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Why Central Asia will not be the answer to Europe's energy needs

It is easy to imagine that the hydrocarbon-rich Central Asia could offset the losses of Russian energy exports to Europe. Still, the likelihood is low

Since the outbreak of the war in Ukraine in 2022 and the subsequent fall-out in energy relations between Europe and Russia, the inevitable question of where the EU's much needed energy resources would come from has become a persistent issue. The EU found itself cornered by an overwhelming and decade-long reliance on gas supplies from Russia and a lack of preparedness of its disruption. Now, the bloc is pivoting and scrapping to find alternative partners, revamping its infrastructure and even bringing back coal-fired plants, which will push back its environmental commitments.

Central Asian states, rich in hydrocarbon reserves, are among those suggested to substitute the lack of Russian supplies to Europe. EU-Central Asia relations are built on the foundation of energy relations with an emphasis on trade data in all official meetings and strategic documents – data which shows an overwhelming dominance of natural resource exports. It is easy to imagine that Central Asian countries would play a role in offsetting the losses of Russian hydrocarbon exports to Europe. Yet, the likelihood of this materialising is very low which is not due to the little progress in democratic reforms in Central Asia but because of pragmatic and commercial decisions made decades ago.

Immediate energy supply remains unlikely

First of all, when we talk about Central Asia as an energy supplier to Europe, we mostly mean Kazakhstan and, potentially, Turkmenistan. The latter is already somewhat present in the European energy import mix, with the former yet to develop its full potential. To bring additional resources to Europe from these countries, one has to look at spare capacity. For example, Kazakhstan's production is already running at its

maximum potential, with 80 per cent of Kazakhstani oil going through the Caspian Pipeline Consortium (CPC) and with a very limited capacity to increase volumes to be sent through the Druzhba pipeline, despite continuous discussions with Germany and Poland. In addition, the country faced some issues in 2022 while exporting its hydrocarbons to international markets via pipelines leading through Russia, due to the closure of the port facilities in Novorossiysk.

The dependence on the Russian pipeline infrastructure linking Kazakhstan and Europe puts the country in a precarious position: it does not serve the willingness of European states to cut off ties with Moscow and it also does not give any freedom for alternative transportation routes of Central Asian oil and gas in the short term. In addition, despite the vast reserves and new field developments, investments for further explorations in Kazakhstan have decreased in the last years. This is in line with global energy trends due to low oil prices, and with unfavourable investment climate conditions in the country, according to some industry specialists.

As Central Asian countries are geographically distant from European markets and do not have direct access to international waters, pipeline infrastructure becomes the only viable solution for the transportation of energy resources.

Currently, Turkmenistan does not directly supply Western markets with natural gas, as its main export destinations remain China and Russia and in smaller quantities other Central Asian countries. The swap agreement signed between Azerbaijan, Iran and Turkmenistan in 2021 stipulates the delivery of two bn cubic meters of Turkmen gas to Iran, which further provides the equivalent amount of gas to Azerbaijan. This has opened an opportunity to facilitate trade of Turkmen gas to European markets. Such arrangements were further announced to be developed by president Erdogan at a tripartite meeting with leaders of Turkmenistan and Azerbaijan on 14 December 2022.

If immediate increased supply from Kazakhstan and Turkmenistan to Europe is unlikely, would medium or long-term cooperation be possible? Ultimately, as is the case in the energy field, it all boils down to transportation routes and infrastructure. As Central Asian countries are geographically distant from European markets and do not have direct access to international waters, pipeline infrastructure becomes the only viable solution for the transportation of energy resources.

Depending on decisions made decades ago

The answer to the above-posed question lies in the past and should have been addressed some 20 years ago. The window of opportunity for implementing pipeline infrastructure between the two was shut when the EU prioritised its rekindled relationship with Russia as well as a pragmatic business approach of cheaper gas from its Northern neighbour. Contrary to popular belief, the EU did envision the challenges of overreliance on Russian energy supplies and looked into diversification of partners back in 2006, when first tensions between Ukraine and Russia over gas transit occurred. This was when interest in the Trans-Caspian pipeline project (first proposed in early 1990s) was revamped. Still, despite numerous meetings and negotiations, the project never left the drawing board. A similar situation was repeated in 2008 and again in 2014, when tensions with Russia over gas supplies worsened. It is important to note that, as the legal status of the Caspian Sea was yet to be finalised at the time, both Russia and Iran strongly objected the idea of any Trans-Caspian pipeline project, as it obviously diminished their leverage as transit routes for Central Asian countries.

While the discussion over the Trans-Caspian pipeline project was ongoing, other export routes were coming to life. The discovery of the Shah Deniz gas field off the shores of Azerbaijan and, subsequently, the work on the rail and pipeline routes through Georgia and Turkey lowered the priority of Central Asian resources. The final development in the EU's focus in terms of its energy diversification strategy came in the decision to construct the Trans Adriatic (TAP) and Trans Anatolian (TANAP) routes and, lastly, the Southern Gas Corridor (SGC). This has left Central Asian countries' potential to supply Europe dependent on these routes, meaning that they ultimately have to deliver oil to the facilities in Azerbaijan by using tankers. But as there is no direct pipeline linking Turkmenistan to Azerbaijan, it would be financially not viable for the country to deliver tanker shipments of liquified natural gas — which is very expensive and thus uncompetitive. Furthermore, the prioritisation of TAP, TANAP and SGC put the last nail in the coffin for another pipeline project to bring Central Asian resources to Europe – Nabucco pipeline.

This should not be regarded as an unsolvable issue in the cooperation between the EU and

The shifted EU focus towards the South Caucasus is not surprising as the region is part of the European Neighbourhood project and much closer geographically. In the current energy crisis and urgent need for more energy resources, the EU is in a

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challenging position. The historical lack of investment towards pipeline infrastructure in the Caspian Sea means that additional resources from Central Asia cannot be delivered at a short-term notice. Even more importantly, in the unlikely scenario of a construction launch of a Trans-Caspian pipeline in the nearest future, it would still take at least 10 years to bring Central Asian energy resources to European markets. The EU's net-zero commitments, decarbonisation plans and carbon tax introduction in 2026 puts a big question mark on the viability of such a pipeline altogether.

However, this should not be regarded as an unsolvable issue in the cooperation between the EU and Central Asia. On the contrary; it should give impetus towards a more sustainable and forward-looking partnership for clean energy. The work that is already ongoing on renewable energy, green hydrogen and energy efficiency in the region, which is supported by the EU, is a positive sign of a promising future energy relationship. Especially, with the pragmatic turn in the European Union's foreign policy towards Central Asia — focusing on strengthening security, economic and energy cooperation, reflecting the geo-economic and geopolitical landscape in the wider region, the development of joint energy projects will help to solidify and strengthen cooperation between the two regions. It is crucial to keep the lessons of the past in mind and to not miss out on strategically important opportunities.

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