



Trans-Caspian and Balkan Energy Security

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On-the-Record Briefing With Greek Media

Via Digital Video Conference to Athens, Greece

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MODERATOR: Thank you very much, Matt. We are happy to see your face. I'll do a very brief introduction and after this we'll get right to the journalists' questions. We are on the record this afternoon with Deputy Assistant Secretary Matt Bryza. Some of you have met Matt Bryza and for those of you who have not, his responsibilities as the Deputy Assistant Secretary for European and Eurasian Affairs includes, Southeast Europe in particular, with a specialization on our topic this afternoon -- and that is energy.

Matt, some of the journalists here joined us when Secretary Bodman visited for the TGI ceremony. Others have talked to you in other capacities. I just wanted to emphasize our topic today is just energy, rather than the full gamut of US-Greece relations. We do have plenty of time, however. We have about 40 minutes left on our calendar here, so we will work in English and if necessary, Matt, in Greek—back and forth. And with that, let me open it up for questions.

DEPUTY ASSISTANT SECRETARY BRYZA: And maybe even just before we begin, if I can say a couple words from here in Washington. First I wanted to thank you, Carol, but thank all of our friends from the Athens press corps for giving me a chance to air our views on energy. This is a very good news story in US-Greek relations. But before I get to the good news, I would like to express our condolences here on behalf of our entire government for the helicopter crash in which, as we understand it, three Greek soldiers perished today in northern Greece. We are deeply sorry about it. Greece has been and will remain an important ally of ours. We have done a lot together on security, fighting terrorism, advancing democracy, and now we are moving into this new phase of strategic cooperation to help Europe strengthen its own energy security. With that note of sorrow, but the underscoring of our partnership, I am pleased to take any questions. And I am happy to give a readout of recent travel I have done, where I met with the President, foreign ministers, and all the energy leaders in Azerbaijan. Also, I [was] just in Turkey, and discussions on these same issues with Foreign Minister Bakanlyöy , and the Prime Minister's Foreign Affairs Advisor Davutoglu . I am happy to talk about any and all of these things and why we care about energy diversification in Europe. But I open up to your questions, so thank you.

QUESTION: As you know, yesterday, the Greek Minister of Development—Mr. Folias—he was in Azerbaijan, too. And he was in Azerbaijan because he is thirsty about natural gas and I am not sure Azerbaijan has natural gas to give in Turkey, in Greece, in Italy -- that [it has] quantities, because this is the main question and if he has quantities, when can he give us those quantities? After three years, after five years, they have Shah Deniz, you know the sources of Shah Deniz and when they will be ready to give us natural gas. Because Greece is thirsty [for] natural gas and it is not right to have only one source, of course, Russia. But anyway, Russia has natural gas -- Putin has natural gas -- what about the Azeris and what about Turkmenistan, which has plenty of natural gas? We cannot, if they cannot give it to us in Europe...

DEPUTY ASSISTANT SECRETARY BRYZA: Great thank you so much, that was... and I am sorry I can't quite tell which paper are you from?

QUESTION: Newspaper To Vima.

DEPUTY ASSISTANT SECRETARY BRYZA: To Vima, Okay. Well, I have worked with you guys for many years, thank you...and you have asked the key strategic questions.

The entire community in Europe that follows natural gas issues is wondering about Azerbaijan's and Turkmenistan's gas supplies. So first of all, let's remind ourselves that things are going pretty well in Greek relations with Azerbaijan. Mr. Folias' visit is the most recent sign of that. We have a very close and warm relationship with Minister Folias from the time when he was Deputy Minister. I have really grown to enjoy him, respect him, respect his views, we spent a lot of time together up in his native Thessaloniki and become a fan of butis, as well.

We are pleased that he made this trip just now, which is really the first step in implementing the Greece-Azerbaijan memorandum of understanding on energy. So we see that this process of developing an energy partnership between Greece and Azerbaijan is moving forward. You ask the core question: whether or not Azerbaijan has enough gas. Our strong belief, based on industry data, based on Azerbaijan's own professed objectives, based on our careful analysis, is that Azerbaijan has plenty of gas to realize the Turkey, Greece, Italy pipeline. But not just that, it has plenty of gas to launch the Nabucco pipeline after TGI, and probably has plenty of gas to fill Nabucco, but I said probably.

You know they are still in the stage of developing the reserves in Azerbaijan, but last November, the Shah Deniz consortium drilled its fourth well, its exploration well, S-B-X-4, which found some very promising information about the size of a very deep reservoir underneath what was already known about Shah Deniz. It's at about 7000 meters depth, one of the deepest wells ever drilled in the world, and it has become one of the most prolific gas wells anywhere in the world, along with the other three wells producing gas at Shah Deniz. So we now believe as an official US government view, what I said, that Azerbaijan has enough gas to fill TGI, to launch Nabucco, and perhaps even to fill Nabucco. But that said, we also understand that investors worry about making sure, to be certain for their shareholders that there will be enough gas, in fact, on time to fill Nabucco later on and to fill TGI later on.

There are conversations ongoing around the Caspian Region, as well—but not in Iran—as well as in Iraq, about additional supplies of natural gas. You mentioned Turkmenistan and yes, you are right, Turkmenistan has some of the largest natural gas reserves in the world, some people say the fourth largest in the world.

QUESTION: That's correct.

DEPUTY ASSISTANT SECRETARY BRYZA: That's correct, OK, and Turkmenistan has long-standing contractual arrangements with Gazprom, which we do not seek to disrupt. Our goal is to help Turkmenistan think its way forward about how its wishes to develop multiple options to export its gas, just as we seek to help our NATO ally, in this case Greece, have multiple options to buy gas. The goal is not to hurt Russia or Gazprom. It is to help the countries that either export the gas or buy the gas, position themselves to have more negotiating leverage by relying on the force of competition, so that over time Gazprom becomes a more market based competitor rather than a monopolistic competitor that uses its monopolistic and monotonistic power to influence gas prices and keep prices high. That's not a criticism of Gazprom, that is a fact, that a monopoly operates in a way that aims to stifle competition, to keep prices high.

We have long in our country opposed monopolies, especially in energy. It dates all the way back to 1912, the first major antitrust case in United States history was the breakup of Standard Oil, so we have a long history of not liking energy monopolies. So that gets to your last point--you said that Russia has the gas. Well, Russia is looking to Turkmenistan to provide the gas. It's looking to Turkmenistan, it's not looking to Russian fields in the short term, because the fields that could otherwise provide the next big component of gas exports to Europe on the Yamal Peninsula on the (inaudible) Sea are far behind schedule, so Gazprom is looking to Turkmenistan to provide the gas for South Stream.

And my last point, at least at this point in our discussion, is that TGI as well as Nabucco enjoy a very strong commercial advantage, raw economic advantage, over South

Stream in delivering Caspian gas to Europe. The cross advantage is on the order 40-50%, meaning it's over 40-50% cheaper to develop and export gas to Europe by TGI or Nabucco than it would be by South Stream. So, that's my opening response to your strategic questions and I think we've got a framework on the table now to continue our discussion.

QUESTION: (Inaudible.) According to press reports here in Greece there is a belief that Washington is displeased by the Greek energy policy because of a very close cooperation with Russia and there is a belief that is why there are not so many positions in the U.S. in many areas of Greek foreign policy. What is your view on that?

DEPUTY ASSISTANT SECRETARY BRYZA: My view is quite different, being the person who tries to develop much of our policy related to Greece and all of Europe when it comes to the geopolitics of energy, I can say that that view does not reflect the reality as I see it. Number one, Greece is our NATO ally, period. We treat Greece as an ally and for the issues out there -- and we know the main one -- the main question is separate, and has nothing to do with our energy security policy. Our energy security policy is one of our most important interests, not only with Greece and Italy and Turkey, and Romania, Bulgaria, Hungary, Austria, all the Nabucco countries, but with the entire European Union.

What we are talking about, when we discuss energy security and the geopolitics of gas pipelines is helping all of the European Union develop a mutually beneficial relationship with Russia. I want to say that again, a mutually beneficial energy relationship with Russia. It's hard to derive mutual benefit when countries in an alliance are facing a monopolistic company that provides 25% of perhaps the most important commodity that comes into the European Union. Because again of what I mentioned before, the way a monopoly is structured, it aims to maintain the highest possible price for what it supplies by restricting competition.

So we have a strong sense that Greece shares that vision and we have a strong sense that leadership of Greece understands and embraces the notion that the national security of Greece is stronger if Greece has multiple sources of gas supply and we have a strong sense that our Greek ally, its government and its citizens, understand that the consumers of Greece deserve the most competitive possible price for this most important commodity and the only way to get a competitive price is if there is competition for the market in Greece and for Italy. So we understand that Greece has a longstanding, strong energy relationship with Russia. That's fine. That will always be the case.

Gazprom and Russia have the largest reserves of natural gas in the world. God blessed Russia with that sort of geology, and as long as we are alive that fact will never change. So precisely because Russia is going to be such an important gas supplier to all of Europe for so long, it is important today to put in place the diversification options so that during this long relationship that will last for decades, our European allies will be in the strongest possible position to negotiate fair deals with their Russian partner.

QUESTION: (Inaudible.) I am trying to make the questions in English. (Inaudible) First of all, always we are speaking about the relation between the producers and the consumer of gas, and for the moment we don't see any contract (inaudible). The second we have big questions about the role of Turkey (inaudible). On the first of March you [went] to Baku, you tried to solve the difficulties between Azerbaijan and Turkey, about the terms of the transit of the gas from Turkey. I think you regret that it is very difficult to solve the problem because every side has his own suggestions. So can you explain what happened because we are the country corridor, as Bulgaria for example is the country corridor all the others, for Nabucco, what happened? We have not had very good experience from the beginning of the function of the Turkey-Greece pipeline because after one month (inaudible) the quantities dropped from one-half million cubic meters to 300,000 cubic meters.

DEPUTY ASSISTANT SECRETARY BRYZA: Thank you. And thank you for your article today which took a look at this morning, about Minister Folias' discussion with [his] Russian counterpart. I will start with that and then I will get to your questions. That article that you wrote today underscores exactly why it is so important to put in place diversified options for Greece's own energy supplies. The use of these sorts of—well—tactics, let's put it that way, in which the possibility of extending a gas supply contract and other matters, are tied together, are linked to the desire of Gazprom to have an exclusive gas supply agreement with Greece tells you something. It shows you how actively this one major supplier of natural gas to Europe is trying to maintain monopoly power to keep gas prices high. If and when, I should say when, TGI and Nabucco are in place, when they are built, they will deliver about 44 billion cubic meters of natural gas to Europe. 44 billion cubic meters! And earlier I was saying that that gas could come just from Azerbaijan, that there will be enough gas to do that, although there will be gas from other countries, that helps. To put that in perspective, Gazprom today provides 165 million cubic meters to Europe. So just through this Southern corridor, transiting from Azerbaijan, we could see an increase of more than 25% of the volume of the gas that Gazprom, the world's largest gas company or energy company, currently supplies to all of Europe. That increase, the 25% increase, which we think could happen by 2016, will be having a major impact on controlling and limiting the growth of gas prices in Europe and therefore creating a much more efficient market.

So how do we get there? You are correct, that to realize these pipeline investments there need to be gas sales and purchase contracts in place. I would like to put that fact in perspective for a moment, the fact that we are talking about the next step being reaching commercial contracts to realize TGI and Nabucco pipelines, shows how far ahead both TGI and Nabucco are of South Stream. South Stream is a vague notion, without any identified supply of gas. There is no contract in place to supply gas to South Stream. There is no clear idea of how much that pipeline will cost. The best estimates are from 14.5 billion to 20 billion dollars or more, which dwarfs by far the costs of, both TGI and Nabucco. If you can't calculate the cost of the pipeline, there is no way to calculate the returns on the investment in a reasonable amount of time that any private investor would want on South Stream.

So we've got this vague notion of a project that is the subject only of a memorandum of understanding right now, that's South Stream, versus two projects, the Turkey-Greece-Italy and Nabucco, in which commercial consortia are in place and the leaders of those consortia, especially for TGI, are beginning negotiations on gas sales and purchase contracts, and in the case of TGI are actually building the pipeline. So TGI is way ahead, way ahead, of South Stream. In fact, thanks to Greece's cooperation and the opening of this December, uh... November, in Kipi of the interconnection between Turkey and Greece, gas now flows from the Caspian region into the EU-15. So that is a sign of concrete progress that no other pipeline project anywhere in Europe, no new project, can compete with. TGI is way ahead.

The gas sales and purchase agreement negotiations are happening; I talked to the head of the state owned company of Azerbaijan and the President of Azerbaijan and the Minister of Economic Development about these negotiations when I was in Baku a week and a half ago. You correctly identified a lingering problem on gas transit there is a dispute between Turkey and Azerbaijan, in which, or according to which, both the state oil company of Azerbaijan and the state pipeline company of Turkey—gosh—have positions that reflect commercial realities and pricing models at certain places in Europe. In other words both companies are correct in saying that in some parts of Europe, their model is accepted. And at the same time both companies I think, are starting to realize a compromise needs to be reached at the political level between the national leaders of the two countries, to reach a compromise that is fair and balanced and draws on accepted pricing principles in Europe that allows the contracting negotiations to go forward. So that's a long winded way of saying the negotiations are happening and stay tuned—I think in a couple of weeks you will see, in a couple weeks that Turkey and Azerbaijan are moving forward on the gas transit agreement. And again the mere fact that we are talking about the gas transit agreement, shows how far ahead TGI is from South Stream.

Finally, the last point you raised was about the disruption in gas supplies in the winter between Turkey and Greece. I put it in a different light, Turkey was able to deliver gas and turn the gas back on despite its contractual right to keep the gas turned off. You know that the gas contract that Turkey and Greece have says if the gas supply coming into Turkey stops, then of course Turkey has a right not to send gas onwards because Turkey, like any country, needs to take care of its own gas company. Despite that contractual right, Turkey did turn the gas back on and that was a sign, I think, of strategic wisdom and a higher level calculation in the Government of Turkey that partnership with Greece and the rest of Europe on energy was more important than exercising a contractual right to keep the gas turned off from Turkey to Greece. So thanks to this strategic choice of the Greek government over the last few years, as well as the EU and Turkey, we had this inter-conductor in place, and our goal now is to get as much gas production in Azerbaijan so that there won't be any cut backs on gas flow in the coming winters. I hope I answered all of your questions, I think I did. Please follow up if you have any others.

QUESTION: Hello Mr. Secretary, I am Andreas Simatos from the Athens News Agency. I understand that the purpose of this teleconference is more to analyze energy issues in Greece. I will let you make a more international, say, question concerning Iran and more specifically the sign of an agreement that happened yesterday between Iran and a Swiss company concerning the export of gas to Switzerland starting on 2010, if I am correct. So I would like a comment from you on this.

DEPUTY ASSISTANT SECRETARY BRYZA: Sure, thank you nice to meet you, over the ether. Of course, U.S. policy towards Iran is clear. You are familiar with it. Legally and officially, we oppose any investment in Iran over \$20 million, especially in the energy sector. So this agreement between Swiss EGL and Iran is not

something we welcome. But that said, everything we are talking about in terms of helping Europe diversify its gas supplies through the Turkey, Greece, Italy gas pipeline has nothing to do with Iran. And the same goes for the Nabucco pipeline. TGI and Nabucco as well will be realized without any Iranian gas because there is plenty of gas in Azerbaijan alone, as I have said a couple of times already, as well as elsewhere in the Caspian and in northern Iraq and in western Iraq.

Someday we hope that the international community's policy, shared policy, as reflected and articulated in the UN Security Council resolutions, will reach its course, reach its endpoints. The policies of the Iranian government with regard to nuclear enrichment and the pursuit of nuclear weapons will be tamed and at that point, there will be infrastructure in place in the form of the Turkey, Greece, Italy pipeline, as well as Nabucco, other options, that will perhaps allow flows as well from Iran into Europe. But at this point there is no need even to worry about those flows from Iran because there is so much gas that's available now, as I said, particularly in Azerbaijan. Thank you.

MODERATOR: Does anyone have a follow-up question at this point on any of the issues?

QUESTION: Mr. Secretary, the Greek public power company says that we can use anthracite, which is very bad for the environment. I would very much like your view on that.

DEPUTY ASSISTANT SECRETARY BRYZA: I think, yes, as each year passes and the European Union elaborates its broad energy policy, which also focuses on climate change and focuses on diversification of types of energy, the nuclear and of course biofuels and other alternative and renewable fuels, we also see an increasing interest in gas because it is such a clean fuel source. So it is really none of our business as to how Greece develops its power industry and what fuels it chooses, but we do understand that the Greek government is considering four new gas fired power plants in Greece.

And that's happening, a similar trend is transpiring around much of Europe, where we see a strong and increasing demand for natural gas precisely because it's cleaner. So to diversify sources of supply of natural gas is one way to help Europe achieve its dual goals of reducing carbon emissions compared with other energy sources, as well as securing its supplies of energy.

Of course, we're all interested in clean coal technologies, that's I guess something we could explore, or we could explore – we are exploring between the government of Greece and our own Department of Energy. It's a topic that Secretary Bodman is very interested in, and he discussed when he was in Greece. So in general it's up to the Greek government to determine its own choices on supply on types of energy that is used, and those decisions are taken in conjunction, of course, with the European Union. Thanks.

QUESTION: Mr. Secretary, I would like to ask about petroleum now. There is a pipeline from Burgas to Alexandroupoli for petroleum, oil, pipeline, and there are many other plans in the whole area. What's your opinion about the Russian petroleum going to Europe and America? Is it possible, do they have enough petroleum for Western Europe or not?

DEPUTY ASSISTANT SECRETARY BRYZA: Sure. In the Caspian region and in Russia and in Siberia, sure, there is plenty of petroleum to serve all of our markets. The beauty of oil is that, unlike gas, it's very flexible in terms of marketing. It just needs to be taken to a port and loaded on a tanker, and very economically and efficiently it can reach any port around the world. We in the United States do not consume hardly any oil from Russia or from the Caspian region. The vast majority of that oil is consumed in Europe. In the Black Sea marketplace, there is a lot of West Siberian crude oil that is consumed, as well in Central Europe. In Hungary, the refineries there have been designed, or re-designed, in particular to handle the heavy crude oil from western Siberia and that goes also for other refineries in Romania and elsewhere in the Black Sea for the lighter, higher quality crude oil from Azerbaijan, Italian refineries, other refineries in Southern Europe are outfitted to process that sort of crude oil. So, the vast majority of the crude oil that comes out of Russia and the Caspian region does not come to the United States.

And the same goes for natural gas by the way. Let's spend a little more time talking about that. The United States will never consume any of the natural gas that comes from the Caspian region. And we don't have any American companies, for better or for worse, currently involved in the investments to produce natural gas in Azerbaijan or in Turkmenistan for that matter, or Iraq. We hold they'll come. We anticipate there will be an increased interest, but right now our interest in developing these exports schemes in both oil and gas has to do with pure strategy and not, in the case of natural gas, with narrow, corporate U.S. interests. We know, number one, when it comes to oil, the more oil flows to the global marketplace, the more efficient the economy runs and the lower the price. So, obviously we want to see oil get to the market. But gas, we know that the relationship is more strategic between a gas consumer and a gas supplier because infrastructure needs to be put in place, for decades at a time, to make sure that gas can go from one point to another point because of the nature of gas. Except for liquid natural gas which is very expensive, you can't simply put gas in an oil tanker, like you can oil. So, either for the sake of gas pipelines, or for the huge expense of liquefaction facilities, natural gas requires very long term investments and relationships between countries. And because of that we're trying to articulate a shared strategic vision with our allies in NATO and our non-NATO allies in the EU that is based on the diversification of sources of supply.

One more thing I'd like to say about gas supplies from Central Asia into Europe is that today there is a huge differential in price, as we know. It used to be that gas, until earlier this year, was bought by Gazprom for \$100 in Central Asia and sold in Europe for nearly \$300. Now gas is bought in Central Asia for \$150 dollars per 1000 cubic meters (inaudible) and now is sold for \$400 in Europe. So, there's a huge differential in price between what Gazprom pays in Central Asia and for what it sells the gas in Europe. And we have seen very deleterious impact on the European energy market from those gigantic rents that are generated by that big price differential. We see shady middleman companies, that end up gaining control of the rents, and we see strong inefficiencies, in the European market, because of dysfunctions established, in the price scheme, and we see a disincentive for energy sector reform all along the gas supply chain including one in Gazprom, which can continue to operate as a monopolist. Oil doesn't have that problem, doesn't have that same sort of ability of one supplier to maintain a high price and exact as high rent, although rent-seeking behavior has been common to oil throughout the centuries, or through the last century. But as oil has become so commoditized and able to move so freely our goal is simply to get as much of it to global markets as possible, knowing that that there is not such a controlling relationship between the supplier and the consumer as is the case with gas.

QUESTION: Another question, it's me again (inaudible). In our neighborhood we have Serbia and in Serbia, the Russians happen to be very powerful. Because in Serbia there is a big company NIS (inaudible), it is the biggest company of all the natural gas, and there is interest for this company from Greece Hellenic Petroleum, from Austria, ONV, and from Hungary, MOL, and then Mr. Kostunica, the Prime Minister, decided to give this company to Gazprom. Are you afraid that Serbia, will, this policy, be a Russian guard in the Balkans? And this is not only from the energy view, but politically and diplomacy, is this a little dangerous for Western Europe? Or not? And can you plan to get some efforts to make Serbia a more democratic, more of a republic and see Serbia as a future member of the EU, and Western Union? Or not?

DEPUTY ASSISTANT SECRETARY BRYZA: Thank you, starting at the end of your questions, the answer to what you said at the end is a strong yes. We do very much wish to see Serbia become a member of the Euro-Atlantic community, especially pursuing its EU aspirations, but we are not at all fearful of a strong Russian-Serbian relationship. That relationship is a fact of history and that is fine, Serbia and Russia have always been close, for religious and cultural reasons, and now for energy and economic reasons, and that does not upset the United States at all, this natural state of affairs. We also recognize and encourage the countries of the South Caucasuses and of Central Asia to have as strong as possible economic relationship and strengthen in this case means to strengthen relationships of mutual benefit. So our goal is to help our allies Greece, Italy, or the Nabucco countries, position themselves to have as much bargaining leverage as possible with their major supplier of natural gas and we are willing to do the same with Serbia. But each country has to make its own sovereign decision.

To be quite honest, without mentioning any country in particular, I find it fairly difficult to understand how the leaders of any country—pick any country in Europe—would do anything other than pursue diversification of sources of natural gas supply or energy investment as quickly as possible because they have ready have such deep relationships with one company in particular. So just as a matter of logic and protection of strategic interests, I would just find it odd that any national leadership of any European country wouldn't want to find as many options as possible for delivering its most important commodities. Pick any commodity, you know, if it is computer software, right? Every country wants to have companies from a wide variety of countries or a wide variety of companies, providing let's say, computer software. We hear quite a bit about that within the European Commission when we talk about competition. People won't want one supplier of wheat or any commodity. And the same goes for natural gas. We anticipate that the government of Serbia, we know will make its own sovereign decisions, and will maintain a strong relationship with Russia, but we also would anticipate that Serbia will see an advantage to diversifying its energy relationships.

There is a great opportunity now in Southern Europe and Southeastern Europe to build on the energy community founded on the Treaty of Athens, which was signed two years ago, that aims to create a unifying and harmonized market for electricity and natural gas in Southern and Southeastern Europe. The United States strongly supports this process. We support it diplomatically and we support it with our own assistance, and we would like to see Turkey and believe that these sorts of regional arrangements in which Greece has played a major role, in which former Minister and now the Speaker of the House, Soufias was instrumental in helping the energy community come together. And those sorts of actions, and that sort leadership by Greece, picked up now by Minister. Folias will help all of Greece's neighbors, including Serbia, become stronger, and become more secure in terms of having a wide variety of energy supplies. And that is what we would like to see because we think that would help our allies manage their relations with Russia in the most mutually beneficial way possible. So, it is not a zero sum game.

MODERATOR: Let me suggest that we have time for perhaps, one more question.

QUESTION: Yes, I would like to ask about the opinion of your Administration, of your Government on the issue of the price of the gas, (inaudible) from the time that gas suppliers make the price from dollar to euro, what you say about...do you have an opinion, an idea about this issue?

DEPUTY ASSISTANT SECRETARY BRYZA: I don't have really an opinion on that because the global price, because the global practice right now is pricing in dollars, that's just practice. So, no I don't have any opinion on that. I just observe that in the United States, as the dollar becomes weaker relative to other currencies, the price of oil has gone up but the price of oil is increasing for factors well beyond the relative strength of the dollar. So no I don't have any view on that at all, I'm sorry. I wish I could offer you more insight. We need our economists and our Fed Chairman, across the way here, to give us more insights.

MODERATOR: I think we have time for one more now.

QUESTION: The big question now, Matt—give me a forecast for the crude oil prices after 3 or 6 months.

DEPUTY ASSISTANT SECRETARY BRYZA: Who cares, who cares what I think about that? I don't have any insights. I remember two years ago talking to somebody, happens to be my wife, who made some predictions on American television about crude oil breaking \$100 barrier, and I said, how can you make that prediction, based on what sort of facts? What she could say is that it is based on my intuition and the way things are moving, you know that's where we are right now. Nobody knows where the price of crude oil is going to be. There is a great passage in a Daniel Yerges book "The Prize", which probably you have all read, or many of you have read, or many of you have read part of it, and the quote is about how it's something like...it's an analysis, it's crude oil supplies are dwindling down and we anticipate for the foreseeable future, as far as we can see into the future, there will be significant increases in the price of oil. And that quote, that was written sometime in the nineteen teens. And so since then we have seen such radical shifts in oil prices. I remember when we started working to develop this strategy over a decade ago in the Clinton Administration, diversification of oil and gas pipelines into Europe, the oil prices were \$11 per barrel, and the target price that the companies were using to develop Baku-Tbilisi-Ceyhan was \$13 per barrel. So they felt as long as oil was \$13 per barrel or higher, Baku-Tbilisi-Ceyhan would be profitable. Wow, an amazing change, oil prices are \$100 higher than that right now. And the prices will go down at some point, and it will probably go up. I really don't have anything more to say on speculations about the price of oil. Yeah, I don't know what it will be. Thank you.

MODERATOR: Thank you very much, Matt, I appreciate that myself. I was working in Washington during that \$10 a barrel time, with the then Undersecretary of Economic Affairs, Stu Eisenstat, so fair point. Do we have any last questions here, just to make sure? Matt, would you like to say anything to wrap things up?

DEPUTY ASSISTANT SECRETARY BRYZA: I would. I would like to build on that last comment and pull this all together by saying what we have advocated for now over a decade in the US government is a strategic mission based on commercial reality. We would not propose any of these pipeline projects if they didn't make hard, raw commercial sense, because the USG is not going to subsidize these pipelines and we are not going to invest in them. What we see is that a public private partnership like Baku-Ceyhan, or like the South Caucasus Gas Pipeline, or the Turkey-Greece-Italy pipeline, today makes sense because commercially these projects provide the most economically efficient and reasonable way to move Caspian oil and gas resources to global markets. Companies see that they can improve their corporate bottom line by investing in these projects. And now I understand that despite all of the claims a decade ago that the US government was pursuing Baku-Ceyhan for purely political reasons -- we heard that all the time -- I now understand that the upstream investment in Azerbaijan which gets to European markets and global markets in Baku-Ceyhan is the absolutely highest performing energy project for one of the major investors in that whole set of energy relationships in Azerbaijan and through the Southern corridor. So, Baku-Ceyhan has proven to be a commercial winner and a strategic winner that has helped change Europe's strategic map for the better, and that's what we want to do now with this next generation of pipelines, first and foremost the Turkey-Greece-Italy pipeline, as well the Nabucco pipeline.

These projects make commercial sense. They are going to be real because they are most competitive way to move Caspian gas and Iraqi gas into Europe. People sometimes accuse us of playing politics, we are saying just the opposite, focus only on the raw economics and you will see that gas will be moving across the Caspian and across Azerbaijan, and Georgia and Turkey, and into Greece, and outward to Italy, and up to Austria because our vision builds on over a decade of following what is the most commercially logical thing to do. And the beauty is that the commercial logic, the free market approach, which is a fundamental value and cornerstone of the NATO alliance, will now come back and serve the NATO alliance, by helping allies like Greece to put themselves in the strongest possible commercial and therefore geo-economic strategic positions.

I thank you for giving me a chance to wrap things up. I thank you for a chance to let you understand a little bit more deeply why we are so interested in this energy partnership with Greece and following up on one of those questions, I will say we are not at all upset with the Government of Greece for being our partner and developing these diversified energy routes.

The last thing I will say, the very last thing I will say is, as we build on that partnership, it is very important to keep in mind the significance of sequencing--keeping in mind the need to put certain basic infrastructure in place first, before having attention diverted to other projects. So we have raised Bourgas-Alexandroupolis before. Bourgas-Alexandroupolis, was developed a decade ago as an alternative to Baku-Tbilisi-Ceyhan, and there was a race between the developers of Bourgas-Alexandroupolis and Baku-Tbilisi-Ceyhan. BTC won that race. But, we are happy to see that our Greek and Bulgarian NATO allies are realizing the Bourgas-Alexandroupolis pipeline today. Great. It is a decade later than originally planned because BTC made it to market first. Similarly on gas pipelines, the Blue Stream pipeline was conceived of as a way to block the Trans-Caspian pipeline from Turkmenistan, so the race on was for Turkey's gas market. In that case, Blue Stream won the race. Commercially it remains not the greatest success story, in that it is half empty because the gas it provides to Turkey is the most expensive gas, but it got to the Turkish market first and has delayed the Trans-Caspian option by a decade. That Trans-Caspian option is going to happen, but it is just a decade later.

So my final point is to remain focused on Greece's own strategic priority and the EU's own strategic priority, which is to diversify sources of gas supply. We recommend putting in place the Turkey-Greece-Italy pipeline first because that has been long identified by the Government of Greece and the EU as a priority. Put that in place first, develop a diversification option to add greater negotiating leverage, and then think about additional pipeline projects that will deepen Greece's energy relationship with its primary supplier, but from a position of strength in which Greece will have commercial leverage at its disposal, to make sure that the deeper relationship with Gazprom that's mutually beneficial. That's what we are asking for, asking for Greece to pursue its own national interests and to welcome our partnership to help it achieve its objectives. So thank you. Thank you for letting me go on so long. I look forward to seeing you in a couple of weeks, I hope in Athens, and I would love a chance to pick up this conversation then. Thank you. It was nice to see you all.

