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## Iranian Energy Diplomacy in the Caspian Sea

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### Abstract:

After the Soviet Union fragmentation, the Caspian basin, containing considerable resources especially oil and gas reserves, has gained more geopolitical importance. Iran enjoys a distinguished position in the Caspian region, while deprived from advantages of this position. US tends to isolate the Islamic Republic of Iran because its anti-dominance struggle prevents Iran from enjoying its geo-strategic and geo-economic privileged opportunities including its unique transit situation. Iran's energy diplomacy in the Caspian basin has failed because of Iran-US antagonism and US efforts to reduce Iran's geostrategic position by exerting pressure on the Caspian states to transport energy from routes other than Iran. In this article, we intend to examine which of these two are more important and influential. The hypothesis we are going to discuss in this paper is: The discrepancy of Caspian states' diplomacy and discourse has been one of the main factors of the failure in Iran's energy diplomacy. Therefore, the main question is: Why Iran's energy diplomacy has not been successful in Caspian Basin?

**Keywords:** Geopolitics, Iran, Energy Diplomacy, Caspian Basin, US

### Introduction

The Caspian Sea is a landlocked stretch of water between Asia and Europe. It is the world's largest inland body of water. The Caspian has characteristics common to both seas and lakes. It is often listed as the world's largest lake, though it is not a freshwater lake. The Caspian Sea is bordered by Russia, the Republic of Azerbaijan, Iran, Turkmenistan, and Kazakhstan (Aladin & Plotnikov, 2004, p. 4). The Caspian Basin enjoying

great sources of energy, rare living species and long historical and cultural backgrounds especially after the fall of the Soviet Union, has been of high importance from the point of view of geopolitics since it is located on the path of trade routes and the area is rich in energy resources. (Zeinolabedin, Yahyapour & Shirzad, 2009, p. 113). Having rich hydrocarbon resources has increased the strategic importance of the Caspian Sea in the last two

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centuries. With the end of the Cold War, the Caspian Basin was added to Iran's sphere of political and economic influence. Iran as a country located between two strategic regions in oil and gas resources -- the Persian Gulf and the Caspian Sea -- became one of the important actors of the Middle East politics in the 20th century (Gökçe, 2011, p.155). Iran's energy diplomacy is based on taking advantage of its transit status through its presence in energy pipeline projects. However, the hypothesis of this article is that Iran's energy diplomacy in the Caspian basin has failed because of Iran-US differences and US efforts to reduce Iran's geostrategic position by exerting pressure on Caspian states to transport energy across countries other than Iran.

### Research Method

Research Method in this article includes three steps. At first, scientific data were gathered from the libraries of universities, relevant institutions, and network sites. Secondly, the data were classified and as it is impossible for all network data to be correct and exact, then these data had to be tested with the benchmark of science. It is why we are justified not to mention a site address as a reference in this article. Finally, the authors came to analyze all the data critically to gain a scientific result.

### Literature Review

By examining the Iranian geopolitical challenges and opportunities in the transfer of Caspian energy, Eta'at and Nosrati (Eta'at & Nosrati, 2009) argue that presence of the United States in Caspian basin is the main cause of the failure of Iranian energy diplomacy in this area. In this regard, Niyakouyi and Mirza Zadeh (Niyakouyi & Mirza Zadeh, 2013) assert that the presence of superpowers in the Caspian basin, and the presence of

trans-regional powers in the Caspian Sea have caused the overt and covert competition to challenge the national interests of the countries in the region. Aslanlı (Aslanlı, 2018) states that the competition among the United States, Russia and Iran in this region, and the weakness of Iran in this competition has led to the defeat of Iranian diplomacy in the Caspian region. Mousavi (Mousavi, 2009, p.192) asserts that the US position on Iran's role in the region is based on the view that any Iranian influence in the Caspian region of the Central Asia should be stopped. So, the presence of the US in this region is the reason of Iranian energy diplomacy defeat.

But according to the authors, the main reason for the failure of Iranian energy diplomacy in the region is the heterogeneity of the energy policies of the Caspian region countries and the impact of external considerations on the field of energy. When in a region like the Caspian basin there is the asymmetry of policies and the lack of convergence of countries' energy diplomacy, the success of these countries diplomacy will not actually materialize. A homogeneous environment and common values can provide a platform for the success of diplomacy. In our opinion, as long as a homogeneous environment and common values among the countries of the Caspian Sea are not created, energy diplomacy of countries in this region, including Iran, is doomed to fail.

## SECTION 1. Conceptual Framework

### A: Energy Diplomacy

Diplomacy is the means by which states throughout the world conduct their affairs in ways to ensure peaceful relations. This concerns as much the promotion of political, economic, cultural, or scientific relations as it does international commitment to defend human rights or the peaceful settlement of

disputes. John Hugh Adam Watson in his book *Diplomacy: The Dialogue between States* (1982), defined diplomacy as a “negotiation of political entities which acknowledge each other’s independence”.

Because of the importance of energy and its situation in international developments, it can be considered as one of the most important aspects of diplomacy, which is called “energy diplomacy”. On this basis, it can be said that energy diplomacy is a strategic, comprehensive, and efficient program that integrates international energy interconnections for a country and clarifies the framework for agreements. Since thinking about the issue of energy is formed between the two sides --the "exporter" and "the importer" -- this program provides energy-efficient strategies for energy-exporting countries to achieving their diplomatic goals, and opens up the way for energy-importing countries to find necessary diplomatic strategies to ensure sustainable energy security (Keypour & Izadi, 2010, p.143).

Discourse plays a very important role in diplomacy. A country's energy diplomacy discourse has a direct impact on the permeability and power of its energy diplomacy. Discourse is a vital element in determining the policies of the country. Regional energy cooperation can be successful if countries reach asymmetrical discourse. The success of countries in the field of energy requires a strong energy diplomacy discourse. In general, each country's energy diplomacy discourse helps create opportunities for its international interactions to maximize geopolitical and geo-economic interests, and tries to reduce international commitments by using the energy issue. The need for energy opens the floor for the provision of treaties and international relations. Energy diplomacy is a competitive plan that can provide the necessary

conditions for maximizing national interests for each country in international energy relations.

What one can expect from energy diplomacy is:

- Determine target energy markets;
- Determine the type of presence in the specified markets (goods, services or energy carriers);
- Analyze pricing for markets (for example, energy diplomacy determines impact rate of security and political benefits of constructing a pipeline on the pricing of its contract)
- Analyze the attractiveness and unattractiveness of participating in treaties or participate in global energy organizations such as the OPEC or the Gas Exporting Countries Forum (GECF);
- Positioning on global developments in the energy market (Russia's position on the construction of the Nabucco pipeline)
- Providing a solution for maximum use of country’s geological location in order to influence global energy markets;
- Determining the type of export energy carriers; and
- Presence and investment in energy infrastructure of other countries.

It should be noted that energy diplomacy uses the same tools used in military, defense, security, and cultural diplomacy. In this case, even coercion can be used. Therefore, countries such as Iran, which have access to regional resources or have the ability to communicate with different economic markets, will be able to play a decisive role in the specification of energy diplomacy. This means that the geopolitical situation is one of the tools of economic and strategic mobility

(Sadeghi, Dehghani Firouzabadi & Ajili, 2018, p. 91).

### **B: The Place of Oil and Gas in Energy Diplomacy**

Among the various forms of energy (coal, oil, gas, nuclear, and hydrogen), the status, and importance of oil and gas in the field of energy diplomacy is still irreplaceable. This status and significance of these two types of energy exceeded the economic and commercial borders, and the need and dependence of industry and economy and production and development have made them vital and strategic. In last century, in spite of new scientific and technological approaches to renewable energy (such as solar energy, wind, wood, hydrogen, and geothermal energy), in the face of environmental degradation due to the high consumption of fossil fuels, especially oil, and also because of the awareness of the limited reserves and increasing costs of their production and consumption, and promises a better prospect for the future of the human society, nonrenewable energy types such as oil and gas will continue to have strategic importance in the international relations (Eslami, 2012, pp. 191-192).

The global economy currently and certainly in short and medium-term prospects is dependent on fossil fuels specially oil and gas and yet, innovations and new technologies have not been able to use renewable energy sources with the ability to compete or replace oil and gas. Oil and gas, like other renewable energies, are a kind of energy, but unlike them, different materials are derived from them, and large industries such as plastic, paint, textiles, building, etc. heavily depend on them. According to the OECD World Energy Outlook, global demand for energy will increase by 40% until 2035, while oil and gas will continue to be the main sources

of energy (OECD World Energy Outlook, 2018).

## **SECTION 2. Caspian Sea: Energy Resources and Pipeline Routes**

### **A: Energy Resources**

After the Soviet Union fragmentation, the attentions of regional and international countries have turned to this region for oil and gas discovery in the Caspian Basin. Therefore, this region increasingly enjoys more geopolitical importance. The Caspian Sea because of its energy reserves and as a region important for its geostrategic position, which stands along the geostrategic corridor joining the Mediterranean region to west China is considered an important geostrategic region (Pouladi, 2013, p. 23). Oil and gas have been major industries of the Caspian Sea since the end of the 19th century. On the one hand, regarding the landlocked position of three new independent republics of the Caspian basin, the Soviet Union fragmentation makes instability in especially three important countries of Afghanistan, Iran and Turkey (Mojtahedzadeh, 2000). On the other hand, the Caspian basin is believed to contain considerable oil and gas deposits, though the magnitude and value are in some cases not estimated. Location and ownership are also controversial. Up to now, oil reserves are estimated to be approximately 50 billion barrels. Natural gas reserves are even larger. The resources of this basin will be an enduring source of energy after the Persian Gulf until 40 years (Roshan & Farhadian, 2006). Accordingly, the produced oil and gas should be transported to the markets. Existing pipelines and other infrastructures make this task possible. Oil exploration and production are increasing in the Caspian and are already well established in Baku (onshore and offshore) and Tenghiz (onshore) fields. Oil production

is expected to increase dramatically during the next few decades. In this way, the Caspian region can provide 4,500 kb/d oil until 2019 and this process might increase

(Zeinolabedin, Yahyapour, & Shirzad, 2009, pp. 501-502).

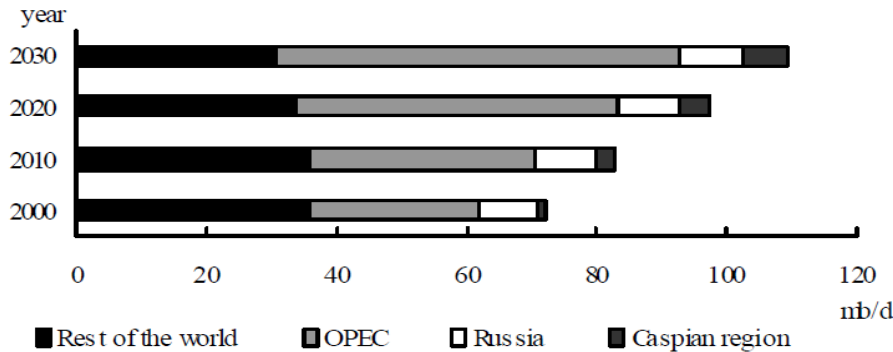


Fig 1: world oil production to 2030 (VanAgt, 2004)

### B: Caspian Basin Pipeline Routes

The international competition for access to the Caspian's oil and gas reserves and the need to bring them to world markets, has caused closer ties amongst the national interests of different countries of the world. Actually, there are some issues that turn management more complicated in this region such as pipeline routes and ecological issues arising from energy exploitation and exploration.

The Caspian Sea joins two regions of the Central Asia and Caucasus. Thus the region's political and strategic conditions assume prominence when discussing which route should be chosen for the transport of hydrocarbon resources out of the region. The initial regional power vacuum created by the fragmentation of the Soviet Union which has pulled most of the regional states and some external powers into a dangerous power-influence game played out in a rapidly changing Eurasian scene (Naderpour, 2007). Among the countries that envisioned playing

a key role in the region at the time, we can name the Russian Federation, Turkey, Iran, Saudi Arabia, the United States, the European Union, Pakistan, China, Japan, and so on. Obviously, each country has specific objectives and the competition has economic, political, ideological, and religious dimensions.

The most important pipeline carrying Caspian oil to the world markets is the "Baku-Tbilisi-Ceyhan (BTC) Pipeline, which has been operating since 2006 and operated by the British Petroleum (BP)-BOTAŞ partnership, with a total length of 1,768 kilometers and a transport capacity of 1.2 million barrels per day. The pipeline is also used for the transportation of oil in the Republic of Azerbaijan's 'Azeri-Chirag-Guneshli' oil field and of 'Tengiz' oil field of Kazakhstan, as well as a small amount of Turkmenistan's oil (BP, 2018). Significant pipelines and other transport instruments are available to transport fossil energy sources from the Caspian region to the world, such as:

Destination	Pipeline	Status	Content	Estimated capacity	Transit route (origin-destination)	Major source fields	Owner
To European markets							
	Baku-Tbilisi-Ceyhan(BTC)	Operating	Crude oil	1,000,000 bbl/d	Kazakhstan-Azerbaijan-Georgia-Turkey	ACG, Shah Deniz, Tengiz	BTC Pipeline Co.
	Caspian Pipeline Consortium (CPC)	Operating	Crude oil	684,000 bbl/d	Kazakhstan-Russia	Tengiz	Transneft, Chevron Caspian Pipeline Consortium, LukArco, ExxonMobil, Rosneft/Shell, Agip, Oryx, BG, KazMunaiGas, BP
	Uzen-Atyrau-Samara	Operating	Crude oil	600,000 bbl/d	Kazakhstan-Russia	Tengiz	Transneft
	Baku-Novorossiysk (Northern Route Export Pipeline)	Operating	Crude oil	100,000 bbl/d	Azerbaijan-Russia	Sangachal	Transneft
	Central Asia-Center gas pipeline system (CAC)	Operating	Natural Gas	eastern branch: 2,200 Bcf western branch: 120 Bcf	Turkmenistan-Uzbekistan-Kazakhstan-Russia	Dauletabad	Gazprom, Turkmengaz, Uzbekneftegas, KazMunaiGas
	Baku-Tbilisi-Erzurum(BTE, South Caucasus Pipeline)	Operating	Natural Gas	280 Bcf	Azerbaijan-Georgia-Turkey	Shah Deniz	BP, Statoil, SOCAR, LUKOIL, Total, NaftiranIntertrade, TPAO
	Kazakhstan Caspian Transportation System (KCTS)	Proposed	Crude oil	init. 300,000 bbl/d expand to 800,000 bbl/d	Kazakhstan-Azerbaijan	Tengiz	Gazprom, Turkmen-gaz, Uzbektransgaz
To East Asia markets							
	Kazakhstan-China Pipeline	Phase 1 operating Phase 2 planned	Crude oil	currently: 240,000 bbl/d expand: 400,00 bbl/d	Kazakhstan-China	Tengiz, Zhanazhol	Kazakh-Chinese Pipeline Co (KCPC)
	Turkmenistan-China Gas Pipeline	Operating	Natural Gas	1,400 Bcf	Turkmenistan-Uzbekistan-Kazakhstan-China	South Yolotan (Galkynysh), Karachaganak, Tengiz, Kashagan	Intergas Central Asia
To South Asia markets							
	Iran Oil Swap	Operating	Crude oil	200,000 bbl/d	Kazakhstan-Turkmenistan-Azerbaijan-Iran	n/a	n/a
	Turkmenistan-Afghanistan-Pakistan-India Pipeline (TAPI)	Proposed	Natural Gas	1,000 Bcf	Turkmenistan-Afghanistan-Pakistan-India	South Yolotan (Galkynysh), Dauletabad	n/a



Source: (Overview of oil and natural gas in the Caspian Sea region, 2013)

We can see that the Caspian basin has

great importance in oil and natural gas supply and energy geopolitics of both European and Asian markets.



Fig 2: Caspian Basin Pipeline Map Source: (Overview of oil and natural gas in the Caspian Sea region, 2013)

### SECTION 3. Asymmetry of the Capacities and Policies of the Caspian Sea Countries

#### A: Asymmetry of Capacities

Considerable energy resources (natural gas and oil reserves in offshore fields and on-shore on the coast of the sea) in the Caspian basin make it one of the richest hydrocarbon provinces in the world. The Caspian Sea region is one of the oldest oil-producing areas in the world and is an increasingly significant source of global energy production (Holstein et al., 2018).

Littoral states have different capacities in the Caspian Sea. For example, the depth of the Caspian Sea varies in different parts. On the coast of some countries, the depth of water is very low, and in some other coasts, water is deep. Some coastal countries such as

Kazakhstan have many oil fields, but some countries like Iran do not. Countries do not have the same drilling technology, as some of them can exploit the Caspian oil and gas resources with the importing of advanced technologies, while others have failed to do so. Current oil and gas activities and also related future development plans can increase the potential of subsea oil blowouts from natural seeps or petroleum extraction in the enclosed basin. Despite considerable oil resources, the Caspian region faces challenges to oil and gas production and transportation.

Submarine gas hydrates have been discovered in the course of deep-sea drilling regions. Many of the prospects in the deep water region have a unique combination of challenges such as, deep water, high pressure,

low temperature, deep reservoirs (Sedigh, et al., 2011, p. 1). An important factor in the drilling operation is time, because of its direct effect on cost and risk of operation and necessary to apply corrective solutions to common good problems in appropriate time. Drilling problems can increase nonproductive time; the cost of a well depends mainly on the daily rate of the drilling rig and operation cost will reduce if uncertainty during drilling. Due to the importance of understanding gas hydrate hazards to sea-floor installations in deep water such as wells, pipelines and drilling platforms and potential future sources of energy, many countries have set up national research programs for the investigation of gas hydrate. Some of these investigations have been related to problems during drilling operation (Sedigh, et al., 2011).

The Caspian's hydrocarbon resources are located relatively far from export markets, requiring infrastructure to move oil to ports where it can go to international markets. Any offshore oil activity, whether it is development, extraction, or transportation, is much more difficult than on land and is always associated with a high risk of accidents. Fortunately, major disasters with oil tankers or drilling platforms do not often happen, but actually, ships are the main source of oil pollution. Transportation of oil products, the shipping activity, as well as various activities in the ports that result in any of which could lead to an oil spill in the sea. Oil spills in the marine environment can have serious biological and economic impacts. Oil and oil products come into the sea as a result of small accidents, routine manufacturing operations, and illegal discharges from ships ballast and bilge water, fishing activity (fishery waste), as a result of washing tanks, river runoff, accidents involving oil tankers, or during the oil offshore exploration and production (Brekke

& Solberg, 2005). It should be noted that crude oil intrusion into the water is quite rare, as it only happens because of accidents on oil rigs and tankers, leaking pipelines as well as natural seeps. Other events in the sea introduce more toxic petroleum products.

### **B: Asymmetry of Policies**

Coastal countries have asymmetric policies in many aspects. These countries have differences in various areas, such as preserving the Caspian Sea environment, management of joint oil fields, and the presence of foreign countries such as the United States in this region.

a) Preserving the Caspian Sea environment: Because of the Caspian Sea's closed ecosystem, Pollutants entering the Caspian Sea are more dangerous than open marine environments. So, the environmental situation in the Caspian Sea, which is the largest inland body of water in the world, is one of the most important issues for the littoral states. Despite measures taken by the Caspian-littoral countries, its pollution problem is still a source of concern.

Actually, pollutants entering the water body are retained and can build up to destructive environmental consequences. The main sources of pollution of the Caspian Sea natural environment are washed off with river flow, discharge of untreated industrial and agricultural wastewaters, municipal-domestic wastewaters from cities and settlements in the coastal zone due to an insufficient number of treatment facilities, operation of oil and gas wells in land and offshore, oil transportation via sea, navigation over both river and sea, secondary pollution during bottom dredging works, and trans-border atmospheric and water transfer of pollutants from other regions (Kostianoy & Kosarev, 2005, p. 9). The intensive oil and gas development in the



Caspian region has especially resulted in extensive air, water and land pollution, wildlife and plant degradation, ecosystem disturbances, desertification and considerable losses in biological and landscape diversity. Taking into account these factors, the coastal states work on measures effectively to deal with the problem. There are many research programs that will be investigated in the future for waste minimization in the Caspian Sea (Jafari, 2010, p. 28).

Effective management of the Caspian Sea and its resources cannot be achieved without concerted action by all five littoral countries. Only a holistic approach at the international level can make economic development of the region truly sustainable. It also requires good scientific information and vigilant monitoring of conditions so that if the management strategies are not working they can be adjusted.

The Convention of Tehran to protect the Caspian Sea, signed in 2003, as a symbol of regional cooperation, has been adopted by the littoral countries in order to limit the increasing trend of destruction of the sea. Littoral states of the Caspian Sea have ratified this convention, emphasizing the importance of the symmetry in politics to save the Caspian Sea and the necessity of cooperation with related international organizations. This convention can provide a legal framework to restrict pollution to the Caspian Sea. The signing of the Tehran Convention is due to the urgent need to solve the critical environmental problems of the Caspian Sea. Despite the political-security, economic, and social challenges, it can be considered a great success for coastal countries. But there are still concerns about the implementation of this convention and the subsequent agreements related to marine environmental protection. But there are many valuable experiences that can be used in this context. The Amazon

Agreement is a remarkable example of the fact that countries located in a geographic region can unite, in spite of different political and social systems, to confront common ecological issues (Koolae & Goodarzi, 2009, pp. 89-90).

b) Management of Joint Fields: It is common for oil and gas fields to be jointly owned by two or more countries, which often presents various challenges. There is a particular fervor over the need to focus on extracting from such fields, with international energy companies often invited to vie for generous extraction contracts. Iran shares 26 oil and gas fields with its neighbors, yet due to a lack of technological and financial investment over the past years, Iran has been unable to extract a competitive amount of oil from such fields. This has led to their exploitation by Iran's neighbors. Studies show that around 20 percent of Iran's recognized oil reserves and 30 percent of its natural gas reserves are in joint fields.

A change of attitude in foreign policy and an attempt to eliminate tensions with neighboring countries will be an important step towards attracting foreign investors. An increase in the oil and gas production capacities of the country is a short and mid-term priority for Iran's Petroleum Ministry. Yet Iran must resolve political tension with its neighbors and also negotiate with the West to if these goals are to become workable.

Republic of Azerbaijan and Iran signed a memorandum of understanding on joint development of offshore hydrocarbon fields in the Caspian Sea on 28 March, 2018. Remarkably, the names of the fields were not specified, though they were officially referred to as "relevant." In fact, these hydrocarbon fields are the ones long disputed by the Republic of Azerbaijan and Iran in connection with the unsettled legal status of the Caspian

Sea. Baku and Tehran used a neutral term to refer to them, perhaps to avoid any discomfort associated with the related embarrassing incidents of the recent past. For instance, in 2001 Iranian gunboats and aircraft threatened Azerbaijani survey ships working on the 'Alov-Sharg-Araz' ('Alborz' According to the Iranian side) structure contested by Tehran; and as a result, BP, the operator of the oil field suspended its operations there. Under an implied agreement, the two sides, Iran and the Republic of Azerbaijan, pledged not to exploit this area before the final determination of the legal regime of the Caspian Sea (Zaki & Valigoli Zadeh, 2014, p. 551). The disputed fields have since remained undeveloped.

The signing of the Azerbaijani-Iranian memorandum of understanding is a breakthrough in the long-deadlocked problem, as the dispute had been a sticking point. Therefore, the Azerbaijani-Iranian deal on the joint development of offshore hydrocarbon fields represents considerable progress toward the broader settlement of the legal status of the Caspian Sea.

c) One of the main factors of outside powers presence in the region is divergence among the states of the region. The power vacuum that occurred after the Soviet Union's breakdown opened the way for US new ambitions in a region that once was its rival superpowers territory (Pouladi, 2013, p. 24). Main line of the US strategy in the Caspian Sea includes taking some initiatives on planning production and transportation of the Caspian oil and gas in its hand, isolating the Islamic Republic of Iran and preventing any coalition between Iran, Russia, and China, taking advantage from of regional crises to extend its presence in the region, barring Iran from access to technical resources that help it proceed its economy.

Some of the Caspian littoral countries, such as Azerbaijan, because of having interaction with these governments, agree to the presence of supranational powers in the region, while others, like Iran, are opposed. Actually, with the signing of the Caspian Law Convention, if applied with good faith, foreign governments were prevented from entering the region.

#### **SECTION 4. Iranian Energy Diplomacy in the Caspian Sea**

##### **A. Iranian Energy Diplomacy**

The international image of Iran over the past 100 years, especially after the nationalization of the oil industry, the active presence in the OPEC Organization and the victory of the Islamic Revolution have never been separated from oil and related issues. For this country, oil not only supplies most of the currency revenues required by the national economy, but it is also the mainstay of interacting with the international sphere and playing role in regional and global economy and security. In its latest report, the US Energy Information Agency (EIA) announced that the Islamic Republic of Iran holds fourth-largest crude oil and second-largest natural gas reserves in the world (EIA, 2018).

Comparative advantage and the constant benefits of Iran's political and economic geography, access to free waters, the possession of 15 border countries, the availability of reliable infrastructure for the production and transfer of oil and gas and petroleum products, having skilled personnel in the oil and gas industries, the need of different Asian, European and Arab countries to Iranian oil and gas, in general, have provided a very favorable environment for implementing a diplomatic plan in the field of energy for Iran. Another advantage of Iranian energy diplomacy is the possibility of swap of oil, gas and

electricity from the Caucasus, and the Middle East countries to other countries, including Turkey, Afghanistan, Iraq and the countries of the Persian Gulf region, and even the international waterways in the Persian Gulf. This situation is due to the fact that the countries of these areas are enclosed with drought and their lack of access to free waters and the growing need of this country's economies for foreign exchange revenues provides the ground for playing a strategic role as a safe north-south route for Iran.

In the determination of Iranian energy diplomacy, different entities are effective. The difference in energy diplomacy discourse and the focus of perspectives between the Ministry of Petroleum and the Ministry of Foreign Affairs has led to the developing of two technical and political-social visions on this issue. In other words, the functional difference creates a discursive difference in the definitions of energy diplomacy between the two entities. According to the Ministry of Foreign Affairs, energy diplomacy is defined as 'the use of political and diplomatic tools in the development of the country's energy trade,' as well as 'targeting and policy-making with regard to political issues and national interests'. In contrast, according to the Ministry of Petroleum, energy diplomacy is defined as 'selling gas, oil and oil products in highest price to have the ability to meet the needs of the country in different fields such as technology, money requirement and so on'. One of the aspects that add to the complexity of the situation is that many of the activities related to the international department of the Petroleum Ministry interact with other entities other than the Ministry of Petroleum and the Ministry of Foreign Affairs. Following the decentralization of the Ministry of Foreign Affairs in the international arena, equally the Ministry of Commerce and

the Ministry of Industries, and ... are also considered relevant in this regard (Pour Ahmadi & Zolfaghari, 2009, pp. 24-25). In addition to the new management measures that are operational in the globalized world, what is needed to coordinate such a mechanism is a network of relations that can harmonize the management system of Iran's political economy especially in the field of energy diplomacy.

Analyzing the content of the 20-year document of the future perspective of Iran from 2006 to 2025 indicates that the Islamic Republic of Iran intends to "take first place in the field of science and technology at the regional level" and in this regard "constructive and effective acting in foreign relations" is centered on foreign policy and diplomacy. The realization of this prospect in the energy sector, especially in oil and gas, requires that at the national level, by implementing the policies and measures reduce the energy consumption by the way oil and gas become sources of wealth and power instead of storing for consumption. To achieve these goals, Iran needs to fundamentally reduce its dependence on oil revenues. From the perspective of energy diplomacy, achieving the goals set out in the future perspective document requires that Iran dominate the interactive role and active participation in the field of energy security at bilateral, regional and transnational levels in its foreign relations so that it can secure large investments in the oil, gas and petrochemical industries by the advent of modern and efficient technology (Es-lami, 2012, p. 199).

The enormous reserves of energy and production and export capacity of Iran are vital to this country, and its political and economic power and security factor depend heavily on it, and it is also a very important and sensitive factor in providing regional and

global energy security. However, there are challenges facing the Iranian energy diplomacy program, which must be overcome. We would like to name the main challenges that affect the success and development of Iranian energy diplomacy and which contribute to playing a role in determining the priorities and strategic objectives of Iranian energy diplomacy. International and unilateral sanctions imposed by the United States and Europe, and efforts to eliminate them, funding for the development of the oil and gas industry, exploiting the advantages of territorial geography, an attempt to reduce the dependence of the national economy on oil revenues, the vulnerability of oil price fluctuations and domestic consumption, trying to achieve new technologies, being active in the development and operation of joint oil and gas fields, training of skilled staff and paying attention to renewable energies, are a number of challenges that need to be eliminated.

Undoubtedly, what makes diplomacy of a country meaningful and effective in its various fields is to interact with other actors at bilateral, regional, and global levels. Iran's energy diplomacy should be able to provide a platform for exploiting opportunities and overcoming threats, by identification of Iran's strengths and weaknesses and it should be able to attract attention of countries with growing energy demand to the geostrategic situation of Iran.

### **B. Goals and Failures of Iranian Energy Diplomacy in the Caspian Sea**

After the collapse of the Soviet Union and the independence of the former Soviet Union republics, the geopolitics of the Caspian region was greatly changed. Caspian coastal countries changed from two countries (Iran and the Soviet Union) to five countries (Iran, Russia, Republic of Azerbaijan, Kazakhstan,

and Turkmenistan) and, consequently, its geopolitical relations also changed (Ciarreta & Nasirov, 2012, p. 283). Although Iran has a significant geographic location, energy resources, and ability to influence the region, energy markets and transportation, it is not as much as it should be. First, Iran lacks the technologies needed to develop its energy and transport infrastructure; Second, US efforts to isolate Iran have been a deterrent factor to foreign investment (Naghizadeh, 2009, p. 145).

Isolating Iran is one of the strategic aims of the US in the region. Iran is one of the natural transit routes to world markets because most of the states of the region do not have access to open seas. Iran is one of the good options for exporting oil and gas of these states that wish to diversify their pipeline routes. However, US insistence to isolate Iran is one of the main barriers on Iran's way to profit from its privileged position. The natural and the most economical transition route for Azerbaijan oil pipeline to Europe is Iran. However, the US opposition to such projects overturned all rational consideration except the political one which is forced by the US. The Baku-Ceyhan Pipeline project that would transfer Azerbaijan oil to Europe is pushed by the US isolation project against the Islamic Republic of Iran. In 1995, US pressure resulted in Iran's prevention to enter a project named "The Contract of the Century". This project takes Azerbaijan oil to Europe via two routes passing Georgia and Turkey (Pouladi, 2013, p. 25).

The geostrategic position of Iran, which is the only country that unites the Caspian basin and the Persian Gulf through the land, has made the country a key factor in regional cooperation, search for alternative routes for the transportation of energy resources and in the determination of the legal status of the Cas-



pian. Since 1991, Iran has had an active foreign policy in the Caspian region. In 1992, Iranian President Ali Akbar Hashemi Rafsanjani signed a letter of understanding for the establishment of the Caspian Sea Cooperation Organization with stakeholders from Republic of Azerbaijan, Kazakhstan, Russia and Turkmenistan. In 1994, Iran National Oil Company purchased 10% share in the operation and production of Shahdeniz gas field with 1.2 trillion cubic meters of natural gas reserve. The same company owns 10% share in the Southern Gas Corridor project which delivers Shahdeniz natural gas to Turkey through Georgia. When Iran could not have good relations with the Republic of Azerbaijan in the energy field, it gave great importance to cooperate with Turkmenistan and Kazakhstan from among the Caspian coastal countries. In 1997, the Iran-Kazakhstan oil swap deal was implemented. In this context, the oil transported from Kazakhstan to Iran's Neka port was processed by refineries in Tehran and Tabriz. In its response, the same volume of Iranian oil was marketed from the Persian Gulf to the world markets by name of Kazakhstan. However, at times, some disputes have arisen. The Iranian side claimed that the Kazakh oil is poor quality (oil is heavy and contains high sulfur), while the Kazakh side accused Iran of technological inadequacy (Aslanli, 2018, p. 13).

Iran needs to maintain its cooperation and interaction with political foresight, special planning in diplomatic track to take advantage of its geographical advantages. Undoubtedly, the implementation of a quiet policy for the expansion of economic cooperation, without ideological pressure, will eventually make significant progress to Iran. If Iran can catch the attention of the northern governments by removing the diplomatic impasses, then Iran-Russia geopolitical rivalry to con-

trol the energy corridor of the Caspian Sea region especially Central Asia will start. Undoubtedly, in the case of proper and targeted planning, maximum utilization can be made in order to provide national benefits from the existing situation (Eta'at & Nosrati, 2009, p. 20). As a general conclusion, it can be said that the Islamic Republic of Iran, with all barriers, remains as part of the future energy vision, and it will not be possible to carry out transactions without it. Iran as the leading player in the geopolitics of Caspian Sea energy should move to a point that is recognized by all actors as the link of the Caspian Sea and Persian Gulf. There is no doubt that the preparation of these conditions by Iran will increase the capacity of Iran's bargaining power in the global energy and economy market and highlights the role of this country in drawing the lines and policies of the region and the world.

### **C. Convention on the Legal Status of the Caspian Sea**

On August 12, 2018, Azerbaijan, Iran, Kazakhstan, Russia, and Turkmenistan, agreed in principle by signing the Convention on the Legal Status of the Caspian Sea during the Fifth Caspian Summit on how to divide up the potentially huge oil and gas resources of the Caspian Sea. The landmark agreement was reached at the Kazakh port of Aktau after three decades of argument over how to divide the world's biggest enclosed body of water. Work on the draft document has continued since 1996, while its draft was agreed by the five nations' foreign ministers on December 4-5, 2017 in Moscow. The new convention will replace the Soviet-Iranian agreements of 1921 and 1940. Prior to this agreement, the territorial disputes have prevented the exploration of at least 20 billion barrels of oil and more than 6.8 trillion cubic



meters of gas, the US Energy Information Administration estimated in 2013 (EIA, 2013). At current market prices, that is several trillion dollars' worth of energy resources, with further exploration, it could turn out to be much more. The Caspian Sea convention has been drawn up in 24 articles with the most important highlights being a ban on the military presence of all foreign countries in the sea and transit of military consignments belonging to foreign countries. Moreover, it emphasizes that the Caspian Sea belongs to all littoral states, prohibiting establishment and handing over of any kind of military bases to foreign countries.

Since the beginning of the entire negotiation process, Iran has advocated for an egalitarian approach to delimiting the seabed (each nation would get 20% of the coast), running counter to other countries' aspirations. But, when Russia concluded its seabed delimitation agreements with Kazakhstan and Azerbaijan in 2001 and 2003, respectively, the parties split their parts using the median line. It effectively keeps the delimitation task in the hands of relevant governments, thereby providing a very modest boost to the demarcation of the Southern Caspian. The Northern part of the Caspian Sea is fully delimited (Caspian Sea Agreement, 2018). Also, the treaty gives a green light to the development of pipelines without formal approval by each littoral state, requiring approval only by states whose territories are transverse to a particular pipeline. This convention is an important step for regional security and economic development. If implemented in good faith, the treaty could facilitate important energy projects. Therefore, this convention inter subjectively can be a step towards getting regional discourse symmetry.

## Conclusion

After the Soviet Union's fragmentation, the Caspian basin, containing considerable resources -- especially oil and gas reserves -- has assumed more geopolitical importance. Iran enjoys a distinguished position in the Caspian region, while deprived from advantages of this position. US is bent on isolating the Islamic Republic of Iran because its anti-dominance struggle which prevents Iran from enjoying its geo-strategic and geo-economics privileged position including its advantaged transit situation. Some difficulties in transferring energy from the most political pipeline in the world, Baku-Tbilisi-Ceyhan, have clearly demonstrated that Iran is the safest and most appropriate way to transport oil and gas of the Caspian basin to the global markets. As it happened in Azerbaijan's "Deal of the Century", the United States has always tried to reduce the role of Iran in the region and keep it away from energy transition routes. Participation in the energy transfer of the region to world markets and to have a good faith in the implementation of the Caspian Sea Legal Convention are among Iranian energy diplomacy's goals in Caspian basin. Undoubtedly, the implementation of a quiet policy for the expansion of economic cooperation, without ideological pressure, will eventually make significant progress to Iran's presence in international stages. Iran's energy diplomacy in the Caspian basin has failed because of Iran-US antagonism and US efforts to reduce Iran's geostrategic position by exerting pressure on Caspian states to transport energy from routes other than Iran. Iran tried to resolve the problem of asymmetry with the convention of the Caspian Legal Regime, but in the face of hostility with the United States, Tehran has tried to avoid a direct opposition, adopt a kind of relative harmony with the positions of Russia and, at

the same time, adopt itself as an inevitable actor among the Persian Gulf and Eurasia.

In general, the discrepancy of the Caspian states 'diplomacy discourse is one of the main reasons for the failure of Iranian energy diplomacy in the region. As discussed earlier, a homogeneous environment and common values can provide a platform for the success of diplomacy, so all countries in this region need to create a homogeneous environment to be able to apply successful energy diplomacy.

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