

Araştırma Makalesi

The Main Aspects And Problems Of Armenia-Iran Energy Diplomacy

Elnur KELBİZADEH

*Azerbaijan National Academy of Sciences
caspiaman@mail.ru, ORCID: 0000-0001-5870-034X*

Abstract

After 1991, the Caucasus republics, became a special focus of the foreign policy of Iran. Relations with the IRI were important for Armenia also. Armenia needed Iran for ensuring its energy security. Iran, rich in hydrocarbon resources, has also shown interest in the South Caucasus as one of the regional actors, seeing the region as a new market for energy exports. The article examines the factors influencing the establishment of energy cooperation between Armenia and Iran, the main directions and problems of cooperation in this field. Historical-chronological analysis was preferred during the research. Comparative analysis, content, and event analysis methods were used. The analysis of energy cooperation allows us to draw some conclusions. Energy cooperation between the two countries is mainly in the interests of Armenia. The main goal of Iran's energy diplomacy towards Armenia is achieving the transportation of natural gas to European countries through Armenia.

Keywords: Armenia, Iran, Caucasus policy, energy, diplomacy

JEL Classification Codes: F5, F52, Q4

Ermenistan-İran Enerji Diplomasisi'nin Ana Yönleri ve Sorunları

Öz

1991'den sonra Kafkasya cumhuriyetleriyle ilişkiler, İran İslam Cumhuriyeti'nin dış politikasının özel bir odağı haline geldi. IRI ile ilişkilerin kurulması Ermenistan için de önemliydi. Ermenistan enerji güvenliğini sağlamak için İran İslam Cumhuriyeti'ne ihtiyaç duyuyordu. Fosil kaynakları açısından zengin olan İran, bölgeyi enerji ihracatı için yeni bir pazar olarak görüyor, Güney Kafkasya'ya bölgesel aktörlerden biri olarak da ilgi gösteriyordu. Makalede, 1991 sonrası dönemde Ermenistan ile İran arasında enerji işbirliğinin kurulmasını etkileyen faktörler, bu alandaki işbirliğinin ana yönlerini ve sorunları incelenmiştir. Araştırma sırasında tarihsel-kronolojik analiz tercih edilmiştir. Karşılaştırmalı analiz, içerik ve olay analizi yöntemleri kullanılmıştır. İki ülke arasındaki enerji işbirliğinin analizi, bazı sonuçlar çıkarmamıza izin veriyor. Bu sonuçlardan en önemlisi, iki ülke arasındaki enerji işbirliği konularının esas olarak Ermenistan'ın çıkarlarına hizmet etmesidir. İran İslam Cumhuriyeti'nin Ermenistan'a yönelik enerji diplomasisinin temel amacı, doğalgazın Avrupa ülkelerine Ermenistan üzerinden taşınmasını sağlamaktır.

Anahtar Kelimeler: Ermenistan, İran, Kafkasya politikası, enerji, diplomasi

JEL Sınıflandırma Kodları: F5, F52, Q4

Geliş Tarihi (Received): 20.07.2021 – Kabul Edilme Tarihi (Accepted): 17.07.2022

Atıfta bulunmak için / Cite this paper:

Kelbizadeh, E. (2022). The Main Aspects And Problems Of Armenia-Iran Energy Diplomacy. *Çankırı Karatekin Üniversitesi İİBF Dergisi*, 12 (2), 37-51. Doi: 10.18074/ckuiibfd.973555.

1. Introduction

Since the end of the 19th century, most of the wars and alliances in the world have been based on the desire to own energy resources. In the modern world, the distribution of energy resources, and the establishment of cooperation in the field of energy directly affect the nature of interstate relations. Energy-rich countries use it not only as an economic tool in their foreign policy, but also as an instrument of geopolitical influence. The needs of the countries with limited energy resources increase the effectiveness of such geopolitical instruments. The main purpose of the study is to determine the place of the energy factor in Iranian-Armenian relations, and studying the main areas of cooperation between the two countries in the field of energy and the problems affecting it. Another point is determining the need for energy cooperation with Iran, along with the post-Soviet Republic of Armenia's energy-rich Republic of Azerbaijan and its traditional ally Russia.

The characteristics of energy diplomacy between the two countries have been assessed mainly on the basis of the theory of realism. As it is known, according to the theory of realism, the main goal of any state is to ensure national interests, and other goals are of secondary importance (Arı, 2017, p. 100). Iran's energy diplomacy towards Armenia can be assessed from this perspective. The research was conducted mainly on the basis of historical-chronological descriptions and methods of comparative analysis of periods. The study aims to fill the gap in the literature about the Caucasus aspect of Iranian energy diplomacy and the scientific evaluation of the reasons for cooperation with Armenia in the field of energy. The study aims to fill the gap in the literature about the Caucasus aspect of Iranian energy diplomacy and the reasons for cooperation with Armenia in this field.

2. Iran and Armenia on the World Energy Map

In contemporary times, the energy security of countries is considered not only economic but also one of the key elements of political, military, and social security. It is known that in the world's energy geopolitics, countries are divided into two groups: energy-rich and energy-deficient countries (Klare, 2008, p. 14-31). If such a classification is accepted as the basis, it is possible to include Armenia in the list of countries suffering from the shortage of traditionally non-renewable energy resources, and Iran in the list of countries with the richest of these resources. This is the main feature of energy diplomacy between the two countries. Approaching rich hydrocarbon resources in the context of "resource nationalism" (Şöhret, 2015, p. 5). Resource nationalism is the tendency of people and governments to assert control over natural resources located on their territory. As a result, resource nationalism conflicts with the interests of multinational corporations. Iran seeks to change the rules of the energy game as it sees fit in the interests of the nation-state and to use energy opportunities to achieve foreign policy goals in the Caucasus. Armenia is trying to use the power factor (the conception of electric energy) in

energy diplomacy to compensate for this advantage of Iran. This is not a great tool of influence against Iran. However, geopolitical processes and factors determine the cooperation between the two countries in the field of energy security. The most important areas of cooperation between the two countries in the field of energy security include the export of Iranian hydrocarbon resources to Armenia, as well as transit transportation of energy resources through this country, joint production, and exchange of electricity. Energy security is one of the most important and effective issues for the national security of Armenia as a whole.

Excluding the country's hydropower and nuclear power plants, Armenia is deprived of its main energy resources - oil and gas. This point makes energy security a priority. The passage of fuel pipelines from Russia to Armenia through dangerous and ethnic separatist regions of Georgia is increasing Iran's importance in this area, making it an important alternative to the security of Armenia's energy supply (Heydari, 1383, p. 100)

It should be noted that Iran has three scenarios for gas exports to Europe: The first of them is the Iran-Turkey-Europe route. This route has not been possible for a long time due to the possibility of Turkish-US allied relations. On the other hand, Iran's view of Turkey as a regional rival discourages the Islamic Republic from supporting projects that will serve to strengthen Turkey and make it an important hub for energy lines. The second route is Iran-Iraq-Syria-Lebanon-Europe. This direction passes through quite dangerous areas. Iraq, Syria, and Lebanon are unstable countries where terrorist groups are widespread. One of the goals of the idea of creating a "Shiite crescent" in Iran's Middle East policy is to create a security zone for the export of hydrocarbon resources. The third route is Iran - Armenia - Georgia - Europe.

Taking all this into account, it is possible to identify four areas of Iran-Armenia cooperation in the field of hydrocarbon resources and energy security after 1991:

1. Cooperation in the field of liquefied gas sales from the Islamic Republic of Iran to Armenia in the period before the construction of natural gas pipelines;
2. Attempts to export Iranian natural gas to Armenia and European countries via the Armenia-Georgia-Black Sea route;
3. Electricity exchange and transit;
4. Organization of joint use of hydropower resources of border waters (Aras River).

3. Purchase and Sale of Natural Gas and Cooperation in the Field of Transit: Opportunities and Threats

Back in 1992, Armenia and Iran signed an agreement on the construction of a natural gas pipeline. However, due to serious economic and financial difficulties during this period, both sides needed foreign financial support. Although the \$120 million natural gas pipeline was expected to be completed in 1995, there were some technical and financial problems. The construction work could not be completed on time. The pipeline, with a capacity of 1 billion m³ of natural gas per year, was expected to be 141 km long. 100 km of it would pass through Iran and 41 km through Armenia (Cabbarlı, 2012, p.158).

Another agreement on the construction of the Iran-Armenia gas pipeline was signed in 1995. Two years later, the two countries signed an agreement for transport Iranian gas. According to the agreement, 1 million cubic meters of gas will be delivered to Armenia annually for 15 years. However, due to the lack of sufficient financial credit, the project could not be fully implemented at that time (Arjmand&Douletyari, 1391, p. 208). This project has remained on paper for the first ten years after Armenia's independence.

The geopolitical processes that took place in 2001 led to real steps to be taken to develop this cooperation. Joint documents signed by the leaders of the United States, Turkmenistan, Azerbaijan, Georgia, Kazakhstan, and Turkey at the OSCE summit in Istanbul in November 1999 expressed support for the Baku-Tbilisi-Ceyhan project and along with this, they acquired the agreement on the construction of the pipeline exporting natural gas from Shahdeniz deposits to Erzurum. The Islamic Republic of Iran has made no secret of its unwillingness to implement US-led projects in the region. For Armenia, the Republic of Azerbaijan shouldn't have implemented and strengthened such large-scale economic projects.

The position of both Iran and Armenia was influenced by Russia's approach to such projects. For this reason, during the period from 1999 to 2003, various maneuvers were made to prevent such economic projects.

On the other hand, the position of the European Union, which wants to reduce its energy dependence on Russia, coincided with that of Iran and Armenia. The European Union, which has political interests in resolving Armenia's energy problems, supported the project. In the context of this support, the European Union allocated €30 million in 2001 to develop technical and legal infrastructure projects related to the Iran-Armenia natural gas pipeline construction project (Cabbarlı, 2012, p.158). A treaty was signed between Iran and Armenia in January 2001. Following the EU's financial support for the project, Armenia and Iran intended to extend the natural gas pipeline through Georgia to the Black Sea coast, deliver the seabed to Ukraine and ensure the export of natural gas to Europe via Ukraine. In this case, the total length of the pipeline was estimated at 550 kilometers, and the

cost of the project was estimated at \$5 billion. In the autumn, a treaty was signed between the two countries on gas supplies from Iran to Armenia (Jalili, 2002, p. 54).

Discussions on cooperation between Armenia and Iran in the field of hydrocarbon resources and energy security have intensified since 2003. On September 17, 2002, a groundbreaking ceremony was held at the Sangachal terminal in Azerbaijan, where the BTC began, with the participation of the leaders of the countries through which the pipeline passes. On September 10, 2003, construction of the BTC pipeline began. After that, Armenia and the Islamic Republic of Iran tried to strengthen cooperation in energy production and natural gas trade, sometimes even as an alternative to projects led by Azerbaijan, and to attract Georgia to the Yerevan-Tehran line.

Iran-Armenia talks have intensified after Azerbaijan implemented projects to export hydrocarbon resources to Europe with the support of the United States. Armenian Energy Minister Armen Movsesyan, who visited the Islamic Republic of Iran in October 2003, also met with Minister of Petroleum of Iran Bijan Namdar Zanganeh to discuss the project to transport Iranian gas to Armenia (Azerbaycan Dış İşleri Bakanlığı Arşivi, 2003/8, p. 37). At that time, a memorandum of understanding in the field of energy was adopted between the Ministry of Energy of the Republic of Armenia and the Ministry of Energy of the Islamic Republic of Iran (Kəlbizadə, Baxşiyeva, and Əzimov, 2019, p. 122).

After lengthy discussions, work on the Iran-Armenia gas pipeline began in January 2004. In the same year, the 5th meeting of the intergovernmental commission coordinating economic cooperation between Armenia and Iran was held. An agreement on the construction of the Iran-Armenia gas pipeline has been signed. Thus, Iran has taken the next step to support Armenia in overcoming its energy problems (Kəlbizadə, Baxşiyeva, and Əzimov, 2019, p. 123).

In one of the WikiLeaks documents released in April 2004, a US source in Armenia wrote in a confidential letter that the project was unprofitable, noting that Armenia had virtually no financial resources to do so. The document read: *"There is no money to build the pipeline ... Assuming that Iran is ready to complete part of the pipeline (with \$ 100 million), Armenia has not yet allocated any funds to finance the construction of the pipeline in Armenia"*. (Forthcoming agreement on the Armenia-Iran pipeline means little. Telegram. 2004).

The document also touched upon Russia's approach to the issue. Although Armenian officials told Americans that Russian energy giant Gazprom was interested in financing the project, Oleg Korobkov, Russia's political and economic adviser, said that the Russian government would not allow Gazprom to invest in any project that would limit Russia's influence in Armenia.

This factor was also reflected in the archival documents of other countries. One of such documents stated that Russia did not consider it expedient to transport Iranian gas to Armenia and from there to the Black Sea coast via Georgia. Even as a result of pressure from Russia in 2005, the parties had to agree to use gas from Iran only to meet Armenia's domestic needs (Azerbaycan Dış İşleri Bakanlığı Arşivi, 2006, p. 45).

The prospects of the pipeline and its transportation of Iranian gas to other countries were also in question. According to Wikileaks documents, a pipeline with a capacity of 3 billion cubic meters is being built, which is many times more than Armenia can use. However, opportunities for future gas sales were not appreciated (Forthcoming agreement on Armenia-Iran pipeline means little. Telegram, 2004). It is known that Georgia and Turkey had supply options from Azerbaijan, and foreign investors did not support the Iran-Armenia or any other pipeline, taking into account this factor.

In May 2004, Armenia and Iran signed a 20-year gas and electricity treatment agreement (Kazemi, 1399).

The main issue discussed during Kocharian's next visit to Iran in 2006 was the gas pipeline from Iran to Armenia. It should be noted that in August 2005, the construction of a 22.5-kilometer section of the gas pipeline (Gajaran-Mehri line) between Armrosgazprom and Iran's Arvandan began. According to the contract, construction of the gas pipeline was expected to be completed by January 2007, but for some technical reasons, it was completed in March. In the same year, the Iranian side declared its readiness to export gas to Armenia, noting that Armenia was unable to receive the gas, and thus placed the responsibility on the other side. This opinion of Mohammad Reza Lorzadeh, the Iranian curator of the construction of the gas pipeline, was confirmed by the then Foreign Minister of Armenia Vartan Oskanian (Mesamed, 2015, p. 97-98).

Finally, the President of the Islamic Republic of Iran Mahmoud Ahmadinejad, and Robert Kocharyan attended the opening ceremony on March 14, 2007. This was one of the most important events in the history of Armenian-Iranian economic relations. The Armenian side called the project a "great success" in the field of "energy diplomacy" (Qalstyan, 2013).

Some Iranian researchers wrote the gas pipeline from South Azerbaijan to Armenia has led to the destruction of Azerbaijani cultural monuments. The gas company had deliberately demolished much of the 3,000 years-old Ajdahabashi town, 40 kilometers east of the village of Andarajan in Varzigan. An old cemetery on the line was also destroyed (İftixari, 2017, p. 284).

The final phase of the gas transmission project ended on December 3, 2008, with the connection of the Iranian gas pipeline to the national pipeline in the Gujarat

region of Armenia. The length of the section of the line along the territory of Armenia was 206 km. The construction of the line, which passes through rather unfavorable mountainous areas, cost \$ 130 million (Mesamed, 2015, p. 100). At that time, the Minister of Energy of Armenia A. Movsesyan noted that through this pipeline, Armenia has the opportunity to receive 2.5 billion cubic meters of gas annually (Qazazyan, 2008). The Armenian side was concerned that Iranian gas was slightly more expensive than Russian gas. However, the Armenian government said it would be compensated. They stressed that Armenia will not feel the difference in price because the Iranians will be paid not with money, but with electricity, which is abundant in Armenia.

Exports of Iranian gas to Armenia began on May 13, 2009, on the Noorduz border, and by the end of the month, the country had received about 8 million meters³ of gas. Before the full commissioning of the pipeline, a delegation led by Seyed Reza Kasaizadeh, executive director of the National Iranian Gas Company, visited Yerevan. According to the agreements, 36 billion cubic meters of gas will be supplied to Armenia over the next 20 years. In the following period, there were plans to extend the contract for another 5 years and increase the volume of gas supplied to 47 billion cubic meters (Mesamed, 2015, p. 100).

However, after a while, Armenia began to try to reduce the price of gas from Iran. In particular, in 2013-2014, the Armenian side insisted on paying \$ 400 for 1,000 cubic meters of gas to Iran and only \$ 189 for Russia for the same amount, as well as for Iran to export gas to some neighboring countries at a lower price. Armenia also suggested that it could increase imports if gas prices were reduced.

It should be noted that in 2013, Armenia received 1.96 billion cubic meters of Russian gas, and in December 2013, Russia's Gazprom and Armgazprom signed an agreement on the supply of Russian gas to Armenia for 2014-2018. Gazprom will supply 2.5 billion cubic meters of gas to Armenia annually, and prices will be determined following Russia's formula related to gas prices. In this situation, Russia supplied almost all the gas needed by Armenia and did not leave room for Iranian gas. At the end of 2013, Armenia rejected Iran's initiative to sell additional gas to the country.

The realization of the Iran-Armenia gas pipeline has increased the desire to take the next steps. The issue of extending the line through Georgia to Ukraine has become urgent. The main issue was to involve Georgia in the project. Armenia has made consistent efforts in this direction. Armenian President Serzh Sargsyan's hasty visit to Georgia after Georgia announced in 2015 that it would solve its energy problem with alternative sources brought the issue of Iranian natural gas transportation to Armenia via Georgia back on the agenda of the regional media. Serzh Sargsyan's statement to the press after he meets with Georgian President Georgi Margvelashvili also drew attention to the fact that one of the main topics of

discussion between the two countries was cooperation in the field of energy and transport. However, Armenia's efforts did not yield the desired results.

In 2015, Armenia's attitude towards Iran changed in the energy issue. Thus, in June of the same year, Armenia announced a plan to sell a 41-kilometer section of Iran's natural gas export pipeline to Russia's Gazprom. This decision allowed Moscow to take full control of the existing natural gas supply routes to Armenia (Kraus&Souleimanov, 2016, p. 484-464).

During Iranian Foreign Minister Mohammad Javad Zarif's visit to Armenia in November 2017, the issue of exporting Iranian gas to Europe via Armenia was discussed. These attempts were thwarted by various obstacles created by Armgazprom, whose shares are owned by Russian companies. Under the influence of Russia, Armenia withdrew in this matter. That is why Javad Zarif said in Yerevan that Iran does not need gas for electricity, that Armenia needs it, and that Iran is helping Armenia as a friend. He then outlined Iran's main intentions and said that Armenia was interested in using transit opportunities. When it came to transit, the Iranian side intended to export Iranian gas to Europe via the Armenia-Georgia-Black Sea pipeline. The details of the opening of a free economic zone between Iran and Armenia were also discussed during Javad Zarif's talks in Yerevan.

On February 20, 2019, the 5th Ministerial Meeting of the Southern Gas Corridor Consultative Council was held in Baku (Bakıda Cənub Qaz Dəhlizi Məşvərət Şurası çərçivəsində nazirlərin beşinci toplantısı keçirilib, 2019, p. 1-2). The meeting was attended by the heads of the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, and energy ministers of the United Kingdom, the United States, Turkey, Italy, Georgia, and other European countries. Georgia's consistency in strategic cooperation with Azerbaijan, as well as the de facto deprivation of Azerbaijan's support for the Iran-Armenia gas pipeline project by European countries, led Armenia to take new steps. The Armenian Ministry of Energy and Natural Resources has issued a statement on its readiness to discuss the export of Iranian gas from Armenia to Georgia and from there to Europe via the Black Sea. This issue was also discussed during Nicol Pashinyan's visit to the Islamic Republic of Iran, which ended on February 26-27. However, the fact that the diameter of the gas pipeline from Iran to Armenia was not at the required level created the problem of re-laying this line. That would have cost millions of dollars.

The Islamic Republic of Iran was somewhat concerned about the Second Karabakh War in September-November 2020, the victory of Azerbaijan, the opening of transport and communication lines, and economic cooperation between the countries of the region in the signed capitulation agreement. Iranian researcher Akbar Kazemi wrote that earlier Azerbaijani President İlham Aliyev had repeatedly stated that Armenia could benefit from transit, energy transfer, and transport projects in the region if it accepts peace in Nagorno-Karabakh. Ensuring the

dependence of Armenia's gas supply on the Republic of Azerbaijan can be a guarantee for maintaining Baku's advantage in Karabakh. According to Kazemi, in the future, and especially with the expiration of the 20-year agreement signed between Iran and Armenia, the start of gas supplies to Armenia by the Republic of Azerbaijan may reduce or stop the import of Iranian gas by Armenia. On the other hand, this will fail the idea of exchanging Turkmen gas from Iran to Armenia under an agreement between Turkmenistan, Iran, and Armenia (Kazemi,1399).

Along with natural gas, the two countries also discussed cooperation in the field of oil sales and refining. For example, one of the main issues discussed at the meeting of the Armenian-Iranian intergovernmental commission on December 15, 2008, was the establishment of an oil refinery and oil storage facility in Armenia (Mesamed, 2015, p. 94). Besides, in the autumn of 2011, it was planned to begin construction of a \$ 160 million oil pipeline from Iran to Armenia, of which 50 percent belonged to Armenia and 50 percent to Iran.

4. Purchase and Sale of Electricity, Cooperation in the Field of Joint Production: Goals and Challenges

Another important area of cooperation in the field of energy is the purchase, sale, exchange, and joint production of electricity. One of the main agreements in this area between the Republic of Armenia and the Islamic Republic of Iran was signed in 1995. The document provided for the construction of a joint hydroelectric power station on the Araz River. At the same time, an agreement was reached on the construction of the Iran-Armenia high-voltage transmission line. As a result of the technical work arising from the contract, in early May 1997, the station connecting the power systems of the two countries was put into operation. As a result, by the end of 1997, Armenia received 330 million kWh of energy from Iran.

Electricity issues were also discussed during Armenian Energy Minister Armen Movsesyan's visit to Iran in early October 2003. After a meeting with Iranian Energy Minister Neutral, a memorandum was signed on the construction of a joint hydropower plant on the Aras River (Azerbaycan Dış İşleri Bakanlığı Arşivi, 2003/8, p.38). The memorandum reaffirmed the agreement on equal payment of funds for the construction of the plant. However, it was not ruled out that the parties would turn to foreign sources of funding in case of financial problems. The analysis of the processes that took place at that time proves that this approach reflected the position of Armenia. Thus, during the period in question, the price of crude oil on world markets was rising rapidly, and the financial capacity of the Islamic Republic of Iran was strengthening. Thus, in the budget of the Islamic Republic of Iran, the price of a barrel of crude oil for March 2003-March 2004 was estimated at \$ 21. The war in Iraq has pushed up the price of crude oil on world markets, and the IRI's foreign exchange reserves have been highly profitable (Azerbaycan Dış İşleri Bakanlığı Arşivi, 2003/8, p.36). During the discussions in this direction, Armenia tried to pay for the construction by Iran. Because the economic situation of this

country was getting worse day by day, foreign debts were increasing. The Islamic Republic of Iran, on the other hand, did not consider such projects to be economically viable, and the steps taken were simply aimed at keeping Armenia for various purposes. This is since Iran has not fully assumed the financing of such projects. In this case, Armenia kept open the issue of attracting funds for future construction from the Russian Federation by including the issue of a third party in the memorandums.

The parties announced the signing of an agreement on the project next year. The Armenian side proposed to build a hydroelectric power plant on the Aras River at the expense of Iran and to repay the debt incurred after its commissioning with electricity produced at this station. During a meeting with Iranian Minister of Economy and Finance Tahmaseb Mazaheri on October 9, 2003, Armenian Energy Minister Movsesyan called on Iran to closely participate in energy projects in the country, noting the possibility of Iran's participation in the establishment of a power transmission network in Armenia (Azerbaycan Dış İşleri Bakanlığı Arşivi, 2003/8, p.37). However, as noted above, these projects were more important to Iran as an instrument of political pressure. The agreement on the exchange of electricity, signed in 2003 by the President of the Islamic Republic of Iran Mahmoud Ahmadinejad and Robert Kocharian, should be evaluated in this regard. The Islamic Republic of Iran was well aware that every rial invested in Armenia had long been lost, and that such projects were not economically viable. One of the archival documents reads: *“According to diplomatic sources, the Iranian side has been more cautious in granting loans to Armenia. Thus, Mazaheri said that if Armenia provides appropriate guarantees, reforms in the field of taxes, justice, and investment, the private companies of Iran will undertake to provide the necessary funds for the construction of power plants from domestic and international sources”* (Azerbaycan Dış İşleri Bakanlığı Arşivi, 2003/8, p.37).

The Islamic Republic of Iran considered it possible to raise funds after a long process. It was clear that Armenia, which was an outpost of Russia and whose economic dependence on this state was growing day by day, did not have the opportunity to provide guarantees. Given the country's corrupt political leadership, tax, justice, and investment reforms could be seen as a conspiracy by the political establishment itself. The next point was that Iran did not emphasize the allocation of any funds from the state budget, but the fact that private Iranian companies could invest.

The Iranian and Armenian energy ministers, Bitaraf and Movsesyan, also discussed the construction of a wind farm, the construction of which was agreed in 2002 (Azerbaycan Dış İşleri Bakanlığı Arşivi, 2003/8, p.37).

As noted in the previous chapter, one of the projects of interest to Armenia was the Turkmen gas issue, which formed the basis of the Armenia-Iran-Turkmenistan cooperation format. In the first years after the declaration of independence, Russia

became the main seller of natural gas to Armenia. Natural gas from the Russian Federation was also supplied to Armenia through Georgia. Armrosgazprom, a subsidiary of Russia's Gazprom, was established in 1997, and the company has a monopoly on Armenia's natural gas supply. 80 percent of the company's shares belonged to Russia's Gazprom and 20 percent to Armenia's Ministry of Natural Resources and Energy (Mesamed, 2015, p. 95). Armenia, which wants to reduce its dependence on Russian gas and create alternatives, intensified talks with Turkmenistan in 2001. At that time, a preliminary agreement was reached between Armenia and Turkmenistan on the purchase and sale of natural gas, and even the price of natural gas was set (Azerbaycan Dış İşleri Bakanlığı Arşivi, 2001/ 11, p. 62). In early 2004, Armenian Energy Minister A. Movsesyan noted that the possibility of building an Iran-Armenia gas pipeline, which could be considered an important route for the transportation of Turkmen gas to Armenia, is very close to reality. However, during a visit to Armenia, Russian Deputy Prime Minister Boris Aleshin said that the country's strategy for natural gas supply should be evaluated in the context of Armenian-Russian cooperation in the field of energy. This could also be considered as an indirect protest of Russia against the replacement of Russian gas with Iranian and, in the future, Turkmen gas. On the other hand, the US's lack of interest in securing the flow of Iranian gas prevented the implementation of this plan.

In June 2005, the Minister of Energy of the Islamic Republic of Iran Habibullah Bitaraf and the Minister of Energy of Armenia Armen Movsesyan signed a memorandum of cooperation in the field of energy (Soltan, 2005, p. 54).

The issue of the construction of power plants and exploitation of hydropower resources on the Aras River, the border river between the two countries, was also directly related to the construction of the gas pipeline. The initial agreement was signed on March 19, 2007. "Agreement between Armenia and the Government of the Islamic Republic of Iran on cooperation in the construction and operation of power plants on the Araz River" consisted of 13 articles (Armenian Republic Legal Information System, 2008/48122, p. 1). In the preamble of the agreement, the power plants to be built were to be located in Mehri on the part of the Republic of Armenia and the territory of the Garachilar village on the part of the Islamic Republic of Iran. According to the second article of the contract, the construction work was to start in 2007 and be completed within 6 years. The third article stated that each party would finance the construction of a hydropower plant on its territory. The parties undertook to work together for the study and construction of structures related to the construction of hydropower plants on the Aras River, to jointly ensure the safety of the area during construction and operation. A separate agreement was envisaged between the parties to regulate the import of materials and equipment for the construction of power plants and forms of movement of citizens of the two countries along the border between the Republic of Armenia and the Islamic Republic of Iran. Armenia and Iran also undertook to cooperate in the maintenance and overhaul of

dams, tunnels, power plants, and machinery, and to provide mutual services following these regulations (Armenian Republic Legal Information System, 2008/48122, p. 2).

On December 15, 2008, the 8th meeting of the Armenian-Iranian Intergovernmental Commission was held to discuss the construction of a hydroelectric power plant on the Aras River, the construction of the third Iran-Armenia high-voltage power line, and the establishment of an oil refinery and oil storage facility in Armenia. The memorandum signed at the end of the meeting expressed intentions for future cooperation in energy, transport, communications, agriculture, health, and other areas (Mesamed, 2015, p. 93-94). In the same year, Armenia and Iran signed a memorandum of cooperation in the field of construction and solution of technical problems of the Aras Hydroelectric Power Plant.

In 2009, Armenia and Iran began to implement the "Natural Gas for Electricity" program, which provides for the exchange of 3 kW / h of electricity for 1 cubic meter of natural gas. It should be noted that during this period, there were two 220 kV high-voltage power lines between Iran and Armenia. Besides, a third 400 kV transmission line was being laid from the Armenian city of Megri on the border with Iran and the hydropower plant of the same name on the river to Razdan. The project, valued at 107.9 million euros, is funded by Iran. Besides, work is underway to extend this transmission line, valued at 105.2 million euros, from Armenia to Georgia. However, the project was repeatedly postponed (Andreeva, 2019, p. 116).

During Mahmoud Ahmadinejad's visit to Yerevan in December 2011, a "Cooperation Agreement between the Government of the Republic of Armenia and the Government of the Islamic Republic of Iran on the construction and operation of a hydroelectric power plant on the Aras River" was signed. During the visit of the Minister of Energy of Iran M.Namju to Armenia in June 2012, a practical agreement was reached to start the construction of a 130 MW hydropower plant on the Aras River in the fall of that year. According to the project, Armenia and Iran planned to build two of the most powerful hydroelectric power plants in the South Caucasus (Mesamed, 2015, p. 103). Construction work began on \$ 500 million loans from the Export Development Bank of Iran. According to the agreement, Iran will build a hydroelectric power plant for the Armenian side, and after the completion of construction, Armenia will export electricity to Iran at international prices for 15 years, and then the plant will be fully handed over to the Armenian side. Following the commissioning of the HPP, the Islamic Republic of Iran has strengthened its leadership in electricity generation in the Middle East. It should be noted that in those years, the country supplied 100 percent of its cities and 99 percent of its villages with electricity. At the same time, following the principles of electricity, Iran exchanged electricity with almost all its neighbors, including Turkmenistan, Azerbaijan, and Armenia. Back in 2005, Iran's electricity exports increased 3.5 times. The exchange of electricity means the transfer of energy to

neighboring countries, which can be produced in excess in the country for a certain period, and then import from that country in the required period. It should be noted that neighboring countries such as Azerbaijan and Armenia need electricity produced in Iran in the winter months, and the Islamic Republic of Iran needs electricity in the summer months. Such an exchange necessitated the construction of high-voltage power lines between the countries. To discuss these and other issues, Iranian Energy Minister Hamid Chitchian visited Armenia in November 2013 and met with President Serzh Sargsyan to discuss energy cooperation. Since the fall of 2014, discussions on the construction of the next high-voltage power line between Armenia and Iran have intensified (Mesamed, 2015, p. 105).

After the announcement of the partial lifting of sanctions against Iran, the discussion of opportunities for cooperation in the energy sector in the quadripartite format (Russia, Georgia, Armenia, Iran) intensified. In December 2015, a Memorandum of Understanding was signed between the representatives of these countries, according to which it was planned to begin construction of a new transit energy corridor connecting Iran and Iran. Armenian media reported on the agreements reached between Baku and Tehran in 2016 to build a hydroelectric power plant in Azerbaijan and criticized this issue. However, Yerevan continues to consider itself an important energy partner of Iran and seeks to develop bilateral cooperation. Russian researcher Ekaterina Andeyevna writes that both Armenia and Azerbaijan are energy suppliers to Iran and do not prefer any of these countries (Andreeva, 2019).

5. Conclusion

Analysis of the İRİ-RA relations over the period since 1991 shows that the RA needed to establish ties with the İRİ for rebuilding its weakened economy. The analysis of energy cooperation between the two countries allows us to draw some conclusions. The most important of these results is that the issues of energy cooperation between the two countries are mainly in the interests of Armenia. The main goal of Iran's energy diplomacy towards Armenia is to achieve the transportation of natural gas to European countries through Armenia and then through Georgia. The failure of energy projects discussed between Armenia and Iran is due to several factors. Russia, Armenia's main energy supplier, does not want to see a rival like Iran in this market. There is a lack of funding for many projects. The economic unprofitability of projects discourages investors from investing. The analysis of current processes shows that Iran, which previously tried to use energy resources as a tool of geopolitical influence, is losing its influence due to the new geopolitical conditions are emerging after the 44-day Karabakh war. The Armenian government has to make a choice for the future development of the country: continuing the fictitious ideological challenges, deepening the country's problems about oil and gas restrictions, keeping on the agenda projects that are unprofitable with Iran and seem very difficult to implement or normalize relations with the

Republic of Azerbaijan, the country with significant energy resources in the region, and Turkey, an energy corridor, and take advantage of more favorable conditions.

References

- Andreeva, E.S. (2019). İntresi İrana na Yujnom Kavkaze skvoz prizmu otnoşeniye Tegrana s Armeniyei. *Problemi Naçionalnoy Strategii*, № 1 (52). 110-122.
- Arı, T. (2017) *Uluslararası ilişkiler ve dış politika*. Alfa Akademi Basım.
- Arjmand, M.J., Douletyari, Y.K. (1391). Tahlil jeopolitiki revabet İran-o Armanistan der-çarçub theurgy Anderson-o tahri yek hemkerayi menteghehayi baad az kher ayend aidisazi revabet-e miyan Armanistan-o Torkiyye. *Faslname-ye Jeopolitiki*, №2 (8). 192-223.
- Armenian Republic Legal Information System, (2008/ 48122). Hamadzaynagir HH Karravarut'yan yev Irani Islamakan Hanrapetut'yan karravarut'yan mijev arak's geti vra hidroelektrakayanner karruts'elu yev shahagortselu bnagavarrum hamagortsakts'ut'yan maşın. *Armenian Legal Information System*. HHAGNPT. 2008.02.11/9(17), Doc.No. 48122.
- Azerbaycan Dış İşleri Bakanlığının Arşivi. (2001/ 11). İİR Xarici İşlər nazirliyinin MDB ölkələri üzrə ikinci idarənin rəisi Ə.Biqdeli ilə söhbətin yazısı. 12.08.2001. *Azərbaycan Respublikası Xarici İşlər Nazirliyinin Arxivi*. Qovluq № 11.
- Azerbaycan Dış İşleri Bakanlığının Arşivi. (2003/8). Azərbaycan Respublikasının İran İslam Respublikasındakı Səfirliyinin Azərbaycan Respublikasının Xarici İşlər Nazirinə məlumatı. *Azərbaycan Respublikası Xarici İşlər Nazirliyinin Arxivi (ARXİNA)*, Qovluq № 8.
- Azerbaycan Dış İşleri Bakanlığının Arşivi. (2006/6). Azərbaycan Respublikasının Tehrandakı səfirliyinin 2005-ci il üzrə fəaliyyəti haqqında Hesabatı. 2006. *Azərbaycan Respublikası Xarici İşlər Nazirliyinin Arxivi (ARXİNA)*, Qovluq 6. (01.01.2006-31.12.2006).
- Bakıda Cənub Qaz Dəhlizi Məşvərət Şurası çərçivəsində nazirlərin beşinci toplantısı keçirilib / 2019. *Xalq qəzeti*. 21 Fevral. № 42.
- Cabbarlı, H.Q. (2012). Ermenistan'ın İran Politikası. *Karatekin Üniversitesi Uluslar arası Avrasya Strateji Dergisi*, № 10(10), 147-174.
- Forthcoming agreement on Armenia-Iran pipeline means little. Telegram. (2004). *Wikileaks Documents*, Canonical ID:04YEREVAN816_a. Available from: https://wikileaks.org/plusd/cables/04YEREVAN816_a.html.

- Geysari N., Gouderzi M. (1388-1387). Revabet-e İran-o Armanistan: foorsathaa va manea. *Metalaat Avrasiya-ye Merkezi*, № 3. 121-144
- Heydari, C. (1383). Didgah-e amniyyet-e Armanistan der Gafghaz-e Coonoobi. *Asiya-ye Markazi va Gafghaz* № 4. 97-118
- İftixari, A.H. (2017). *İran İslam Respublikasının Qafqaz siyasəti (1991-2005-ci illər)*. Thesis (PhD). AMEA Tarix İnstitutu.
- Jalili, M. (2002). Iran and the Caucasus: Maintaining Some Pragmatism. *The Quarterly Journal*, №.3, 49-57.
- Kazemi, A. (1399). Taasire Cange dovvom Gharabagh ber zeerghetha-ye jeopolitik-e İran dar hoozeye entegal enerji [Online]. Tahran: İras.ir. Aviable from: <http://iras.ir/iras.irfa/doc/note/4178/>-تأثیر جنگ-دوم-قره-باغ-ظرفیت-های-ژئوپلیتیک-ایران-حوزه-انتقال-انرژی
- Kəlbizadə E.H., Baxşiyeva Y.Ü., Əzimov, Ə.Ə. (2019). *Ermənistan İran İslam Respublikasının Qafqaz siyasətində* MTM İnnovation.
- Klare, M.T. (2008). *Rising powers, shirinking planet: The New Geopolitics of energy*. Metropolitan Books.
- Kraus, J. (2016). Souleimanov, E. A Failed Comeback? Understanding Iranian Policies in the South Caucasus. *Journal of Balkan and Near Eastern Studies*, №18:5, 448-464.
- Mesamed V. İ. (2015). *İran i nemusulmanskie strani Yujnoqo Kavkaza (Armeniya i Gruzuya)*. İnstitut Blijnego Vostoka.
- Soltan, S. 2005. Tehran hakimiyyətinin islam dəyərlərindən danışmağa haqqı var? *Təbriz jurnalı*, № 3, 52-55.
- Şöhret, M. (2015) Enerji güvenliğinin ekonomi politiği ve uluslararası çatışmalara etkisi. *Enerji diplomasisi*.Beta yayınları. 1-45.
- Qalstyan, A. (2013). Politicheskie protreti Armenii: Robert Koçaryan [Online]. Yerevan: Yerkrmas. Aviable from: www.yerkrmas.org/article/51814/politicheskie-portrety-armenii-robert-kocharyan .
- Qazazyan, A. (2008). Qasoprovod İran-Armeniya mojet stat şansom dlya Evropi. [Online]. DW.com. Aviable from: <https://p.dw.com/p/G7n8>.