

Turkmenistan's Natural Gas Deadlock

In terms of known natural gas reserves globally, Turkmenistan has been ranked fourth after Russia, Iran, and Qatar. However, despite having this amount of reserves, Turkmenistan can't simply get into the first ten countries in the production of natural gas. Beyond this, it has been going through a bigger problem of the distribution of its gas.

Russia has been the most prominent buyer of Turkmenistan's natural gas for a long time. The agreement signed between Russia and Turkmenistan on 10 April 2003 has allowed the dispatching of 70-80 million cubic meters of Turkmen gas to Russia every year. The agreement is to last for 25 years. Turkmenistan had previously exported 40-50 million cubic meters of natural gas to Russia until 2009 and this gas was transported to Ukraine and Europe through Russia's state-owned gas company, Gazprom.

Despite the agreement, several problems arose between Turkmenistan and Russia within this time-frame primarily regarding the price of natural gas. Uncomfortable with the fact that Gazprom paid much lesser than actual prices in the natural gas market, Turkmenistan raised the issue on certain occasions. And in 2009, an explosion happened in a gas pipeline near the Turkmenistan-Uzbekistan border used for sending off gas to Russia and, for a year, natural gas couldn't be delivered to Russia. While Turkmenistan regarded Gazprom responsible for the explosion, in the same year, it was rumored that the natural gas project between Turkmenistan and China really unsettled Russia. Although natural gas delivery to Russia restarted in 2010, Gazprom announced that it reduced the intake to 11 billion cubic meters.

As of 2015, Gazprom announced that it reduced its intake of natural gas from Turkmenistan to 4 billion cubic meters. Notwithstanding this reduction, Turkmenistan Petroleum and Natural Gas Ministry stated in the last months of 2015 that Russia didn't pay for the natural gas that it took in since the beginning of 2015. It was also stated that the sanctions imposed by the West due to the Ukraine crisis affected Russia negatively and lowered the purchasing power of Russia, having a 400 million dollars debt owed to Turkmenistan on behalf of Gazprom. At the beginning of 2016, Gazprom announced that it could not afford buying natural gas from Turkmenistan anymore on account of the current bleak situation of the natural gas market and the financial problems that it was going through.

The new natural gas projects of Turkmenistan and China has also had an impact on the natural gas crisis between Turkmenistan and Russia. Turkmenistan's plan to decrease its dependency on Russia and China's increasing need of natural gas enabled the establishment of the pipeline between Turkmenistan and China in 2009. Aiming at supplying 65 billion cubic meters every year to Beijing, the length of the pipeline in the project is about 7000km. From 2009 onwards, the volume of natural gas supplied by Turkmenistan to China has increased gradually. The pipeline, stretching for 185km across Turkmenistan, 529km in Uzbekistan, 1300km in Kazakhstan and approximately 5000km in China is currently distributing gas throughout Eurasia and has put Russia out of action that wanted to be the main player in the distribution of energy throughout the region.

Turkey had signed a natural gas deal with Turkmenistan in 1999 much before China's initiative. According to the 30-year agreement, it was planned to deliver 16 billion cubic meters of gas every year to Europe through Turkey. This project which envisioned the delivery of natural gas from Turkmenistan to Azerbaijan and Turkey, and finally to Europe via the pipeline which would pass under the Caspian Sea couldn't be put into practice due to the disagreements over the status of the Caspian Sea and counteractions of Russia and Iran.

The pipeline which was established in 1997 between Turkmenistan and Iran delivered more than 12 billion cubic meters of natural gas to Iran. But, on 1 January 2017, Turkmenistan decided to stop gas delivery to Iran because of its debt that amounts to 1.8 billion dollars. Even though Iran asserted that it would compensate the debt, Turkmenistan seems to be right on this disagreement because of the unpaid debts.

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Besides the disagreements with Russia and Iran upon the natural gas prices, the decrease of natural gas prices on the market also deteriorated Turkmenistan's financial situation. On 7 June 2017, with the decision of Turkmenistan's President Kurbankulu Berdimuhamedov, it was announced that the citizens were to be charged for the facilities they were using for free as of 1991 including electricity, water and natural gas. Turkmenistan was expected to be like Kuwait or Qatar of Central Asia after its independence, however, the reality is just the opposite. And the reason why it failed to be so is attributed to the poor administration practices. Unlike the 1990's, Turkmenistan has been recently depicted as a counterpart of petroleum-rich Venezuela in Central Asia. Turkmenistan's almost absolute dependency on energy sources (90%) has been regarded as one of the most important factors which have brought the country on the verge of a crisis.

Turkmenistan's disagreements with Russia and Iran, and its concerns regarding the probable dependency to China have forced Turkmenistan to search for new opportunities. In this context, the construction process of the pipeline (TAPI) between Turkmenistan-Afghanistan-Pakistan-India has been accelerated. However, there are many obstacles vis-à-vis the completion of the project such as the instability in Afghanistan.

Besides this, the project of Trans-Caspian gas pipeline which was planned but not implemented has brought to the agenda again. Especially during the Ukraine crisis in 2014, it was clearly proved that Europe depended on Russia for energy and the search for new alternatives has been launched. At this point, the delivery of Turkmenistan's gas to Europe will not only minimize the dependency of Turkey and Europe on Russia's gas but also make Turkmenistan relieved economically to some extent. This medium-term project requires the insistence and perseverance of all parties.