

Turkmenistan begins the construction of a gas pipeline to Pakistan and India

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On 13 December, Turkmenistan inaugurated the construction of the TAPI gas pipeline on its territory. It is intended to run from the Turkmen city of Mary via Afghanistan (Kandahar and Herat) to Pakistan and India. It will be around 1800 km in length and has a planned capacity of 33 bcm per year; work on it is to be completed by December 2019. The consortium building the pipeline includes Afghan Gas Enterprise, Inter State Gas Systems (Pakistan) and GAIL (India), under the leadership of Turkmengaz. According to media reports, this consortium is in talks to include Dragon Oil, controlled by the government of the United Arab Emirates, which works in oil and gas fields in Turkmenistan. The pipeline's resource base is to be the gas extracted from the third development phase of the Galkynysh field; Turkmenistan has also signed a framework agreement with a consortium of Japanese companies. The British company Penspen has drawn up a feasibility study which estimates the cost of building the pipeline at US\$10 billion. The project has been initiated thanks to the involvement of the Asian Development Bank (ADB), which helped the parties to reach an agreement, and has also financed the technical work.

Commentary

- Turkmenistan's decision to start work on the TAPI is a product of its failure to diversify its natural gas exports. After Russia reduced its imports of Turkmen gas (2009), and in connection with the uncertain prospects for future supplies, Ashkhabad has increasingly come to depend on oil exports to China. From Turkmenistan's perspective, its second-largest gas customer Iran does not represent an alternative market, as it has its own resources, and has taken a firm stance regarding the price of imported Turkmen gas. There are no prospects for a launch of deliveries to the Southern Gas Corridor (which runs through the Southern Caucasus to Europe) due to Russia's resistance to the construction of the Trans-Caspian gas pipeline. A sense of closure and Turkmenistan's growing dependence on China has pushed Ashkhabad to work on the TAPI.
- Despite the inauguration of the construction work, the prospects for the project remain unclear. One important problem is the chaos in Afghanistan, particularly the unfavourable situation in the security sphere. The project's fate will be decided by Turkmenistan's ability to come to an agreement with (in effect, by buying off) the various armed groups in the country. The question of how the investment will be financed remains unresolved;

it will be essential to obtain foreign loans. It is possible that financial support for the TAPI may come from the ADB, in which Japan has the largest share. Due to the hostility between Pakistan and India, it is also not a foregone conclusion that the project can be fully implemented by these two countries.

- In the regional dimension, the construction of this pipeline would have a stabilising effect on the situation in Afghanistan (jobs, income for the national budget), and would represent another area of activity by Turkmenistan, which is already exporting electricity to Afghanistan and building a railway infrastructure. At the same time, the new pipeline would fit in with the geopolitical interests of the US, which is interested in the greater emancipation of the Central Asian countries from Russia and China, and has supported the construction of the TAPI for years. This project would also strike at the interests of Iran, which has long promoted a competing project for a pipeline to Pakistan and India.