

Turkmenistan is looking for new export destinations as its contract with Russia ends

Marcin Popławski

On 8 November the head of the state-owned Turkmengaz Maksat Babayev and Iraq's energy minister Ziad Ali Fadel signed a protocol on the basic commercial terms for a bilateral sale & purchase agreement concerning natural gas. According to the information made public, it concerns the export of Turkmen gas to Iraq in the volume of about 8–10 bcm annually, and will be valid for five years. The gas is to be shipped via Iran (using the Korpheje-Kordkuy pipeline, which runs from a field in western Turkmenistan) in a swap deal. Further negotiations on the final shape of the contract are expected to take place in Ashgabat on 25–26 November. According to media reports, the leaders of the two countries are expected to put their final signatures on the agreement by the end of 2023.

Commentary

- The negotiations with Iraq are one of several efforts Turkmenistan is making this year to diversify its gas exports. For a long time Ashgabat sold its gas continuously to just two customers, China and Russia, which risked over-dependence on both countries; at present Turkmenistan is effectively dependent on its revenues from its gas exports to China. Moreover, the contract for exports to the Russian Federation signed in 2019 will expire at the end of June 2024 (in the last two years, it has shipped around 5 bcm of gas per year). In turn, Gazprom's loss of most of the European market has meant that Russian production now fully meets the needs of the domestic market, which means that they are not very interested in extending their import programme. Turkmenistan is reckoning with the possible non-renewal of the contract, which is why it has dramatically stepped up its 'gas diplomacy', with some success.
- The agreement which the Ashgabat regime has negotiated with Iraq demonstrates its unwavering determination to secure its own interests in what is a key economic sector for the country. Turkmenistan is one of the world's leading producers and exporters of natural gas, but at the same time it is still limited in terms of export destinations by the lack of alternative infrastructure links. Talks on a new contract probably had to be consulted with the US, given the need to cooperate with Iran in its implementation (the gas will be sent through the territory of Iran). It is also possible that the route used to supply Iraq will also be used in parallel to export additional volumes to Iran, as unconfirmed media reports have suggested.
- Sales of Turkmenistan's gas abroad are also being targeted to other destinations. In 2023, Ashgabat concluded contracts to export gas to Iran and Uzbekistan, and updated

its agreement with Azerbaijan. Details of the agreement with Tehran have not been made public; however it is known that, according to the contract signed in June this year, these exports will amount to around 10 mcm of gas per day, and that unofficially the export to Iran has been consulted positively with the US, to ensure it will not be subjected to sanctions by Washington. Sales of Turkmen gas to Azerbaijan are also set to increase (from 4.5 mcm to 8–10 mcm per day); these will be carried out through swaps by Iran (as would be the case with the just-negotiated Iraqi deal), in an update of the January 2022 contract. As a consequence of these agreements – both those already concluded and those still being negotiated – Ashgabat’s gas cooperation with Tehran is increasing in importance. In August this year Turkmenistan also concluded a one-year contract to supply 2 bcm of gas annually to neighbouring Uzbekistan.