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Turkmen CNG for Southern Corridor is becoming realistic

EU and US government representatives last week stepped up their lobby efforts to convince Turkmenistan to export gas to Europe, i.e. to provide supplies for Nabucco. While plans for a Trans Caspian Pipeline (TCP) remain in the drawer as they contradict Russian geopolitical interests, Compressed Natural Gas (CNG) is becoming a realistic alternative. Koen Minne, CEO of Belgian Process Engineering company Enx active in Turkmenistan, told EEO so in an interview on 10 March. CNG shipments could eventually reach 15 BCM/a, enough to fill almost half of the Nabucco pipeline.

Last week, Turkmen President Berdymukhammedov had several high profile meetings with the EU Special Representative for Central Asia and Georgia, Pierre Morell, and the UK's Minister of Energy, Philip Hunt. Both told Berdymukhammedov about the interest of European companies to operate in Turkmenistan's energy sector and welcomed Berdymukhammedov's policy of export diversification as well as his intention to initiate some political reforms. A press release by the press service of the Turkmen President stressed Turkmenistan's readiness to diversify its exports of energy resources. It did not explicitly mention the EU or any other region, however.

The EU and European energy companies, such as RWE and OMV, are convinced that Turkmenistan is willing to provide gas volumes for exports to the EU, provided that foreign partners secure the required infrastructure. In practice, this means a Trans Caspian Pipeline. Russia, however, has clearly indicated that it is against the TCP and some observers argue that Turkmenistan is not staunch enough to oppose Russian interests. Arkady Dubnov, Central Asia expert at Russian daily Vremya Novostey, told



Turkmen CNG shipments of 7-8 BCM/a across the Caspian to Azerbaijan could in theory be possible within three years.

EEO at the Turkmenistan table, organised by Eurasia Transition Group in Vienna on 5 March, he believes that Turkmenistan's export diversification policy towards the EU is politically motivated and meant to counterweight Russian and Chinese influence in the country, but that Turkmenistan will not dare to undermine Russia's interests by supplying gas to Nabucco.

There are reports, however, that Turkmenistan might sign an agreement with the EU in April, through which it would commit to supplying gas to the Southern Corridor. The question remains, of course, how Turkmen gas will reach the other side of the Caspian, Azerbaijan. There seems to be a realistic break-through in this respect. After a discouraging feasibility study on CNG by the European Commission, Italian ENI and Belgian process engineering company Enx, which has a long history of doing business in Turkmenistan, have now conducted a second feasibility study exploring the possibility of transporting Turkmen gas to Azerbaijan as CNG. The study has yielded positive results as Enx CEO, Koen Minne, told EEO. Before the second feasibility study, companies such as RWE and OMV were sceptical about CNG due to its cost inefficiency. OMV is reportedly already revising its position on CNG, according to Mr. Minne.

According to Mr. Minne, CNG volumes could reach 7–8 BCM/a and significantly contribute to the EU's Southern Corridor, however, not necessarily to the Nabucco pipeline. On 8 April, Enx will present the second feasibility study to the Turkmen President. If Turkmenistan agrees, CNG shipments could start within three years, Mr. Minne adds. There is a good chance that Turkmenistan will agree, Mr. Minne argues, since CNG shipments would fit within Turkmenistan's policy of export diversification. Moreover, CNG would not be against Russian interests, in contrast to the TCP, and would be less costly than LNG. Nevertheless, it will be interesting to watch the Russian response.

EEO Focus: An open question remains who will serve as the buyer of Turkmen gas. Whether it will be the EU-backed Caspian Development Cooperation (CDC) or Nabucco shareholders might be resolved in the near future if Turkmenistan decides to supply its gas for CNG shipments. There is also a political dimension to the deal. The EU could decide to leave the purchase of Turkmen gas volumes to European energy companies, if there is too much political resistance within the EU due to the political climate in Turkmenistan. Another issue which will deserve attention is a transit agreement with Azerbaijan. ♦