



CHINA AS RUSSIA'S FIRST ALTERNATIVE ROUTE IN NATURAL GAS EXPORTS

After the European sanctions and the decision to give up Russian natural gas in response to Russia's invasion of Ukraine in the past days, Moscow has started to look for alternative markets instead of the European market. Considering that Russia did not cut off gas flow to Europe even during the Cold War period, it is a harbinger of the seriousness of the energy crisis between Russia and Europe. In fact, the crisis between Russia and Europe started with the illegal annexation of Crimea by Russia in 2014, and Moscow has sought alternative markets, especially energy, since that date. In this context, China, Russia's eastern neighbor and one of the world's largest economies, stands out. While Beijing, which is dependent on coal and in need of energy, tries to secure long-term access to Russia's natural gas, Putin is directing the country's economy eastward in order to avoid isolation and create a strong alternative market after the Ukraine crisis and Western sanctions.

Today, China imports natural gas through liquefied natural gas (LNG) and pipelines. These imports accounted for 46% of the country's total gas supply in 2021, up from 15% in 2010. Last year, natural gas pipeline imports met 16% of China's natural gas needs, while LNG imports accounted for 30%. In 2021, China's domestic production reached about 54% of the total natural gas supply. While China imports natural gas via pipeline from five countries, such as Turkmenistan, Russia, Kazakhstan, Uzbekistan and Myanmar, it also imports LNG from 25 countries. The six largest LNG suppliers are Australia, the United States of America, Qatar, Malaysia, Indonesia and Russia, which collectively provide 85% of LNG imports. China's gas imports and production have increased as government policies encourage the transition from coal to natural gas to reduce air pollution and meet emissions targets.

The natural gas agreement worth US\$400 billion signed by the President of Russia, Vladimir Putin and the President of China, Xi Jinping in November 2014, is of great importance for Russia, which follows the strategy of turning its face to Asia due to the sanctions. The "Power of Siberia" pipeline is the biggest contract built by the state-owned gas producer Gazprom, for transferring gas from Russia's Far East to China's northeast, is the largest gas transportation

system with an annual transport capacity of 38 billion cubic meters (bcm).

The Power of Siberia pipeline, also known as the "China-Russia East Route Natural Gas Pipeline", which started its first shipment in December 2019, carries natural gas from Yakutia to Primorsk and from there to China. According to Gazprom's statement, approximately 4.1 bcm were delivered through the pipeline in 2020 and it is aimed to reach 38 bcm, its full capacity, by 2025. Once the pipeline reaches its full capacity of 38 bcm by 2025, it is highly likely that natural gas will completely replace coal in China's northeast region in the long run. In this context, while China will end the use of coal in the northeast region, Russia will be able to close the gap in the European market. In 2021, Russia exported 16.5 bcm of natural gas to China via pipeline and through LNG, while Russian gas producer Gazprom announced that natural gas exports to China increased by 60% in the first four months of 2022 compared to the same period in 2021.

Based on this, when we compare Russia's natural gas exports to China with European exports, Europe continues to be Russia's largest customer by far, importing approximately 200 bcm of gas every year, accounting for 30% of the continent's approximate supply. Therefore, even when China uses the full capacity of the pipeline, it can transfer up to 38 bcm of natural gas per year. Accordingly, Russia's natural gas transfer to China will not be sufficient to replace the European market exported by Russia. That's why Russia is creating alternative projects such as "Power of Siberia 2" and "Soyuz Vostok" pipelines to increase its natural gas transport volumes to China.

In this case, Russia agreeing to a 30-year contract to supply gas to China through Power of Siberia 2, a new 2600 km pipeline from the Bovanenkovo and Kharasavey gas fields in Yamal, supported Moscow's strained relations with the West over the Ukraine crisis with an energy alliance with Beijing. Before the invasion, President Vladimir Putin signed an estimated US\$117.5 billion oil and gas deal with Chinese President Xi Jinping in February 2022. This included Gazprom's supply of 10 bcm of gas per year to China through a new pipeline—Power of Siberia 2 - that would run from the Russian Far East island of Sakhalin to the

northeastern Chinese province of Heilongjiang.

According to the statements of Gazprom, considering the contract signed in February, gas shipments to China via Russia's Far East routes could reach 48 bcm per year. The new pipeline is expected to be operational by 2026 and means that together with the existing pipeline, annual natural gas supply could increase from around 10 bcm in 2021 to 48 bcm. Gazprom is also working on plans for another pipeline, the Soyuz-Vostok, which will run from Russia to China via Mongolia, meaning an additional 50 bcm of gas pipelines can be transported to China each year. The idea of a Trans-Mongolian gas pipeline is not new and was reintroduced by Mongolia at the 2018 Eastern Economic Forum. In 2019, with the tacit approval of Beijing, Gazprom and state-owned Erdenes Mongol initiated a feasibility study on the Soyuz-Vostok pipeline, the Mongolian leg of Power of Siberia 2. In early 2022, the Mongolian authorities and Gazprom approved the Soyuz-Vostok feasibility study, along with the general feasibility study of Power of Siberia 2. A few days after the start of the Russian invasion of Ukraine, Erdenes Mongol and Gazprom quickly signed an agreement for the engineering and design of the pipeline with the aim of starting construction in 2024. With a capacity comparable to the suspended Nord Stream 2 project, Soyuz-Vostok is well positioned to bring gas to China from Russia's Yamal peninsula, originally intended for European markets.

As a result, it is understood that Russia has started to turn its face towards China since 2014 against European sanctions. The invasion of Crimea led to the emergence of the Power of Siberia pipeline, while the invasion of Ukraine led to the emergence of the Power of Siberia 2 and Soyuz-Vostok pipelines. Events such as Moscow's signing of a large amount of energy agreements with China before the invasion of Ukraine and its meeting with Mongolia after the invasion and the acceleration of the feasibility studies of the Soyuz-Vostok pipeline are concrete indications that Russia is targeting the Chinese market. In this context, it is possible to see that Russia is turning to a large market with energy needs such as China against European sanctions; while on the other hand, it is possible to observe that China, which meets its energy needs and wants to get rid of coal, is also in favor with the recent development.

Politics, Foreign Affairs, and Security

- President of Türkiye Recep Tayyip Erdoğan received Prime Minister of Pakistan Shehbaz Sharif at the presidential palace in Ankara. The sides comprehensively discussed bilateral relations and regional and global issues. The two leaders, with the participation of Cabinet members of both countries, also attended the signing ceremony of the agreements where the sides signed seven agreements in various fields including trade, housing, debt management, and transportation (Anadolu Agency, 01.06.2022).
- President of Armenia Vahagn Khachatryan paid a visit to Tbilisi, where he met with his Georgian counterpart Salome Zurbishvili, Prime Minister Irakli Garibashvili, and Parliament Speaker Shalva Papuashvili. The sides discussed the prospects of development between the two countries in various fields, including transport, communication, and information technology. The parties also highlighted the importance of establishing long-term, stable peace in the region (Civil.ge, 01.06.2022).
- Upon an official request from Ankara, the United Nations (UN) agreed to use Türkiye in all official documents instead of Turkey. UN spokesperson Stephane Dujarric said the country's name change became effective from the moment the letter was received. Turkish Foreign Minister Mevlut Cavusoglu stated that in cooperation with Directorate of Communications, countries and international organizations are made aware of this change (Trtworld, 02.07.2022).
- The national referendum to introduce amendments and additions to the Constitution took place in Kazakhstan. A total of 11.7 million people as well as over 11 thousand Kazakhstani nationals residing abroad could cast their votes in the referendum. President of Kazakhstan Kassym-Jomart Tokayev said that the novelties the Kazakhstani people voted on in the referendum would provide big changes (Kazinform, 05.06.2022).
- President of Tajikistan Emomali Rahmon made an official visit to Uzbekistan, where he had a meeting with the country's President Shavkat Mirziyoyev. During the visit, both Presidents attended the launch ceremony of the construction of the Yavan hydroelectric power station on the Zarafshan River. This is the first major project of bilateral energy cooperation. A modern plant with a capacity of 140 megawatts will play an important role in ensuring energy security, and sustainability of the water and agricultural sectors of Uzbekistan and Tajikistan (Kun.uz, 02.06.2022).
- A border incident occurred on June 3, 2022, in the Bulak-Bashy area of Batken Oblast, on the border with Tajikistan, during which two servicemen of Kyrgyzstan were seriously injured. The official representative of the Ministry of Foreign Affairs of Kyrgyzstan Avazbek Atkhanov commented on the issue and mentioned that Kyrgyzstan proceeds from the unchanged position on the need to comply with the reached agreements. He added that all existing problems should be solved exclusively by political and diplomatic means (Kabar, 03.06.2022).

Economy, Finance, and Energy

- According to the latest data, the volume of traffic through Kazakhstan's seaports has doubled. In particular, over 1.2 million tonnes of cargo was transported through the Aktau port in the first quarter of 2022. The port is open all year round for ships of all types. There can be 2.500 containers in open storage areas. Cargo from the Aktau marine north terminal is mainly transported in the direction of Iran, Russia, and Azerbaijan (Qazaq TV, 01.06.2022).
- Minister of Economy of the United Arab Emirates Abdullah Bin Touq Al-Marri and Chairman of the Chamber of Commerce and Industry Abdullah Al-Mazrui visited Bishkek, where they participated in the Kyrgyz-Emirates Business Forum. A number of documents were signed during the event, including a memorandum of understanding between the Chambers of Commerce and Industry of the two countries on the establishment of the Kyrgyz-Emirates Business Council. The countries plan to expand investment and business opportunities (Kabar, 01.06.2022).
- Within the framework of the Baku Energy Forum, Oil Minister of Iran, Javad Ovjii announced that 1.5 billion cubic meters of gas would be sent from Turkmenistan to Azerbaijan via Iran. These supplies will be carried out on the basis of a trilateral agreement signed between Azerbaijan, Iran and Turkmenistan. Since January 3, 2022, supplies of 4.5 million cubic meters of gas daily have begun within the framework of the gas exchange of Turkmenistan, Iran and Azerbaijan (Orient, 03.06.2022).
- Energy cooperation between Ukraine and Moldova is deepening. Energoatom National Nuclear Energy Generating Company of Ukraine will start supplying electricity to Moldova. Energoatom signed an electricity export contract with Moldova's Energocom. According to the contract, Energoatom is planning to supply 85.2 thousand megawatt-hours of electricity at the price of \$77 per megawatt-hour to Moldova in June 2022. The company will have an additional source to finance its public service obligations related to the supply of electricity for household consumers (Ukrinform, 03.06.2022).
- Azerbaijan continues developing its renewable energy sector. The country will construct the Garadagh solar power plant with the support of the Asian Development Bank. The Bank's board of directors signed an agreement with Masdar Azerbaijan Energy LLC, to provide it with a \$35.7-million loan for the project to be taken off the ground. The solar plant will be ADB's first renewable energy project in Azerbaijan of this scale. The solar power plant will generate 230 MW energy or electricity (AzerNews, 01.06.2022).
- Eurasian Economic Commission plans to start negotiations on a free trade zone between the Eurasian Economic Union and the United Arab Emirates by the end of this year. The statement was made at the meeting between the Minister for Trade of the Eurasian Economic Commission Andrey Slepnev and UAE Minister of State for Foreign Trade Thani bin Ahmed Al Zeyoudi. In 2021 the trade between the EAEU with the UAE surged by 60.9% year-on-year reaching \$6.3 billion (BelTA, 02.06.2022).

Society and Culture

- President of Kazakhstan, Kassym-Jomart Tokayev met with the Special Representative of the UN Secretary-General and Head of the UN Assistance Mission to the Afghan Republic Deborah Lyons. The parties discussed the situation in Afghanistan and the solution to problems related to this country. In this context, it was noted that the temporary remote office of the United Nations Assistance Mission in Afghanistan (UNAMA) was located in Almaty in 2021. Soon they will sign an agreement on the status of this mission in the republic (Centralasia.news, 02.06.2022).
- The inception meeting of the "Climate Change and Resilience in Central Asia" project took place in Bishkek. The project aimed at supporting climate-resilient development in the Ferghana Valley, the border area of Kyrgyzstan, Tajikistan and Uzbekistan. The meeting was organized to familiarize the project plan and current results, to receive expert advice and observations on climate change, and to explore ways of cooperation and interaction at different levels and platforms to discuss climate change impact on the entire region of the Ferghana Valley (Reliefweb.int, 06.06.2022).
- The World Bank and the Management Committee of the Afghanistan Reconstruction Trust Fund (ARTF) have approved three projects totaling \$793 million to deliver urgent and essential food, livelihood, and health services to the people of Afghanistan. The humanitarian initiative will concentrate on wheat production, and 300.000 households will be supported in November 2022 and another 300.000 households will receive support in March-November 2023. The project will address the nutritional requirements of children, individuals with disabilities or chronic illnesses, and women-led households (Theprint.in, 04.06.2022).
- A solemn ceremony unveiled a bust of the great Kazakh philosopher Abai in San Martin Square in New Delhi. The event was attended by Deputy Prime Minister - Minister of Trade and Integration of Kazakhstan Bakhyt Sultanov, Minister of State for External Affairs and Culture of India Meenakshi Lekhi, as well as diplomats. The unveiling of the bust took part as part of the visit of the Kazakh delegation to India for the 14th meeting of the Intergovernmental Commission Economic, Scientific and Cultural Cooperation between Kazakhstan and India (Kazinform, 02.06.2022).
- At the invitation of the Turkish side, the first deputy chairman of the Chamber of Accounts of Uzbekistan Bakhodir Turabov participated in the events marking the historical 160th anniversary of the establishment of the Turkish Court of Accounts. The official ceremony in Ankara was attended by the President of the Republic of Türkiye Recep Tayyip Erdoğan. Within the framework of this event, a series of meetings and negotiations were held between the SALS of Uzbekistan and Türkiye (UzDaily, 02.06.2022).
- The Uzbek city of Bukhara has been declared the "Youth Capital of the Turkic World in 2022". The decision was made within the framework of the 4th Forum of Young Leaders of the Organization of Turkic States (OTS) held in Bukhara. The forum was attended by the Secretary-General of the OTS Baghdad Amreyev, Deputy Minister of Youth and Sports of Türkiye Halis Yunus Ersoz, Director of the Youth Agency of the Republic of Uzbekistan Alisher Sadullayev, and Governor of Bukhara region Botir Zaripov (Kun.uz, 04.06.2022).