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<http://atimes.com/2015/08/pipeline-race-heats-up-in-central-asia/>

Pipeline race heats up in Central Asia

BY SERGEI BLAGOV

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As Ashgabat intensified efforts to pursue the Turkmenistan-Afghanistan-Pakistan-India Pipeline (TAPI) project, the Russian authorities backed a potentially competing project.



The TAPI pipeline is expected to have a capacity to carry up to 33 billion cubic meters (bcm) of Turkmenistan's gas a year for 30 years from 2018

Ashgabat apparently prioritized this project as means to diversify the country's gas exports. Not surprisingly, Turkmenistan's state-owned company, TurkmenGaz, was selected the leader of the consortium, TAPI Ltd.

At a meeting in Ashgabat on Aug. 6, energy ministers of the TAPI participants decided to co-own the pipeline. TurkmenGaz also pledged to come up with majority investment for TAPI project. These decisions followed apparent reluctance by global energy giants to join, and under-write, the project.

The TAPI pipeline is expected to have a capacity to carry up to 33 billion cubic meters (bcm) of Turkmenistan's gas a year for 30 years from 2018. The 1,800-kilometer TAPI is estimated to cost between \$7.6 billion and \$10 billion. In recent years, this ambitious project had been stalled mainly due to lack of funding.

Turkmenistan has aimed to start works on TAPI in December 2015, to coincide with celebrations of Turkmenistan's official policy of "neutrality."

Turkmenistan's officials lost no time to promote the project now led by TurkmenGaz. On August 7, President Gurbanguly Berdymuhamedov traveled to Istanbul to meet Turkish President Recep Tayyip Erdogan. Berdymuhamedov invited Turkish businesses to join the TAPI project.

Several years ago, Russian officials and energy executives indicated interest in the TAPI project. But this month, Moscow moved to support a competing gas pipeline project. The Russian government issued a new regulation, dated August 4, aimed to support the Russian role in Pakistan's North-South gas pipeline project. The government also approved a draft 25-year agreement with Pakistan on gas pipeline cooperation.

The 1,200-kilometer North-South gas pipeline is expected to funnel imported gas from Karachi to Lahore. The construction works are tentatively expected to start in 2016.

Pakistan's North-South gas pipeline is seen as a transit route for imported, mainly Iranian, gas, along with the \$7.5-billion Iran-Pakistan (IP) 1,800-kilometer pipeline. The upcoming lifting of international sanctions on Tehran can give these projects a boost, simultaneously undermining the economic viability of the TAPI project.

Moscow's latest move came with a background of the latest bitter dispute between the Russian gas giant Gazprom and TurkmenGaz. In early July, TurkmenGaz accused Gazprom of failing to fully pay for gas supplied this year. Gazprom responded by filing a case against TurkmenGaz at the international arbitration court in Stockholm over gas supply contract prices. Although there were

earlier price disputes between Gazprom and TurkmenGaz, never before these disagreements entailed international arbitration.

The Russian gas export strategy used to include cheap imports from Central Asia, mainly Turkmenistan, and subsequent lucrative re-sale to Europe. In mid-2000s, Russia used to have huge gas plans in Central Asia. In September 2006, Gazprom agreed that Turkmenistan would export 80 bcm/year to Russia between 2008 and 2028. This agreement failed to materialize, presumably due to price disagreements.

In December 2007, Russia, Kazakhstan and Turkmenistan signed an agreement to build Pricaspiysky pipeline system to funnel 20 bcm of Central Asian natural gas per annum along the Caspian shores to Russia. However, this project was also shelved.

As relations between Gazprom and TurkmenGaz reached new lows this year, Turkmenistan's gas exports to Russia have been undergoing a steep decline. Gazprom's purchases of gas from Turkmenistan are expected to go down to 4 bcm this year, from 40 bcm in 2008, and about 10 bcm/year in 2009-2014. So decade-old plans of a major gas partnership between Russia and Turkmenistan were replaced by a bitter rivalry between the two major natural gas producers.