

## Caspian crucial to limit energy terror insecurity, say experts

**Thursday June 30 2005** - Caspian crucial to limit energy terror insecurity, say experts. Development of the region could help boost badly needed global oil and gas supplies, writes John Zarocostas in Geneva

DEVELOPMENT of the Caspian Sea region should be a must to deal with the global problem of energy insecurity aggravated by growing import dependence of emerging economies in India and China and rich nations, and to limit the impact of a possible terrorist attack, top industry experts have warned.

Robert McFarlane, chairman of Energy and Communications Solutions of Washington, told ministers and industry executives attending a United Nations energy security forum in Geneva that if terrorists were to take out facilities such as Ras Tanura up to 6m barrels a day could be taken off the world market.

Such an outcome, he said, would trigger a leap in oil prices to \$100 a barrel of crude for at least a year.

Mr McFarlane, a former US national security adviser, said such a scenario would have severe economic implications for energy-dependent Japan and, soon after, for China, India, Europe and North America.

He said in an interview afterwards that associates of the al-Qua'eda terrorist network had said they planned to target oil and gas processing facilities.

"It is inevitable and likely to happen this year," he said.

Other facilities that were very vulnerable, he said, include those in Rotterdam, Singapore and Houston.

The sinking of vessels in strategic choke points such as the Strait of Malacca or the taking out of refineries or pipelines such as Yanbu would also drive up insurance rates and see oil prices for a while in the \$50-\$100 a barrel range.

With little spare world oil production capacity, and energy demand still edging upwards, development of the huge Caspian potential by countries in the region such as Kazakhstan, Azerbaijan, Russia, Iran and Turkey could help to boost badly needed global oil and gas supplies, experts said.

Kazakhstan's minister of energy and mineral resources, Vladimir Shkolnik, said \$7.7bn

was invested in the country's energy sector last year but between \$50bn and \$60bn needed to be injected during 2005-15 to bring production capacity to 3m barrels a day - 2m bpd offshore in the Caspian and 1m bpd onshore.

Togrul Bagirov of the Moscow International petroleum club, an umbrella group for Russia's leading oil companies, told Lloyd's List that investments running into hundreds of billion of dollars would be needed to develop the Caspian.

He also predicted that in 10 years' time the Baku-Tbilisi-Ceyhan crude oil pipeline which ends at the Mediterranean coast would have a larger spot market than Rotterdam.

When it comes into operation at the end of the year it will have a capacity of 1m bpd, but he expects it to reach 3m bpd in five years, and in 10 years to attain 5m bpd.

The Russian special presidential envoy for international energy co-operation, Igor Yusufov, said oil exports from the Caspian area in 2004 totalled 60m tonnes besides 57bn cu m of gas.

But he said that if the necessary giant investments were made these figures could multiply by 2.5 to three times.

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