

# THE U.S. ENERGY DIPLOMACY IN THE CONDITION OF WORLD ENERGY MARKETS TRANSFORMATION (SOUTH CAUCASUS VECTOR)<sup>1</sup>

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## Abstract

The article considers the key aspects of the US external energy diplomacy in the context of the transformation of the global energy market at the present stage. The features of American energy strategy are revealed. The main strategic documents of the U.S., affecting the problems of energy security and energy strategy, are studied. The features of the concepts of "energy dominance" (Trump) and "energy independence" (Nixon) are presented from the point of view of their implementation in the context of modern political and economic challenges. The structure of the U.S. energy balance is considered, which made it possible to determine the level of dependence on external supplies of hydrocarbon raw materials, especially oil. The priorities of the U.S. in the hydrocarbon market (both natural gas and oil) and renewable energy are studied through the prism of the climate agenda (in particular, the 2015 Paris climate agreement). Special attention is paid to the issues of liquefied natural gas (LNG) export from the U.S., especially towards European markets. The key risks and challenges of US energy diplomacy in the context of the conflict in Ukraine as well as geopolitical confrontation with Russia are identified. The US energy strategy in the South Caucasus is considered. The main features of the U.S. energy cooperation with Armenia, Georgia and Azerbaijan in the context of geopolitical challenges are revealed.

**Keywords:** U.S., energy, diplomacy, security, climate change, South Caucasus.

## Introduction

After the end of the Cold War, the United States has paid more attention to securing untrammelled access to world energy resources in terms of ensuring national security and stable functioning of economy. The emergence of new world centers of military and economic power has shaken the U.S. leadership in many strategic areas. In contemporary realities, the U.S. is working on revitalization of its fundamental advantages in political, economic, military and other areas globally. However, the global economic situation characterized by increased competition for the access to scarce energy resources, large-scale structural changes, new crises and price instability on global energy markets imposes the development of resilient national energy policies worldwide. The U.S. energy policy has undergone considerable changes over the past decades, driven by such factors as the transformations in the global energy system,

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the shale revolution, significant changes in the U.S. energy balance, the international climate agenda, intensive development of renewable energy sources (RES) and the aggravation of geopolitical confrontation with Russia and China. Today, the key challenge for U.S. energy diplomacy is to diversify its external energy strategy. In this sense, the South Caucasus is of particular importance as a transit zone for oil and gas supplies from Central Asia to Europe, where the US seeks to reduce dependence on supplies from Russia. The paper is structured according to the deductive principle. In particular, the first part deals with the issues of U.S. energy diplomacy at the present stage in the face of risks and challenges of global energy security. The second part of the paper is devoted directly to U.S. energy diplomacy in the South Caucasus.

The main research goals of the paper are: analysis of the external energy strategy of the U.S. by studying the main strategic documents relating to foreign policy, international economic relations, etc.; identification of the level of significance of energy markets and infrastructure energy systems of the South Caucasus in the U.S. energy strategy in the Caspian-Black Sea mega-region; and analysis of energy development programs of South Caucasus states in order to identify their external guidelines in the energy sector.

### **1. US energy diplomacy in the context of new geopolitical transformations**

Today, traditional fuels as well as nuclear power take a key place in the U.S. energy balance. This dictates to focus on the development of renewable energy and support for the global policy to reduce carbon dioxide emissions into the atmosphere under the 2015 Paris Climate Agreement. The U.S. is the second-largest producer and consumer of energy in the world, behind China. Due to the shale boom, the U.S. has become the world's leading net exporter of most forms of energy. New technologies for the extraction of natural resources have contributed to a significant increase in the production of oil and natural gas. Currently, the U.S. is a net exporter of LNG. The rapid growth in the U.S. oil and gas production brought a collapse in fuel prices in 2014, and led to an alliance between the Organization of the Petroleum Exporting Countries (OPEC) and Russia to manage production in order to stabilize world oil prices.

Coal, used primarily for electricity generation in the U.S., supplied 23% of electricity generation in 2019, while overall consumption declined by 48% since 2007, in the face of increasing competition from natural gas and renewable energy<sup>2</sup>. RES have faced a rapid growth in the U.S. over recent years driven by policy support, while nuclear energy is facing significant challenges as more reactors are being decommissioned.

With a population of less than 5% of the world, the US produces more than 20% of the world's GDP and consumes about 24% of all oil produced in the world (own proven oil reserves in the U.S. are 2.5% of the world's, 11th in the world), 22% of natural gas (proven reserves - 3% of world, 6th in the world) and almost 20% of coal (proven reserves - 27% of world, 1st place in the world). In total, the U.S. accounts for almost 22% of the consumption of all primary energy produced in the world<sup>3</sup>. During B. Obama's presidency, the main focus of the state energy policy was on the renewable energy development. On the other hand, the development of shale deposits was perceived mainly in a negative way. After D. Trump was elected president, the logic of U.S. energy policy underwent basic changes. It is enough to look at the "America First Energy Plan" to make sure that the U.S. energy strategy is

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<sup>2</sup> U.S. Energy in the 21st Century: A Primer. Congressional Research Service. March 16, 2021. URL: <https://crsreports.congress.gov/product/pdf/R/R46723>. [L. s. 12.12.2022].

<sup>3</sup> Davtyan, V., New World Energy Order: The Obstacles to the Golden Age of American Energy Dominance. *International Journal of Energy Economics and Policy*, 8(4), 2018. 157-168.

based exclusively on traditional sources, namely, shale reserves and coal. And in this sense, the US withdrawal from the Paris climate agreement testifies to the deep conviction of the American president in the correctness of his strategy. U.S. shale reserves are estimated at \$50 billion, and Trump associated the restoration of roads, schools and public infrastructures with shale energy development. The “Energy Plan” assumed maximum use of available resources to reduce imports, improve export and, consequently, to have low domestic prices. Under G. Biden, the U.S. "energy course" has undergone significant changes: Washington returned to the Paris climate agreement, and the president announced comprehensive support for "green energy" to ensure sustainable and decarbonized energy development.

The shale revolution and the abundance of resources in the U.S. may create a delusion that the country may be isolated in the global energy market due to the self-sufficiency of the American economy. However, energy markets and the prices have a significant impact on the U.S. economy. The OPEC plays a decisive role in setting prices for oil products, which creates serious problems for the U.S. energy sector and dictates the U.S. authorities to develop mechanisms to keep oil prices at an acceptable level for the world economy. Today, in a condition of a sharp increase in oil prices due to the conflict in Ukraine, the U.S. proposes to develop a mechanism to determine the limit for the growth of prices for Russian oil (about \$60 per barrel). Taking into account the conjuncture of the modern oil market, the development of such a mechanism may face many problems. The main problem is the OPEC+ deal concluded in 2016 to allocate quotas to oil-producing countries in order to keep prices high.

Energy diplomacy plays a central role in the U.S. foreign policy. As a major exporter of oil and gas products, U.S. has changed the main approaches to its energy policy - from a scarcity to maximization of the benefits of energy abundance<sup>4</sup>. However, energy security and energy independence remain of prior importance. The Trump administration adopted the concept of "energy dominance", reflected in the "National Security Strategy", released in 2017<sup>5</sup>. The "energy dominance" is the logical extension of a much older and enduring concept of «energy independence», first announced by President Nixon<sup>6</sup>. The "energy dominance" positions the U.S. in the global energy system as a leading producer, consumer, and innovator in the energy sector. It aims to promote American prosperity through reducing barriers for the safe development of energy resources, promoting exports, ensuring energy security by the diversification of energy sources, supplies, and routes, attaining universal energy access and furthering America’s technological edge in energy.

However, under the Trump administration, the U.S., while being the world’s second-largest greenhouse gas emitter, announced withdrawal from the Paris Agreement in 2020 - signifying a return to traditional energy policy. The traditional energy policy putting "America First" was intended to revitalize fossil fuels and the nuclear energy industry, to strengthen energy independence and encourage energy exports while reducing support for renewable energy<sup>7</sup>. Notwithstanding that the complete U.S. withdrawal from the Paris Agreement could have taken several years, it significantly affected the global confidence in low-carbon investments. Obviously, the climate agenda has become a case for permanent political confrontations between Republicans and Democrats.

Thus, right on the first day as a president, Biden announced about rejoining the Paris Agreement. The Biden-Harris Administration announced the climate agenda an immediate priority for the U.S., aiming

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<sup>4</sup> Energy Policies of IEA Countries. United States. 2019 Review. September 2019. URL: <https://www.iea.org/reports/energy-policies-of-iea-countries-united-states-2019-review> [L. s. 10.12.2022].

<sup>5</sup> National Security Strategy of the United States of America. December 2017. URL:

<https://trumpwhitehouse.archives.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf> [L. s. 10.12.2022].

<sup>6</sup> Ladislav S., Tsafos N. (2020). Race to the Top. The Case for a New U.S. International Energy Policy. Center For Strategic and International Studies. URL: <https://www.csis.org/analysis/race-top-case-new-us-international-energy-policy> [L. s. 10.12.2022].

<sup>7</sup> Hongyuan Yu, The U.S. Withdrawal From the Paris Agreement: Challenges and Opportunities for China. *China Quarterly of International Strategic Studies*. 04:02, 2018. p. 281-300. DOI: <https://doi.org/10.1142/S2377740018500100>

to achieve net zero emissions in 2050. In the "Interim National Security Strategy Guidance" (2021), the clean energy transformation is considered a central pillar for the U.S. economic recovery efforts, generating both domestic prosperity and international credibility of the U.S. as a leader of the global climate change agenda<sup>8</sup>. Thus, the current state energy policy is around climate change and aims at promoting the global climate agenda in the international arena by the implementation of renewable energy development programs and investments in climate-friendly infrastructure.

The ecological priority in the U.S. energy policy is also reflected in the "The Long-Term Strategy of the United States". The U.S. committed to an ambitious goal to reduce net GHG emissions 50-52% below 2005 levels in 2030 and to achieve a net-zero economy no later than in 2050<sup>9</sup>. At the same time, the current energy policy is in accordance with the UN's Sustainable Development Goals and corresponds to the seventh global goal of ensuring access to affordable, reliable, environmentally sustainable energy sources. Positioning itself as a global leader of climate agenda, the U.S. propels the adoption of Paris Agreement 2030 Nationally Determined Contributions (NDC) by other major economies to accelerate the global climate progress to ensure 1.5°C target. Thus, the U.S. intends to consolidate unconditional world supremacy in the formation of new environmental norms and rules corresponding to American national interests. Apparently, the climate agenda will remain the main topic and instrument of the U.S. foreign policy in the coming years and possibly even decades.

The promotion of climate agenda globally by the U.S. has considerable geopolitical significance for increasing the energy sovereignty of partner countries. Energy generally plays a notable role for the expansion of American spheres of influence in target countries and weakening the positions of geopolitical competitors. In conformity, weakening the leverages of Russian or Chinese energy diplomacy abroad is one of the priorities of American energy diplomacy.

On the global level, the American energy diplomacy takes place at various levels of government, with active involvement of private and public sectors. The international energy policy of the U.S. is executed by the Bureau of Energy Resources (ENR) of the State Department through diplomatic and programmatic engagement. Originally labeled as Global Shale Gas Initiative, it was designed as a shale gas promotion initiative<sup>10</sup>. The agenda of the initiative broadened over time, and it became a central governmental structure of the American energy diplomacy. The aim of the ENR is the promotion of the U.S. leadership on global energy issues such as climate agenda and energy security for the U.S. and its allies and partners. The ENR operates in various regions, ensuring sustainable and safe development of energy systems of partner countries and energy access in developing countries, as well as protecting America's geopolitical interests in global energy economy through diplomatic efforts.

The Department of Energy (DOE) that manages nuclear infrastructure of the U.S. and forms policy ensuring energy security, also coordinates foreign energy policy through its Office of International Affairs. The Office of International Affairs coordinates international energy objectives with national energy policies and manages cooperation with other states and international organizations. At the same time, the IA Office aims at increasing U.S. energy exports and promoting the competitiveness of the U.S. energy industry globally.

To a large extent, the U.S. foreign energy policy is shaped under the influence of energy companies seeking to expand access to oil and gas fields worldwide that significantly can strengthen their leading

<sup>8</sup> Renewing America's Advantages. Interim National Security Strategic Guidance. March 2021. URL: <https://www.whitehouse.gov/wp-content/uploads/2021/03/NSC-1v2.pdf> [L. s. 10.12.2022].

<sup>9</sup> The Long-Term Strategy of the United States. Pathways To Net-Zero Greenhouse Gas Emissions By 2050. November 2021. URL: <https://www.whitehouse.gov/wp-content/uploads/2021/10/US-Long-Term-Strategy.pdf> [L. s. 10.12.2022].

<sup>10</sup> Boersma T., Johnson C. U.S. Energy Diplomacy (2018). Columbia SIPA. Center On Global Energy Policy. URL: <https://energypolicy.columbia.edu/sites/default/files/pictures/CGEPUSEnergyDiplomacy218.pdf> [L. s. 10.12.2022].

positions in terms of resource security. The engagement of the U.S. in international organizations, such as International Energy Agency (IEA), International Renewable Energy Agency (IRENA), and in inter-governmental political forums, such as Group of Seven (G7), also plays a significant role in creating possibility for the advancement of U.S. interests in the international arena.

In turn, the U.S. Agency for International Development (USAID) is also actively involved in promoting American energy priorities around the world. USAID has a number of renewable energy programs promoting deployment, financing, and grid integration of renewable energy generation. In 2010-2019, USAID's energy programs contributed to the installation of more than 162,000 MW of renewable capacity in 20 countries<sup>11</sup>.

According to the USAID Climate Strategy 2022-2030, the organization plans to work in at least 80 countries in the direction of decreasing greenhouse gas emissions and achieving a 45% reduction in emissions relative to 2010 levels by 2030<sup>12</sup>. In the energy sector, USAID will continue to support integration of RES and deployment of renewable energy technologies. Apart from this, USAID is engaged in many programs in improving energy sector utility performance, energy efficiency and regulatory practices in the energy sector worldwide.

The promotion of the climate agenda by the U.S. is also used as an instrument for geopolitical competition with Russia and China. According to the climate manifesto of Biden during his election campaign, the climate agenda will be used to undermine strategic energy projects of the U.S. global competitors by imposing carbon adjustment fees or quotas on carbon-intensive goods from polluter countries<sup>13</sup>. Particularly, efforts will be directed against the Chinese massive project "Belt and Road Initiative" – a general tool for the Chinese soft power, through financing for lower-carbon energy investments in countries involved in "Belt and Road Initiative" to make their energy systems more diversified, independent and flexible to energy demand. At the same time, while the U.S. puts efforts to be the world leader in ecology-friendly innovations, China has doubled down on new technologies, ranging from solar panels to electric vehicles, and claims to become a leader in the products essential for transitioning to a low-carbon world<sup>14</sup>.

The U.S. positions itself as a key partner for the sustainable diversification of gas supplies to the European region and other acutely impacted European Union (EU) member states, including by supporting demand reduction and accelerating clean technologies<sup>15</sup>. Thus, according to the European Energy Security and Diversification Act of 2019, the U.S. foreign policy seeks to assist "European countries to reduce their dependence on energy resources from countries that use energy dependence for undue political influence, such as the Russian Federation, which has used natural gas to coerce, intimidate, and influence other countries"<sup>16</sup>.

The LNG market is currently developing at a rapid pace (annual demand growth is 3-4%), one of the aims of the U.S is to fill a niche in it. The U.S. became the world's largest LNG exporter in the first half

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<sup>11</sup> Renewable Energy // USAID. URL: <https://www.usaid.gov/climate/renewable-energy> [L. s. 10.12.2022].

<sup>12</sup> USAID Climate Strategy 2022-2030. April 2022. URL: <https://www.usaid.gov/sites/default/files/documents/USAID-Climate-Strategy-2022-2030.pdf> [L. s. 10.12.2022].

<sup>13</sup> The Biden Plan for a Clean Energy Revolution and Environmental Justice. URL: <https://joebiden.com/climate-plan/> [L. s. 10.12.2022].

<sup>14</sup> Ladislav, S., Tsafos, N., Energy Spheres of Influence. Center for Strategic and International Studies, 2019. URL: <https://www.csis.org/analysis/energy-spheres-influence> [L. s. 10.12.2022].

<sup>15</sup> Joint Statement by President Biden and President von der Leyen on European Energy Security. June 27, 2022. URL: <https://www.whitehouse.gov/briefing-room/statements-releases/2022/06/27/joint-statement-by-president-biden-and-president-von-der-leyen-on-european-energy-security/> [L. s. 10.12.2022].

<sup>16</sup> H.R.1453-European Energy Security and Diversification Act of 2019. URL: <https://www.congress.gov/bill/116th-congress/house-bill/1453?q=%7B%22search%22%3A%5B%22H.+R.+83%22%5D%7D> [L. s. 10.12.2022].

of 2022. As of July 2022, US LNG liquefaction capacity averaged 322.8 mcm/d, with a short-term peak capacity of 393.6 mcm/d.

This trend especially began to form under D. Trump, who at the very beginning of his presidency announced the beginning of the “golden era” of American energy dominance. Obviously, this dominance can be achieved, first, by activating the export of American LNG, because Washington is quite sober in its assessment of the growing demand for gas, which obviously will become the most demanded type of fuel in the world by about 2050. Therefore, it is important to take a stable niche in this market both for purely economic and geopolitical purposes, forming instruments of competition with the main suppliers. This is primarily about Russia, which, being a key supplier of pipeline gas, after the launch of "Yamal LNG", also claims to increase its share in the LNG market. This competition will be conducted mainly for dominance in two important markets - European and Chinese. At the first one, the policy of reducing the volume of domestic gas production continues, at the second - a wild increase in the consumption of gas, including liquefied fuel (by 2030, in China, demand will reach 800 billion cubic meters).

However, both in the European and Chinese markets, American LNG will not be able to be competitive in the short and medium term. The reasons for this are objective and come down not so much to the high cost of American LNG as to the transport and logistics component: freight rates in the structure of the price of American LNG in the European market is approximately 30%. Taking into account this problem, Washington is forced to use two methods to continue the struggle for markets: 1. dumping and 2. promotion of its interests through its satellites. However, if dumping is too expensive and can only be applied selectively, mainly in relation to small economies (as was done in the case of Poland in 2017), then the use of satellites is quite promising. And not only geopolitically, but also commercially. Qatar's exit from OPEC in December 2018 and Doha's accompanying statements of intention to concentrate on LNG production and export, as well as plans to invest \$20 billion in American infrastructure, indicated that Qatar and the U.S. may essentially form "LNG cartel". By promoting Qatar in the European market, Washington immediately solves two problems: firstly, create a counterbalance to Moscow (today, Russian "Gazprom" covers up to 40% of total demand in Europe); secondly, Washington emphasizes that it will be very grateful to Doha for the promised investments, which, by the way, are now urgently needed by the U.S., taking into account the depreciation of infrastructures, especially energy ones. Thus, the combination is traditional and largely repeats the one that was carried out in 1985, when, in order to strike at the Soviet economy, Washington persuaded Saudi Arabia to almost double oil production, which automatically led to a drop in prices: from \$30 a barrel it fell to \$10. As a result, the Soviet oil industry found itself in an extremely difficult situation, and the U.S. got the opportunity to import cheaper oil.

Against the backdrop of Russian-Ukrainian conflict and the EU reluctance to continue the importation of Russian gas, the United States announced that they will ensure additional LNG volumes to the EU market of at least 15 bcm in 2022. For the first three months in 2022, over 60% of U.S. LNG exports were delivered to Europe, compared to only 37% over the last three months of 2021<sup>17</sup>. The U.S. considers the LNG export to Europe as leverage in negotiations with Russia that allows undermining Russia's position in the European market. Thus, on the background of Ukrainian crisis, the processes of creating an «energy umbrella» for the EU, as well as weakening the position of Russia's energy diplomacy, have actively accelerated. Another practice to affect the economies of U.S. rival countries is expansive sanction regimes against major oil and gas producers, including Iran, Russia, and Venezuela.

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<sup>17</sup> Ravikumar, A.P., Bazilian, M., Webber, M.E. The US role in securing the European Union's near-term natural gas supply. *Nat Energy*, 7, 2022. 465–467. DOI: <https://doi.org/10.1038/s41560-022-01054-1>.

Thus, the U.S. foreign energy policy as an important part of American foreign policy is aimed at maintaining the leading position of the U.S. in global energy markets which, in turn, helps to preserve the international liberal order facing challenges by state and non-state actors. Like other global actors and major energy producers, the U.S. is willing to get certain geopolitical advantages with the help of its newly tapped energy resources and flexible energy diplomacy combining efforts of governmental, public and private sectors. The American energy diplomacy is aimed at weakening positions of its main competitors in energy markets wishing to exert influence over energy markets and technologies and ensuring energy security and energy independence for partner countries. The promotion of the international climate agenda by the U.S. becomes an effective instrument of American soft power - positioning the U.S. as an international leader coordinating the global political agenda.

However, today, the U.S. energy diplomacy faces significant obstacles, primarily related to the war in Ukraine, which entails profound changes in the global energy market. In particular, the limitation of Russian energy supplies to Europe dictates the need to diversify the European energy system through the development of its own production capacities, as well as the search for new supply routes. This creates opportunities for the US to consolidate its position in the European market as an important supplier of LNG, the demand for which in the world is growing by 4% every year. At the same time, it is important to emphasize that such a scenario was also taken into account by Moscow: The doctrine of Russia's energy security notes the need to integrate into the global LNG market, creating the necessary production capacities (Yamal LNG, Sakhalin-1, etc.)<sup>18</sup>. For the development of this direction, the so-called Northern Sea Route in the Arctic, where competition between the U.S. and Russia will continue, has particular importance. Obviously, such a policy affects the functioning of the world energy markets and geopolitics as well. In this context, the OPEC+ deal continues to be a key challenge for the U.S. energy strategy.

## **2. South Caucasus vector of the U.S. energy diplomacy**

A key priority of the U.S. foreign energy policy is the promotion, coordination and implementation of energy policies in particular states and regions aligned with the US interests. The South Caucasian region has a special place in the U.S. foreign energy policy due to several factors. Firstly, taking into account the strategic geographical setting, the South Caucasian region is located at the crossroads of leading regional powers and acts as a "bridge" for connecting important international trade routes and energy infrastructures. In fact, all the states of the region have become countries-gateways by serving as "bridges between realms, regions, or states" and "linking different parts of the world by facilitating the exchange of peoples, goods, and ideas", according to the geopolitical concept of S.B. Cohen<sup>19</sup>. The South Caucasus is a potential springboard for countering the geopolitical competitors of the U.S. - primarily Russia, Iran and China. For this purpose, since the early 1990s, with the independence of three South Caucasian states - Armenia, Georgia and Azerbaijan, the U.S. has paid special attention to the development of political, economic and military cooperation with the South Caucasian states. An important part of American foreign policy in this area has been the promotion of democratic values and protection of human rights through political, diplomatic and humanitarian levers. Energy diplomacy as a valuable tool has been actively used by the U.S. in South Caucasus over last decades. It helped to diversify energy supply sources, to develop new energy markets and create new export opportunities for the Caspian energy resources which became an important income source for the South Caucasian countries.

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<sup>18</sup> Energy Security Doctrine of the Russian Federation. Approved by Decree of the President of the Russian Federation of May 13, 2019 No. 216. URL: [http://www.scrf.gov.ru/security/economic/energy\\_doc/](http://www.scrf.gov.ru/security/economic/energy_doc/) [L. s. 10.12.2022].

<sup>19</sup> Cohen S. B. Geopolitics: The Geography of International Relations. Third Edition. Rowman & Littlefield. 2015. 37-54.

The heightened interest of the U.S. in the Caspian-Black Sea mega-region is primarily due to its oil and gas potential, so Washington seeks to get access to its hydrocarbon resources and ways of their transportation. By developing cooperation with the South Caucasian states, the U.S. tries to solve problems of ensuring its energy security and strengthening its geopolitical and economic standing in the South Caucasus and in the Caspian region.

The corresponding approach to the Caspian region is reflected in the U.S. strategic documents. In "A National Security Strategy for a New Century", released in 1998 by the Clinton administration, the significance of The Caspian Basin in terms of its potential oil reserves is emphasized "for meeting rising world energy demands in coming decades". A priority in this region was admitted the development of multiple pipeline ventures and East-West oil and gas export routes across the Caspian Sea and through the Transcaucasia and Turkey<sup>20</sup>. According to the "The National Security Strategy of the United States of America" of 2002, one of the priorities of the comprehensive strategy for international economic growth is the enhancement of energy security by cooperation with global energy producers and, in particular, with the Caspian region, to expand the sources and types of global energy supplied<sup>21</sup>. However, the amount and importance of the Caspian energy resources for the region and global energy market had been exaggerated and created unrealistic expectations at these times.

Structural changes in the American and global energy system over the last decades such as the shale revolution, the growing supply of LNG, the development of renewable energy sources - have become more important sources of world energy supply than the Caspian Basin. They have overshadowed the importance of the contribution of Caspian energy resources to the development of global energy markets and, specifically, to the American energy system. In the subsequent U.S. national security strategies, the importance of the Caspian region and South Caucasus in terms of energy resources is not emphasized anymore.

The current foreign policy of the U.S. considers important security and economic interests in the South Caucasus, but none of them is vitally important for the American strategy. At the same time, an important direction of the U.S. foreign policy in the region is undermining Russia's dominant position and making favorable conditions for the EU<sup>22</sup>.

Through its energy diplomacy efforts, the U.S. diversify national energy systems of the South Caucasian states and promote the building of new and reliable transportation routes for the hydrocarbons from the Caspian region to Europe outside Russian control. The transportation projects are aimed at avoiding the monopoly of one country on the transportation routes or pipelines. The U.S. support for the development of regional infrastructures may help to build regional cooperation and creating institutions and interest groups with pro-Western orientation, thus, strengthening the American soft power<sup>23</sup>. Moreover, from the point of view of American interests, one of the most ambitious prospects for Caspian energy resources is their role in reducing the European dependence on Russian gas imports, as well as ensuring participation of American companies in oil and gas sectors in the region by creating maximum economic preferences for them.

The geostrategic significance of the region for the United States and other global players is due to the growing competition for the development of transit commodity flows, providing economic and political

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<sup>20</sup> A National Security Strategy For a New Century. The White House. October. 1998.

<sup>21</sup> The National Security Strategy of the United States. The White House. September. 2002.

<sup>22</sup> Rumer E., Sokolsky R., Stronski P. U.S. Policy toward the South Caucasus: Take Three. Carnegie Endowment for International Peace. 2017. p. 3-4.

<sup>23</sup> Blank S. What the Biden Administration Can and Should do in the South Caucasus. February 8, 2021. // The Central Asia-Caucasus Institute and Silk Road Studies Program Joint Center. URL:

<https://www.cacianalyst.org/publications/analytical-articles/item/13661-what-the-biden-administration-canand-should-do-in-the-south-caucasus.html> [L. s. 10.12.2022].

dividends. The Caspian region as a whole has become a point of intersection of the main Eurasian trade routes: «East-West» and «North-South». The American diplomacy actively lobbies the diversification of energy transportation routes, by actively working to form an «East-West» (TRACECA) corridor bypassing Russia from Central Asia and the Caspian Basin through Azerbaijan, Georgia and Turkey to Western Europe. This project appears to be in direct contradiction with the «North-South» international transport corridor initiated by Russia and designed to diversify the routes connecting Northern Europe with Asia, passing through the Caucasus and the Persian Gulf.

The U.S. is also worried about the growing presence of China in the region and the implementation of the Chinese plans to enter the Caucasian and Caspian-Black Sea regions, as China is viewed as one of the main economic and foreign policy competitors by the United States. One of the main land routes of the ambitious Belt and Road Initiative approximates to the old Silk Road and is planned to pass through Central Asia, Iran and Turkey to Europe. An alternative way of the route is through the South Caucasus over the Caspian Sea to Turkey and Europe. Notwithstanding the project correspondence with the "East-West" (TRACECA) corridor, Washington is cautious about the Chinese economic penetration into the South Caucasus and the Caspian-Black Sea region. The East-West direction, especially through the Baku-Tbilisi-Kars railway, is more relevant to Georgia and Azerbaijan. For Armenia, due to its tense relationship with Azerbaijan and Turkey, limited options are available under the Belt and Road Initiative. Such an option may be the North-South transport corridor connecting the Indian Ocean and the Persian Gulf to the Black Sea through Iran, Armenia and Georgia. So, the Meghri-Yerevan-Bavra highway linking Armenian borders with Iran and Georgia can be a part of the project<sup>24</sup>. The U.S. fears about the growing Chinese influence in the region are justified by the deepening of Sino-Iranian relations, which were affirmed by the China-Iran comprehensive strategic partnership program of 27 March 2021. The situation may become more complicated for the U.S. by the possible strategic partnership between Russia and Iran. These processes will not only help Russia to bypass the sanctions, but also will foster the creation of a strong regional counterweight to Washington. In such conditions, the importance of South Caucasian countries, situated at the crossroads of global powers, is growing.

Armenia, Georgia and Azerbaijan have different vectors of foreign policy that creates certain barriers to effective U.S. energy diplomacy in the region and to cooperation between the three Caucasian countries. South Caucasus is experiencing an internal division into two blocs, the boundaries of which become clearer after the 2020 Nagorno-Karabakh war and the 2022 War in Ukraine. The first bloc is represented by Azerbaijan, Georgia and Turkey and the second - by Russia, Armenia and Iran<sup>25</sup>. The bloc parties collaborate in military, economic and other strategic areas, while each of them tries to pursue own interests and gain certain economic benefits from grand energy projects passing through the region. The ambiguous and complex geopolitical processes in the region dictate the need to revise the significance of the South Caucasus for the American foreign policy and to increase the U.S. support, mainly in tandem with the EU, to regional energy projects and infrastructures builds. However, in contemporary realities, a prior foreign policy issue for Washington is its participation in conflict prevention in South Caucasus<sup>26</sup>.

Historically, Armenia has pursued a strategy of striking a balance between the need for a partnership with Russia in terms of security issues and the need to deepen economic and trade ties with Western countries, as well as cooperating with other centers of global power. Meanwhile, Armenia is a strategic partner of Russia, closely cooperating with it in military, economic, energy and other spheres. Yerevan

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<sup>24</sup> Zabakhidze, M., Gabriadze I., Beradze R., Khishtovani, G., Connectivity, Trade and Financial Integration of the South Caucasus Via the Belt and Road Initiative (BRI). Caucasus Analytical Digest No. 111, October 2019. 3-9.

<sup>25</sup> Boltuc, S. Gli interessi dell'Iran nel Caucaso. SpecialEurasia. 2022. p. 25-26.

<sup>26</sup> Rumer, E., Sokolsky, R., Stronski, P. U.S. Policy toward the South Caucasus: Take Three. Carnegie Endowment for International Peace. 2017.

has a positive attitude towards democratic reforms in the country, actively cooperating with the European and American organizations. Because of the transport blockade by Azerbaijan and Turkey, as a consequence of the Karabakh conflict, and the lack of its own hydrocarbon resources, Armenia is the most vulnerable in the region in terms of security and reliability of fuel supplies and the diversification of supply routes. The country is highly dependent on imports of energy resource from Russia delivered through the territory of Georgia. Armenia also imports a limited quantity of natural gas from Iran in an electricity-for-gas swap conditions.

Although Georgia does not have significant oil or gas reserves, Tbilisi is viewed by Washington primarily as a country with alternative infrastructure for transporting energy carriers bypassing Russia and a crucial geographical point for the "East-West" international transport corridor. The cooperation between Turkey, Georgia and Azerbaijan in energy sector creates new prospects and provides certain benefits for Georgia, while at the same time contributing to the growth of pan-Turkish influence in the region and dominance of Turkish capital in the Georgian economy. Georgia intensively cooperates with the EU in the energy sector in the framework of Association Agreement of 2014, signed between Georgia and EU. The country has succeeded in the diversification of its energy production by actively developing RES, such as hydropower, and, thus, in meeting the main challenges of climate agenda.

The US support in Georgia is focused primarily on financing the energy sector. The U.S. is interested in the diversification of the Georgian energy system, which will help to avoid rendering Georgia dependent on Chinese, Russian or other capital. According to this reasoning, together with the EU and with the assistance of the World Bank, USAID and USEA (United States Energy Association) Tbilisi considers the construction of an underwater electric power transmission cable across the bottom of the Black Sea to Romania in order to increase the reliability diversification and independence of both countries' networks.

Azerbaijan has a potential of becoming both energy and transport hub in the region and beyond it due to its abundance of hydrocarbon resources and convenient geographic disposition. The U.S. mainly considers Azerbaijan in the context of its oil and gas reserves, its participation in regional energy and logistics projects and as a key partner in providing hydrocarbon resources to Europe without Russian participation. The significance of Azerbaijan's oil and gas reserves were seen in Washington as a one-stop answer to all the region's problems, generating revenues for the country's reconstruction with multiplier effects rippling beyond its borders<sup>27</sup>. The U.S. and the EU significantly helped Azerbaijan to formalize a so-called "Contract of the Century" in 1994 between the State Oil Company of Azerbaijan Republic (SOCAR) and a consortium of 11 foreign oil companies (including BP, Amoco, Unocal, Statoil, Ramco, Exxon Mobil, and others) that allowed to integrate the Caspian energy resources to the global energy market.

The U.S. actively took part in the construction of the Baku-Tbilisi-Ceyhan oil pipeline and the Baku-Tbilisi-Erzurum gas pipeline in order to transport Azerbaijani hydrocarbons to the global market. It not only helps to diversify the supply of energy resources in the Caspian-Black Sea mega-region while holding Russia out of the process, but also furthers luring Georgia and Azerbaijan out of the Russian influence. It is worth noting that within the framework of the logic of regional geopolitical processes, Armenia remained outside the realization of pipeline projects.

In terms of wider geographic coverage, South Caucasus serves as a transportation corridor for the trans-Caspian pipelines delivering vast quantities of gas and oil from Turkmenistan and Kazakhstan through subsea pipelines to Europe through the territories of Azerbaijan, Georgia and Turkey while

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<sup>27</sup> Rumer, E., Sokolsky R., Stronski P. U.S. Policy toward the South Caucasus: Take Three. Carnegie Endowment for International Peace. 2017, p. 13.

circumventing Russia and Iran. It would enhance the possibilities for Georgia and Azerbaijan as transport hubs and emphasize the strategic importance of Turkey in the Caspian-Black Sea mega-region and in Europe. The project of construction of trans-Caspian pipeline is the eastern extension of Southern Gas Corridor, initiated by the EU. The Southern Gas Corridor has a purpose of reducing Europe's dependency on Russian gas and creating alternative sources of energy supply. The construction of trans-Caspian pipelines transporting oil and gas from the Caucasus to European and global energy markets is the core issue of the U.S. energy policy in the region. It corresponds to the Washington's main goal of assisting the building of sovereign economies and energy systems across the South Caucasus and Europe.

### **Conclusion**

The US energy policy is aimed at diversifying energy imports from various regions of the world, as well as at promoting its energy interests. In particular, currently the most promising markets for the supply of hydrocarbons and, in particular, LNG from the United States are Europe and Southeast Asia. At the same time, US interests are also obvious in the Central Asian region, for the promotion of which the South Caucasus is becoming very important for the US for the transit of Caspian hydrocarbons to Europe. Predictable oil prices today act as an important precondition for ensuring energy security and socioeconomic stability of the U.S. as a leading oil and petroleum product consuming country. Turbulence in the world energy market creates numerous risks for the US, also affecting domestic prices, which dictates U.S. to look for ways to diversify its energy diplomacy.

The growth of deepening contradictions between global powers and complication of the terms for economic interactions globally reveals the greater significance of the South Caucasian region in terms of its energy markets and infrastructure energy systems for the American foreign energy strategy. It is foreseeable that under Biden administration the U.S. energy policy will continue to be engaged in diversification of national energy systems in the South Caucasian region and in the promotion of construction of international energy and transport corridors in the Caspian region aimed at weakening Russia's dominant position over regional energy markets and, at the same time, bypassing Iran and Russia. Meanwhile, the EU continues to be the main U.S. partner in advancement of mutual energy interests in the region. The active promotion of global climate agenda by the U.S. will have certain impact on the South Caucasian states by supporting the development and enhancement of the use of RES through the engagement of American private and public sectors. The increase in renewable energy capacity in these countries will contribute to the diversification and sovereignization of their economies, apart from bringing environmental benefits. However, the unresolved regional conflicts create certain difficulties and risks for the implementation of grand regional energy projects. This is one more causal factor for the formation of current main vector of the U.S. foreign policy - to take primacy in conflict resolution and prevention in South Caucasus.

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