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BOOK REVIEW: THE NATURAL GAS EXPORTS OF TURKMENISTAN. ENERGY AND GEOPOLITICAL INTERESTS IN THE CASPIAN REGION

Urs Unkauf¹

Abstract

After the decline of the Soviet Union and the emergence of independent states, the southern Soviet republics opened their resources to international markets and began to develop their own political ambitions at the same time. Turkmenistan, as the country with the fourth largest reserves of natural gas (2014 estimated with 9.93 % of worldwide natural gas reserves) and as the most important supplier to China of this energy source takes a special place in the political configuration of post-Soviet Central Asia. In his recently published doctoral thesis, Heinrich Schulz analyses the questions why the country hasn't realized the export of natural gas to Turkey and Europe yet, and how Turkmenistan is influenced by energy political interests and geopolitics in the Caspian Region. The monograph also introduces general political issues regarding natural gas, pipeline infrastructure, and foreign trade of fossil fuels in Central Asia.

Introduction

Regarding the Caspian Region, the plurality of stakeholders in the sector of natural gas and petroleum is quite particular for this part of the world. Azerbaijan, Kazakhstan, Uzbekistan, and Turkmenistan account for 29.1% of global natural gas and 2.2% of global petroleum reserves (Abdolvand/Schulz 2013). Together with Uzbekistan, Turkmenistan was the centre of cotton manufacturing during the Soviet times. Around 80% of the country is covered by desert; most of the 5.7 million inhabitants live in a few developed centres. It seems quite evident that the exploration and production of fossil fuels has developed as the key issue of economic priorities for the states of Central Asia – especially for Turkmenistan with its huge natural gas reserves. Besides Kazakhstan and Uzbekistan, where the link goes back to the Soviet era, also the other neighbour states Azerbaijan, Afghanistan, and the Islamic Republic of Iran are important stakeholders concerning the natural gas export potentials of Ashgabat. Of course, the Russian Federation is also affected by gas trade from the Caspian Region and tries to keep control over the main pipeline connections. The national energy policy has not yet implemented solutions to overcome the resistance against Turkmenian gas exports to Europe for various reasons. Heinrich Schulz, who works as a business consultant with focus on Iran and honorary secretary of the German-Turkmenian Forum provides several explanations in his book about the interdependence of energy policy and geopolitical interests.

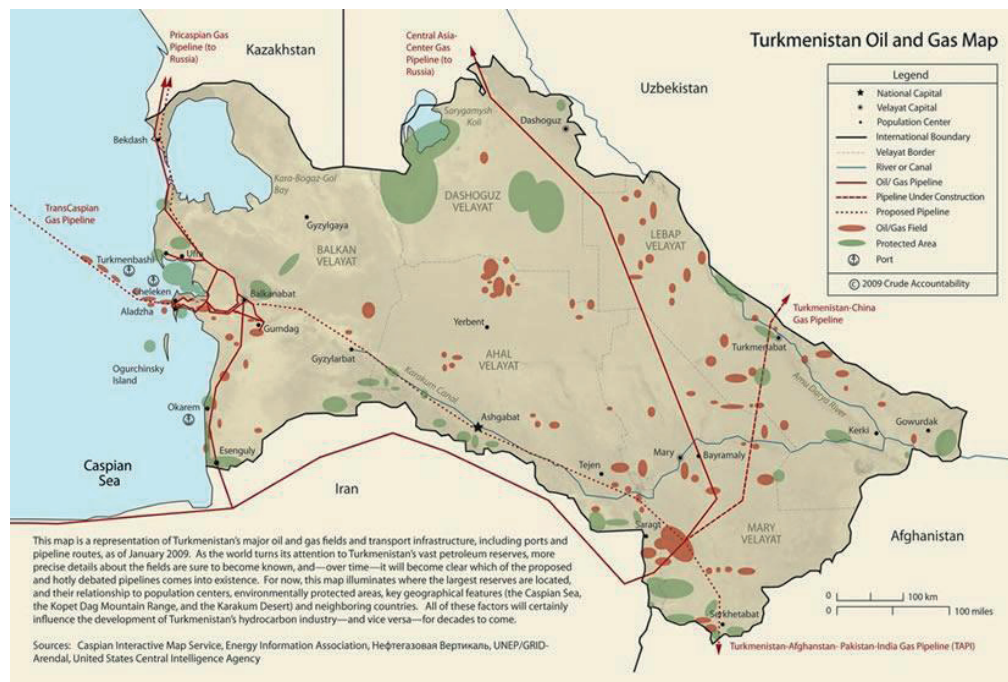
Turkmenistan as geopolitical stakeholder in the Caspian Region

The main question is why Turkmenistan has not yet been able to realize natural gas exports under the circumvention of Russia and why Ashgabat has an interest to export to Turkey and Europe (Schulz 2018: 28). This guiding aspect is subdivided into four hypotheses. The first one estimates the most important reasons in the geographical circumstances, confronted with the hegemonic ambitions of Russia and the containment policy of the US towards Iran at the same time. The second hypothesis refers to the second aspect of the main question and tells that there are more problems in the gas trade with Russia the more Turkmenistan develops an

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interest in exploring new markets in Turkey and Europe (Schulz 2018: 29). His third hypothesis refers to the lack of interest of cooperation from Azerbaijan, because Baku seems to be focused on its own export projects to Europe, concerning the increased importance of natural gas for this country in the last years. Finally, the fourth hypothesis indicates the Turkmenian evolution towards China, which makes development with the West impossible at the same time (Schulz 2018: 30). In consequence of the few monographs about the country, Schulz' thesis is mainly based on case studies, articles, and chapters from overview books about the Caspian Region (Schulz 2018: 23-27).

Graph no. 1 Overview of Oil and Gas in Turkmenistan



Source: EnergyPedia 2010,

<https://www.energy-pedia.com/news/turkmenistan/cnpc-and-petrofac-win-gas-field-contract> (access: 30.12.2017)

Natural gas as a key issue for Turkmenistan

Placing focus on the terms of analysis, the author defines energy security for Turkmenistan as the diversification of market areas, export routes, energy production, and the further processing of resources, for instance through petrochemical production (Schulz 2018: 57). The second chapter provides detailed statistics and data about the development of the Turkmenian natural gas production, infrastructure, and market demand on the regional and international level (Schulz 2018: 115-168). After summarizing also the investment potential of the country, the third chapter continues with a descriptive presentation of the Turkmenian gas trade since independence in 1991 (Schulz 2018: 169-232). An intermediate result shows already the importance of diversification as a paradigm of national energy policy concerning the stability of political power (Schulz 2018: 231).

Geopolitics through pipelines

With an analytical approach, chapter four estimates the reasons for the failure of the Turkmenistan-Iran-Turkey-Europe-pipeline project (TITE) as well as for both Trans-Caspian pipelines (Schulz 2018: 233-374). For TITE, the author sees the challenges which prevented the pipeline's construction in the resistance of the US against the project and the ambitions of Iran (Schulz 2018: 253-257). Instead, Trans-Caspian pipeline I was supported by the US, but blocked by Russia and Iran. Pipeline project II had support from the European Union as a component supplier of the Nabucco-project in the Southern Gas Corridor, but was opposed by Moscow (Schulz 2018: I 280-294, II 352-367). In general, the neighbour states of Turkmenistan have no interest in supporting Turkmenian export ambitions because of their own natural gas reserves. Afghanistan is an exception, but considering the issues of security and stability is not a preferable option for optimized export revenues (Schulz 2018: 368-375).

An additional benefit of this chapter is the comparable presentation of stakeholders' interests and their causes. Following this method, the author shows that, for instance, Russia is taking efforts to retain regional hegemony by controlling the export routes and directions. The unsettled legal status of the Caspian Sea is used by Russian politicians to preclude exports outside of their own transit zones (Schulz 2018: 265-267). The US is still trying to outline a containment strategy for Russian influence in the post-Soviet and Central Asian space and isolate regional energy cooperation with Iran (Schulz 2018: 267-269). China has a general interest in enlargement and diversification of its own natural gas imports and has tried to take a neutral position, wherever possible, for example in the case of Trans-Caspian pipeline II (Schulz 2018: 145, 153). Azerbaijan and Turkmenistan have some disagreements about their common Sea border, and Baku sees no reason for allowing Turkmenian gas exports through Azerbaijan – but is ready to negotiate in general questions concerning transit possibilities to Europe (Schulz 2018: 301, 347-351). All this shows that the diversification of Turkmenian exports to Iran and China are actually the central prospects for the development of a foreign trade infrastructure.

Conclusion

In the end, the four hypotheses underlying the guiding question will be approved. The summary of explanations, therefore (Schulz 2018: 381-386), is followed by some policy recommendations for the different stakeholders. The author considers the European Union should respect the interests of Russia and integrate Moscow into negotiations about future pipeline projects in the Caspian Region (Schulz 2018: 386-389). A possible scenario for future development of cooperation is seen in the connection of Azerbaijanian and Turkmenian offshore platforms in the Caspian Sea (Schulz 2018: 387). The role of Iran as exporter of natural gas in the context of ongoing US sanctions and high interior energy consumption is appraised critically. However, the export of Turkmenian gas to Iran and transformation to LNG is not excluded for the valorisation of European and Asian gas markets for Ashgabat (Schulz 2018: 388). The strategic question here is to establish an agreement between Turkmenistan and Iran about LNG

exportation to Europe, but as the author concludes, Turkmenistan prefers export to China under the current conditions (Schulz 2018: 389). As Hamid Reza Araki, director of the national Iranian gas company NIGC declared at the end of October 2017, Iran will not allow Turkmenian gas exports to Turkey. Finally, Turkmenistan is considered to continue the diversification of its export structure and the national economy as a whole, especially in the sectors of petrochemical industry and power generation.

Maybe the most important benefit of this publication can be seen in the focus on the interconnection between energy and geopolitics on the one hand and the global importance of the Caspian Region in the sector of natural gas on the other hand. Hopefully, there will follow other works about the perspectives of the other Central Asian states as important providers in the global market of fossil fuels to the East and the West.

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