

TURKMENISTAN: more questions than answers

*Sabit Bagirov,
Centre for Economic and Political Research*



<http://www.eia.doe.gov/emeu/cabs/Centasia/Background.html>

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SWOT analysis of the situation in energy sector

Strengths <ul style="list-style-type: none">▪ The presence of considerable gas reserves▪ The presence of oil reserves	Weaknesses <ul style="list-style-type: none">▪ Remoteness from the western gas market▪ The lack of a diversified system of export gas pipelines▪ The physical obsolescence of the infrastructure▪ The investment climate is still not very attractive to foreign capital
Opportunities <ul style="list-style-type: none">▪ Increased production of domestic resources (oil and gas)▪ Diversification of export	Threats <ul style="list-style-type: none">▪ Disadvantageous conditions for gas transit through Russian territory as Russia has almost a monopolistic role in the transit of Turkmen gas▪ Conflict with Azerbaijan on offshore fields and Caspian status

Turkmenistan. Oil & Gas: reserves, production, consumption

	1991	1995	2000	2006
Oil proved reserves (thousand million tonnes)				0.1
Oil production (million tonnes)	5.4	4.1	7.2	8.1
Domestic oil consumption (million tonnes)	5.0	2.7	3.6	5.2
Gas proved reserves (trillion cubic meters)				2.86
Gas production (billion cubic meters)	78.6	30.1	43.8	62.2
Domestic gas consumption (billion cubic meters)	9.6	8.0	12.6	18.9

BP Statistical Review of World Energy June 2007

GAS RESERVES

At the end of 2006, the proven reserves of natural gas totaled 2,860 billion cubic meters, according to BP. According to the volume of proven reserves, Turkmenistan takes 13th place in the world (after the USA, Venezuela, Norway, Russia, Kazakhstan, Nigeria, Iran, Qatar, Iraq, Saudi Arabia, the UAE and Algeria). However, according to the state information service of Turkmenistan (TDH), new significant gas reserves were discovered in the southeastern part of the country in March this year, which will probably allow the country to take a higher place on the list of the world's gas-rich countries.

Regarding prospective gas reserves, predictions are not clear and have quite a wide range. According to representatives of the state corporation Turkmengeologia, extractable hydrocarbon reserves total 30.6 billion tons of standard fuel.

GAS PRODUCTION

According to the volume of gas production, Turkmenistan took 10th place in the world (after the USA, Canada, Norway, Russia, UK, Iran, Saudi Arabia, Algeria and Indonesia).

GAS EXPORT

According to the volume of gas export, Turkmenistan was the fourth country in the world at the end of 2006 (after Canada, Norway and Russia).

OIL RESERVES

Proven oil reserves are much more modest compared to gas reserves. Although extraction has been increasing at a slow pace in recent years, the volume of extracted and partly exported oil is not so significant in terms of influence on the foreign market. Oil is being extracted mainly in the west of the country. Such deposits as Nebit-Dag, Kotur-Tepe and Barsa-Gelmes are well-known here. The two latter contain more than 65 per cent of all oil reserves and provide more than 70 per cent of all extraction in the republic. The depletion degree of these two deposits is 65 and 58 per cent respectively

FOREIGN INVESTMENTS

The Turkmen government has made repeated attempts to involve foreign capital in the exploration of promising deposits in the Turkmen shelf of the Caspian Sea and in a number of onshore deposits. However, presentations in Ashgabat, London and Houston and tenders for packages of promising deposits did not really interest trans-national oil companies. There are several reasons for that:

FOREIGN INVESTMENTS

A number of foreign companies are working in the oil and gas sector of Turkmenistan. Among them are Petronas (Malaysia), Maersk Oil (Denmark), Burren Energy (Britain), Mitro International (Austria) и Dragon Oil (UAE-Britain). The government has signed production sharing agreements (PSA) with these companies. Foreign companies are not extracting a great amount of oil for the time being. In 2006, the amount of extracted hydrocarbon reserves totaled 3 million tons.

FOREIGN INVESTMENTS

According to various estimations, from 10 to 60 billion dollars for the period till 2020 are required for the development of Turkmenistan's promising oil and gas deposits.

Christof van Agt, an expert on Central Asia at the International Energy Agency in Paris, says Turkmenistan would need \$5 billion in investment every year for the next 25 years to boost output to 130 billion cubic meters by 2016 - the amount it needs to meet all its export commitments.

GAS PIPELINES

Turkmen gas is exported by two gas pipelines: Central Asia – Center (built in Soviet times) to Russia and Korpeje-Kurt Kui (built in the late 1990s) to Iran. Trying to diversify export routes, the government is carrying out negotiations on gas pipeline projects - 1) to Russia (a new gas pipeline for exporting Turkmen and Kazakh gas), 2) to China, 3) in the western direction (the trans-Caspian gas pipeline) and 4) to Afghanistan and then to Pakistan and India.

PROMISES

To:

- Russia

- Ukraine

- China

- EU

- Turkey

- Afghanistan

- Pakistan

- India

- Iran

Thank you for your attention

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