

The “shift” in the nature of major powers' engagement in Central Asia and its effects on regional cooperation in the energy field

Peter Krasnopolsky

University of Nottingham, Ningbo China

Introduction

Post-Soviet Central Asian states, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, had predisposition to emerge as a coherent region after the break-up of the USSR. Central Asian countries share history, host related ethnic groups and languages, possess similar culture and religion, have common mentality inherited from the USSR, and very importantly share physical infrastructure built during the Soviet times. The last one is crucial for regional cooperation. Transportation and energy infrastructure are often addressed in the same context in International Relations literature. However, their effect on the nature of regional cooperation may differ.

Functioning transportation routes and regulations designed to ease border crossings have capacity to increase regional cohesion by facilitating intraregional trade and enabling movements of people. In that sense, the auto-roads and railways may serve as catalysts for bottom-up regional cooperation. Even if the roads are commissioned by governments and built by state owned enterprises, once they are completed, they are mainly used by actors below the state. In contrast, energy networks provide strong basis for cooperation on the interstate level. Flows of gas and electric power are sensitive areas which are generally curated by related ministries and state-controlled enterprises. Energy and fuels sales and transit are often politicized; therefore agreements on energy and fuels require cooperation between the highest levels of national governments. Additionally, energy transit through multiple countries requires practical multilateral efforts in order to maintain the projects which involve advanced level of technical support. This is not possible without cooperation between technical agencies of the countries which host the networks. Although technical cooperation does not necessarily involve high ranking officials, it is, in most cases, empowered by the national governments. In that regards, energy cooperation, both political and technical, can be considered as a *continuous* elite driven process. (Developing physical transportation infrastructure, in contrast, is elite-driven during the building stages, but has greater potential for regular people's movement once it is complete). Energy cooperation, therefore, is more consistent with the top-down nature of Central Asian regionalism

In addition to the transnational nature of energy networks, energy development and transit are considered to be profitable. Pipelines and power transmission lines have comparable costs than other elements of physical infrastructure, such as roads, bridges and tunnels. However, they provide faster returns. It is, therefore, logical that both Russia and China took interest in energy related projects in Central Asia. Russian energy system has been closely connected to Central Asian energy resources and as of 2014 Russia was “the main investor in Central Asian's electricity markets, in terms of both grids and hydropower plants.”¹ China has originally engaged in development and transportation of hydrocarbons in Central Asia in the mid 2000's with the aim of diversifying its sources of energy. Both have played significant roles the sectors, but their

¹ Laruelle, Marlene, “Russia in Central Asia”, *EUCAM*, No. 17, September 2014, www.eucentralasia.eu, 2

nature of engagement has had different effects on cooperation between Central Asian states. There have been two noticeable trends in that regard.

First, neither of the two has made significant effect on facilitating cooperation in the electric power sector because electric power generation in Central Asia is closely tied to water resources, which remain one of the main points of friction in the region. In fact, both countries have contributed towards energy independence of several Central Asian states subsequently reducing the level of interdependence among them.

Second, in the field of hydrocarbons Russia has actively engaged with Central Asian states on the bilateral basis, and has provided very limited support for multilateral initiatives. Russia's role has been that one of a "middle man" rather than a unifying actor. China, by contrast, has expanded its bilateral energy securing initiatives to involve all the central Asian States under the schemes which require active practical interstate cooperation.

In the first section the paper provides brief background for power generating sector in Central Asia and analyzes the effects Russia and China bilateral and multilateral initiatives have had on the level of regional cooperation. The second section provides a discussion of gas producing and transporting industry in Central Asia and highlights the differences between the two major powers' engagement in the energy sector.

Water and Electricity

Background and Regional Potential

Physical geography provided logical foundation for the Soviet government to develop energy network based on complimentary nature of resources distribution among the republics in the Central Asia. (See table below). The direction of the network was based on the energy and water needs of the industrial and agricultural areas of the region. Mountainous Kyrgyzstan and Tajikistan provided hydro-generated electric power and water to downstream Uzbekistan, Kazakhstan and Turkmenistan. The latter three sent coal and gas generated electricity to the upstream countries when the water levels were not sufficient to produce electricity.

Distribution of Energy resources in CA²

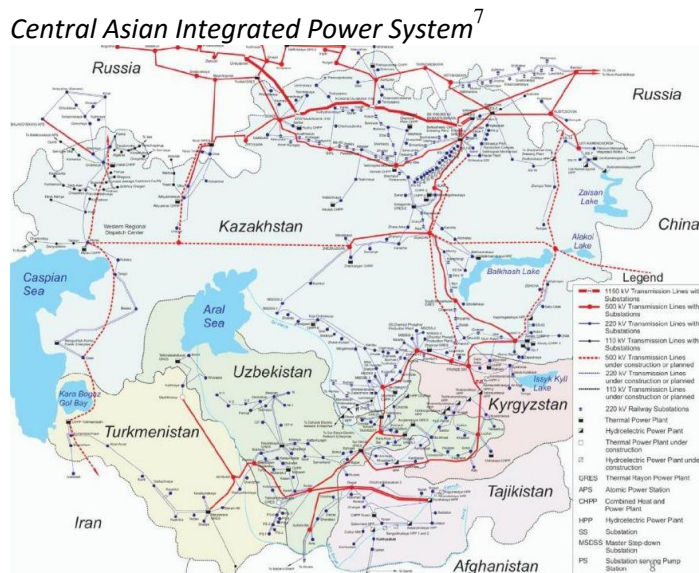
	Country	Above-ground water resources, % from whole CA	Proportion of water resources received from outside	Hydrocarbon resources, % from whole CA	% of electric power from thermal power stations (gas and coal)	% of electric power from hydro power stations
Water abundant	Tajikistan	45.6%		Less than 3%		92.7%
	Kyrgyzstan	27.2%		Less than 3%		83.5%
Hydrocarbons abundant	Kazakhstan	19.3%	42%	77.4%	87.5%	
	Uzbekistan	6.0%	77%	12.7%	85.9%	
	Turkmenistan	1.9%	94%	6.7%	99.9%	

Central Asian Integrated Power System (IPS) was a sophisticated network which connected power grids of the Soviet republics in the region. Its main circular section which is referred to as Central Asian Energy Ring transported electricity produced by Kyrgyzstan's multiple hydropower stations through the Fergana Valley traversing populous sections of

² "Monitoring of positions of Central Asian countries on the issue of usage of trans-border water resources", *National Institute of Strategic Research*, Bishkek, 2013, 6-7

Uzbekistan, Tajikistan and southern Kazakhstan before reentering Kyrgyzstan from the north. (Coal rich and industrial northern Kazakhstan was closely connected to Russia's energy system and served both supplying and transit functions). Tajikistan hydropower plants serviced southern Uzbekistan and Turkmenistan. In the winter Kyrgyzstan and Tajikistan stored water and relied on electricity generated by thermal power station of their neighbors.³ They would release the water for irrigation during the agricultural season while simultaneously generating electric power.

Considering interweaving nature of the republics' borders, various internal regions have served as energy suppliers for their neighbors and vice versa. For instance, energy abundant southern Tajikistan used to supply electricity to neighboring Uzbekistan, while energy deficient northern Tajikistan received its electricity from other sections of the Uzbekistan. Similarly, southern Kyrgyzstan supplied electricity to the Fergana Valley area of Uzbekistan, while northern Kyrgyzstan obtained its electricity from central regions of Uzbekistan using Kazakhstan for transit.⁴ The frequency of the electric power flow was controlled through the Toktagul reservoir in Kyrgyzstan, which due to its upstream location, had the most suitable capacity to store and release water as necessary.⁵ Central location of Uzbekistan also played a crucial role in the whole Central Asian IPS: the whole "hydro-energy" complex, which required a great amount of coordination, was managed by the Central Asian United Dispatch Center in Tashkent.⁶ Above all, during the Soviet time the "water-energy balance" was calculated and controlled by the Ministry of Energy in Moscow.



³ Tomoberg, Igor, "Energetika Tsentral'noy Azii: problem i perspektivy", *Rossiyskiy Sovet for Mezhdunarodnym delam*, ("Energy of Central Asia: Problems and Prospectives", *Russian International Business Council*), April 18, 2012, http://russiancouncil.ru/inner/?id_4=324#top-content

⁴ Rakhmetov, Salauat, "Pereday energuyu po krugu" ("Sent the Energy around the Circle"), *Expertonline.kz*, October 20, 2008, <http://expertonline.kz/a4759/>

⁵ Author's Interview, Bishkek, January 22, 2016

⁶ Peyrouse, Sebastien, "The Central Asian Power Grid in Danger?", *The Central Asia-Caucasus Analyst*, December 09, 2009, <http://www.cacianalyst.org/publications/analytical-articles/item/11960-analytical-articles-caci-analyst-2009-12-9-art-11960.html>

⁷ <http://www.kazenergyforum.com/sites/default/files/%D0%A2%D0%B8%D1%86%D0%B8%D0%B0%D0%BD%D0%B0%20%D0%91%D0%BE%D0%BD%D0%B0%D0%BF%D0%B0%D1%87%D0%B5%20%D1%80%D1%83.pdf>

Given its complexity, the energy exchange system designed during the Soviet time required significant inter-state cooperation in order to remain functional after the dissolution of the Soviet Union. Thus, electric power sector provided broad grounds for cooperation among new independent states. Moreover, power generating and transporting system and water sharing systems are inseparable in Central Asia, and in most cases alterations in one system cause noticeable effects in the other. Therefore, they can be addressed in one context.

The hydropower complex can be seen as another example of “obdurate infrastructure”, which according to Johnson, would have the capacity to provide connectivity between the states despite their political friction.⁸ In fact, hydropower complex has proven to be “more obdurate” than other elements of Soviet-era infrastructure, such as roads and railways. Building new roads to bypass neighboring states, as it had often been done in the post-Soviet Central Asia, is definitely more realistic than diverting rivers and dismantling dams. However the obduracy of hydropower sector in Central Asia does not necessarily enhance regional connectivity and often actually cause political disagreements, which at times prevent regional cooperation. Additionally, major powers engaged in Central Asia, i.e. Russia and China, have enough capacity to alter pre-existing infrastructure, thus, minimizing its obduracy and subsequently diminishing the degree of interdependence between the formerly inter-reliant states. Initially, both Russia and China have done just that; each of the two has promoted and financed certain projects which have allowed Central Asian states to become less dependent on their neighboring rivals. However, subsequent effects on regional cooperation have differed.

Multilateral Initiatives

Multilateral initiatives led by Russia i.e. the Eurasian Economic Community and, subsequently, the Eurasian Economic Union have done little to resolve disagreement in hydropower sectors and instead focused on developing power generating facilities mainly unconnected to the Central Asian IPS. This is visible from the energy related projects financed by the Eurasian Development Bank (EDB). Most of the EDB projects in Central Asia are in Kazakhstan, and their capacity lies in producing electric power for Kazakhstan’s internal needs, connecting different geographic sectors of Kazakhstan’s grid and producing energy for export to Russia. Northern Kazakhstan – Aktobe region inter power transmission line, co-financed by EDB and Kazakhstan’s lenders, connects energy rich northern areas of Kazakhstan with the energy deficient western part of the country.⁹ Upgrade and construction of the additional generating unit at Ekibastuz GRES-2 (coal fueled power plant) was co-financed by EDB and Russian Vnesheconom Bank along with Kazakhstan’s Halyk bank.¹⁰ The EDB also financed equipment purchase for Bogatyr mine which supplies Ekibastuz -2 with coal.¹¹ The enhanced capacity of Ekibastuz -2 allows it to supply three quarters of its electricity to Russia.¹² Ekibastuz

⁸ Johnson, Corey, “Geographies of Obdurate Infrastructure in Eurasia”, in Walcott, Susan and Johnson, Corey (Eds.), *Eurasian Corridors of Interconnection: From the South China to the Caspian Sea*, (2014), Routledge, 110-129

⁹ “Constructing the Northern Kazakhstan – Aktobe region inter power transmission line”, *eabr.org*, http://www.eabr.org/e/projects/edb/index.php?id_4=167, accessed on April 21

¹⁰ “Upgrading Ekibastuz GRES-2 and constructing its third generating unit,” *eabr.org*, http://www.eabr.org/e/projects/edb/index.php?id_4=230, accessed on April 21

¹¹ “Investments financing for Bohatyr Komyr”, *eabr.org*, http://www.eabr.org/e/projects/edb/index.php?id_4=263&from_4=2, accessed on April 21

¹² Author’s interview, Almaty, January 30, 2016

is actually 50% owned by Russia's energy conglomerated INTER RAO UES.¹³ Energy security in northern Kazakhstan is crucial for Russia because energy transit from Ural IPS to Siberian IPS takes place through northern Kazakhstan.¹⁴ Moreover, increased output of electric energy in the north, which has approximately 80% of country's power generation capacity¹⁵, made it feasible for Kazakhstan to transfer electricity from self-sufficient north to the south, which was previously power dependent on its southern neighbors. The link was built in 2009 in the form of North-South transmission line of 500kV, which enabled Kazakhstan to send surplus of electricity from the power plants in the north to the southern regions. This further reduced Kazakhstan's dependency from the hydropower generated electricity imported from Kyrgyzstan through the Central Asian Energy Ring.¹⁶ The line, however, was funded by the European Bank of Reconstruction and Development (EBRD),¹⁷ rather than Russia or China.

One of the EDB project with seeming capacity to facilitate regional cooperation in Central Asia was the loan extended in 2013 to Kyrgyzstan's main power generating company Electric Stations to purchase coal from Kazakhstan to fuel Bishkek Combined Power Heat (CPH) plant. The supply would enable Bishkek CPH to generate enough electricity for its needs in the winter and to sell the access of electricity back to Kazakhstan in the summer.¹⁸ Moreover, according to an EDB official, it would contribute towards normalization of relations with Uzbekistan as Kyrgyzstan would not need to release water downstream to fulfill its winter heating needs.¹⁹ "The project had a significant impact on sustainable development and economic integration. Strengthening the country's energy security underpinned Kyrgyzstan's economic growth and contributed to the development of the Central Asian integrated power system."²⁰ However, the temporary nature of the project and its length 2.5 years, as well the loan's amount of mere USD 30 million offers reasons for skepticism about its sustainability and long term impact on integration. Even according to EDB issues report "the development of electricity generating facilities and power grids infrastructure in energy-deficient regions that depend on electricity imports, as well as the decline in electric power exports and imports, and outages of the interstate electrical grids reinforce electrical independence of the EDB member states and weaken integration of their power sectors."²¹

The challenging nature of resolving hydropower disagreements is highlighted by the fact that water management topic was even excluded from the agenda of Central Asian Regional Cooperation Program (CAREC),²² an initiative with a proven track record of completed projects

¹³ "Integration Process...", 29

¹⁴ "Integration Process...", 25

¹⁵ Nutall, Clare, "Temporary respite for Kazakhstan's electricity generation sector", *intellinews.co*, March 18, 2009, <http://www.intellinews.com/temporary-respite-for-kazakhstan-s-electricity-generation-sector-500014515/?archive=bne>

¹⁶ "Integration Processes in the Electric Power Sectors of the EDB Member States", Eurasian Development Bank, EDB Sector Report no. 15, 2012, Almaty, 18

¹⁷ North-South Electricity Transmission Project (Phase III) in Kazakhstan, *devex.com*, (n.d), <https://www.devex.com/projects/tenders/north-south-electricity-transmission-project-phase-iii-in-kazakhstan/5167>

¹⁸ "Financing Fuel Supplies for the Bishkek CHP Plant", *earb.org*, http://eabr.org/e/projects/edb/?id_4=347, accessed April 21, 2016

¹⁹ Author's interview, Bishkek, February 12, 2016

²⁰ Ibid

²¹ "Integration Process...", 21

²² Linn, 111

focused specifically on promoting regional cooperation in Central Asia. In the case China and Uzbekistan, in the framework of CAREC, insisted that water sharing was too sensitive of an issue which best to be addressed bilaterally.²³

China-initiated Shanghai Cooperation Organization has done little to resolve points of contention related to water sharing between upstream and downstream states. "Since the SCO operates on the principles of consensus decision-making and non-interference, it is not in a good position to resolve conflicts among members such as [...] regional water management conflicts."²⁴ The issue of resolving water management has been raised in SCO meetings by the two most powerful Central Asia leaders, Presidents of Uzbekistan and Kazakhstan, but it has not been adequately addressed.²⁵ The SCO Energy Club, proposed by Russia in 2006, has remained in discussion stages for a relatively long period of time.²⁶ The Energy Club was announced to be formed in 2013, but memorandum of establishment was not signed by Kyrgyzstan and Uzbekistan; however, in addition to other SCO member states it was signed by several countries only vaguely connected to the SCO.²⁷ Previously, in 2011, joint statement from the SCO countries' leaders announced that "an 'energy mechanism' that should be 'open to all countries and organizations that agree with the SCO's tenets and tasks'."²⁸ In that regard functions of the energy club have not been clearly defined, which highlights SCO's weakness in handling regional energy issues. "To claim for SCO the credit for every bilateral or even multilateral energy agreement achieved among its member-states (or participants in the undefined "energy mechanism") would further dilute its credibility."²⁹ For instance, China-built power transmission lines in Tajikistan (discussed further) are often listed as SCO related projects; however Central Asia expert Kassenova states that "while political experts [in Tajikistan] confidentially listed the loans provided in the SCO framework, officials directly responsible for monitoring these loans were not sure which were SCO loans. They monitored them as normal bilateral credit."³⁰ (This problem of monitoring multilateral projects is common for regional integration initiatives and cannot be considered an SCO-specific weakness). Moreover, according to a Russian expert, "the relationships in the energy sector have already been established" and the bureaucracy of the supranational structure and the cost of its maintenance would be of little use to the development of the cooperation in the energy field.³¹

²³ Ibid

²⁴ Linn, Johannes. F., "Central Asian Regional Integration and Cooperation: Reality or Mirage?", *The Economic of the Post-Soviet and Eurasian Integration*, EDB Eurasian Integration Yearbook, 2012, 104

²⁵ "Monitoring of positions..."

²⁶ Akiner, Shirin, The Shanghai Cooperation Organization: A Networking Organization for a Networking World, www.globalstrategyforum.org, June 2010, <http://www.globalstrategyforum.org/wp-content/uploads/The-Shanghai-Cooperation-Organisation.pdf>

²⁷ All the signing countries are Russia, Belarus, Kazakhstan, Tajikistan, China, Mongolia, India, Afghanistan, Turkey and Sri Lanka

"SCO energy club will not be able to create a counterweight to OPEC", *JSC Institute of Electricity Development and Energy Saving, Ministry of Industry and New Technologies of the Republic of Kazakhstan*, January 17, 2014, <http://kazee.kz/en/news/energoklub-shos-ne-smozhet-sozdat-protivoves-opek/>

²⁸ Culter, Robert M., "SCO energy clubhouse still under construction", *Asia Times*, June 30, 2011, http://www.atimes.com/atimes/Central_Asia/MF30Ag01.html

²⁹ Ibid

³⁰ Kessenova, Nargiz, "China as an Emerging Donor in Tajikistan and Kyrgyzstan," *Russie.Nei.Visions N36*, IFRI, January 2009, 15

³¹ "SCO energy club will not..."

In addition to being “too inclusive”, which may divert attention from Central Asia, and not being clearly defined, the SCO energy club’s capacity is diminished by different perceptions of its role between Russia and China. ”SCO's two most influential members have divergent interests and views on strengthening the potential of the energy club. China seeks energy security in the sense of security of supply of energy raw materials to feed its increasing demand. However, Russia feels such a club can bring together the oil producing states to control supply and prices.”³² Overall, multilateral international organizations and initiatives have not only achieved little in addressing energy problems in Central Asia, but also lack potential to develop cooperation on the basis of energy. Considering this, it is more suitable to evaluate China’s and Russia’s engagement in the region using the states level, rather than the level of international institutions.

Predisposition for Cooperation

Water sharing has often been referred to as one of the most controversial issues which stand on the way of enhanced regional cooperation in Central Asia.³³ On the contrary, the issue of transnational bodies of water and hydropower management has been continuously addressed by the Central Asian states.³⁴ Multiple agreements signed in the post-Soviet years have not always satisfied all the parties.³⁵ The documents, at times, lacked implementation mechanisms. Some of the declarations were broken or not properly enforced by corresponding national agencies. However, because of their weaknesses, these multilateral initiatives have “pushed” national governments to the negotiating table with their counterparts. Also importantly, these declarations and agreements have assumed continuous technical cooperation between corresponding agencies of the neighboring states. That remained the case until Central Asian states started to disconnect their power grids from the Integrated Power System.

Turkmenistan was the first one to detach its electric system from the Central Asian IPS in 2003, but abandoning central dispatch had not caused serious negative effects either in Turkmenistan or region-wide.³⁶ Two factors accounted for the relatively unproblematic disconnection – Turkmenistan’s abundance of hydrocarbon resources and its peripheral location. The first enabled Turkmenistan to develop self-sufficiency. The second factor, which implied already low level of interdependence, ensured that disconnection did not seriously affect neighboring states, thus avoiding possible conflicts. Other countries in the region, however, had much closer links.

Until 2009 Tajikistan had seasonal exchange with Uzbekistan, releasing water and supplying hydro-generated power during the agricultural season, while Uzbekistan would return

³² Kundu, Nivedita Das, “Russia pushes for strengthening SCO energy club”, *Russia and India Report*, August 13, 2013, https://in.rbth.com/russian_india_experts/2013/08/12/russia_pushes_for_strengthening_scos_energy_club_28363

³³ Cooley, Alexander, *Great Games, Local Rules. The New Great Power Contest in Central Asia*, New York: Oxford University Press, 2012

³⁴ “Monitoring of positions of Central Asian countries...”

³⁵ Ibid

³⁶ Aminjonov, Farkhod, “Central Asian Countries’ Power Systems are Now Isolated, but Not Everybody is Happy!” *Eurasian Research Institute, Akhmet Yazzawi University*, March 14, 2016, <http://eurasian-research.org/en/research/comments/energy/central-asian-countries%E2%80%99-power-systems-are-now-isolated-not-everyone-happy>

the same amount of electricity to Tajikistan in the winter when the latter was storing water.³⁷ Tajikistan also exchanged electric power with Kyrgyzstan during the winter months³⁸ which suggested post-soviet continuation of practical, i.e. more logistically feasible, approach to sharing resources between the two states with comparable, non-complimentary energy potentials. Additionally, Tajikistan imported Turkmen energy through Uzbekistan which charged transit fees; the arrangement was beneficial for all the three parties which lasted until 2009 when Tajikistan and transit entity Uzbekenergo failed to reach agreement.³⁹ Another practice of energy exchange, defined by seasonal needs, took was between Tajikistan and Kazakhstan, in which Uzbekistan, again, served as a transit state.⁴⁰

All of these initiatives required coordinated effort and could be viewed as vivid examples of interstate cooperation, both bilateral and multilateral. However, between 2006 and 2010 Central Asian Integrated Power System (IPS) dealt with many power outages from the connected national power grids, particularly from Tajikistan,⁴¹ and caused a number of disagreements between the states, which was used as a motivation for Uzbekistan to leave the IPS.⁴²

When Uzbekistan left Central Asian IPS in December 2009, the consequences were significant for several actors. Because Tajikistan's "section of the ring" lay between the borders with Uzbekistan, Tajikistan became disconnected from the Central Asian IPS. Tajikistan could not continue exporting energy to Turkmenistan and Kazakhstan and the utility of exchange with Kyrgyzstan remained limited because of non-complimentary needs of the two upstream countries; these factors positioned Uzbekistan in control to dictate terms of energy exchanges with Tajikistan.

There is little evidence that either Russia or China financed any of the projects which enabled Uzbekistan to disconnect from the IPS. It appears that the costs for dismantling and upgrading certain sections of the Uzbekistan national grid have been incurred by Uzbekistan government independently.⁴³ However, neither Russia, nor China, nor multilateral institutions initiated or dominated by the two major powers (i.e. CIS, EAEC, SCO) have managed to prevent disagreements between Central Asian states which led to disintegration of the IPS. More importantly, the timing of Uzbekistan's withdrawal coincided with certain Russia's actions and announcements. In 2009 Russia issued a \$300 million loan for construction of Kambarta-2 HEPP, which became operational in 2010 and also announced decision to finance \$1.7 billion Kambarata-1 HEPP.⁴⁴ Disconnection from the IPS can be seen as a reaction of Uzbekistan, which is strongly disapproving of the dams being built upstream.

Russia's engagement in power sector

According to several political and economic Central Asia-based experts, Russia has used announcements to finance Kambarata dams in Kyrgyzstan and Rogun dam in Tajikistan as a point of pressure on Uzbekistan.⁴⁵ Similarly, Russia's periodic unwillingness or abandonment of

³⁷ "Integration...", 28

³⁸ Ibid

³⁹ Ibid

⁴⁰ "Integration Process...", 26

⁴¹ "Integration Process...", 18

⁴² "Uzbekistan Withdrawing From Regional Power Grid," *Radio Free Europe Radio Liberty*, December 01, 2009, http://www.rferl.org/content/Uzbekistan_Withdrawing_From_Regional_Power_Grid/1892220.html

⁴³ "Uzbekistan Withdrawing..."

⁴⁴ "Integration Process...", 29

⁴⁵ Author's interview, Bishkek, January 22, 2016

support for dam building projects in Kyrgyzstan and Tajikistan have served as a mechanism of exerting political pressure on these upstream states as well as signaling cyclical improvements of relations with Uzbekistan.⁴⁶ Despite Uzbekistan's reluctance to participate in Russia-driven integration and cooperation initiatives, such as the CSTO, the EAEC and the EAEU, strong bilateral relations with Uzbekistan have remained a priority in Russia's foreign policy in Central Asia.⁴⁷

For Uzbekistan, Russia has remained an important economic partner and main importer of Uzbekistan products (other than gas).⁴⁸ Despite its aversion to multilateralism and, especially, supranational structures, Uzbekistan has been pragmatic in dealing with Russia. In 2011, for example, Uzbekistan welcomed increased Russian investments in the energy sector for a five year term;⁴⁹ this did not prevent Uzbekistan from leaving CSTO, Russia-led defense alliance, in 2012. However, neither Uzbekistan, nor any of the other Central Asian states took any serious steps to join regional organizations which didn't include Russia. As Allison noted in 2004, if Central Asian were to use regionalism to balance against Russia, it would cause further deterioration of regional cooperation.⁵⁰

Consideration of relations with Uzbekistan in Russia's engagement in Central Asia is tellingly demonstrated in Russia's delay of Kambarata-1 HEPP and Upper Naryn Cascade of four smaller HEPP's, the two initiatives worth over 3 billion USD.⁵¹ Possibly not coincidentally Russia's originally declared intention to finance Kambarata-1 HEPP appeared in 2009 shortly before former Kyrgyzstan's president Bakiev's announcement to close down American Manas base (transit center) near Bishkek.⁵² In August 2012 formal agreement between Russia and Kyrgyzstan to construct Kambarata-1 and Upper Naryn Cascade was signed under new Kyrgyz president Atambaev.⁵³ However, in the end of 2015, Atambaev unilaterally denounced the agreement. The official reason for denunciation offered by Kyrgyz government was Russia's inability to finance the projects due to strained financial situation brought down by the economic crisis.⁵⁴ Both projects have been stalled by the Russian side,⁵⁵ even though Kyrgyzstan admitted delays in allocation of land in the past.⁵⁶ Numerous sources suggest a tendency in Russia's

Author's interview, Bishkek, February 15, 2016

⁴⁶ Ibid

⁴⁷ Author's interview, Beijing, March 9, 2016

⁴⁸ Author's interview, Beijing, December 30, 2015

⁴⁹ Culter

⁵⁰ Allison, Roy, "Regionalism, Regional Structures and Security Management in Central Asia," *International Affairs*, 80, 3 (2004), 463-483

⁵¹ Author's Interview, Bishkek, January, 22

⁵² Bakiev did not implement his announcement.

⁵³ Rickleton, Chris, "Kyrgyzstan: Russia Has Made "No Real Progress" on Hydropower Promises", *eurasianet.org*, February 16, 2015

⁵⁴ Hashimova, Umida, "Kyrgyzstan Determined to Pursue Its Hydropower Plans With or Without Russia", *The Jamestown Foundation*, January 15, 2016, http://www.jamestown.org/regions/centralasia/single/?tx_ttnews%5Btt_news%5D=44990&tx_ttnews%5BbackPid%5D=658&cHash=b9ab195f2029fb9c605ccb0e08de72f1#.Vyd5v3lJnIU

⁵⁵ Rickleton, February 16, 2015

⁵⁶ Putz, Catherine, "New Hydropower Project Partners Needed in Kyrgyzstan," *The Diplomat*, December, 28, 2015, <http://thediplomat.com/2015/12/new-hydropower-project-partners-needed-in-kyrgyzstan/>

reluctance to fulfill its financial and infrastructure building commitments in Central Asia.⁵⁷ Noticeably though, Russia's delay in the hydropower projects in Kyrgyzstan have coincided with improvement of relationship with Uzbekistan in 2013-2015⁵⁸ which culminated in an incredibly strong declaration of mutual friendship, cooperation and strategic partnership during President Putin's official visit to Uzbekistan President Karimov in April 2016.⁵⁹

During the "colder" stage of Russia-Uzbekistan relations, after Uzbekistan left Russia-initiated EUEC⁶⁰, Russia-financed projects partially enabled Tajikistan to overcome critical dependency of Uzbekistan. Sangtuda HEPP, which cost \$720 million to build and which is 75% owned by Russian companies was commissioned in July of 2009 and had the capacity to produce 12% of Tajikistan electricity.⁶¹ The HEPP is controlled by Inter RAO UES, Russia's largest energy holding company. This way Russia enabled Tajikistan to generate sufficient amount of energy for domestic consumption. Moreover, Sangtuda HEPP has the capacity to generate access of electricity for sale to neighboring Afghanistan and Pakistan.⁶² Noticeably, in 2015, due to Russia-created energy potential, Tajikistan expressed its willingness and ability to reconnect to the Central Asian IPS through Uzbekistan. This suggests lack of continuity in the effects of Russia's energy activities in Central Asia.⁶³

In 2013 Cooley and Laurelle argued:

recent Russian policy toward Central Asia marks not a decline but a distinct shift in strategic logic—from one that emphasizes regional mediation and maximizing influence across the whole region to a more focused logic of hierarchy that seeks to support selected states with more focused instruments, take sides in regional disputes, and push for deeper integration within regional security and economic organizations that have narrower memberships.⁶⁴

However, engagement in the energy field suggests lack of consistency and opportunism in the nature of Russia's engagement in Central Asian energy sector, which subsequently highlights Russia's capacity, yet, reluctance to facilitate regional cooperation in Central Asia. Hence,

⁵⁷ Hashimova, January 15, 2016; Rickleton, February 16, 2015; Author's interviews: Bishkek, February 12, 2016; Almaty, January 30, 2012

⁵⁸ Sorbello, Paolo, "Yes, Uzbekistan is Putin's Friend", *The Diplomat*, ⁵⁸ December 15, 2014, <http://thediplomat.com/2014/12/yes-uzbekistan-is-putins-friend/>

Azizov Demir, "Uzbekistan, Russia stress need to develop strategic relations", *trend.az*, December 11, 2014, <http://en.trend.az/casia/uzbekistan/2342494.html>

⁵⁹ "Putin and Karimov: 'Frank talk' about agriculture, Russian language and fluidity of instability", ("Путин и Каримов: «Откровенный разговор» о сельхозпродуктах, русском языке и перетекании нестабильности"), *Fergana News Agency*, April 27, 2016, <http://www.fergananews.com/articles/8952>

⁶⁰ Najibullah, Farangis, "Central Asia's Era of Cheap Gas Comes to a Close", *Radio Free Europe Radio Liberty*, January 6, 2009, http://www.rferl.org/content/Central_Asia's_Era_Of_Cheap_Gas_Comes_To_A_Close/1367074.html

⁶¹ Kozhevnikov, Roman; Onegina, Anastasia, "Russia Boosts C. Asia Ties, Opens Plant in Tajikistan". *Reuters*, (31 July 2009), <http://uk.reuters.com/article/idUKLV616217?sp=true>

⁶² "Tajik Power Line to Afghanistan Inaugurated", *Radio Free Europe Radio Liberty*, April 20, 2016, http://www.rferl.org/content/afghanistan_tajikistan_power_line_inaugurated/24373587.html

⁶³ Chorshanbiev Payrav, "Tajikistan offers restoration of the Central Asian unified power grid", *news.tj*, August 7, 2015, <http://news.tj/en/news/tajikistan-offers-restoration-central-asian-unified-power-grid>

⁶⁴ Cooley, Alexander, Marlene Laruelle, "The Changing Logic of Russian Strategy in Central Asia. From Privileged Sphere, to Divide and Rule?", PONARS Eurasia Policy memo No. 261, July 2013, [PONARSEurasia.org](http://www.ponarseurasia.org), <http://www.ponarseurasia.org/article/new-policy-memo-changing-logic-russian-strategy-central-asia-privileged-sphere-divide-and>

Russia's involvement in energy sector in Central Asia has had limited long term effects on development of interdependency among Central Asian states.

Chinese engagement in power sector

Power lines in Tajikistan

On its part, China-financed projects enabled transit of Sangtuda generated power. South-North line between Tursunzada and Khudjand cost around \$270 million; it was financed by China Exim, constructed by Chinese electric company TBEA and was commissioned in November 2009.⁶⁵ Another line, Sangtuda-Khatlon-Lolazor, also financed and constructed by Chinese corporations, was put in use by June of 2008.⁶⁶ The two lines have allowed energy flow from southern Tajikistan to northern areas of the country, thus eliminating, or at least decreasing, Tajikistan's dependence from Uzbekistan's supplies.⁶⁷ The second line, which not coincidentally trespasses the area near President Rahmon's home town Danghara,⁶⁸ instead of running in a more direct route from Sangtuda HEPP, suggests China's close relationship with Tajikistan's leadership and the importance of inter-personal relationships in Central Asia. Finally, a third line, Khudjand-Ayuni, financed and built by the same actors was completed in 2011⁶⁹, and it offers an alternative route for electricity flow from energy abundant south Tajikistan to its energy deficient north. In addition TBEA has been contracted to build two thermal power stations in Dushanbe, one of which started operating in the beginning of 2014 and the second due to be completed by the end of 2016. The stations aim to secure power supply to Tajikistan's capital.⁷⁰

It is important to note that even though the power lines financed and built by China have decreased interdependence between Tajikistan and Uzbekistan, they have the potential to contribute towards a new integrated power system. According to a local media source, the increased amount of electricity flowing to Khudjand in northern Tajikistan offers a potential to build a line to transfer electricity from Khudjand to Datka in central Kyrgyzstan.⁷¹

Datka-Kemin Transmission Line

A substation in Datka in central Kyrgyzstan and over 400km power transmitting line over mountainous areas from Datka to Kemin in northern Kyrgyzstan was also financed by China Exim bank and constructed by TBEA.⁷² The line allows Kyrgyzstan to transport electricity from its main generation hydropower stations at Toktogul reservoir in Jalalabad region of Kyrgyzstan. Previously electricity from the main sub-station of 1200 Mwatts at Toktogul reservoir was transmitted through the Central Asia energy ring. That is, hydropower generated in central

⁶⁵ "In Tajikistan the Largest Power Transmitting Line, Connecting South and North" Has Been Launched," November 30, 2009, <http://www.rbc.ru/rbcfreenews/20091130121731.shtml>

⁶⁶ "SCO and Development of Energy Sector in Tajikistan," May 30, 2014, http://www.patriotj.com/publ/novosti_sng/novosti_sng/shos_i_razvitie_ehnergetiki_tadzhikistana/7-1-0-17505

⁶⁷ "President of Tajikistan Launched High Voltage Power Transmitting Line 'South-North'," *trend.az*, November 30, 2009, <http://www.trend.az/business/energy/1590417.html>

⁶⁸ Author's interview February 19th, 2016

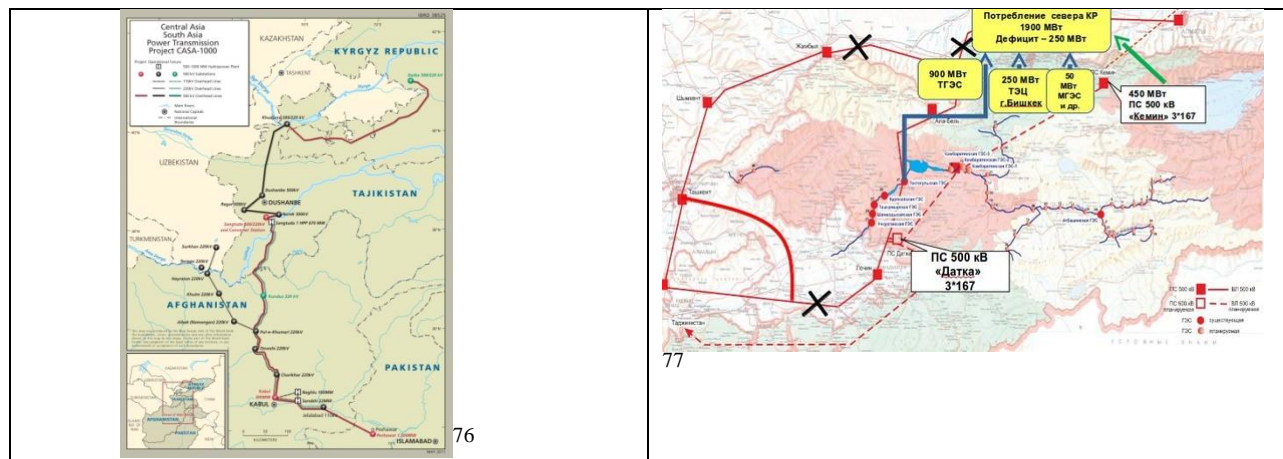
⁶⁹ "Tajikistan: Power Transmitting Line Khudjand-Ayini will Relieve Zarafshan Valley from Energy Dependency from Uzbekistan", September 26, 2011, <http://www.fergananews.com/news.php?id=17346>

⁷⁰ Chorshanбиеv, Pairav, "'Barki Tochik': TPS 'Dushanbe-2 is Not Designated to Produce Hot Water'", *news.tj*, April 8, 2015, <http://news.tj/ru/news/barki-tochik-tets-dushanbe-2-ne-prednaznachena-dlya-vyrabotki-goryachei-vody>

⁷¹ "SCO and Development..."

⁷² Putz, Catherine, "Kyrgyzstan Declared Energy Independence", *The Diplomat*, September 01, 2015, <http://thediplomat.com/2015/09/kyrgyzstan-declares-energy-independence/>

Kyrgyzstan would run to southern Kyrgyzstan (Osh), then central Uzbekistan (Andijan), then southern Kazakhstan (Taraza, Shemkent, Almaty), completing roughly three quarters of a full circle before reaching northern Kyrgyzstan and the capital Bishkek.⁷³ Only one low-power transmission line previously ran directly from Toktogul to Bishkek, which meant that Kyrgyzstan largely had to rely on Uzbekistan and Kazakhstan to transmit power, generated in the center of the country, to its capital and the rest of industrial north.⁷⁴ Through completion of Datka-Kemin line, China enabled Kyrgyzstan to significantly decrease, if not completely eliminate,⁷⁵ energy dependency from Kazakhstan and more importantly, Uzbekistan, with which Kyrgyzstan has more tenuous relations. That is, similarly with Chinese engagement in power sector in Tajikistan, Chinese engagement in Kyrgyzstan has facilitated decreased interdependence between certain Central Asian states. As with the projects in Tajikistan, which have potential to enhance cooperation in a previously non-existing direction, Datka-Kemin enhances Kyrgyzstan's capacity to export energy to Kazakhstan, which may add a level of interdependence between the two countries, and hence contribute towards regional cooperation.



“Reformatting” regional energy flow

If the two sets of projects discussed above are viewed in one context, they suggest a more encompassing effect of China's engagement on the development of regional connectivity in recent years. Datka-Kamin line in Kyrgyzstan and transmission lines between south and north Tajikistan make up system which has potential to transmit power from southern Tajikistan all the way to Kyrgyzstan's northern border with Kazakhstan. If such is the case, than China is not merely financing profitable projects or enhancing its sphere of influence in Tajikistan and Kyrgyzstan. On the contrary, it suggests China's deliberate efforts to “reconnect” the region in a different way, where the hydropower from the upstream states can be transported in the direction opposite of the Central Asia IPS, non-relying on Uzbekistan, and with a potential to be transported to China.

The potential for interdependency generated through China's engagement in the power sector in Central Asia is consistent with China's Silk Road rhetoric of more focused facilitation

⁷³ Author's Interview, Bishkek, January 22, 2016

⁷⁴ Ibid

⁷⁵ Putz, Catherine

⁷⁶ <http://www.casa-1000.org/MAP.jpg>

⁷⁷ Need to check the source

of regional cooperation in Central Asia in recent years. Earlier projects tended to enhance China's sphere of influence in selected Central Asian states and to enable these states to develop energy independence from their neighbors. More recent projects create potential for enhancing interdependency between these states.

At the same time, despite its technical and financial capabilities, China is often unable to complete power sector projects in Central Asia. For example, in 2007, China withdrew from a \$200 million project of constructing HEPP plant on Zarafshan River in Tajikistan tellingly because of the pressure from Uzbekistan.⁷⁸ Another example includes unofficial doctrine of Kyrgyzstan government under which Chinese companies are not permitted to develop energy and other infrastructural projects in the areas adjacent to China borders for the fear of Chinese "expansion" in Kyrgyzstan.⁷⁹ Despite these hurdles, though, China's intentions and activities in energy sector appear to create potential for multilateral cooperation. This is even more visible in the hydrocarbon sector, mainly gas, discussed in the following section.

Gas

Pipeline networks and their roles in regional connectivity

During the Soviet times the energy network was built to transport natural gas produced in Uzbekistan and Turkmenistan. Several pipeline systems were constructed between 60's and 80's of the twentieth century. All of them were managed and controlled by central government in Moscow. "Central Asia – Center" pipeline originated in Turkmenistan, traversed scarcely populated western parts of Uzbekistan and Kazakhstan and continued to central Russia. "Buhara – Ural" pipeline was used to transport gas from Gazli field in Uzbekistan to Russia's industrial southern Ural region. "Bukhara-Tashkent-Almaty-Bishkek" pipeline originated in Gazli as well, but serviced developed areas of central Uzbekistan, Southern Kazakhstan and northern Kyrgyzstan. After the dissolution of the USSR the sections of the "Bukhara-Tashkent-Almaty-Bishkek" pipeline have been managed by the respective gas transit companies of the states through which it runs. However, Central Asia-Center and Bukhara-Ural are directed towards Russian pipeline systems, which have the capacity to distribute the gas in Russia or transport it for export abroad; therefore these pipeline systems are still mainly controlled by Russia's gas monopoly Gazprom which is closely linked to Russian leadership. Gazprom's capacity has designated Russia a powerful role in the energy affairs of the region. After the dissolution of the Soviet Union, "energy [figured] prominently as one of the most important elements of what Moscow [could] control because of its ownership of existing pipelines and refinery capabilities. Thus, it [had] the ability to shut off energy in and out of these states if it so [chose]."⁸⁰ On its part, though, Russia energy policy in Central Asia has lacked consistency and revolved around bilateral ties with Central Asian states. Russia's reliance on bilateralism in gas sector differs significantly from Russia's multilateral initiatives in other sectors, such as economics or security.

China has entered Central Asia gas sector in mid-2000's with the construction of the Central Asia – China pipeline, built with the purpose of transporting gas from Turkmenistan. Within approximately a decade, Chinese involvement in gas sector has developed to include multilateral initiatives. The shift from interest-seeking toward multilateral nature of Chinese

⁷⁸ Kassenova, 17

⁷⁹ Author's interview, Bishkek, February 15, 2016

⁸⁰ Blank, Stephen, "Energy, economic and security in Central Asia: Russia and its rivals", *Central Asian Survey*, 14, 3, (1995), 373-404, 374

engagement comes in contrast to Russia's bilateral and profit-driven approach to energy development and distribution in Central Asia.



Russia's "situational" engagement

Tangible interests have continuously defined the nature of Russian energy engagement in Central Asia. Rehabilitation of the Central Asia – Center pipeline projected by Gazprom in 2006 was intended to enable higher volumes of gas to be transported from Turkmenistan and Uzbekistan through Kazakhstan to Russia.⁸² The increased flow of gas through the three Central Asian states to Russia and further to Europe would bring substantial revenues to Gazprom, responsible for transit.⁸³ Concurrently, the enhanced flows through the three states could also increase interdependence and expand grounds for cooperation between these states. Instead, later in 2006 Gazprom designed and implemented an alternative transit system for importing Uzbekistan gas. Instead of sending the gas flow through the large territory of Kazakhstan to its northern border with Russia, Gazprom has been transporting Uzbek gas through a much shorter distance from Gazli gas region in central Uzbekistan to industrial regions of southern Kazakhstan, including Almaty. In exchange, Kazakhstan supplies the same amount of gas from its gas field in Kapchagan in the north close to Russian border to Orenburg gas distribution station in southern Russia.⁸⁴ As a result, Gazprom saves significant amounts of money on transiting gas through Kazakhstan, which is the main motivation for the arrangement.⁸⁵ At the same time, Gazprom serves as a “middle man” between suppliers and consumers of gas in Central Asia. Moreover, the so called “swapping” system is based on bilateral agreements between Gazprom with gas transiting companies of Uzbekistan and Kazakhstan,⁸⁶ which, in turn, reduce interdependence and cooperation between the two states.

In September 2008 Gazprom announced an agreement, sponsored by Russian and Uzbekistan leaders, to build a new pipeline through Uzbekistan which would serve to transit Turkmen and Uzbek gas towards Russia.⁸⁷ The route would expand the capacity of the existing Central Asia – Centre pipeline. However, the agreement has never materialized. Uzbekistan left

⁸¹ Check source

⁸² Sidorov, Oleg, “Sredniazitskaya igra Gazproma: noviye gorizonty” (Gazprom’s Central Asian game: new horizons”), *inosmi.ru*, January 31, 2006, <http://inosmi.ru/world/20060131/225212.html>

⁸³ Ibid

⁸⁴ Author’s interview, Almaty, January 30, 2016

⁸⁵ Ibid

⁸⁶ Ibid

⁸⁷ “Russia Cements Gas Position in Central Asia with Uzbekistan Pipeline Deal”, *ihs.com*, September 3, 2008, <https://www.ihs.com/country-industry-forecasting.html?ID=106596414>

Russia-lead Eurasian Economic Community (EAEC) in the end of 2008, which coincided with the ease of the EU sanctions imposed on Uzbekistan after the 2005 events in Andijan.⁸⁸

Additionally, Kazakhstan, Kyrgyzstan and Tajikistan reached an agreement on water and gas without involvement of Uzbekistan; the latter requested Russia to engage in arbitrating the sensitive water issue.⁸⁹ Russia, however, has done little to ease tension between Uzbekistan and its neighbors. On the contrary, continuing construction of hydropower plants in Tajikistan (Sagtuda HEPP) and Kyrgyzstan (Kambarata 2) and announcement to build Kambarata 1 (discussed in the previous section) contributed towards decreased interstate cooperation in the energy field.

In the beginning of 2009 Uzbekistan raised gas prices for Tajikistan and Kyrgyzstan from \$145 to \$240 per thousand cubic meters.⁹⁰ Concurrently, Russia reached an agreement to import additional 15 billion cubic meters of gas from Uzbekistan, the increase partially (less than 4 billion) came at the expense of reducing Uzbek gas exports to Kyrgyzstan and Tajikistan.⁹¹ The main increase, however, would be supplied by another Russian energy conglomerate LUKOIL⁹², which owes 90% of the Kandym-Khauzak-Shady gas fields in southern Uzbekistan, operational since 2007.⁹³ Tellingly, the agreement between Russia and Uzbekistan resulted from Russia's reconsideration of investment into hydropower projects in the upstream states, particularly, sensitive Kambarata 1 HEPP in Kyrgyzstan.⁹⁴ Russia's actions, in this case appear to be lacking consistency in policies towards different Central Asian states. However, these moves suggest that Russia's energy-related activities in the region are clearly designed to serve Russia's interests. In this particular case two Russian energy giants benefit from Uzbekistan gas imports – LUKOIL earns on development and Gazprom earns on transit.

Since the pipeline construction agreed on by Russia and Uzbekistan in 2008 did not materialize it became one of the reasons of reduction of flow of Turkmen gas to Russia. Another reason for the reduction was the 2009 explosion on the Central Asia – Center pipeline for which Russia and Turkmenistan blamed each other citing negligence.⁹⁵ Subsequently, Gazprom's imports from Turkmenistan, which in the post-Soviet time peaked at 45 billion cubic meters in 2008, declined to 10 billion in 2010 and 4 billion in 2015, before being suspended completely in January 2016.⁹⁶ Another key reason for such a decline was a construction of Central Asia – China pipeline which went into operation in 2009. Chinese engagement in gas field has changed energy dynamics in the region.

The combined major powers' effects on energy cooperation in Central Asia

⁸⁸ Shermatova, Sanobar, "Rossiya-Uzbekistan: Medvedev popal v Tashkent 'ochen' i ochen' svoevremennno'" ("Russia-Uzbekistan: Medvedev arrived to Tashkent 'very and very timely'"), *fergananews.com*, January 24, 2009, <http://www.fergananews.com/articles/6035>

⁸⁹ Shermatova

⁹⁰ Najibullah

⁹¹ Shermatova

⁹² Ibid

⁹³ Lukoil-overseas.ru, <http://lukoil-overseas.ru/projects/uzbekistan/81.php>, accessed June 2, 2016

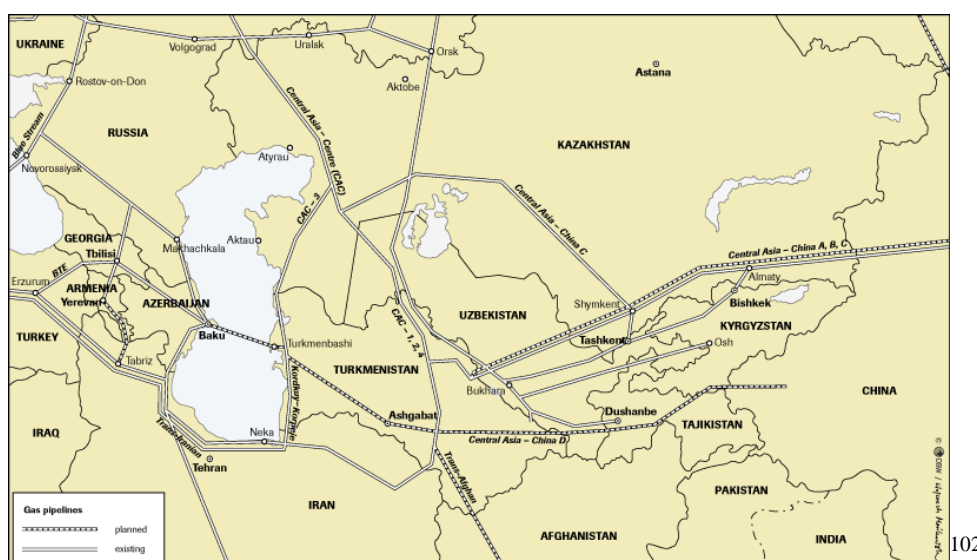
⁹⁴ Shermatova

⁹⁵ Panniet, Bruce, "Pipeline Explosion Raise Tensions Between Turkmenistan, Russia", *Radio Free Europe Radio Liberty*, April 12, 2009,

http://www.rferl.org/content/Pipeline_Explosion_Stokes_Tensions_Between_Turkmenistan_Russia/1608633.html

⁹⁶ "Turkmenistan: Russia suspends gas supplies", *eurasianet.org*, January 4, 2016, <http://www.eurasianet.org/node/76676>

In 2006 China negotiated separately with Kazakhstan, Turkmenistan and Uzbekistan over construction of the new pipeline Central Asia - China pipeline and subsequently purchased rights for extracting gas at a major gas field in southern Turkmenistan.⁹⁷ The first branch of the CA - China pipeline started transporting Turkmen gas to China in the end of 2009; by October 2010 a parallel Line B became operational⁹⁸ and reached its maximum capacity of 30 billion cubic meters per year by the end of 2012.⁹⁹ The third parallel line, Line C, with a future capacity to transport 25 billion cubic meters per year was put in operation in May 2014,¹⁰⁰ thus increasing the potential total capacity to 55 billion per year. Originating in northern Turkmenistan the three parallel pipes traverse over 500km of Uzbekistan and over 1000km Kazakhstan territories before crossing into China. The construction and operation of the Kazakh and Uzbek sections of the line have been managed by the joint ventures Asian Gazoprovod and Asia Trans Gas, in which shares distributed equally between CNPC's subsidiary Topline and gas transporting companies of Kazakhstan and Uzbekistan.¹⁰¹ In less than a decade China created access to a whole new market for Central Asian gas. This new development took place with Russia's still strong presence in the gas sector.



102

The nature of Sino-Russian relationship in the energy field, often defined as “competing”,¹⁰³ has actually had negative effects on energy trade between Central Asian gas

⁹⁷ Author's interview, Almaty, January 30, 2016

⁹⁸ Gatev, Ivaylo, “Chinese and European Approaches to Energy Cooperation in Central Asia”, paper presented at the *China's Energy Outreach and its Impact on the Regional Order in Asia Pacific and Beyond* workshop, June 26, 2015, University of Nottingham Ningbo China

⁹⁹ “Central Asia – China Pipeline operational”, *China National Petroleum Corporation website*, <http://www.cnpc.com.cn/en/FlowofnaturalgasfromCentralAsia/FlowofnaturalgasfromCentralAsia2.shtml>, accessed June 12, 2016

¹⁰⁰ “Central Asia – China Pipeline operational”

¹⁰¹ “Central Asia – China Pipeline operational”

¹⁰² http://www.osw.waw.pl/sites/default/files/image/2_eng_ac_gaz-col.png

¹⁰³ Wishnik, Elizabeth, “Russia, China, and the United States in Central Asia: Prospects for Great Power Competition and Cooperation in the shadow of the Georgian Crisis,” U.S. Army War College, Strategic Studies Institute, February 2009, <http://www.StrategicStudiesInstitute.army.mil/>

producers and consumers. According to Facon, “From a Russian point of view, the fact that agreements were signed between Central Asian state and China on pipelines, where Russia companies are not involved, is bad news.”¹⁰⁴ Having been the main importer, Russia used to be able to control prices of gas imports from the main Central Asian gas importers, Uzbekistan and Turkmenistan. After the emergence of Chinese market, however, Russia has not been able to do so. Additionally, the combined market for gas in Russia and China is much larger than that of gas importers in Central Asia, and the prices the two major powers are able to pay, are generally higher. Consequently, Russia and China affect the decisions of fuel exporting countries to sell the gas to higher paying customer, rather than neighboring states. Uzbekistan, particularly, justified high prices for gas sold to Tajikistan and Kyrgyzstan by suggesting that if the prices were low, China and Russia would demand reduced prices as well.¹⁰⁵ In January 2012 Uzbekistan halted supplies of gas to Tajikistan because the latter refused to accept additional price increase to \$311 per thousand cubic meters,¹⁰⁶ thus reducing the level of interdependence between the two states.

Shortly thereafter, in August 2012, Uzbekistan started exporting gas to China through the CA-China pipeline.¹⁰⁷ Because the quality of Uzbek gas is inferior in quality to Turkmen gas, PetroChina, was reluctant to import large amounts of it. However, a system was designed by PetroChina to mix Uzbek gas with Turkmen gas in a proportion essential to maintain the proper quality of gas in the combined flow.¹⁰⁸ China also only agreed to pay for the amounts of Uzbek gas that would not jeopardize the quality of the combined flow.¹⁰⁹ In that sense, the nature of Chinese imports of Uzbek gas has been defined by commercial interests.

The results of Chinese engagement in the energy sector also partially contributed towards energy independence of Kazakhstan. The construction of Beineu-Bozoi-Shemkent pipeline (BBSH) was executed thought a joint venture of CNPC and KazTransGaz¹¹⁰ (Kazakhstan’s national gas transporting company) and launched in November 2015.¹¹¹ BBSH was intended to transport gas to CA-China line. Some of it would be further distributed for Kazakhstan’s domestic needs though three spurs off the CA-China pipeline built in 2010 on Kazakhstan territory (near Shymkent, Taraz and Almaty); access amount would be sold to China.¹¹² However, the BBSH could not be connected to the CA-China pipeline at the time of its completion because of the large difference in pressure between the two systems. Instead, the BBSH was connected to Buhara-Tashkent-Almaty-Bishkek line¹¹³ to serve domestic needs. The technological issues were

¹⁰⁴ Facon, Isabelle, “Moscow’s Global Foreign and Security Strategy. Does the Shanghai Cooperation Organization Meet Russian Interests?” *Asian Survey*, 53, 3 (May / June 2013), 461-483, 481

¹⁰⁵ “Uzbekistan prekratil postavki gaza v Tajikistan izza Rossii” (Uzbekistan stopped supplying gas to Tajikistan because of Russia,” *delovoye.tv*, January 4, 2012, http://delovoe.tv/event/Uzbekistan_prekratil_pos/

¹⁰⁶ “Uzbekistan prekratil postavki gaza v Tajikistan izza Rossii” (Uzbekistan stopped supplying gas to Tajikistan because of Russia,” *delovoye.tv*, January 4, 2012, http://delovoe.tv/event/Uzbekistan_prekratil_pos/

¹⁰⁷ Jarosiewicz, Aleksandra, “Uzbekistan starts exports to China”, *Osrodek Studiow Wschodnich*, September 9, 2012, <http://www.osw.waw.pl/en/publikacje/analyses/2012-09-19/uzbekistan-starts-gas-exports-to-china>

¹⁰⁸ Author’s interview, Almaty, January 30, 2016

¹⁰⁹ Ibid

¹¹⁰ Beineu-Shemkent Website, http://bsgp.kz/eng/sections/about_us, accessed June 12, 2016

¹¹¹ “Kaztransgas launches new pipeline five months ahead of schedule”, *NaturalgasEurope.com*, November 24, 2015, <http://www.naturalgaseurope.com/jsc-kaztransgaz-connects-west-with-the-south-26652>

¹¹² Author’s interview, Almaty

¹¹³ Ibid

being resolved and gas from north-western Kazakhstan was projected to start flowing into CA-China line, but not in significant amounts.¹¹⁴

Emerging Chinese multilateralism and changing nature of engagement

Yet, Chinese activities in the energy field have not always been driven by commercial interests. For instance, from 2011 until 2014 southern Kazakhstan suffered severe gas shortages during the winters. An agreement was reached between China and Kazakhstan under which China would “lend” gas to Kazakhstan from the CA-China pipeline through one of the existing spurs; Kazakhstan would return the same amounts of gas during the summer having purchased gas through Gazprom for a previously agreed lower price.¹¹⁵ During the four years PetroChina did not gain any profit for supplying southern Kazakhstan with gas, but it has likely developed stronger working relationship with its partners in Kazakhstan. Moreover, the “lending-returning” scheme affected operation of the whole pipeline and was raised and agreed on during one of the meetings of Coordination Committee of CA-China Pipeline. The Committee is, possibly, the most vivid example of China’s shift towards multilateralism in the energy sector in Central Asia

The Coordination Committee has conducted management of CA-China line since 2010. The members include gas producing, transporting and trading companies – national (i.e. controlled by Central Asian states), Chinese and joint venture companies.¹¹⁶ The full list of the members is extensive and is dominated by Chinese companies.¹¹⁷ Importantly, even though the Committee’s meetings take place in different capitals of the four participating countries, one of the permanent members is a Beijing Coordination Center, a seemingly supranational entity. The Committee deals mainly with technical issues, but it provides a broad ground for cooperation in the energy field. Most importantly, the Committee does not include Russia, but each of the members of the Committee deals with Gazprom on bilateral basis.¹¹⁸ In that sense, it also highlights if not changing, than, at least, interchangeable roles of Russia and China in the nature of their engagement in the energy sector. That is, a view that China’s engagement in Central Asia has been only effective on bilateral basis¹¹⁹ is no longer accurate because Coordination Committee provides a sound example of China-driven multilateral cooperation.

¹¹⁴ “Ryad stran, zhelayushih eksportirovat’ gaz v Kitai, popolnil Kazakhstan” (Kazakhstan become another country willing to export gas to China), *neftegas.ru*, March 17, 2016, <http://neftegaz.ru/news/view/147299-Ryady-stran-zhelayushih-eksportirovat-gaz-v-Kitay-popolnil-Kazahstan>

¹¹⁵ Author’s Interview, Almaty, January 30, 2016

¹¹⁶ “13-e zasedanie komiteta po ekspluatatsii gazoprovoda iz Turkmenistana v Kitay” (“13th meeting on operation of gas pipeline from Turkmenistan to China), *turkmenbusiness.org*, September 23, 2015, <http://www.turkmenbusiness.org/news/13%E2%80%93e-zasedanie-komiteta-po-ekspluatatsii-gazoprovoda-iz-turkmenistana-v-kitai>

¹¹⁷ Author’s Interview, Almaty, 2016

All members are: PetroChina International Company Ltd – the Chinese offshore company which imports all the gas from Central Asia; State Concern TurkmenGas – Turkmenistan Gas Producing company; CNPC International (Turkmenistan) – Chinese CNPC’s subsidiary in Turkmenistan responsible for transit; UzbekNefteGas [UzbekOilGas] – Uzbekistan national gas producing company; Uztransgas – Uzbekistan national gas transporting company; AsiaTransGas – China-Uzbekistan Joint venture that operates Uzbekistan section of the pipeline; Aziatskiy Gazoprovod [Asian Gas Pipeline] – China-Kazakhstan joint venture which operates Kazakhstan section of the pipeline; TAPLine – CNPC’s subsidiary which deals with Central Asia; Beijing Coordination Center.

¹¹⁸ Ibid

¹¹⁹ Kerr, David, “Central Asian and Russian perspective on China’s strategic emergence”, *International Affairs*, 86, 1, (2010), 127-152

Another example of this “changeability” of the roles of the two major powers is their engagement in the “smaller” southern states of Central Asia. In 2013 Gazprom acquired Kyrgyzstan gas distribution system along with its debts for a symbolic \$1 and became responsible for maintaining and operating Kyrgyzstan’s gas transportation and distribution network.¹²⁰ This way Gazprom also eliminated the need for Kyrgyzstan to deal with other regional gas suppliers, particularly Uzbekistan, thus further reducing interdependence among Central Asian states. In the following years Gazprom have been designing a project of a completely new gas pipeline North-South which would carry Kazakhstan gas from northern Kyrgyzstan to the south of Kyrgyzstan; the latter has been dependent on Uzbekistan for gas.¹²¹ On the one hand the projected North-South pipeline would reduce Kyrgyzstan interdependence with Uzbekistan. On the other hand it still serves Russia’s interests because it would transport “Russian” gas from southern Kazakhstan. Buhara-Ural pipeline which have been transporting gas from Uzbekistan through Kazakhstan to industrial areas of Russia’s Urals during the soviet and post-soviet times has had the direction of its flow reversed in 2015; gas of Russian origin has been able to reach southern regions of Kazakhstan¹²² from where it can be exported to Kyrgyzstan. Yet, the North-South project has not materialized as of 2016, and further research is needed to determine whether the delay has been caused by Russia’s weakened economic position, political reasons or technical difficulties.

Chinese engagement in the same geographic area is of a different nature. Line D of the CA-China Pipeline was in design stages from 2011 and began to be constructed in 2014.¹²³ The line is intended to be an alternative gas transport route to the established three parallel pipes discussed in the previous section. However, the feasibility of this route seems to only lie in its function of being an alternative providing back-up to the Lines A, B and C.¹²⁴ The southern route is geographically shorter, but it goes through a much rougher mountainous terrain. Moreover, originating in Turkmenistan, the new pipe would have to cross into Uzbekistan, then into Tajikistan, then into Kyrgyzstan and only then into China. The three latter countries, which have interweaving and, in places, disputed borders have had episodes of tensions and even hostilities and do not represent a stable political environment. Operating a pipeline running through these three states would require a significant amount of coordination on the multilateral level. Additionally, China planned to build spurs of Line D to supply Turkmen gas to the Tajikistan and Kyrgyzstan¹²⁵ even though other sources suggest that Turkmen gas is too expensive for the two smaller states.¹²⁶ It has been stated that “strategically speaking, CNPC has taken a page from Gazprom’s playbook. Russia’s state-controlled energy monopoly once extended its

¹²⁰ Travnikov, Aleksandr, “Kyrgyzstan osvobozhdaetsya ot uzbekskoy gazovoy zavisimosti. Yesli yemu ne pomeshayut.” (“Kyrgyzstan is freeing up from Uzbek gas dependency. If it is not prevented”, *ferghananews.com*, October 02, 2015, <http://www.ferghananews.com/articles/8717>

¹²¹ Travnikov

¹²² Konstantinov, Aleksander, Barsukov, Yuriy, “Kazakhstan nashel exportnuyu trubu dlya Gazproma”, (“Kazakhstan has found an export pipe Gazprom”), *Obshestvenno-Politicheskoye Dvizhenie ‘Voskhod’* (Social-Political Movement ‘Sunrise’), March 24, 2015, <http://opd-voshod.livejournal.com/5683045.html>

¹²³ Gupta, Alexander, “China Doubles Down in Central Asia with New Natural Gas Pipeline”, *American Security Project*, June 19, 2014, <http://www.americansecurityproject.org/china-doubles-down-in-central-asia-with-new-natural-gas-pipeline/>

¹²⁴ Interview, Beijing, December 30, 2015

¹²⁵ Ibid

¹²⁶ Michel, Casey, “Line D of the Central Asia-China Gas Pipeline Delayed”, *The Diplomat*, May 31, 2016, <http://thediplomat.com/2016/05/line-d-of-the-central-asia-china-gas-pipeline-delayed/>

stranglehold to Moscow's former colonies in Central Asia.”¹²⁷ However the challenges associated with building and operating Line D and China's efforts to promote this route highlight China's visible commitment to facilitation of regional cooperation, even if this cooperation is ultimately intended to serve China's interests.

The recent developments of 2016 show, that it is not easy for China, with its massive material capabilities, to fulfill this commitment towards increased interdependence. Construction of Line D was halted in Uzbekistan in the January 2016¹²⁸ and in Kyrgyzstan in May of that year.¹²⁹ The reasons for the interruptions have not been clearly explained, but they appear to be emanating from the Central Asian states. The delays highlight the issue that China's economic power is not sufficient to always effectively enhance regional connectivity and develop regional cooperation. However, compared to security and regional stability which is China's both long- and short-term objective in Central Asia, energy is a more of a long term goal.¹³⁰ Therefore, the delays in Line D may be considered a normal occurrence at this stage.

More importantly, the nature of Line D, contrasted with the nature of Gazprom's proposed North-South line, demonstrates the difference in Russia and China's approaches towards Central Asia. Russian engagement has mainly revolved around bilateral engagements which tend to be situational and serve short term goals and commercial interests. In contrast, Chinese engagement has been shifting from bilateralism to multilateralism, even though China continues to face challenges promoting multilateral projects of regional significance.

Conclusion

The cases in the first section of the paper suggest that Russia- and China-sponsored projects have made limited effects on facilitating cooperation in the electric power sector because of the sector's close association with the sensitive water resources issue. In various ways both countries have contributed towards energy independence of several Central Asian states subsequently reducing the level of interdependence among them. However, China sponsored projects have the potential to “reformat” regional electric energy flow and thus “reconnect” the region in a different way. Noticeably, the new system of the energy flow in Central Asia appears to be directed towards China, but it also has the capacity to enhance regional connectivity and facilitate cooperation between Central Asian states.

The analysis of the Central Asia's natural gas sector more visibly demonstrates that China-sponsored projects re-direct the energy flow towards China, away from Russia-centered post-Soviet network. While serving Chinese interests, though, the China-sponsored network also contributes towards cooperation between Central Asian states. China's support of initiatives, which require active practical interstate cooperation among Central Asian states, demonstrates a shift in China's policy from largely bilateral engagement towards actively sponsored multilateralism. This shift comes in contrast to Russia's continuous situational and bilateral

¹²⁷Peterson, Alexandros, “Central Asia's New Energy Giant: China”, *The Atlantic*, June 28, 2013, <http://www.theatlantic.com/china/archive/2013/06/central-asias-new-energy-giant-china/277338/>

¹²⁸ Michel, Casey, “Can China Really Save Central Asian Economies?”, *The Diplomat*, February 13, 2016, <http://thediplomat.com/2016/02/can-china-really-save-central-asian-economies/>

¹²⁹ Kudryavseva, Tatyana, “Construction of Kyrgyzstan-China gas pipeline postponed for indefinite period”, *24.kg news agency*, May 25, 2016, <http://www.eng.24.kg/news-stall/180541-news24.html>

¹³⁰ Sheives, Kevin, “China Turns West: Beijing's Contemporary Strategy towards Central Asia,” *Pacific Affairs*, 79, 2, (2006), 205-224

engagement which has provided very limited support for multilateral initiatives in the energy sector.

If China's engagement in the energy sector is indeed intended to facilitate multilateral cooperation in its neighboring region, China is facing major challenges in fulfilling its objectives. Despite China's material capabilities, it has not always managed complete all the intended projects. Most of Chinese projects, which have been cancelled or delayed (e.g. Zarafshan River HEPP project in Tajikistan, several smaller hydropower projects in Kyrgyzstan, Line D, oil-refineries in Kyrgyzstan)¹³¹, were affected by the reasons originated in the region and not through China's intentions or inability. This comes in contrast to several Russia-planned projects (such as pipeline through Uzbekistan, proposed in 2008, Kambarata-1 and Upper Naryn Cascade in Kyrgyzstan, North-South pipeline in Kyrgyzstan), which have not materialized because of the reasons emanating from Russia, whether economic or political.

Further research is needed to determine to which extent cancelations and postponements of China- and Russia-sponsored projects have been affected by Central Asian actors, and to which extent they were influenced by the two major powers' competition. Studying the reasons behind delays and failures of the energy projects would provide better understanding of the nature of the two major powers' effects on regional cooperation in Central Asia.

¹³¹ These have not been discussed in this paper, but Chinese companies have faced major delays in completing oil refineries in Kara-Balta and Takmak in northern Kyrgyzstan.