

Of the three energy-rich post-Soviet states besides Russia that border the Caspian Sea - Azerbaijan, Kazakhstan and Turkmenistan- Turkmenistan constitutes the regional “wild card” in terms of its direction as an external energy supplier as its foreign policy orientation is not as clearly defined as those of the other two states. Azerbaijan has proven itself to be an ally of the United States and Israel, planting it rather firmly in the Western camp, while Kazakhstan, despite its multi-vector foreign policy and friendly relations with the United States, maintains close ties with the Russian Federation, both in terms of ethno-linguistic ties, as well as within the more formally-binding structures of the Collective Security Treaty Organization (CSTO), the Shanghai Cooperation Organization (SCO) and the Customs Union of Belarus, Kazakhstan and Russia.

Turkmenistan, which declared strict neutrality and pursued an isolationist path under its first post-Soviet leader Saparmurat Niyazov, has emerged as an energy source eager to sell its hydrocarbon reserves on the global market. The Turkmen republic, under the administration of the more outward-looking President Gurbanguly Berdimukhamedov since 2007, now stands to become the ultimate prize for the nations competing for Central Asia's vast energy reserves. An audit of Turkmenistan's energy resources by the British company Gaffney, Cline & Associates in 2011 found that Turkmenistan's energy deposits contained around 918 trillion cubic feet of gas (Tcf), although two years later British Petroleum (BP) produced a greatly-reduced estimate of around 600 Tcf. This reduced estimate still means Turkmenistan possesses the fourth-largest reserves of conventional natural gas in the world, after Russia, Iran and Qatar. Turkmenistan plans to be able to reach an annual production rate of eight trillion cubic feet by 2030, the majority of which it will export to foreign markets; all of this makes Turkmenistan a major and greatly-coveted supplier of future liquefied natural gas (LNG).

### The TAPI pipeline

Recent events indicate that of the three main players for Central Asian energy resources (namely China, Russia and the West), it is China that has made the greatest headway in securing Turkmenistan as a reliable partner and energy supplier. China, by way of example, has secured a contract with Turkmenistan to develop supplies from the massive Galkynysh and Dauletabad natural gas fields, which has derailed Western attempts at securing Turkmen energy through the proposed Turkmenistan-Afghanistan-Pakistan-India (TAPI) Pipeline and has undercut Russian control of the outflow of Turkmenistan's energy supplies as well. Nevertheless, Turkmenistan is still a viable player in the quest to provide for European energy security, and remains the object of Russian efforts to dominate Central Asia's energy flows. But in both cases the “China factor” will continue to be an unavoidable reality in these blocs' energy relations vis-à-vis Turkmenistan.

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Written by Anthony Rinna

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The keyword in contemporary Turkmen energy policy is “diversification”, coupled with an acknowledged need to get Turkmenistan’s energy resources to market in the most pragmatic and expedient manner possible. President Berdymukhamedov has gone as far to state that promoting external energy security is the cornerstone on Turkmenistan’s foreign policy strategy, although the government has also denounced the politicization of the construction of energy transport pipelines. He has also indicated that he understands Turkmenistan’s role in energy security, as well as greater regional geopolitics, depends on the country’s ability to balance its own national interests with the interests of transit nations and consumer nations. In fact, after taking office, Berdymukhamedov declared that Turkmenistan is undergoing a national ‘renaissance’, part of which involves the nation seeking greater integration with the outside world and the global economy. His energy policy falls squarely under the concept of “pipeline diplomacy”, and is aided in part by the creation (in 2009) of an inter-industry commission on energy diplomacy in Turkmenistan. The country still adheres to a strict policy of neutrality, which is supposed to allow it to participate more effectively in providing energy to external markets and espouses the concept of ‘peace through development’. All of the candidates who ran against incumbent President Berdymukhamedov during the 2012 presidential election (farical though the election may have been) universally agreed with this principle and acknowledged the president’s role in initiating this policy for Turkmenistan. The Turkmen government appears to recognize that its own efforts to diversify its energy customer base not only serve the national interest, but are essential to global energy supply security on the whole, but which also represents a desire to play a deeper, more responsible role in global politics in contrast to the first fifteen years of independence.

### The UN

Turkmenistan has even gone as far as to propose to the UN the creation of an energy security council. On September 30, 2013, Turkmenistan’s Deputy Prime Minister Rashid Meredov spoke before the UN General Assembly of a desire to increase ‘constructive and omnilateral [sic] cooperation’ with the UN, and suggested the creation of a UN “universal international law tool kit” to promote global energy security. Mr. Meredov, a Turkmen Deputy Prime Minister, subsequently offered for Turkmenistan to host several international conferences of energy experts in 2014. Meredov cited his country’s vast importance as an energy supplier as part of his reasoning, for while Turkmenistan is primarily known for its large natural gas reserves, the country possesses 20.8 billion tons of oil as well.

The United States and its European Union (EU) allies place a high premium on Turkmenistan’s energy policy as do China and Russia; all of these blocs (EU, Russia, China) have Turkmen gas aspiration. Turkmenistan is one of the countries named as being part of the EU-led initiative known as the Southern Corridor. This endeavor’s purpose is to help increase the influx of Middle Eastern and Caspian region energy supplies into Europe, but is perceived by Russia as

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being a threat to its ability to dominate and control the Central Asian energy market. The Southern Corridor will require the constant attention of the United States, in whose national interests it is to see that European energy sources are free from Russian political leverage.

In 2011, Berdymukhamedov traveled to Hungary where he held talks with Hungarian President Pál Schmitt on bilateral cooperation, citing Hungary's need for Turkmen energy and Turkmenistan's need for Hungarian technological and technical expertise. In October, 2013, the EU's Special Representative for Central Asia, Patricia Flor, visited Turkmenistan to further discuss European energy cooperation with Turkmenistan. During the meeting, the Turkmen President affirmed his commitment to developing energy ties with the EU as a whole, as well as bilateral relations with individual EU states in the field of energy cooperation. Yet despite the fact that Turkmenistan has stated that one of its main priorities in the construction of export routes is the construction of pipelines headed toward the European market, the country does not want to rush too quickly into any agreement with the West regarding the construction of a pipeline. Turkmenistan has approached individual European companies, such as Germany's RWE AG regarding the exploration of offshore energy deposits, but has simultaneously worked to develop deeper relations with China as a way of both sidestepping Russia and to gain more leverage regarding its negotiations with the EU and the US.

As in almost any situation of energy geopolitics, Turkmenistan is beset by the specific issue of pipeline geopolitics. This is encapsulated most notably in the competition between the proposed Trans-Caspian pipeline and the Turkmenistan-Afghanistan-Pakistan-India pipeline (usually shortened to TAPI). The Trans-Caspian Pipeline will no doubt aid the above-mentioned Southern Corridor. One of the major hindrances to its construction is the issue of which countries have a say in the matter. Azerbaijan and Turkmenistan assert that they are the only parties in the Caspian region whose voices on the subject carry any weight (a position supported by the United States), while Iran and Russia assert that all five Caspian states should have equal say in the matter; in short, it is a question of whether it is a two-sided issue or a five-sided issue as far as the Caspian Sea nations are concerned. The lack of overall agreement on the legal status of the Caspian Sea is actually one of the biggest concerns of the EU in its energy policy.

The TAPI pipeline as planned will stretch for 1,044 miles from eastern Turkmenistan through Herat, Kandahar and Quetta, to just over the Indian side of the India-Pakistan border. The TAPI project was presented at conferences in several of the world's major financial centers (such as London, New York and Singapore) in the autumn of 2012, and Turkmen officials have begun voicing greater enthusiasm regarding TAPI- more so than the Trans-Caspian Pipeline- despite concerns over it passing through war-torn Afghanistan. Turkmenistan's natural resources czar, Yagshigeldy Kakaev, met with the heads of various energy companies and investment firms, as well as the Asian Development Bank and the heads of state of the other three participating countries to discuss the development of the project and an agreement on the construction of the TAPI pipeline was signed in December, 2010. The United States government hailed the signing

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of the agreement on TAPI's construction as a breakthrough for regional energy diversification and has stated that it will also help stabilize crisis-torn Afghanistan. Likewise, private American companies, (such as Chevron and Exxon Mobil, as well as other companies like BP, Germany's RWE, Malaysia's Petronas and Italy's Eni) have expressed great enthusiasm regarding the TAPI project, according to State Department official Robert Blake. The idea for the project had, in fact, been first conceived in the early 1990's, with US company Unocal desirous to spearhead the project, but it was put on hold because of the war in Afghanistan.

Russia has had a mixed record with regard to its stance on the TAPI pipeline. Initially it had been strongly opposed to the project, but later relented, in part because one of its closest Asian allies, India, needs large imports of energy to help fuel its booming economy for which purpose the TAPI pipeline would serve very well. Although Russia's stance has softened, it has still made overtures to the Turkmen government to try and gain concessions to have rights to some of the pipeline's energy shares, namely, by helping to fund and construct the pipeline. In order for Russia to achieve this, Russia stated that Turkmenistan was welcome to export as much gas as possible to China, which, according to Igor Sechin, constituted an 'endless market' (one that Russia and Turkmenistan could easily share), but that Turkmenistan was to stay away from the European market (i.e. by not participating in the proposed Nabucco pipeline to Austria). Yet President Berdymukhamedov, while welcoming Russian aid in the construction of TAPI, will not allow his country to be pressured into limiting itself to the Asian market alone.

As Russia and the United States were locked in geopolitical wrangling over the TAPI pipeline, however, China made a swift, subtle and decisive move that has ended the issue of who will control TAPI altogether. The TAPI project is intimately tied with the newly-discovered Galkynysh gas field, and China has secured the rights to the second-stage development of Galkynysh, an act which has essentially wrested the pipeline away from the United States, granting China an increased upper hand in dominating Turkmenistan's energy market and basically ended the geopolitical struggle between Russia and the West over the TAPI pipeline. A formal ceremony involving Turkmen President Berdymukhamedov and Chinese Premier Xi Jinping was held in September of 2013, and during that same state visit, the Chinese and Turkmen leaders discussed the possibility of building a pipeline from Turkmenistan to China that would traverse Uzbekistan, Tajikistan and Kyrgyzstan.

Aside from the questions of which international markets will have the greatest advantage regarding the purchase of Turkmenistan's natural gas and which new pipelines will be constructed to transport it, is the issue of Russian attempts to dominate the outflow of Turkmenistan's LNG to a degree favorable to Russia's geopolitical designs. Much of Turkmenistan's natural gas is presently routed through existing pipelines which are owned by Russia's state-owned natural gas firm Gazprom, and since 2003 Turkmenistan has been bound by a contract with Russia in which Turkmenistan is to sell gas in incremental volume to Russia,

although in reality sales of gas to Russia have not been consistent. In 2008, Turkmenistan sold 1,493 billion cubic feet (bcm) of natural gas to Russia, while in 2009 the figure dropped to 417 bcm. Since then the figure has fluctuated between 378 to 417 bcm. Turkmenistan is not the only country under contract with Gazprom with such wild export swings in volume but it has been by far the most inconsistent. So far only Azerbaijan has consistently increased its export volume to Russia, but it has only been in agreement with Gazprom since 2010. Prior to the global economic crisis, Russia's state-owned oil and gas companies, Rosneft and Gazprom respectively, were in a position to dominate Central Asia's energy market, but after the crisis struck, these companies now found themselves struggling for survival and seeking to at once free themselves from burdensome gas contracts in the region and at the same time find a way to maintain their monopoly over the European and Central Asian gas markets.

Turkmenistan's approach to foreign governments and companies aside from Russia is perceived by the outside world as Turkmenistan losing faith in Russia. The Russian government, however, will not easily sacrifice control of the Central Asian energy market, as exemplified by Vice Speaker of the State Duma Valeriy Yazev's assertion that not only will Russia maintain control over Central Asia's energy market, but that it will seek to control energy exports from Iran as well. Even if such a proposition is impossible, as many independent experts assert, such a bold assertion clearly demonstrates Russia's determination and resolve on the matter. Russia has in fact gone as far as to try to sow doubt among new foreign customers of Turkmen gas (namely China) regarding the viability of the country's energy supplies as exemplified by Gazprom Deputy Director Alexander Medvedev making public statements to that effect during a visit by President Berdymukhamedov to China. Mr. Medvedev stated in an interview with Russian news channel Rossiya that Turkmenistan did indeed have energy, but that new deposits are not easy to penetrate and require the use of complex technology that Turkmenistan simply does not have. The Turkmen foreign ministry, however, was quick to counter these assertions, accusing Russia of trying to undermine Turkmenistan's attempts to diversify its markets. Russian attempts at dissuading China and other countries interested in purchasing Turkmenistan's LNG supplies do not seem to have had much effect.

### China wins?

In the grand scheme of the interplay between the various national blocs and multitude of issues surrounding the issue of Turkmenistan's LNG market, at present the greatest victory in the international endeavors to secure Turkmenistan as an energy supplier undoubtedly goes to China. In 2011 President Berdymukhamedov signed an accord with China agreeing to supply the Chinese with 1.9-2.1 trillion cubic feet of gas through 2015. Two years later, in September, 2013, the China Development Bank agreed to finance the production of LNG from the aforementioned Galkynysh natural gas field, with a potential to produce between 812 and 918 bcm/year. Berdymukhamedov stated that the industrial production of LNG from Galkynysh,

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“answers the strategic plans of countries in terms of increasing the volumes of supplies of Turkmen energy supplies to world markets, as well as the diversification of energy markets.” Much of China’s interest in LNG is founded in ecological interests seeing that a large part of China’s industrial energy is derived from coal with its consequential environmental impact. The World Health Organization and the World Bank both state that the dirtiest cities in the world are in China. It is in China’s interest to find a more ecologically sound alternative to coal from gas and its imports increased over 2011-2012 by nearly 2.5 million tons, despite the fact that, during that same period, the price of natural gas for China went up from USD 472 per ton to USD 560 per ton.

The China-Turkmen agreement has been portrayed as a major strategic loss for Russia’s national natural gas company Gazprom. By some experts’ estimation, this means that Turkmenistan will become an essential Chinese supplier of natural gas outside of the structures of Gazprom or other Russian transportation or infrastructure companies. Russia and Turkmenistan are not necessarily in competition with one another for access to the Chinese market, but rather Russia desires to control the outflow of Turkmen gas to maintain its geopolitical dominance over Turkmenistan. In September, 2013 Russia’s state-owned Gazprom and the Chinese National Petroleum Corporation signed an agreement on the sales of Russian LNG to China through pipelines which constitute a designated ‘eastern route’. Around this same time, during the G20 summit in St. Petersburg Russian company NOVATEK and the Chinese National Petroleum Corporation (CNPC) signed a deal for the latter to purchase a 20% stake in the company ‘Yamal-LNG’ which is focused on building a facility capable of processing up to 16.5 million tons of gas per year at the Southern Tambey gas field. The Southern Tambey gas field is estimated to contain 418 bcm and 15 million tons of gas condensate although some believe that these energy supplies could double.

Gazprom regards China, along with other Asia-Pacific energy consumers as one of the world’s most dynamic and attractive markets according to Gazprom’s Alexander Medvedev. At the time of this writing a price regime has not been set between the two sides, with China desirous to bring prices in line with the Henry Hub pricing system. The Chinese government’s subsidies over gas supplies, however, do not coincide with Gazprom’s pricing policy thus making it difficult for the company to enter into a contractual agreement to sell Russian LNG to China. Although China and Russia have managed to sign some energy agreements, the Chinese have not opted to concede to the Russian company’s stance on pricing and instead have made plans to buy natural gas directly from Turkmenistan to supply its burgeoning economy. As such, Turkmenistan’s bilateral energy relations with China actually undermine Russian dominance.

## Conclusion

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Turkmenistan is at present a high-value chip in the New Great Game, an energy-rich nation with a lot to offer and no clearly defined geopolitical orientation. As it continues to open up to the outside world, the fight for Turkmenistan will be an extremely important, if not decisive, factor for victory in the geopolitical conquest of Eurasia. While Turkmenistan is not in itself even a regional power, it is still in an advantageous position vis-à-vis external actors seeking to control Central Asia's energy deposits. Recent actions have shown that it is a willing energy player and will work with whoever grants it the best deal. At the moment, it seems that China has the upper hand, but this does not yet translate into a permanent Chinese victory; it remains to be seen how the struggle to secure Turkmen energy supplies will develop. It's difficult to say what overall direction Turkmen foreign policy will take, as energy is currently the main strategic factor in Turkmenistan's external relations with the outside world, but there is the possibility that other issues such as security, could come to the fore as well, bringing Turkmenistan closer to Russia or even the West.

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