TAPI natural gas pipeline project
Boosting trade and remedying instability?

SUMMARY
Turkmenistan, which has the fourth largest natural gas reserves in the world, is opening up to new countries in a quest for more gas exports. Since Russia first reduced and later halted altogether its gas imports from Turkmenistan, China has become the main destination for Turkmen exports, and these are likely to increase further when the fourth line of the Central Asia-China Pipeline becomes operational. Turkmenistan is also spearheading the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline project, a key step towards export diversification and also regional integration.

After long years of inaction, the ground-breaking ceremony for the TAPI gas pipeline took place on 13 December 2015. TAPI is expected to be in operation by December 2019 and to cost around US$10 billion. The pipeline will run across Herat and Kandahar in war-torn Afghanistan, and Quetta and Multan in Pakistan, before reaching India. With the pipeline transiting restive areas that are not fully under government control, security risks threaten the viability of the project.

However, according to its supporters, the project’s potential benefits outweigh the concerns. The pipeline offers a win-win scenario for all participating states: Turkmenistan will diversify its exports – a particularly pressing issue given Gazprom’s decision to halt gas imports from Turkmenistan and the country’s increasing export dependence on China; Afghanistan will benefit from increased investment and employment, as well as from transit fees; and India and Pakistan will benefit from a new supply route enabling them to meet growing demand for energy. At regional level, TAPI will bring greater integration, both economic and political. The pipeline also fits in with the EU’s strategic objective of stability and security for Central Asia.

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**Background: Turkmenistan's gas potential and quest for new markets**

Turkmenistan, a long-time producer of natural gas since the 1960s, served as a major source of gas in the USSR. Since the breakup of the Soviet Union, it has emerged as a major gas supplier to China and a potential supplier to South Asia and the EU. According to BP, Turkmenistan holds 17.5 trillion cubic metres (tcm) of natural gas, the fourth largest reserves in the world, after Iran, Russia and Qatar. According to Turkmen government data, reserves are even higher — a 2016 report of the Energy Ministry puts the Galkynysh field (the world's second largest after Iran's South Pars field located in the south-eastern Mary province) alone at 27.4 tcm.

In 2015, Turkmenistan produced 72.4 billion cubic metres (bcm) — more than in previous years, but still below the late Soviet-era peak of around 80 bcm. Turkmenistan's production was boosted when the first stage of the Galkynysh field development plan was launched in 2013 and the second stage in 2014. The chairman of state-owned Turkmengaz, Ashyrguly Begliyev announced, in November 2015, that with the third stage, this field's production capacity would reach up to 95 bcm per year, as of the end of 2015.

**Figure 1 – Turkmenistan's natural gas production and consumption (bcm)**

![Graph showing Turkmenistan's natural gas production and consumption (bcm)](image)


Until a 2009 pipeline explosion disrupted supplies between the two countries, Russia had been the largest purchaser of gas from Turkmenistan. Since then, China has replaced Russia, with the commissioning of a 1 833 km-long Central Asia-China Pipeline in 2009. In 2015, Turkmenistan provided a significant share (46 %) of China’s total gas imports, while China accounted for almost 75 % of Turkmen exports. However, the Turkmen economy is highly dependent on hydrocarbon exports, and dependence on a single export market brings significant risks of economic and financial instability, exacerbated by the volatile prices of these commodities.

Turkmenistan is therefore seeking to diversify its export routes. One major project in the Turkmen government's agenda is to build the long-awaited Trans-Caspian Pipeline (TCP), to be connected to the Trans-Anatolian Pipeline (TANAP); it is envisaged that this will export gas to the EU via Azerbaijan and Turkey. The goal of diversification will also be served by TAPI; despite concerns over its feasibility, Turkmenistan seems eager for the long-delayed project, which would open up new markets in India and Pakistan.
TAPI: long-delayed project offers more than natural gas

Project at a glance

The TAPI pipeline project (named after the initials of the four countries it crosses) is designed to connect Turkmenistan and the increasingly energy-hungry South Asian countries. According to the plans, it will transport 33 bcm of Turkmen natural gas a year to Afghanistan (5 bcm), Pakistan and India (14 bcm each) for a period of 30 years, starting from 2020.

![Figure 2 – TAPI pipeline route and Taliban risk in Afghanistan](image)

The 1,814-km pipeline will start from the Galkynysh gas field in Turkmenistan, covering 214 km before reaching the Turkmen-Afghan border. In Afghanistan, the pipeline will traverse 774 km through the provinces of Herat, Farah, Helmand, Nimroz and Kandahar. The 826-km-long route within Pakistan will pass near Quetta, provincial capital of Baluchistan, and Multan in the province of Punjab, finally reaching India at Fazilka. Given the instability of these regions and the Taliban threat in Afghanistan, there are serious doubts as to whether the pipeline can ever be built (on the other hand, the former Taliban regime of Afghanistan supported the project and had negotiated with a US company in 1997).

The pipeline offers a win-win scenario for all participating states: Turkmenistan will diversify its exports – a particularly pressing issue given Gazprom’s decision to halt gas imports from Turkmenistan and the country’s increasing and risky export dependence on China; Afghanistan will benefit from increased investments and employment, as well as from transit fees (estimated at around US$300-500 million; India and Pakistan will benefit from a new supply route enabling them to meet growing demand for energy. At regional level, TAPI will bring greater integration, both economic and political. The TAPI also fits in with the EU’s strategic objective of stability and security for Central Asia.

A long history of failure to finalise the project

Although the project has been discussed for many years, concrete steps only began in the last few years. TAPI can be traced back to March 1995, when Turkmenistan and...
Pakistan signed a memorandum of understanding in Islamabad on the construction of a Trans-Afghanistan pipeline between the two countries; this was followed by talks between Turkmenistan, Pakistan and the former Taliban regime of Afghanistan. Initially, Argentinian oil and gas company Bridas and US company UNOCAL competed for the right to develop the proposed project. Eventually, UNOCAL and Saudi Arabian company Delta formed a consortium; Russian gas producer Gazprom also had a 10% share but subsequently withdrew. This first attempt to build the pipeline failed when consortium leader Unocal withdrew from the project following the August 1998 bombings of the US embassies in Kenya and Tanzania by Al-Qaida, a terrorist group believed to be sheltered by the Taliban, which prompted US missile attacks on Afghanistan in retaliation.

The proposal for a pipeline to transport Turkmen gas to Pakistan via Afghanistan was revived after the 2001 war in Afghanistan overthrew the Taliban regime, with the Afghan interim government expressing enthusiasm for the project and promising to guarantee its security. In May 2002, the leaders of Turkmenistan, Pakistan and Afghanistan signed a memorandum of understanding on the construction of the pipeline. Following the memorandum, a steering committee comprising the energy ministers of the participating countries was formed to follow up the project. At its first meeting, in July 2002, the committee asked the Asian Development Bank (ADB) to provide technical assistance (TA) for project feasibility studies. In December 2002, the ADB concluded its first TA report, opening the door to a December 2002 agreement between the three leaders to set up a consortium to build and operate the Turkmenistan-Afghanistan-Pakistan (TAP) pipeline. Since the participation of India was not certain at that time, the capacity of the pipeline was envisaged at 20 bcm per year. The ADB proposed two alternative routes, each with a planned length of about 1 700 km and an estimated cost of US$2-2.5 billion.

India initially appeared reluctant to join the TAP as it was also working on competing gas pipeline projects, particularly the Iran-Pakistan-India (IPI) pipeline, which was opposed by the United States on the grounds of sanctions against Iran. However, Indian officials participated in the TAP steering committee meeting for the first time in February 2006 and the Indian government approved the country's joining the TAP project in May 2006. On 24 April 2008, the four participating governments initialled a gas pipeline framework agreement and India became a fully-fledged partner in the project, now renamed TAPI.

India's involvement accelerated progress towards implementation. Another stimulus for TAPI came after Turkmen gas exports to Russia were halted due to an explosion in the pipeline connecting the two countries in April 2009. Turkmenistan's loss of its biggest gas export market forced it to look for alternatives. Consequently, even though Turkmenistan and Iran were in competition on South Asian gas markets, they agreed to increase their bilateral gas trade. In addition, Turkmenistan started to export gas to China in December 2009 and showed increasing interest in supplying gas to European countries.

A major step towards implementing TAPI came in December 2010, when the four countries signed a gas pipeline framework agreement, an inter-governmental agreement, and a heads of agreement relating to the gas sales and purchase agreement (GSPA), marking the completion of Phase 1 of the project. Progress on TAPI attracted Russia's attention to the project: in January 2011, Russia's then president Dmitry Medvedev expressed his government's willingness to help Afghanistan build its section of the TAPI.

As a result of disagreements on pricing and transfer fees, the GSPAs were not finalised until two years after the November 2011 target date set by the ADB. In May 2012
Turkmenistan's national oil company Turkmengas signed GSPAs with India's state-controlled GAIL and Pakistan's Inter State Gas System Ltd, the main transmission system operators in their respective countries. This step, described as 'historic' by the ADB, sparked hopes of rapid implementation. Afghanistan's state gas corporation (Afghan Gas Enterprise) followed suit by signing an agreement with Turkmengaz in July 2013, thus finalising Phase 2 of the project.

Phase 3 of the project involved setting up a special purpose consortium company (SPCC), selecting the consortium leader and finalising GSPA-related operational agreements. In November 2014, the state gas companies of the four partner countries established the TAPI Pipeline Company Limited (TPCL), which will build, own and operate the pipeline. In August 2015, Turkmengaz was approved as the consortium leader of the SPCC. Shareholders of TPCL signed a shareholders agreement on 13 December 2015 at the ground-breaking ceremony held in Turkmenistan's Mary province, attended by the Turkmen president, Gurbanguly Berdimuhamedov, the Afghan president, Ashraf Ghani, the Pakistani prime minister, Nawaz Sharif, and the Indian vice-president, Hamid Ansari.

The long-delayed inauguration of construction is a milestone in the project and also marks the beginning of Phase 4, which is expected to take about four years. Construction works led by Turkmengaz are progressing according to schedule. Although there are still many concerns about the viability of the project, the expected benefits of TAPI, outlined below, are likely to encourage participants to maintain this progress.

**TAPI: connecting the unconnected, securing the insecure?**

**Turkmenistan's quest for diversification**

As an internationally recognised permanently neutral state, the basic tenet of Turkmen foreign policy is to have good relations with all countries. This entails counter-balancing between foreign powers to avoid over-dependence on any one of them – including in terms of gas exports, which are one of the country's main foreign policy tools. At present, the volume of Turkmen exports and the range of markets supplied are not commensurate with the country's immense and growing gas export potential. Turkmenistan is therefore looking for new routes to alleviate the risk of exporting to one single country, and ensure independence from the great powers active in Central Asia, notably Russia and China. Since 1995, this quest for diversification has provided the main stimulus for building new pipelines.

**Figure 3 – Turkmenistan’s natural gas exports (bcm)**

Data source: BP
**Russia: former gas importer drops Turkmenistan**

Until 1995, Turkmenistan exported most of its gas to Ukraine via Russia through the Central Asia-Center pipeline. Due to payment issues with Kyiv, Russia stopped re-exporting Turkmen gas to Ukraine.\(^3\) Turkmen exports to Russia however began to increase after 2003 when the two countries signed an agreement envisaging a gradual increase in Turkmen gas exports to Russia over the course of 25 years. According to the agreement, Russia would import 5-6 bcm of Turkmen gas in 2004 and the amount would increase to 70-80 bcm a year in the 2009-2024 period. However, it soon became clear that that the agreement was not attainable, as the infrastructure lacked the capacity to transport the large volumes envisioned in the deal. Nonetheless, by 2009 Russian imports of Turkmen gas had reached around 40 bcm. This figure dropped abruptly after a pipeline explosion in April 2009 disrupted supplies. With each side blaming the explosion on the other, bilateral relations began to strain. In 2010-2014 exports to Russia stabilised at around 10-11 bcm, before further decreasing to 3.1 bcm in 2015.

In February 2015 Gazprom announced that it was cutting gas imports from Turkmenistan from 10 bcm to 4 bcm,\(^4\) and in January 2016 Russia stopped importing from Turkmenistan altogether. This decrease stemmed from various developments, not least the strain placed on bilateral relations by Turkmenistan's search for alternatives to Russian markets, but also by decreasing EU gas imports from Russia, and the economic slowdown in Russia. One major reason behind Turkmenistan's renewed push to open up to new markets is the halt to its exports to Russia.

**Iran: a first step towards diversification away from Russia**

Iran was the first country to help Turkmenistan to break its dependence on Russia. The first Turkmenistan-Iran gas pipeline was commissioned in December 1997, based on a 25-year contract to export 8 bcm per year to Iran. In January 2010, a new pipeline became operational, bringing annual export capacity to 20 bcm. Although Iran has the world's second biggest gas reserves, imports were needed for its populous northern cities, especially in the winter season, owing to a lack of connections with the south of the country.

However, the future of this gas trade is not certain, as Iran is returning to international gas markets after the lifting of Western sanctions. In August 2014, even before sanctions were lifted, the Iranian oil minister, Bijan Namdar Zanganeh, announced that Iran no longer needed Turkmen gas. Iran is currently developing its domestic gas interconnections while ramping up gas production and carrying out a comprehensive development project on its South Pars gas field. According to the National Iranian Gas Company (NIGC), in the first half of 2016 the country's gas exports increased by 3.4 %, while imports decreased 25.1 % year-on-year.

Nevertheless, despite concerns that bilateral gas trade could end, this is not likely to happen for at least another decade. Indeed, in June 2016, the two countries finalised a barter agreement under which Iran will take Turkmen gas worth around US$30 billion over the next 10 years and export engineering goods of a similar value in return, bringing the bilateral trade volume to US$60 billion.

**China replaces Russia as the biggest importer**

Turkmenistan was able to replace Russia with a new big importer, China, which aims to revive the ancient Silk Road route to Europe with a ribbon of new multibillion road, rail and energy projects, known as the One Belt, One Road (OBOR) initiative. Chinese imports from Turkmenistan started in December 2009 following the commissioning of Line A of
the 1,830 km-long Central Asia-China gas pipeline, stretching between the Turkmen-Uzbek border city Gedaim and Horgos in Xinjiang Uygur Autonomous Region, via Uzbekistan and Kazakhstan. A parallel line (Line B) became operational in October 2010, increasing capacity to 30 bcm, and a third parallel line (Line C) was launched in May 2014. As of 2016, total delivery capacity is 55 bcm, most of which comes from Turkmenistan, with additional gas from Uzbekistan and Kazakhstan.

Chinese imports from Central Asia are projected to increase still further. With 30 bcm of capacity, Line D will follow a different route to the first three lines, passing through Uzbekistan, Tajikistan and Kyrgyzstan. The pipeline is now under construction, based on the intergovernmental agreements signed in September 2013. By the time Line D becomes operational, Uzbekistan and Kazakhstan are expected to supply around 15 bcm on top of Turkmenistan’s 65 bcm.

However, the commissioning of Line D has been delayed, causing concerns that it may not be launched before 2020. Uncertainty over its completion date became another stimulus for Turkmenistan to speed up the TAPI project, given the risk of continued dependence on one major trading partner and exports falling short of capacity. According to Turkmengaz head Ashirguli Begliyev, Turkmenistan's total production in 2030 will reach 230 bcm, and 180 bcm of that amount will be exported. In order to attain this target, Turkmenistan needs not only to launch Line D but also to finalise the TAPI project, thus enabling it to start exporting gas to India and Pakistan where demand for gas is increasing.

**Growing demand for energy in South Asia**

Fast economic growth has fuelled rising energy demand in India and Pakistan, even causing acute power shortages in these countries. This has forced them to look for new gas suppliers, at the same time as Turkmenistan seeks to diversify its export destinations. Energy integration and cooperation between the two sides has therefore become increasingly important and mutually beneficial.

**India: Increased growth requires new energy sources**

Fast economic growth in India since 1990 has pushed up demand for energy imports considerably. Increasing import dependency exposes India to greater risks and renders it necessary to enhance energy security, by developing new import routes, at the same time as increasing energy efficiency and using more renewable energy. Access to new sources of energy is therefore one of the main objectives of India’s energy policy.

**Figure 4 – India’s GDP growth, energy imports and sources of domestic energy production**

Data source: World Bank and IEA.
The urgent need for secure energy supplies is highlighted by socioeconomic indicators. For example, 21.3% of the total population and over 30% of the rural population lacked access to electricity in 2012. Indeed, part of the country experienced a total blackout for two days in July 2012 when electricity grids failed to meet excess demand, leaving almost 700 million people in the dark. Per capita energy use of 600 kg oil equivalent, just one-third of the world average and less than one-fifth of the EU level, also reflects India’s energy shortage.

Domestic energy production is based largely on fossil fuels, with coal representing 47% of total output in 2014. Crude oil contributes around 8%, whereas biofuels and waste account for about 35%; the share of natural gas is just 5%. Moreover, fossil fuels are used to generate nearly 80% of the country’s electricity. Economic development caused the share of imported energy in total energy consumption to rise from 8.3% in 1990 to 34.3% in 2014; in other words, energy self-sufficiency decreased from 91.7% to 65.7%.

India’s economic growth as well as its energy hunger are both projected to continue. According to BP’s projection for 2035, India will be responsible for 9% of world energy consumption while its share in global production will be 5%. The International Energy Agency's New Policies Scenario expects energy demand in India to grow at an annual rate of 3.4% between 2013 and 2040, from 775 to 1,908 mtoe (million tonnes oil equivalent). During the same period, demand for gas will increase 131%, and domestic gas production will rise from 35 to 89 bcm. However, this will not suffice to meet growing demand.

**Figure 5 – India’s gas production and consumption (bcm)**

![Image of gas production and consumption graph]

Data source: BP

**Pakistan has started importing gas to address energy shortages**

The Pakistani economy has grown at an average rate of 4.1% since 1990. However, continued growth is being hampered by an acute energy shortage, with frequent power cuts preventing the manufacturing sector from operating at full capacity. According to an estimate by the Agency for International Development, insufficient energy supplies curtail Pakistan’s growth by around 2% per year. Load-shedding lasting for hours at a time is a frequent occurrence, owing to a supply shortfall reaching up to 40% of national demand. Indeed, a severe heat wave in July 2015 resulted in over 1,200 deaths due to a lack of power for air conditioners or fans. Tackling this problem is a priority of the Pakistani government, which aims to end the energy crisis by 2018. However, its plan to build coal-fired power plants is prompting environmental criticism.

Compared with India, Pakistan’s energy import dependency is lower (around 25%), and access to electricity is higher (93.6% in 2012). Nevertheless, Pakistan needs to diversify its energy mix, which is based primarily on biomass and natural gas, which accounted for...
47% and 39% of total consumption respectively in 2014. As explained below, the share of natural gas in the energy mix is very likely to rise in the years ahead.

According to BP data, Pakistan has proven gas reserves of 500 bcm, with annual production of around 40 bcm, peaking at 43 bcm in 2012. As demand continues to grow and no new gas fields are found to replace depleted reserves, Pakistan faces an urgent need to import gas. Pakistan started importing gas through its first LNG terminal in March 2015. As of August 2016, Qatar had delivered 2.8 million tonnes of LNG to the country. LNG imports from Qatar will rise further following a 20-year contract signed in June 2016, which provides for annual volumes to grow to 2.3 million tonnes. A second terminal providing additional capacity for increased imports is under construction and expected to be in operation by mid-2017. Pakistan has also deals for building LNG terminals with Russia and China.

Figure 6 – Pakistan's GDP growth, energy imports and sources of energy production

Gas pipelines are another way for the country to address its energy shortages. By delivering approximately 14 bcm (equivalent to one-third of domestic production) of Turkmen gas to Pakistan, the TAPI pipeline will be a major step towards meeting increased demand for gas. Jam Kamal Khan, minister of state in Pakistan's Petroleum and Natural Resources Ministry, has acknowledged that TAPI will boost the country's energy security, bring economic benefits and lead to an upgrade in associated infrastructure. Pakistan is also considering a pipeline to import gas from Iran's South Pars gas field, but this has been stalled owing to US objections and its future is not clear.

Lack of regional integration

Central Asia is one of the least integrated regions in the world, with severe security problems and a lack of economic development. This lack of integration is hindering regional cooperation on issues such as combatting terrorism, human and drug trafficking; building trade and energy routes; and establishing dialogue both at governmental and societal levels. The EU and the United States along with various international institutions such as the World Bank and the EBRD are collaborating in support of regional integration in the fields of transport, trade, and energy. For instance, the Central Asia Regional Economic Cooperation (CAREC) Programme financed 166 projects worth US$27.7 billion between 2001 and 2015.

In this context, TAPI is seen as making a major contribution to regional integration and cooperation. According to Sean O'Sullivan, director-general of the ADB's Central and West Asia Department, TAPI 'which marks a new chapter in regional economic cooperation, is a
true game changer, is a historic undertaking that will contribute to development, peace, security and in turn prosperity’. This view is shared by participating states as well as external supporters of the project, particularly the USA. Especially after NATO's withdrawal from Afghanistan, the worsened security situation in the region provided a stimulus for the United States to increase its sway there through US-backed projects (i.e. CASA 1000) aimed at enhancing interconnections and cooperation between central and southern Asian states. Given abundant Central Asian energy resources and growing demand from southern Asian neighbours, energy cooperation is an area that offers considerable potential.

**With multiple security challenges, is TAPI more than a pipe dream?**

The construction of the pipeline faces serious challenges, even raising doubts as to whether the project — often referred to as the TAPI dream or a pipe dream — can ever be completed. There are two main challenges: military insecurity due to insurgency along the route of the pipeline, and financial insecurity due to uncertainty over funding for the investment.

**Military insecurity**

The main concern stems from the fact that the proposed route of the pipeline passes through areas under Taliban influence (see Figure 2), especially following NATO's withdrawal from Afghanistan. For example, Afghanistan's Helmand and Kandahar provinces have long been Taliban strongholds. Moreover, since the NATO drawdown the Taliban have recaptured some territories, forcing the United States to revise its decision to withdraw its troops entirely. In October 2015, US President Barack Obama announced that 5 500 US troops would stay in Afghanistan beyond 2016. As the security situation continued to deteriorate, in July 2016 he revised this figure upwards to 8 400. Unless Afghan peace talks conducted by the Quadrilateral Coordination Group (composed of the USA, China, Afghanistan and Pakistan) reach a deal, militant groups based in Afghanistan and Pakistan will continue to threaten Central Asian security.

The effects of Afghan instability can already be seen in neighbouring countries. For instance, there have been terrorist incursions into Turkmenistan across its 744-km-long porous border with Afghanistan. These have cast doubt on the country's ability to defend its borders. On the southern borders of Afghanistan, Pakistan is threatened by the Taliban as well as Al-Qaeda and other terrorist groups such as the Haqqani network. Terrorist attacks in Pakistan have become more frequent and deadlier since the 2001 Afghanistan War forced these groups to move their bases to Pakistan. After peaking at 11 000 fatalities in 2009, the number of people killed by terrorists has since declined following a large-scale military operation by the Pakistan army to dismantle militant groups based in the north of the country. Nevertheless, terrorism remains a very real threat, as shown by a recent suicide attack on the police academy in Quetta, a northern Pakistani city on the route of the proposed TAPI pipeline. The Afghan and Pakistani governments have issued assurances that they will provide enough resources to protect the pipeline. For instance, Afghan president Ashraf Ghani has pledged to deploy 7 000 soldiers while Pakistan has said it will use its influence over the Taliban to ensure the pipeline's safety. Still, the capability of these countries to deliver on these promises is uncertain.

**Financial insecurity**

The fate of the project also depends on securing the investment needed for construction; it is not yet certain whether the four countries will succeed in doing so. The total cost of the pipeline project is estimated at around US$10 billion and as
consortium leader, Turkmenistan will carry the biggest share of the burden, with responsibility for 85% of total investment. Turkmenistan will provide 51% of funds on its own and look to external financing for the remaining 34%, while the other three states will each have a 5% share, which they will have the option of increasing. In addition to the costs of laying the pipeline, Turkmenistan is expected to spend an additional US$15 billion on developing the Galkynysh gas field.

Energy giants such as Chevron, ExxonMobil, BP and Total have expressed an interest in the project. However, the Turkmen government's refusal to give these companies access to its gas fields and the above-mentioned military insecurity have discouraged them from financing the project. Turkmenistan is in talks with potential financiers, including Saudi Arabia, Japan and the Islamic Development Bank (IDB). Turkmenistan's discontent with Turkmenistan's refusal to open up to new destinations was revealed by the case over gas pricing filed against Turkmengaz by Russian gas producer Gazprom in July 2015 at the international arbitration court in Stockholm. For its part, Turkmengaz claims that it is owed money by Gazprom. Gazprom's case suggests that Russia is likely to try to prevent Turkmenistan from exporting to EU countries.

However, both the EU and Turkmenistan seem determined to collaborate on a proposed subsea Trans-Caspian Pipeline (TCP) connecting Turkmenistan and Azerbaijan, to export bigger volumes of gas through the Southern Gas Corridor (SGC), one of the EU's Projects of Common Interest. Energy cooperation with the EU is documented by the Ashgabat Declaration, signed in May 2015 by the EU and three Turkic states—Turkmenistan, Azerbaijan and Turkey. These three countries also established a ministerial-level trilateral cooperation mechanism in May 2014 and Turkish president Tayyip Erdogan announced, in March 2015, a trilateral energy strategy between Turkey, Azerbaijan and Turkmenistan, source and transit countries for the EU. The SGC is designed to bring Caspian energy from countries including Azerbaijan, Kazakhstan and Turkmenistan to the EU. For the time being, the single gas supplier in the SGC is Azerbaijan, but in the longer term growing EU demand can only be met if other countries, such as Turkmenistan, participate.

Although TAPI will not supply EU countries, once completed it will boost Turkmenistan's production and export capacity, thus helping it to also export gas to the EU. Furthermore, like the other new pipelines that the country hopes to develop, it will boost regional cooperation and bring much-needed financing for socio-economic development, thus promoting regional stability and security — identified by the EU's Central Asia strategy as 'strategic European interests' in the region. Besides, as the EU's policy towards Central Asian countries links security and development, the TAPI project is likely to enhance the EU's notion of a 'security-development nexus' in its engagement in the region.
Main references


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Endnotes

1 Turkmenistan’s dependence on hydrocarbons was starkly revealed when a drop in world oil/gas prices compounded by the downturn in Chinese growth and the Russian economic slowdown led to a 19 % devaluation of Turkmenistan’s currency in January 2015. According to the Economist Intelligence Unit, comparison with similar devaluations in Russia, Kazakhstan and Azerbaijan suggests that the Turkmen currency is still overvalued and further devaluation is likely. The World Bank has projected that the country’s GDP growth, which shrank from 10.3 % in 2014 to 6.5 % in 2015, will fall further to 5 % in 2016.

2 The USA has even been accused of a hidden agenda in the 2001 Afghanistan War, paving the way for US companies to launch the abandoned pipeline project. For more details, see: A war for the pipelines?, BBC, 8 November 2001.

3 Until 1995, Turkmenistan exported most of its gas to Ukraine via Russia through the Central Asia-Center pipeline. Due to payment issues with Kyiv, Russia stopped re-exporting Turkmen gas to Ukraine. For more about Turkmen-Ukraine gas trade, see: D. Pretger and V. Omelchenko, Problems of Turkmen gas export: view from Ukraine, Central Asia and the Caucasus, No. 1(43), 2007, pp. 120-133.

4 According to Gazprom data, Russia imported 10.9 bcm and 11 bcm of natural gas from Turkmenistan in 2013 and 2014 respectively. After the January 2015 decision of Gazprom to decrease its imports from Turkmenistan, the amount of gas exported to Russia decreased to 3.1 bcm over the course of 2015. Russia’s imports from all Central Asian countries followed the same trend, decreasing from 29.5 bcm in 2014 to 22.3 bcm in 2015.

5 CAREC participants are Afghanistan, Azerbaijan, China, Georgia, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan as well as the following institutions: the Asian Development Bank, the European Bank for Reconstruction and Development, the International Monetary Fund, Islamic Development Bank, World Bank and United Nations Development Programme.

6 The CASA 1000 project is an electricity transmission system to connect all four countries, designed to export summer-time excess electricity supply from Kyrgyzstan and Tajikistan to Afghanistan and Pakistan.

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