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The European Union is touting its deal with Turkey on Monday to realize the Nabucco natural gas pipeline project as a major coup in the quest for alternative energy routes that bypass Russia. The project’s major transit country, Turkey, may have been brought on board, but Ankara’s other energy interests in the Caucasus may still stand in the way of securing producer countries, namely Azerbaijan, for the project.

Among other decisions, Ankara’s move to open its border with Armenia — closed due to the Nagorno-Karabakh conflict — angered its vital Nabucco partners in Baku. Although Turkish President Abdulla Gul and Prime Minister Tayyip Erdogan have stepped back from any concrete process for the moment, the idea of an open border with Armenia resonates in Turkey. This is because there are significant interests in the normalization of relations. Not only would underdeveloped eastern Turkey see a trade boom, but Ankara has its eyes on energy projects in Armenia that could potentially feed Turkey’s growing consumption.

Much has been made of the EU’s “Southern Corridor,” but little attention has been paid to Russia’s energy interests in the Caucasus. BP may be a major energy presence in Azerbaijan and Georgia, but Russian state-backed concerns have a vice grip on Armenia’s energy sector. Until now, this control was not particularly strategic, except for making Armenia’s potential future regional integration difficult. But that picture could be set to change.

Armenia’s Metsamor nuclear power plant is by most authoritative accounts the least safe reactor in operation worldwide. Both Moscow and Ankara have their sights set on the construction of a new plant that could not only guarantee Armenia ample electricity but would also allow for export to neighboring countries. Most important, the way in which a new plant would be put in place could virtually ensure Russian control of those exports — and thus greater leverage over Turkey and potentially Iran and Georgia.

In return for Moscow’s cancellation of $40 million in debt, Armenia granted Moscow control of the Metsamor plant, which provides about 40 percent of Armenia’s electricity. The government has holdings in three other power stations as well: the Sevan-Hrazdan hydropower plant, the

Hrazdan thermal power station and the Armenian Nuclear Electric Plant. These facilities generate about 75 percent of the country's electricity, and with the purchase of Midland Resources' 80 percent stake in the country's distribution network, Russia can directly control or leverage the entire Armenian power sector.

Rosatom is set to build Metsamor's replacement with a projected capacity of 1,000 to 1,200 megawatts, which is twice that of the current plant. Armenian officials have said the new reactor could allow for the export of 6 billion kilowatt hours annually, roughly equivalent to Armenia's entire consumption last year.

In a Gazprom-brokered deal, Armenia is already set to supply Iran with electricity in exchange for the gas supplied by Iran in the Iran-Armenia Natural Gas Pipeline. During an April phone conversation, Gul and Armenian President Serzh Sargsyan reportedly agreed to electricity exports to eastern Turkey of 1.5 billion kilowatt hours annually. The process is stalled at the moment reportedly due to "technical difficulties" on the Turkish side of the border. Armenia's energy relationships with either of its major neighbors, however, cannot be expanded without Russia giving the green light and support. The vast majority of the income generated from Armenian electricity exports would go directly to Russian government coffers.

The control is set to expand. Rosatom is particularly interested in developing Armenia's uranium fields in its southern Sunik region, estimated at between 25,000 and 100,000 metric tons. Rosatom's Atompredmedzoloto, the world's second-largest uranium mining company, and Armenia's Environment Ministry have set up the Armenian-Russian Mining Company to begin development as part of a 50-50 joint enterprise. Production could begin as early as next year and any uranium exports would be handled by Russian firms.

In comparison to Russia's uranium fields in Eastern Siberia, Armenia's deposits are easily extracted and could form part of Moscow's plans to corner the nuclear fuel market now that nuclear power plant construction is once again popular. One cubic centimeter of uranium is equivalent to 60,000 cubic meters of natural gas. Unlike natural gas, the nuclear fuel is also easy and inexpensive to transport because it is highly compressed. While Brussels and Washington have sought to emulate the famed Baku-Tbilisi-Ceyhan pipeline project in linking Nabucco — and thus Western countries and companies — to the energy infrastructure and economies of Azerbaijan and Georgia, they have almost completely ignored Moscow's increasing control over Armenia. Conventional wisdom holds that the key energy country in the Caucasus is Azerbaijan, considering its rich Caspian oil and gas resources, and that Georgia is just as strategically important as the needle's eye through which those resources can reach world markets without Russian or Iranian interference. Partly due to the Nagorno-Karabakh conflict, Armenia never entered the Western-oriented energy export picture. Paradoxically, the main EU and U.S. role in Armenia’s energy sector has been aid for financing and technical support to ensure the safety of the ailing Metsamor reactor and a $2 million feasibility study for the new plant.

But Russian plans for the replacement facility and electricity export to Turkey, Iran and potentially Georgia put Western assumptions into question. In negotiations over Nabucco, Turkey proved to be an uncertain actor, particularly as Ankara’s relationship with Moscow blossomed in contrast to fading hopes of EU membership. Russian control over electricity exports to underdeveloped and electorally important eastern Turkey will only add to the uncertainty about Turkey’s Western orientation. With the Iran-Armenia Natural Gas Pipeline and Russia’s gas export pipeline to Yerevan, Moscow has already carved out a North-South energy corridor perpendicular to its Western-oriented East-West counterpart. This link is set to broaden should Armenia begin to export electricity to Iran with Russian support.

Conventional wisdom in Brussels and Washington also holds that Armenia’s international isolation is in no small part due to its allowing Russian government-run concerns to take over its energy sector. This may mean that Armenia is isolated from Western-oriented projects, but it does not necessarily mean that Yerevan will not become a regional electricity hub or not extend Moscow’s influence in the greater Black Sea-Caspian area. This could be coupled with a Russian-dominated role as an international nuclear fuel source. It is important to note that realistic estimates point to the Nabucco project being completed at around the same time Metsamor’s replacement will come online. Western energy gains in the Caucasus may well be accompanied by a Russian energy coup.

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(http://www.acus.org/new_atlanticist/russia-may-score-final-coup-energy-battle)