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The natural gas sector of Turkmenistan – dreams & realities

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Background – the rentier state

- Rentier states are states, which generate their income mainly from rents, which means for example the export of resources like oil or natural gas.
- The economy of an rentier state is based on rents
- The rents come from abroad
- The government is the main recipient of these rents
- Only a few individuals (the so called elite) are dealing with the development and the management of rents
- Because of the flow of rents, the government is not dependent on taxes of the citizens

Basics

- 488.100 sq. km., 85% desert (Karakum), size of Germany, Austria and Denmark
- Capital: Ashgabat
- Population: ca. 6,7 Mio.
- Presidential system
- GDP: ca. 12,9 billion USD





Political development

- Independent since 1991
- Leadership until 2006 of Nijazow (Turkmenbashi)
 - Authoritarian regime
 - Repression of the opposition
 - No independent media
- Since 2007 new president
 - Gurbanguly Berdymuchammedov

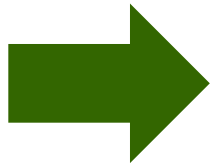
Change?





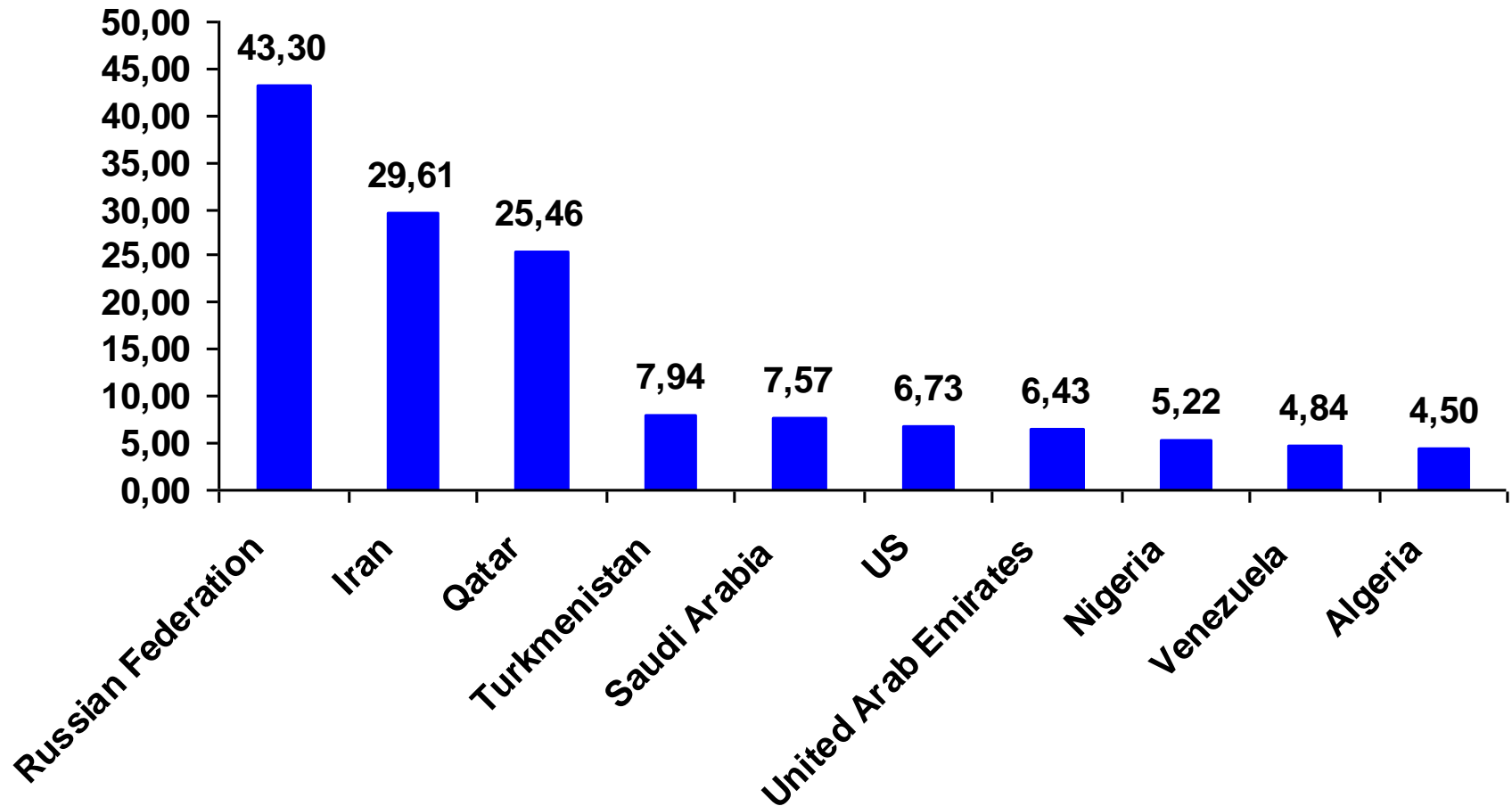
No!

- Few reforms (e.g. new constitution)
 - General gap between written law and its implementation
- Improving relations to other states

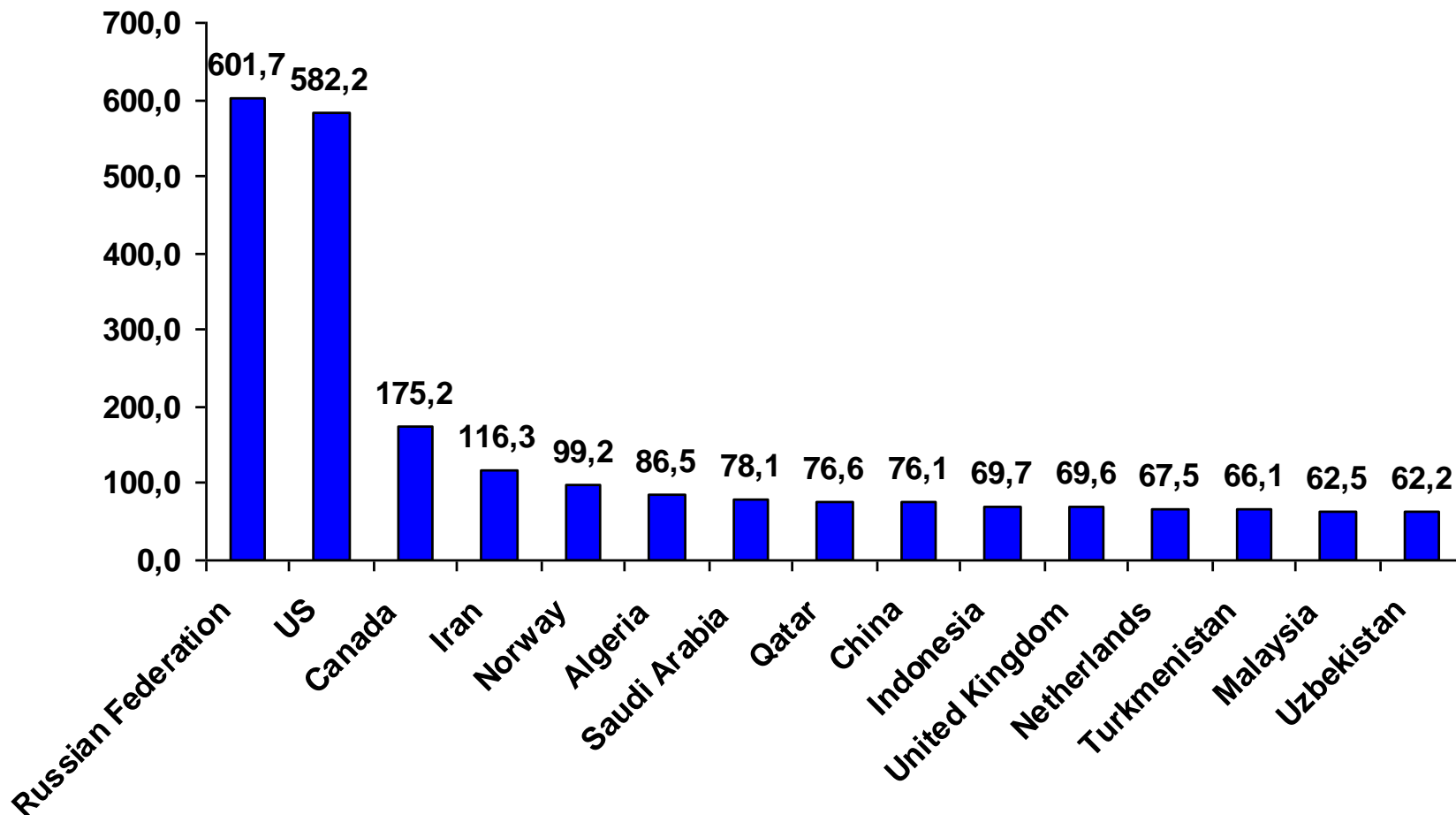


**No improved living conditions
for the population, still a
repressive regime**

The world's largest natural gas reserves (tcm)

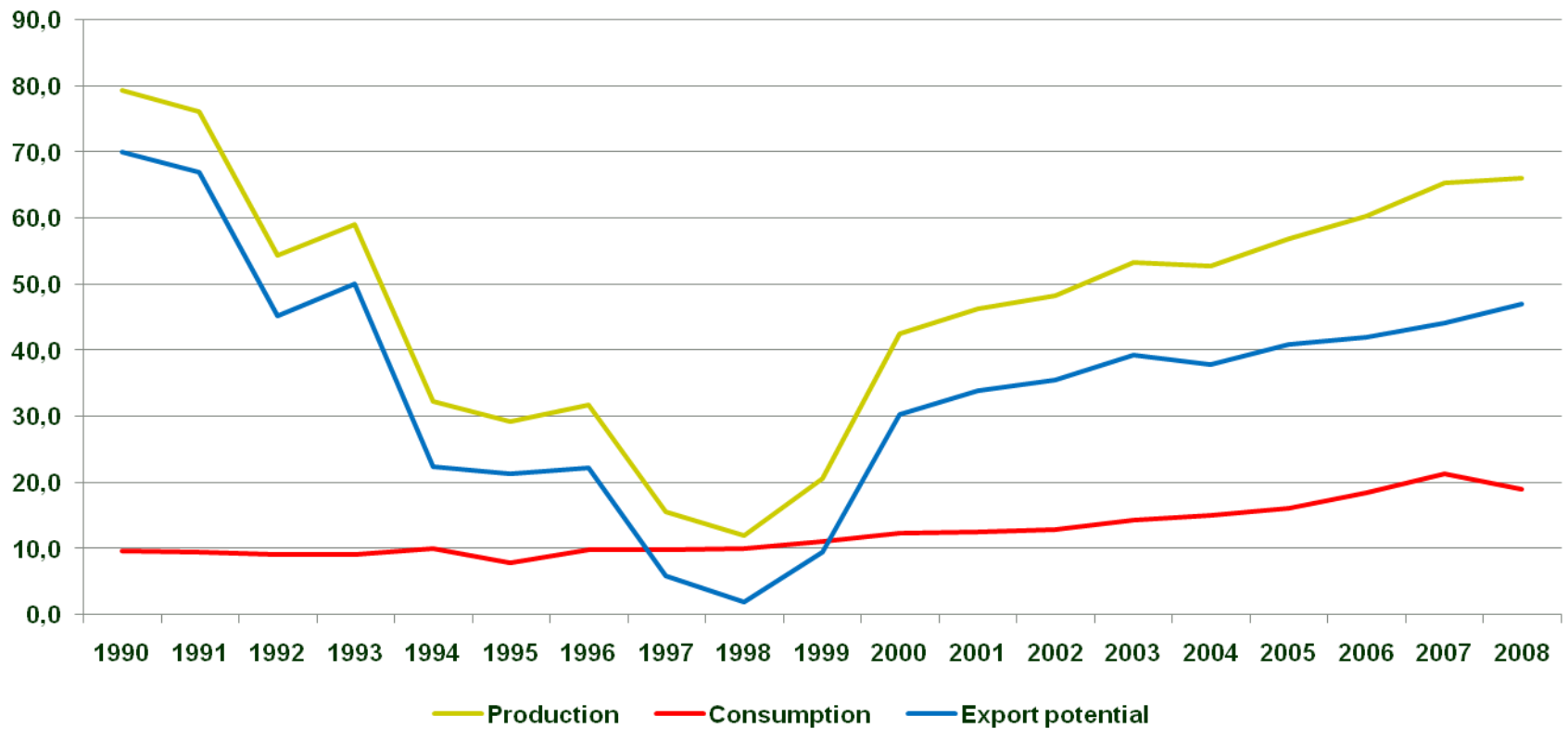


The world's largest natural gas producers (bcm)



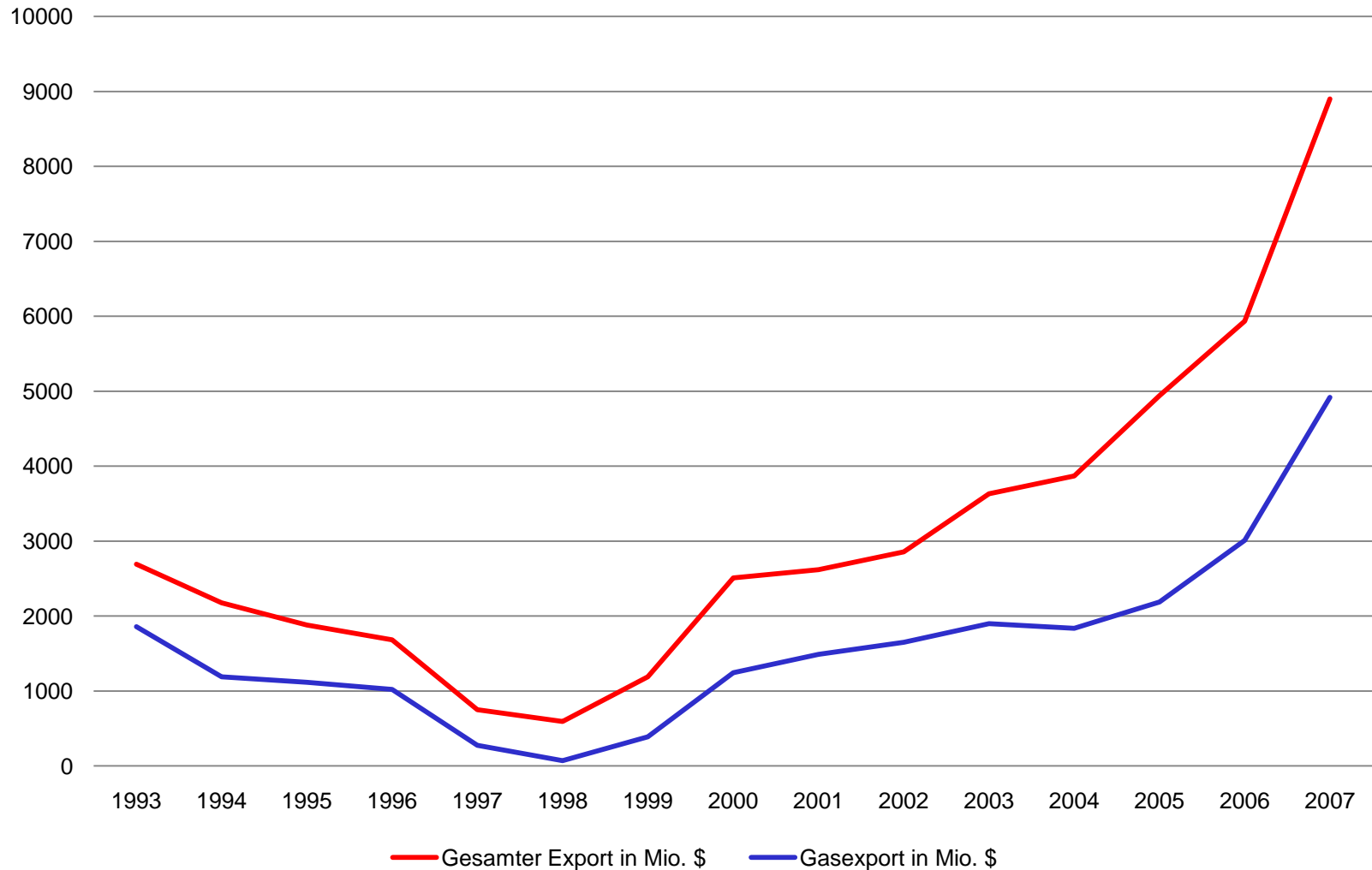
Source: BP Statistical Review 2009

Production and consumption (bcm)



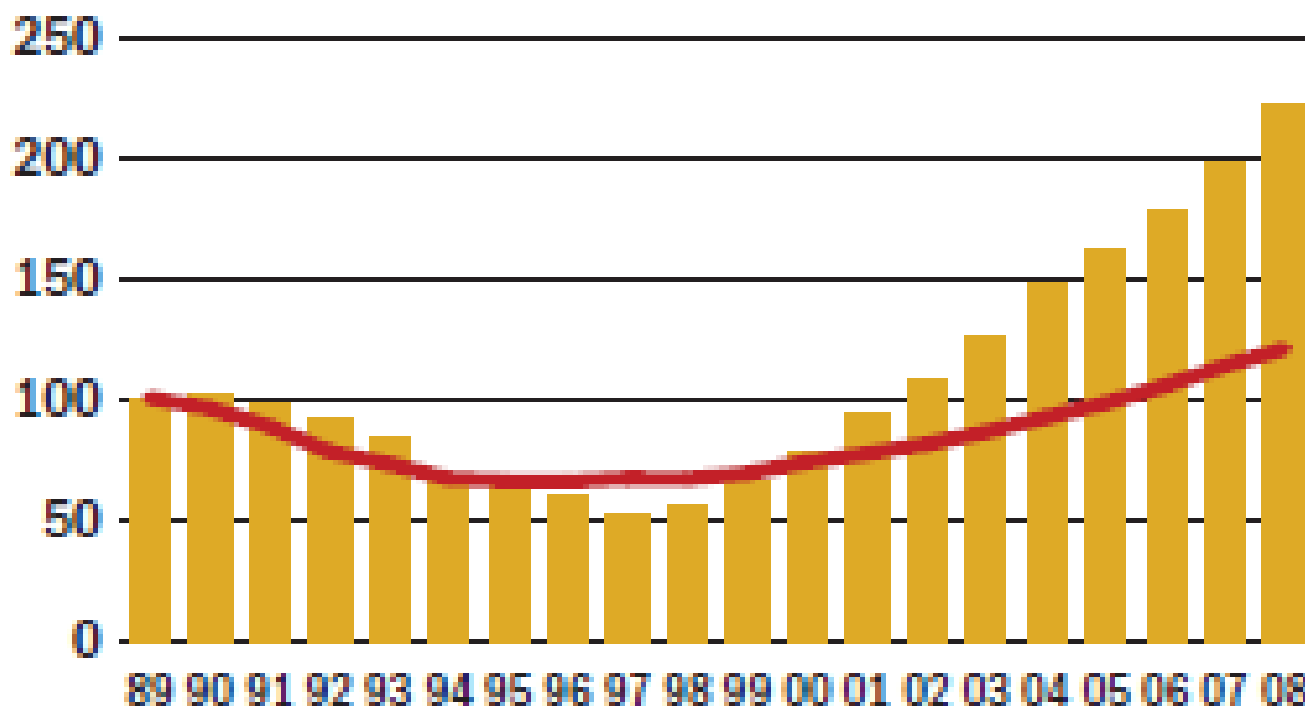
Source: BP Statistical Review 2009

Dependency on natural gas

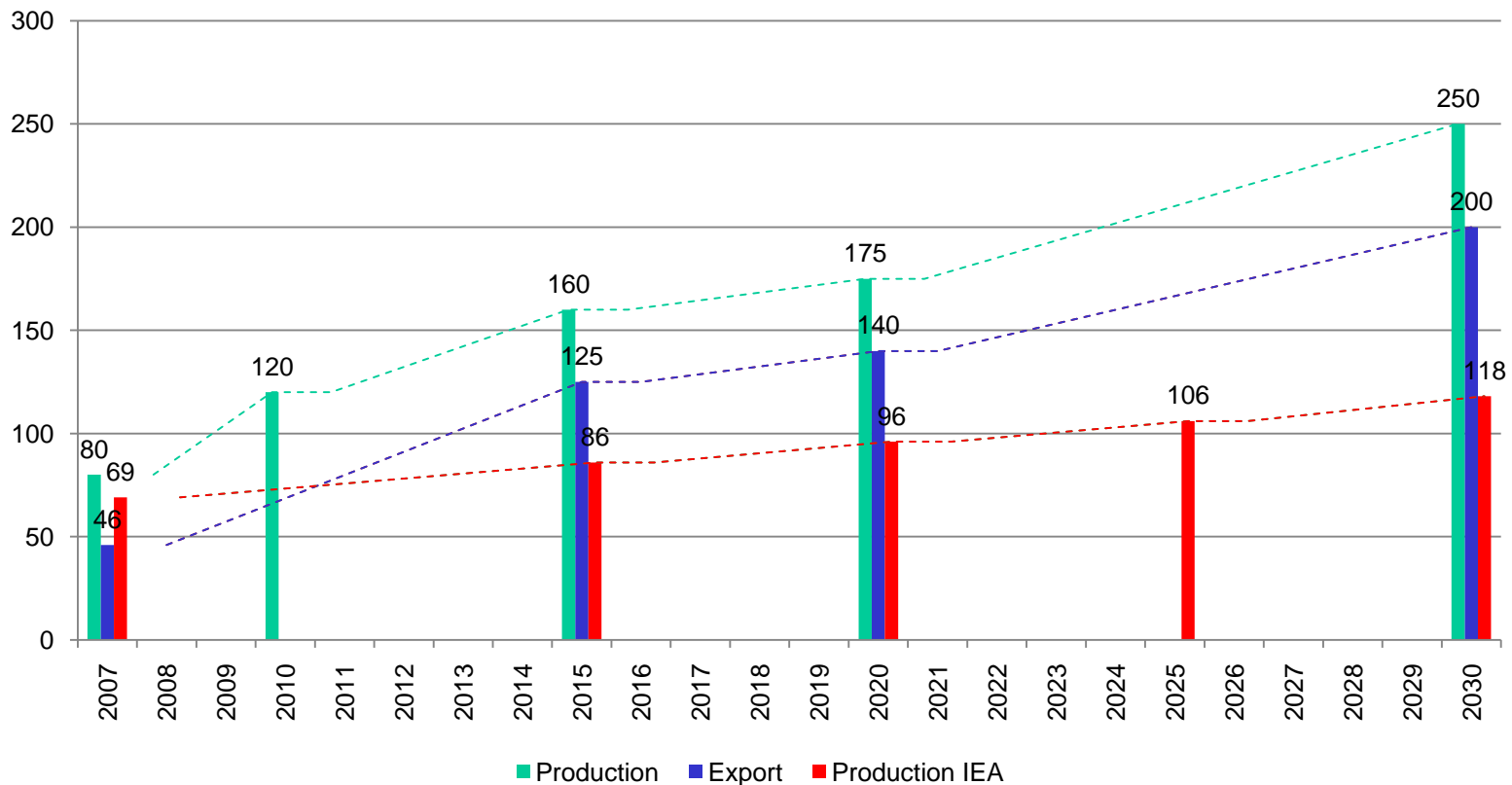


Real GDP (1989 = 100)

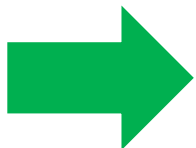
■ Turkmenistan — Average, transition countries



Ambitious plans



Source: Own preparation from data of the Bundesagentur für Außenwirtschaft (BFAI), Energy Information Administration (EIA), the government of Turkmenistan and the IEA.



To achieve these aims the IEA estimates that 100 billion USD must be invested in exploration and production facilities until 2030, this means ca. 4,5 billion USD per year

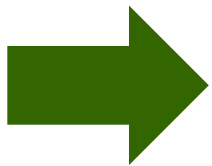


Obstacles

- Difficult investment environment for foreign investors
 - Visa, permissions
- Uncertainties about the marketing of natural gas
- Uncertainties about the use of pipelines
- Exploration licences only for offshore areas (except CNPC)
- No skilled workers/employees

Promised too much?

- There are at present supply agreements in the amount of 50 bcm per year to Russia and about 8 bcm per year to Iran
- The domestic consumption was 19 bcm in 2008



Thus Turkmenistan should have produced about 77 bcm in last year, but in fact it produced 66,1 bcm

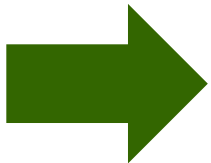


Turkmen gas for the European Union?

- Decreasing production of natural gas in the European Union while increasing consumption until 2030
- Memorandum of understanding between the European Union and Turkmenistan about the delivery of 10 bcm per year

More promises

- From 2009 Turkmenistan wants to deliver about 30 bcm to China per year
- The deliveries to Iran will increase to 20 bcm
- It was planned to increase the pipeline-capacity to Russia to 90 bcm per year (new negotiations in september 2009)
- Deliveries to Pakistan and India



Including a constant consumption of about 20 bcm, the turkmen production should reach 170 bcm in the coming years, which means more than a doubling of the present production

Export routes





Existent and prospective export routes

Existent transport routes

- to Russland
- to Iran

Prospective export alternatives

- Transcaspian pipeline
- Export of LNG (across the Caspian Sea)
- via Kasachstan to China
- via Afghanistan to Pakistan respectively India



Thank you for your attention

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