participation by US and other foreign companies active in Azerbaijan in projects in Kazakhstan and Turkmenistan would provide an incentive for these companies to invest in cross-Caspian pipelines.
- A decision by the Azerbaijan International Operating Company to build a main oil export pipeline to Ceyhan in Turkey—expected late next year—would provide a route capable of handling the potentially large volumes of eastern Caspian oil. 

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Investors face political obstacles to non-Iranian options for Turkmen gas exports. Niyazov and Aliyev must settle or set aside their differences, or the warring parties in Afghanistan—the transit route for a Turkmenistan-Pakistan pipeline—must make peace.

- Meanwhile, Shell has agreed with Ashgabat to form a consortium to build a gas pipeline through Iran to Turkey, according to press reports.
- Progress on this project would encourage investors to build oil pipelines through Iran. 