# Russia's emerging place The Eurasian hydrocarbon energy complex

The key bilateral energy relationship, without which the Eurasian hydrocarbon complex would not have acquired its present structure, is the Turkmenistan-Russia connection, particularly Russia's effective monopoly of export options for Turkmenistan's natural gas. Robert Cutler argues that the issues structuring the bilateral and multilateral international energy relationships in Russia's geo-economic relations with Europe, Central Eurasia, and China, have been the directions of export of Turkmenistani natural gas and also Kazakhstani crude oil. Increasingly acute competition between Russian and prospective non-Russian routes is the distinguishing feature of the present conjuncture.

**Robert M. Cutler**

IN THE CONCENTRATION of multilateral networks around the key bilateral Russia-Turkmenistan relationship, two triangles stand out. The first includes Kazakhstan as its third vertex; the third vertex of the other triangle is the EU. On the basis of the Turkmenistan-Russia-EU triangle, one may analytically construct another quadrilateral, adding the US. This energy-based quadrilateral is analytically decomposable into four trilateral relationships, each of which omits one of the four members. Likewise, the Kazakhstan-Russia-Turkmenistan triangle is a basis for two strategic quadrilaterals, one of which adds China to the triangle and the other of which adds the US.

Although the multi-directionality of Kazakhstan's policy has undergone changes in emphasis since 1991, Russia remains such a key player that the Kazakhstan-Russia-Turkmenistan triangle appears as the generative nucleus for the structuration of multilateral geo-economic relations in Central Eurasia and beyond. The analysis of Russia's emerging place in the Eurasian hydrocarbon energy complex therefore largely means exploring the possible triangularisations of bilateral Russia-Turkmenistan and bilateral Russia-Kazakhstan relations, where 'triangularisation' refers to potentials for decreasing the dependence of the respective Central Asian states on Russia.

**The Russia-Central Asia-US triangle in the 'bubbling-up' phase (1989-1994)**

In the early 1990s, US-Russian relations remained the principal systemic factor still structuring the evolution of Central Asia. Competition between the two countries was focused mainly through the lens of the hydrocarbon resources in the region. Thus in the years 1989-1994 it was actually the US that stood in such a triangularising role, even against EU protestations of American 'meddling' in the region. During this period, among the EU, the US, and China, with a few important exceptions (e.g., the Karachaganak gas field) only the US was present in Southwest Asia and Central Asia in a manner likely to impinge on Russia's energy interests. The first half of the 1990s saw the Kazakhstan-Russia leg of the fundamental Kazakhstan-Turkmenistan-Russia triangle pointing towards the US, because American offshore terminals in the Gulf of Mexico were the first intended targets for Kazakhstani oil shipments.

Western interest in Turkmenistan during these years was exclusively American interest, and it concentrated mainly on ameliorating Ukraine's payments situation as a gas importer. Western concerns about Turkmenistan's energy exports had not yet clearly focused on trying to make a trans-Caspian gas pipeline happen. Also, American diplomatic activity and financial interest were the moving force behind this export axis. The Turkmenistan-Russia leg of the triangle pointed towards the EU, through Ukraine, but only vaguely so, since the EU had not yet begun significant imports of natural gas through Ukraine. The Kazakhstan-Turkmenistan leg of the fundamental triangle remained undeveloped.

The first and second phases (1989-1994 and 1995-2000) are bridged by the Russia-Turkmenistan-Kazakhstan-US quadrilateral, which began to manifest during the years 1993-1997, especially as the ruble zone disappeared in Central Asia and American energy interests made themselves felt on the ground in Turkmenistan and Kazakhstan. In addition to the basic Central Asian-centric triangle of Russia-Turkmenistan-Kazakhstan, the other triangles in evidence were therefore Russia-Kazakhstan-US (competition and cooperation manifested in Tengiz), Russia-Turkmenistan-US (competition manifested in the failed TCGP project), and Turkmenistan-Kazakhstan-US (also manifested in the failed TCGP project).

**The Russia-Central Asia-EU triangle in the 'settling-down' phase (1995-2000)**

During the second phase, the organising triangle shifted from Russia-Central Asia-US to the Russia-Central Asia-EU triangle. The years 1995 through 2000 saw the construction of, or the decisions to construct, the CPC pipeline (Caspian Pipeline Consortium, oil from Kazakhstan to world markets across southern Russia and through the Turkish Straits), the BTC pipeline (Baku-Tbilisi-Ceyhan, Azerbaijani to world markets including the EU via Georgia and Turkey), the SCP (South Caucasus Pipeline, Azerbaijani gas to Turkey and perhaps eventually beyond), and Blue Stream pipeline (gas from Russia to Turkey under the Black Sea), and the failed exploration of the possibility of TCGP pipeline (Turkmenistani gas to world markets under the Caspian Sea to Azerbaijan and out through Turkey).

These are two oil pipelines to the world market, one from the eastern shore of the Caspian Sea and one from the western shore; two gas pipelines, one from Russia through Turkey and the other from Azerbaijan through Turkey; and one failed pipeline from the eastern shore of the Caspian Sea through Turkey. To them may be added other failed pipelines, most notably the TAP (Turkmenistan-Afghanistan-Pakistan) natural gas pipeline, which has recently attracted new attention particularly with its possible extension to India.

In Central Asia during this period, Russia continued to re-assert its influence through the national energy trusts, particularly Lukoil in Kazakhstan and Gazprom in Turkmenistan. But Russia's attempts, beginning in the late 1990s but still more evident in the first half of the present decade, to enforce its interests in Europe (including the new Eastern Europe, viz., former Soviet republics west of the Urals) has led to cooperative initiatives by other countries and the EU in order to insure their own respective interests. Kazakhstan and more recently Turkmenistan have cooperated with China for the construction of eastward export pipelines; and Azerbaijan hesitates to accept Russia's offer to purchase the whole of the country's natural gas production because of avowed non-economic concerns.

The second and third phases (1995-2000 and 2001-2006) are bridged by the Russia-Turkmenistan-Kazakhstan-EU quadrilateral, which began to manifest during the years 1999-2003. In addition to the basic Central Asian triangle including Russia, the other triangles in evidence were Russia-Turkmenistan-EU (with the EU's belated interest in the failed TCGP project), Russia-Kazakhstan-EU (manifested in the Kashagan deposit and other offshore North Caspian developments), and Turkmenistan-Kazakhstan-EU (also manifested in the failed TCGP project). The EU was highly allergic to the notion of US-Russian competition for Caspian oil at the time and opposed American power-projection into the South Caucasus and Central Asia. The final years of this phase, however, saw the international UK-based oil company BP declare in favour of the Baku-Tbilisi-Ceyhan pipeline from the Azerbaijani offshore to the eastern Mediterranean. This inevitably brought in not only other European companies but also other international and transnational European actors. Towards the end of this period, then, the EU thus injected itself into the South Caucasus and, by inevitable extension even against its declared intent, into at least the western and Caspian offshore regions of Central Asia. Also with the declared American interest in a Trans-Caspian Gas Pipeline (TCGP) from Turkmenistan that could also conceivably have picked up natural gas from the Karachaganak deposit in western Kazakhstan, the Russia-Turkmenistan-EU-US quadrilateral came into evidence and established its significance in these years.

**The Russia-Central Asia-China triangle in the 'settling-down' phase (2001-2006)**

During the third phase, the organising triangle shifted from Russia-Central Asia-EU to Russia-Central Asia-China. Chinese energy geo-economic penetration into Central Eurasia is confirmed as the dominant moment of the 2001-2006 phase, not only with the entry into service of the oil pipeline from Kazakhstan but also with the construction now under way of the gas pipeline from Turkmenistan, through Uzbekistan and Kazakhstan to Xinjiang in western China. These realisations are testimony to Chinese strategic planning beginning 15 years ago, when its national energy trusts first implanted themselves ever so delicately in the Caspian littoral. Both Tengiz and eventually Kashagan oil could conceivably reach China. For China to receive Tengiz oil, it would remain only to build the missing segment from Kenkiyak to Kumkol, and reverse the Aqtobe-Atyrau pipeline so that it flows from west to east. However, Kazakhstan's decision in favour of the Kazakhstan-Caspian Transport System and its westward route for Kashagan suggests that the Kazakhstani leadership may not be too keen to repeat with China its mistake of depending too much on Russia.

The third phase and the present developments (2001-2006 and the period since 2007) are bridged by the Russia-Turkmenistan-Kazakhstan-China quadrilateral, which began to manifest in 2005 and by the foregoing logic will have established itself by 2009. In addition to the basic Central Asian triangle, the other triangles in evidence ere are Russia-Turkmenistan-China (competition for Turkmenistan's gas resources as in the Caspian coastal pipeline vs. the Turkmenistan-China project), Russia-Kazakhstan-China (competition for Kazakhstan's resources as in the battle between Russian and Chinese companies for Petrokazakhstan the pipeline that this company owned), and Turkmenistan-Kazakhstan-China (cooperation over the Turkmenistan-China gas pipeline).

Turkmenistan's agreement with Russia for gas sales extends out to 2028 but the prices are not set past the near future. In 2007, Russia, Kazakhstan, and Turkmenistan negotiated, and in December that year signed, an agreement to refurbish and expand the capacity of the Caspian coastal pipeline, a Soviet-era gas line from Central Asia to Russia. It was Russia's attempt to prevent Turkmenistani negotiations with the EU for the TCGP from restarting. Russia had thought that it was succeeding in purchasing the vast majority of Turkmenistan's potential production over the long term but in October 2008 the results of a British expert firm's audit of the country's gas reserves (commissioned by a Niyazov's successor Berdimuhammedov) revealed that the new Yoloton-Osman field alone contains a minimum of four and a maximum of 14 trillion cubic meters, over and above current exports to Russia and Iran and planned exports to China: and that was the result for this one new field only. Suddenly Turkmenistan's available resources far outstrip Russia's attempts to corral them.

Beginning within the last two years there has occurred the autonomous consolidation, and movement towards realisation, of patterns of energy geo-economic organisation that cohered in the first half of the present decade, after having survived throughout the 1990s, following their emergence as mere possibilities during the years when the Soviet Union was devolving into its successor states.

**Conclusion**

The evolution of energy geo-economics in Eurasia and Russia's place in that evolution may be periodised, since the Soviet Union began to disintegrate in 1989, tripartitely following the arising of patterns from below, then their stabilisation (or disappearance), and finally the confirmation of their thoroughgoingness. The first phase ('bubbling-up') may be assigned the dates 1989-1994; the second ('settling-down') phase, 1995-2000; and the third phase ('running-deep'), 2001-2006. During the first phase the Russia-Central Asia-US triangle is central (and specifically its containment of the lower-order Russia-Southwest Asia-EU triangle); during the second, the Russia-Central Asia-EU triangle; and during the third, the Russia-Central Asia-China triangle. Those three phases taken together represent a super-phase of 'bubbling-up' that has initiated a new super-phase of 'settling-down'. The present period is then the 'bubbling-up' phase within the new super-phase of 'settling-down'. What is continuing to settle down from the 'bubbling-up' super-phase is that most of the evolving significant international energy networks in Central Eurasia branch out from the Russia-Turkmenistan relationship, or else from Kazakhstan's oil export policy. What is now happening in the new 'bubbling-up' phase within that super-phase is the increasingly acute competition between Russian and prospective non-Russian networks for provisioning Europe with natural gas and crude oil from the Caspian Sea basin.

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