



## BRINGING TURKMEN GAS TO THE EUROPEAN MARKET: TRANS-CASPIAN GAS PIPELINE

According to the British Petroleum (BP) Statistical Review, Turkmenistan is the world's fourth-largest natural gas giant with proven natural gas reserves of 19.5 trillion cubic meters, after Russia (38 trillion cubic meters), Iran (32 trillion cubic meters) and Qatar (24.7 trillion cubic meters). Thus, Turkmenistan accounts for 9.8% of the world's proven natural gas reserves. Due to its geographical location, Turkmenistan exports its rich natural gas reserves to Russia through pipelines built during the Soviet period, to Iran to meet the needs of the northern part of Iran, and to China, which needs energy.

As it is known, Russia has been an important buyer of Turkmen natural gas since 1991 and was re-exporting this natural gas, which procured at a low price, to Europe. Natural gas shipments between Russia and Turkmenistan were consolidated in 2003 with a 25-year contract, which envisages the transfer of natural gas from 5 billion cubic meters per year in the first phase to 70-80 billion cubic meters annually to Russia. But the explosion in the natural gas pipeline carrying Turkmen gas to Russia in 2009, the Russia-Ukraine gas conflict and the decrease in gas supplies to Western European countries caused Russia to stop importing gas from Turkmenistan in 2009. Russia resumed gas imports from Turkmenistan in 2010, but due to price disputes, Turkmenistan's gas exports to Russia dropped to zero in 2016. After 3 years of interval it was decided to resume natural gas trade between Turkmenistan and Russia in 2019 and the gas flow with small purchases continued to increase in the following years. In the first quarter of 2021, gas exports from Turkmenistan almost doubled to 2.2 billion cubic meters from 1.3 billion cubic meters a year earlier. Based on calculations and taking into account seasonal fluctuations, it can be predicted that by the end of 2021 the volume of gas supplies from Turkmenistan to Russia will exceed 8.8 billion cubic meters. Considering that the natural gas purchase between the two countries was previously carried out in the band of 40-50 billion cubic meters, it is obvious that the current amount is not a number that would satisfy Turkmenistan.

While the natural gas transportation to Russia carried out through the Central Asia-Central gas pipeline with an annual capacity of 45 billion cubic meters, the natural gas transportation to Iran is realized through the Korpje-Kurtkuyu pipeline with an annual capacity of 8 billion cubic meters, built in 1997 and Dauletabad-Sarakhs-Khangiran pipeline with an annual capacity of 12.5 billion cubic meters, built in 2010. The two branches of the Central Asia-China natural gas pipeline extending to China start from Turkmenistan, and the other branches continue with the pipelines in Uzbekistan and Kazakhstan. While the total annual capacity of the pipeline is 55 billion cubic meters, the total annual capacity of the two lines started in Turkmenistan is 40 billion cubic meters. In addition, it is expected to increase the pipeline capacity by adding another branch with an annual capacity of 25 billion cubic meters to this natural gas pipeline.

Considering the fact that China buys Turkmen gas at low prices due to the repayment of the 4 billion dollars loan provided by China to Turkmenistan for the construction of a gas pipeline in the Chinese direction, it can be said that the gas sector of Turkmenistan does not reveal its full potential and does not bring corresponding profits to the country's budget. The country's natural gas transfer to Iran was halted in 2017 due to Tehran's natural gas debt.

The Turkmen government, which is experiencing difficulties in all aspects of natural gas exports, needs to consider other energy cooperation ways to transfer its huge capacity to world markets and to find alternatives to its limited options in natural gas exports. In this context, Turkmenistan-Afghanistan-Pakistan-India (TAPI) projects targeting the South Asian market and Trans-Caspian Pipeline (TCP) targeting the European market have been put forward. TCP is also known as the South Caucasus Pipeline Future Expansion due to its connection with the South Caucasus Gas Pipeline. There are two ways of connecting TCP to European customers are envisaged for Caspian gas and blue hydrogen. The first of these, the pipeline can be added to the South Caucasus gas pipeline (Baku-Tbilisi-Erzurum), which provides access to the Trans-Anatolian gas pipeline (TANAP) in Azerbaijan and the Trans-Adriatic (TAP) gas pipeline, with the final destination Italy. The second way and the most direct connection is to connect the TCP from Georgia to Romania with the proposed White Stream pipeline under the Black Sea.

The construction of the 300 kilometer natural gas pipeline with 16 billion cubic meters of capacity through the Caspian Sea has been on the agenda since the 1990s, and it is aimed to supply gas to Azerbaijan and to Europe via Turkey with a pipeline to be laid under the sea. However, at that time there were many unresolved issues, such as the disputed gas field between Azerbaijan and Turkmenistan in the Caspian Sea and the unresolved legal issue of the territorial boundaries of the Caspian Sea. The first step was to resolve the issue of the status of the Caspian Sea: the five Caspian countries signed the "Convention on the Legal Status of the Caspian Sea" on August 12, 2018, in the Kazakhstan's Aktau city, and some problems have been resolved between the states bordering the Caspian Sea.

According to this document, the Caspian Sea has been defined as a closed sea with a special status and it has been accepted that the laying of gas pipelines or telecommunication cable lines along the seabed of the Caspian Sea will require the approval of only those countries in the sectors through which these lines pass, not all countries in the Caspian Sea. Then Azerbaijan and Turkmenistan signed an intergovernmental Memorandum of Understanding on joint exploration and development of long-disputed Caspian gas field named "Kepez" or "Serdar", renamed in 2021 to "Dostluk" ("friendship") field on January 21, 2021. The heads of state of the two countries declared that this agreement would lead to a new phase in

energy cooperation. It is thought that this cooperation would create opportunities for the implementation of the Trans-Caspian natural gas pipeline project and for the Caspian coastal states to realize their economic potential. At the moment, there are no legal or international obstacles for the construction of the Trans-Caspian gas pipeline.

Thus, the construction of the Trans-Caspian gas pipeline and its further connection to the Southern Gas Corridor becomes a real, and in fact, a necessary project for Turkmenistan. By cooperating with Azerbaijan in the energy sector, Turkmenistan will finally be able to enter the European market and show its role as an important player in the European Union's (EU) energy security. Ashgabat understands that this is an exceptional chance for the country to develop the energy industry and increase the export of natural gas, and therefore, speaking on February 11, 2021 at the VII meeting of ministers within the Advisory Council of the Southern Gas Corridor, the Chairman of the State Concern "Turkmengaz" Batyr Amanov said that the Southern Gas Corridor plays a crucial role in diversifying energy supplies for the EU. He emphasized the successful cooperation related to the Southern Gas Corridor, and noted that this gas pipeline and all its segments can play a pivotal role in the future in enhancing the energy security of Turkey and European countries.

The only important issue for the implementation of the project after the solution of all legal aspects is financing. The budget of the project is determined as approximately 2 billion dollars. So, many gas pipeline projects of this scale were implemented with the direct financing of one of the participating countries, including, Turkmenistan is expected to have some kind of financial participation in the project. EU countries, whose main priority is the diversification of energy resources in the field of energy security, are expected to support the Trans-Caspian natural gas pipeline project.

The fact that Russia and Iran put forward their environmental concerns related to the pollution of the Caspian Sea and that they could oppose a potential Caspian pipeline project constituted another obstacle for this project. It is remarkable that both Russia and Iran have also been historically opposed to such a pipeline project, that they are not involved in. It is a known fact that Russia does not want to share its energy monopoly in the region with anyone. In this context, Russia has developed alternative projects like TurkStream to such projects in order to ensure energy security. Although TCP seems to have lost its importance with the coming to the agenda of the TurkStream project, with the disappearance of the political problems in front of the TCP, it can be considered as a unique opportunity for the EU that wants to diversify its energy needs. In this context, after resolving financial issues, the construction of the Trans-Caspian gas pipeline is considered the most realistic at the moment and, perhaps, in the near future we will be able to observe international steps towards the start of the project.

## Politics, Foreign Affairs, and Security

- The Minister of Foreign Affairs of Russia Sergey Lavrov announced at a news conference held in Moscow that the Kremlin suggested the establishment of a new 3+3 format in the Caucasus, comprising three Caucasian states Armenia, Azerbaijan, and Georgia and their three “big neighbors” Russia, Turkey, and Iran. According to the Minister, the format would address the issues of security, unblocking economic and transport ties. Prior to that, Minister Lavrov held a meeting with his Iranian counterpart Hossein Amir-Abdollahian in Moscow (Anadolu Agency, 06.10.2021).
- Turkey and Azerbaijan conducted “Unshakable Brotherhood” joint military exercise in Azerbaijan’s Nakhchivan exclave. The aim of the exercise is to develop friendship, cooperation, and coordination between the Turkish and Azerbaijani land forces, and share knowledge and experience to improve interoperability. The military exercises were also aimed at reviving efforts to normalize relations between Turkey and Armenia as part of a broader regional peace effort (Rferl.org, 06.10.2021).
- The Minister of Foreign Affairs of Kyrgyzstan Ruslan Kazakbaev met with the Ambassador of Russia to Kyrgyzstan Nikolai Udovichenko. During the meeting, the sides synchronized watches on upcoming bilateral foreign policy events, exchanged views on issues of the international and regional agenda and discussed topical issues of Kyrgyz-Russian cooperation. The sides also noted the need for the earliest practical implementation of the agreements reached following the meetings of the Presidents of two countries this year in Moscow and Sochi (Kabar, 09.10.2021).
- The Foreign Minister of Ukraine Dmytro Kuleba and Foreign Minister of Turkey Mevlut Cavusoglu held a meeting in the city of Lviv in western Ukraine. During the meeting, Kuleba stated that Ukraine was willing to deepen its cooperation with the North Atlantic Treaty Organization (NATO) member states and partner countries in the Black Sea region. According to Minister Kuleba, NATO countries, together with Ukraine, Georgia and even Moldova, can unite their efforts on the issue of the Black Sea region (Xinhua, 08.10.2021).
- An official opening ceremony of the Embassy of Kyrgyzstan in Hungary was held in Budapest. The event was attended by the Minister of Foreign Affairs and Trade of Hungary Peter Szijarto, representatives of the Cooperation Council of Turkic Speaking States (CCTS) Office in Hungary, Honorary Consul of Kyrgyzstan in Hungary Andre Erdos, as well as citizens of Kyrgyzstan studying in Hungarian universities. The opening of the embassy is expected to become a historic event in the development of bilateral relations between Hungary and Kyrgyzstan (Kabar, 05.10.2021).
- The Defense Ministers of Azerbaijan, Georgia and Turkey, Zakir Hasanov, Juansher Burchuladze and Hulusi Akar held a trilateral meeting in the Georgian capital Tbilisi. The sides discussed the issues of military cooperation, stability and peace in the region, emphasizing the absolute priority of international law and respect of territorial integrity in resolving conflicts. At the end of the meeting, the defense chiefs inked the Trilateral Meeting Final Statement which mainly focuses on further improving cooperation among the three countries (Anadolu Agency, 05.10.2021).

## Economy, Finance, and Energy

- Azerbaijan, Georgia and Turkey signed a protocol on the establishment of a trilateral committee on customs issues. The signing of the document is expected to contribute to the further development of cooperation between the three countries in the field of customs. Earlier it was reported that a trilateral protocol on the development of the Baku-Tbilisi-Kars railway project had been signed between the three countries (Azernews.az, 09.10.2021).
- The prospects of bilateral cooperation between Kyrgyzstan and Turkey in the sphere of industry and technology were discussed during the meeting of the Minister of Energy and Industry of Kyrgyzstan Doskul Bekmurzayev with the Chairman of the Grand National Assembly of Turkey Mustafa Sentop. Minister Bekmurzayev noted that intensification of bilateral cooperation in the field of industry would serve as a basis for increasing mutual trade and partnership between Kyrgyzstan and Turkey. Mustafa Sentop noted the readiness of the Turkish side to support the development of the economy of Kyrgyzstan (Turkic World, 08.10.2021).
- It was announced that the Hungarian-Kyrgyz Development Fund was launched in the meeting of the Strategic Council of Foreign Ministers of Kyrgyzstan and Hungary held in Bishkek. The initial authorized capital of the Bishkek-based fund is \$50 million. The Development Fund will implement priority investment projects for the Kyrgyz Republic in agriculture, tourism and other areas of the economy (Turkic World, 05.10.2021).
- The first Turkmen-Uzbek economic forum was held in Tashkent during the visit of President of Turkmenistan Gurbanguly Berdimuhamedov to Uzbekistan. The President of Uzbekistan Shavkat Mirziyoyev held a meeting with President of Turkmenistan Gurbanguly Berdimuhamedov, within the framework of which 23 documents were signed covering almost all areas of multifaceted Uzbek-Turkmen cooperation. The delegations of the two countries held a meeting, on which they talked about investment plans and joint economic projects (Centralasia.news, 05.09.2021).
- At an online meeting with the participation of the Minister of Agriculture of Uzbekistan Zhamshid Khodzhaev and the Deputy Minister of Agriculture of Russia Yevgeny Levin, the Russian authorities agreed to lease up to one million hectares of land to Uzbekistan. According to the decision, the idle land will be leased for agricultural use and the entire crop harvested on land leased from Russia will be exported to Uzbekistan (Eadaily.com, 07.10.2021).
- The Minister of Economic Development and Trade of Tajikistan Zavki Zavkizoda asked representatives of the World Bank and the International Monetary Fund to help increase the volume of financial support to the republic. The Minister also noted the need to provide technical assistance to strengthen the system of macroeconomic modeling and forecasting. Currently, the World Bank and the International Monetary Fund are among the three largest creditors of Tajikistan, second only to the Export-Import Bank of China. The total debt of Tajikistan to the World Bank and IMF exceeds \$500 million dollars (ASIA-Plus, 07.10.2021).

## Society and Culture

- Representatives of the Justice Academies and the Judiciary Training Institutions of the Turkic Council Member States attended the First Meeting of the Judicial Academies of the Turkic Council held in Ankara. The meeting was organized by the Justice Academy of the Republic of Turkey. During the meeting, the participants informed each other about the activities of their respective institutions and discussed the possibilities of exchange of experience and elaborating common strategies in the field of judicial training (Turkkon.org, 05.10.2021).
- Bishkek hosted the Days of Kazakhstan culture in Kyrgyzstan. The event was timed to coincide with the 30th anniversary of the independence of Kazakhstan. Numerous concerts, meetings with Kazakh artists and even acquaintances with archaeological artifacts telling about the nomadic civilization of Kazakhstan were held within the framework of the event. The Days of Kazakhstan culture officially ended with the opera “Abai” performed at the Kyrgyz National Academic Opera and Ballet Theater named after A. Maldybaev (Kazinform, 06.10.2021).
- The Embassy of Kazakhstan in Ankara organized the International Conference on Jambyl Jabayev in cooperation with TURKSOY and Ankara’s Municipality of Keçioren. The event took place in the Necip Fazıl Kısakürek Cultural Center and was attended by diplomats, high-ranking officials from relevant ministries and scholars. The conference featured presentations of the book on Jambyl Jabayev and sessions gathering scholars. The participants also had the opportunity to listen to songs composed on Jambyl Jabayev’s poems (Turksay, 06.10.2021).
- The European Union Central Asia Civil Society Forum entitled “Building Forward Better: engaging for a sustainable post-COVID recovery” was held in Almaty. The event was attended by nearly 300 representatives from the government and civil society, including high-ranking officials of the EU and Central Asian states. The forum participants discussed the role of civil society in sustainable post-pandemic recovery and building a just, inclusive, and prosperous society, including through the promotion of gender equality and youth empowerment (The Astana Times, 06.10.2021).
- The Athletics Federation with the support of the Ministry of Tourism and Sports of the Republic of Uzbekistan, the National Olympic Committee, and the Hokimiyat of Navoi region organized the second stage of the Save Aral - 2021 sports race in the city of Zarafshan. The race is being held for the second year in a row in various cities of Uzbekistan. The event is aimed at supporting ideas to mitigate the consequences of the drying up of the Aral Sea and to popularize a healthy lifestyle (Uzdaily, 07.10.2021).
- Azerbaijani filmmakers Murad Huseynov and Saddam Mehdiyev have been awarded in the nomination “In the name of enlightenment and progress” at the 13th Tashkent International Film Festival “Pearl of the Silk Road”. Murad Huseynov’s film “Time of Wild Cranes” and the film “Two Roads” directed by Murad Huseynov and Saddam Mehdiyev were screened within the festival’s “Cinema in 5 Days” competition aimed at promoting young filmmakers’ works. (Azernews.az, 04.10.2021).