

PREPARED REMARKS

Caspian Oil and Gas Show and Exhibition 2014

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It is a great pleasure to be here today to speak at this important event. The Caspian International Oil and Gas Conference is the premier energy event in this region. I have participated in many of the previous conferences and I am sure this one will be equally productive.

This subject of this Plenary Session is Azerbaijan's role in Eurasian Energy Security. I would like to examine that subject in the broader global context. At the same time, I would like to underscore the U.S. commitment to energy security in Europe and the role Azerbaijan can play, particularly given recent events in Ukraine.

Let me start with the Global Context. There is an ongoing energy transformation in the world, a revolution in renewable energy as well as two major shifts in traditional fossil fuel supply and demand.

On renewables, the significant fall in the costs of wind and solar and their rapidly growing deployment may help us in meeting the enormous challenge we face of dramatically expanding energy access and energy security while keeping greenhouse gas emissions in check. Two complementary trends, the growth of smart grid technologies and increasing investment in energy efficiency, are aiding this revolution.

Turning to traditional fossil fuels, on the demand side, we've seen unprecedented growth from non-OECD countries and an increase in energy efficiency in OECD countries. There is a shift from the traditional European countries and the United States being the major consumers towards Asia, the Middle East, and Latin America.

On the supply side, it is no longer just about the big energy producers of yesterday, who push fuels in one direction to consumers via transmission systems they control. Instead, we are seeing

myriad sources of supply coming online, large and small, veterans and newcomers, traditional hydrocarbons and increasingly affordable renewables, through an intricate web of pipelines, ships and power lines, moving energy in an increasingly global, diffuse market. While this development is true for oil, it is particularly striking in the case of gas.

Of course, we are all well aware of what is now happening in Azerbaijan, with development of the Shah Deniz II project under way, and other projects such as Absheron on the horizon. Looking around the globe, new production of gas, especially in the form of LNG, will be coming on stream soon in Australia and Papua New Guinea, among other locations. Major discoveries have been made in offshore Mozambique and Tanzania, although projects there may take some time to develop. The Eastern Mediterranean region also holds great promise. Just across the Caspian, Turkmenistan has some of the largest gas deposits in the world.

In the United States, we are benefitting from a dramatic increase in the supply of reliable and affordable energy as a result of technological advances in producing unconventional resources. Whereas only five years ago we were building LNG terminals to import natural gas, today we are the top natural gas producer in the world and we are on course to be the world's largest oil producer by the end of the decade.

LNG previously destined for the U.S. market is being sold to Europe instead, adding to the continent's energy diversity. This also has resulted in direct benefits for Europe, as Gazprom and other suppliers have had to renegotiate their contracts due to increased supply in a period of stagnant demand.

Looking into the future, our Department of Energy has already licensed 7 LNG export projects. If all of these projects are built, the United States could be exporting about 95 billion cubic meters per year (bcm/a) of LNG. So the global energy picture is clearly evolving, and developments in Azerbaijan are just one piece of a much more complex puzzle.

Let me turn now to the other key message I would like to deliver-the continuing U.S. commitment to energy security in Europe.

As we have in the past, we will continue to support our European partners and allies in efforts to diversify energy sources and supply routes with commercially viable projects that will ease reliance on a predominantly single supplier, decrease energy dependence, and stabilize regional markets, as well as connect energy islands that are currently cut-off from the growing European market.

How does Azerbaijan fit into this picture? Azerbaijan has already proven its willingness and ability to contribute to global energy supplies, delivering oil to world markets through the Baku-Tbilisi-Ceyhan (BTC) pipeline, and supplying Georgia and Turkey with gas through the South Caucasus pipeline. We worked closely with Azerbaijan, Georgia, and Turkey in the 1990s in bringing those projects to fruition. Similarly, we have been working with Azerbaijan and its partners for the past several years on the Southern Gas Corridor. And make no mistake, the final investment decision last December on the Southern Corridor was an important step forward in enhancing European energy security.

We'll hear more about the Southern Corridor in other presentations today, so I will not go into detail about it here. However, I would like to stress that its importance cannot be overstated. While the Southern Corridor will initially provide only 10 bcm/a of gas to Europe, it will firmly establish a new supply source and new supply route for European consumers. Diversity of supply is one of the key elements of energy security.

The 10 bcm/a of Azeri gas that will anchor the Southern Corridor could over time be joined by additional large volumes of gas from Azerbaijan as well as gas from other sources, possibly including Iraq, the Eastern Mediterranean, and Turkmenistan. On the prospects for Turkmen gas entering the Southern Corridor, I should reiterate that we support efforts by the EU to negotiate a trilateral agreement that would form the legal basis for a Trans-Caspian gas pipeline.

Of course, the Southern Corridor still faces challenges in the implementation stage. As we learned from the BTC experience, transnational pipelines are complex undertakings, with many moving parts. But as the case of BTC, we will continue to work with all the involved parties to see the project to a successful conclusion.

In closing and to return to the global context: the decisions that are made here in Azerbaijan are directly linked to those made in other parts of the world. The global shifts in demand and supply raise many geopolitical and geo-economic questions, but none of them are answered with isolationism.

To be clear, the United States is not pulling back from Europe or the rest of the world. More than ever, we are committed to working with the EU, with our traditional partners, with Azerbaijan, and with other interested parties to ensure transparency and stability in energy markets, to promote the development of a diversified mix of alternative energy resources and technologies, and environmental stewardship.

The energy security, market efficiency, stability, and cooperation that occur here in the Caspian region and more broadly in Europe, will continue to be in America's economic, foreign policy, and national security interests. What we have seen the past several months in Ukraine is a reminder of the importance of our working together. You can be assured that going forward we will remain a strong and committed energy partner as we confront the energy challenges ahead.