



TAPI PIPELINE BUILDING PROCESS: ANY HOPE FOR SUCCESS?

At the end of the year, energy security in the Eurasian region faced a number of challenges forcing regional and non-regional states to react to the new conditions. It is now doubtful that decision of establishing the ambitious TAPI gas pipeline project, a joint venture company for the transportation of up to 33 billion cubic meters of natural gas a year from Turkmenistan to Afghanistan, Pakistan and India was a result of significant changes in the regional energy security policy. Establishment of TAPI Pipeline Company Limited suggests that the period of long-term negotiations and delays has ended. However, political agreement of the four nations of the TAPI project on pipeline issue does not guarantee the construction of the pipeline due to a number of reasons.

We need to admit that TAPI pipeline building process has its own dynamic, showing specific features of energy management in the region. The first attempt to construct pipeline appeared on 15 March 1995 when an inaugural memorandum of understanding between the governments of Turkmenistan and Pakistan for a pipeline project was signed. The original project excluded India. From the very beginning TAP pipeline project was initiated by Argentinian company Bidas Corporation, but in the end Turkmenistan signed agreement with other companies, Unocal and Delta Oil Co. and promoted alternative project without Bidas' involvement. Besides, parties established the Central Asian Gas Pipeline Ltd. (CentGas) consortium for pipeline construction. Everything went well until the terroristic attack on American embassies in Nairobi and Dar es Salaam in 1998. American embassies were bombed with the direction of Osama bin Laden, who had strong support from Taliban, who was

controlling nearly all regions (90 percent) in Afghanistan at that time. It actually meant cancellation of previous agreement with Taliban leaders allowing the TAP project to proceed.

The second stage of the project implementation took place after September 11 attacks. After the 2001 invasion to Afghanistan, the pipeline planning process continued. In the meeting held in May 2002, heads of Turkmenistan, Afghanistan and Pakistan agreed to cooperate on the project. For overseeing project development parties established the Steering Committee of oil and gas ministers, which requested the Asian Development Bank (ADB) to finance project-related studies. In 2005 the ADB committed its attendance in the project and took responsibility on the provision of regional technical assistance.

New chapter of the TAP pipeline history stated in 2008 when the Steering Committee held its tenth meeting. Since then, India became an integral part of the pipeline project, which was officially transformed to the TAPI pipeline. In the same year, the four states signed the Gas Pipeline Framework Agreement and few years later parties signed the intergovernmental agreement on the pipeline. We should admit that joining of India to the TAPI pipeline project made negotiations on transit fees for gas exporting even more complicated. Nevertheless, according to the latest news parties could manage to overcome difficulties with the price and transit fees. The Board of Directors of TAPI Pipeline Company Limited held its first meeting on 11 November 2014. It is important to mention that the four TAPI state gas companies – "Turkmengas", Afghan Gas

Enterprise, Inter State Gas Systems (Private) Limited, and GAIL Limited - own equal shares of TPCL.

However, in spite of the successful agreement between project participating countries the start date of pipeline construction is uncertain because there are at least two points that need to be fulfilled - Afghanistan has to report on physical security along the pipeline route, including the clearing of landmines and Taliban activity. Turkmenistan has to present the gas reserves certification. Both points were mentioned in the ADB report, which was completed in 2005 and updated in 2008.

According to the President of the United States, the process of withdrawal all US soldiers would be fulfilled by the end of 2016, but as the Afghan President has already said it could be hard for Afghanistan government to provide appropriate level of security management. According to Ashraf Ghani, two-year deadline for pulling out the last of US troops may need to be "re-examined". Under these circumstances, it would be problematic to provide local security maintenance for pipeline building.

Besides, a question still remains: Could Turkmenistan supply the TAPI pipeline with all needed gas reserves? TAPI will carry gas from Turkmenistan's Galkynysh field, better known as South Yotkan Osman that holds gas reserves of 16 trillion cubic feet. This estimate was conducted by the UK auditing firm Gaffney, Cline & Associates. However, some experts doubt on the audit result and believe that Turkmenistan does not possess announced amount of gas reserves.

Politics, Foreign Affairs and Security

- Kyrgyzstan has signed and submitted a treaty of accession to the Eurasian Economic Union. Kyrgyzstan hopes to become a full-fledged member of the Eurasian Economic Union by May 1, 2015.
- The Supreme Eurasian Economic Council has met in the Kremlin. The meeting was dedicated to practical aspects of the launch of the Eurasian Economic Union and its bodies.
- The leaders of the countries - participants of CSTO - Russia, Armenia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan adopted 22 documents of the results of the summit, which was held in the Kremlin.
- NATO has formally ended its mission in Afghanistan with a ceremony in Kabul.
- Afghan President Ashraf Ghani has said America's two-year deadline for pulling out the last of its troops may need to be "re-examined".
- Meeting of LPR representatives, Kiev security officials and OSCE was held in Luhansk.
- Ukraine's government and pro-Russian separatists exchanged hundreds of prisoners of war.
- Ukraine announced its readiness to buy coal from Donbas.
- The start of electoral round for presidential elections was announced at Republic of Uzbekistan.
- Iran rejected reports of agreeing with US on nuclear materials shipment to Russia.
- Draft resolution on Palestine failed to get majority support at UN.
- South Korea proposed to North Korea to hold bilateral talks in January.

- UN warned about threat of full-scale war in Libya.

Economy, Finance and Energy

- The U.S. economy grew at its fastest rate in more than a decade. The Commerce Department said gross domestic product growth hit an annualized rate of 5 percent in the third quarter, revised upward from the previous estimate of 3.9 percent.
- China has launched yuan swap trading with Russian rubles.
- Brent crude failed below \$57 per barrel.
- Russia boosted 2014 oil output by 0.6% to post-Soviet high of 526 mln. tons. At the same time, Russia's crude oil exports declined by 5.7%
- Venezuelan President Nicolas Maduro visited China and oil producing countries as he was trying to stem the impact of falling oil prices.
- Russia's Gazprom received \$150 million as Naftogaz prepayment for January gas supply.
- Russia and Ukraine signed two contracts for delivery of electric energy to Ukraine
- Ukrainian Parliament approved 2015 Budget in order to have IMF support.
- Serbia paid first \$100 million for gas debt to Russia.
- Political uncertainty in Greece carried the risk of entering into a new debt crisis as in 2010 in the Euro Area.
- Iran announced that the third meeting of the Gas Exporting Countries Forum (GECF) was scheduled for autumn 2015.
- Turkey intended to put into operation the railway line of Baku-Tbilisi-Kars (BTK) until the end of 2015.
- The Xinjiang Uygur autonomous region opened several highways that link its southern and northern parts

together and bring it closer with inland China. It is expected that the region's highway mileage will reach up to 5,000 kilometers by 2015, almost double that of 2013.

Society and Culture

- Turkic Council Regional Diaspora Center was opened in Ukraine. The opening ceremony of the Turkic Council Regional Diaspora Center was held in Kyiv at the premises of Ukrainian Azerbaijani Joint Diasporas.
- "The Interview", an American political action comedy, was released in the USA. The situation with the film was commented by world leaders.
- Wreckage of Air Asia plane supposedly found in Java Sea. AirAsia plane with 162 people on board disappeared while flying over the Java Sea after taking off from a provincial city in Indonesia for Singapore.
- A memorial has been held in the Indonesian town of Banda Aceh for the victims of the Indian Ocean tsunami - the first in a series of events marking a decade since the disaster.
- China launched space rocket with meteorological satellite. FengYun-2 satellite will be collecting and transmitting meteorological data.
- According to the World Health Organization, Ebola virus death toll neared 8,000. The maximum number of Ebola-related deaths and cases has been registered in Liberia - 3,423.
- A somber Pope Francis steeped his Christmas message to the world in sadness for those with little cause for joy - abused children, refugees, hostages and others suffering from violence in the Middle East, Africa, Ukraine and elsewhere.
- New Year celebrations marked across the world.