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Connecting Caspian Energy: Exploring the Energy Dimension of INSTC

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Dr S. Jaishankar (Indian External Affairs Minister) paid a visit to Iran on January 14-15, 2024, as part of the two countries' ongoing high-level discussions. Concerning the Chabahar Port, the minister said, "...we discussed India's involvement in the development and operation of the Chabahar port, a joint project with a joint vision of connectivity...discussed how we can establish a firm, sustainable and long-term roadmap, for India's continued involvement over the coming years."¹ Further, on the International North South Transport Corridor (INSTC), he said, "Regional connectivity has been a critical pillar of India-Iran relations, and was naturally prominent in the agenda of today's discussions. I reiterated India's interest in benefiting from Iran's unique geographical position to access markets in Central Asia, Afghanistan, and Eurasia. We discussed the prospects of energising the INSTC."² The joint statement underscores the importance of connectivity in achieving India's developmental objectives and its wider ambition for global collaboration. It implies that connectivity serves not just as a method to accomplish India's economic goals, but also as a vital element of its approach to international relations.

Connectivity, in general, can help improve energy security in the following ways: First, broadening the range of oil and gas supply sources and routes. Countries can access a broader selection of suppliers and lessen their dependency on any one supplier by connecting multiple oil and gas markets. This can help to reduce the likelihood of supply disruptions and price shocks. Second, new oil and gas resources can be developed. Connectivity can help isolated places develop new oil and gas resources by giving access to infrastructure and markets. This can help to improve oil and gas supply and lessen the likelihood of supply shortages. Third, the efficiency and dependability of oil and gas infrastructure must be improved. Countries may build a more linked and robust oil and gas system that can survive interruptions by connecting diverse pipelines and storage facilities. This can facilitate an increase in supply reliability and reduce the danger of price shocks.

Exploring the Energy Dimension of INSTC

As Russia's special military operation in Ukraine enters its second year, the Caspian Sea countries have seen a significant shift in the sector of transport infrastructure development. In recent years, the Caspian region has seen an increase in non-regional governmental interest in midstream oil and gas development. The most recent European Union (EU)-Central Asia Summit, held in June 2023, emphasised Brussels' interests and the geopolitical significance of the South Caucasus and Central Asia. The region has evolved as an important energy hub for the European Union. One of the key

aspects of the EU-Central Asia Summit was Kazakh President Tokayev's request to the EU for the development of Caspian Sea ports.³ Likewise, at the 6th Caspian Summit held in June 2022, President Putin, too, stressed the significance of seaport by adopting and implementing the 'Strategy for the Development of National Seaports in the Caspian Sea.'⁴

With the proliferation of new connectivity projects, it is vital for India to boost its participation by looking into the energy dimension of INSTC. Because the corridor uses a combination of seaports, railways, and roadways, INSTC's potential for oil and gas transportation must be explored.

Collaboration in Trans-Caspian Maritime Connectivity Initiatives

Sea port is one of the areas which has drawn the interests of many global players to the Caspian Sea region. It has played a pivotal role in the development of the oil and gas sector, particularly in terms of providing access to offshore oil and gas fields and allowing the exportation of oil and gas resources. In the last few years, new ports—Amirbad port in Iran (2017), Turkmenbashi port in Turkmenistan (2018), and Kuryk port in Kazakhstan (2018)—have emerged because of littoral states' desire to become the region's key transportation hub, and to promote a competitive climate in the Caspian Sea. While Iran and Russia have access to international waters, Kazakhstan, Turkmenistan, and Azerbaijan are landlocked. Kazakhstan and Azerbaijan currently rely on two major pipelines—the Caspian Pipeline Consortium (CPC), and the Baku-Tbilisi-Ceyhan (BTC)—to export their oil. Currently, all five Caspian states have mini fleets of tankers plying the world's largest enclosed inland waterbody as regional trade continues to increase. Azerbaijan and Kazakhstan are steadily increasing their shipping, while Turkmenistan has opted to charter and build vessels for the Caspian hydrocarbon transit.

India should intensify its efforts in maritime infrastructure development. It is critical for India to take advantage of the current and proposed maritime projects initiated by the Caspian countries. For example, the recent manifestation of bilateral agreements between India and Russia pertaining to shipbuilding activity in Astrakhan demonstrates the possibility for such initiatives with the other four Caspian governments. The project includes the construction of new piers, berths, terminals, and cargo-handling equipment.

The prioritisation of ports as facilitators of energy security is essential for the Indian energy requirements as they have the potential to enhance maritime energy transit. The use of ports facilitates the accessibility of offshore oil and gas reserves, hence allowing the streamlined transfer of people, equipment, and supplies to-and-from offshore platforms. Ports have the potential to

facilitate the development of new offshore fields and enhance production capacity. Considering the geographical distance of India, it would be prudent for India to give priority to the development and progress of midstream projects. As ports would help improve marine energy transportation, the Indian shipping and energy industries must prioritise ports as an enabler of energy security.

Collaboration in Rail Connectivity Initiatives

The railways have historically played a crucial role in transporting energy from the Caspian shores. Since the beginning of Russia's special military operation in 2022, the Caspian littoral governments have engaged in many bilateral and trilateral agreements for railway connection. On the eastern Caspian Sea front, Iran and Turkmenistan inked a transit agreement on November 17, 2023 which emphasised on Turkmenistan's connecting Chabahar Port (Iran) through a railway, giving it direct access to international waters. Similarly, Turkmenistan and Kazakhstan have signed a contract regarding a transportation connection. In November 2023, the Russian Railways Logistics (RZD Logistics), Kazakhstan Railways (KTZ Express), and the Transport and Logistics Centre of Turkmenistan (TULM) entered a memorandum of cooperation for international and transit freight transportation. On the western Caspian Sea front, railway networks in Russia and Azerbaijan do not have a direct physical link with Iran.⁵ As Russia and Iran have agreed to finish the Rasht-Astara railway, which is part of the INSTC, the route has the potential to boost the number of products transited via Iran. The Rasht-Caspian railroad is one of two railroads that complement the Rasht-Astara train line in Iran's Gilan Province. It connects the province to the Caspian port, which is situated in the Anzali Trade-Industrial Free Zone. Due to its sea access, the prospects of this line to facilitate the transportation of oil and gas requires serious thought by the INSTC member states.

Along with the development of intra-regional railway and maritime network, the member countries need to work on the development of port 'transportation nodes' in the region. A port transportation node is a port complex, which includes a seaport with its facilities and infrastructure; a port rail hub, which includes stations, yards, freight areas, intra-node lines and other facilities for wagon and locomotive maintenance; and industrial, automobile, pipeline, and urban transport. It allows for the movement goods from the sea to land, and back.

In the middle of the ongoing geopolitical unrest, Caspian Sea countries are revising their overseas trade strategies and building new logistical routes. For New Delhi to realise this, it must carefully coordinate its approach with the Caspian States to serve not just its own interests but also the interests of its member states. To capitalise on the INSTC's potential for oil and gas delivery to India, major infrastructure expansion and upgrade are required, particularly for ships, railroads, and

roads. As the INSTC routes run through substantial hydrocarbon deposits, it would be inconsiderate to overlook or constrain the INSTC's potential for moving commodities alone. It is necessary to look beyond the transportation of goods. As regional hydrocarbon transport infrastructure development necessitates significant investment, India should cooperate proactively to meet its energy needs. Creating a robust multi-modal transportation infrastructure is critical for maximising the region's export potential, especially harnessing the INSTC corridor for India.

NOTES:

¹ Ministry of External Affairs of India, "Joint Press Statement by EAM, Dr. S. Jaishankar with Minister of Foreign Affairs of Iran," January 15, 2024, <https://www.mea.gov.in/Speeches-Statements.htm?dtl/37513/Joint+Press+Statement+by+EAM+Dr+S+Jaishankar+with+Minister+of+Foreign+Affairs+of+Iran>.

Accessed on February 08, 2024.

² Ibid.

³ Natalya Butyrina, "The President of Kazakhstan called on Europe to take part in the development of the Caspian ports," *Caspian Bulletin*, June 06, 2023, <http://casp-geo.ru/prezident-kazahstana-prizval-evropu-prinyat-uchastie-v-razvitii-kaspijskih-portov/>. Accessed on February 08, 2024.

⁴ President of Russia "6th Caspian Summit," June 29, 2022, <http://en.kremlin.ru/events/president/news/68779>. Accessed on February 09, 2024.

⁵ Vali Kaleji, "Will Russia Complete Iran's Rasht–Astara Railway?" *The Jamestown Foundation*, May 16, 2022, <https://jamestown.org/program/will-russia-complete-irans-rasht-astara-railway/>. Accessed on February 09, 2024.