

Turkmen Gas Policy a Challenge for Investors

By [The Moscow Times](#)

May 30, 2011

The  Moscow Times

AVAZA, Turkmenistan — When news emerged five years ago that Turkmenistan had discovered one of the world's largest natural gas fields, international investors sniffed an opportunity.

But despite exhaustive efforts and flattery heaped on the former Soviet nation's authoritarian leader, global energy companies look no closer to getting a piece of it.

Representatives from all energy majors flocked to a gas conference ending Saturday at this half-completed resort town on the Caspian Sea to pay compliments to top officials and remind the government that they remain as eager as ever to invest.

Turkmenistan, a thinly populated nation of 5 million people, estimates that it is sitting on top of 24.6 trillion cubic meters of gas — enough to supply the European Union for half a century at current consumption levels.

The biggest jewel is the South Yolotan field, which the energy auditing company Gaffney, Cline & Associates told the conference appears to be the second-biggest on the planet. The auditors didn't give figures, but previous estimates have placed South Yolotan's gas at about 14 trillion cubic meters — about 7 percent of the known reserves worldwide.

Turkmen President Gurbanguli Berdymukhammedov says his country can go it alone on South Yolotan and other onshore sites, and has instead invited investors to consider exploring for oil and gas in less profitable sites beneath the Caspian Sea. But foreign businessmen say this policy is short-sighted.

Berdymukhammedov, whose address to the conference was delivered in his stead by a senior gas official, limited himself to a vague appeal for "major amounts of investment from international companies."

Peter Holding, a senior manager at the auditors Gaffney, Cline & Associates, suggested that South Yolotan is so vast it could provide rich pickings for multiple companies.

"The South Yolotan field is so big that it can sustain several developments in parallel," he said.

So far, substantial financing for the field has been provided by \$8.1 billion in loans from China, which last year began receiving gas from Turkmenistan. The pipeline is expected to reach full capacity of 40 billion cubic meters a year in 2015.

State-owned China National Petroleum is the only foreign company to have been able to take a stake in the onshore gas exploration market after winning the right in 2007 to develop the Bagtyyarlyk deposit, where reserves are estimated at about 1.3 trillion cubic meters.

If Turkmenistan appears relatively complacent about the need for foreign engagement in development, it is acting with more urgency when it comes pushing for the addition of new pipelines.

A more tantalizing destination for Turkmen gas is Europe, an option that would require a pipeline to be built across the Caspian seabed to Azerbaijan. This route, which has been actively obstructed by fellow Caspian nation Russia, would serve to partly fill up the European Union-backed Nabucco pipeline that would run from Turkey through Bulgaria, Romania, Hungary and end in Austria.

Berdymukhammedov has expressed his ambition for Turkmenistan to one day provide up to 40 billion cubic meters of gas per year to Europe. In the short term, even the more modest and realistic figure of 10 billion cubic meters could still prove lucrative and generate \$3 billion in revenue annually for Turkmenistan, said Wolfgang Peters, a top official in the Nabucco partner RWE's supply division.

But for any of that to happen, industry insiders say all the countries along the possible export path will need to take bold steps before the clock runs down on Europe's access to Turkmenistan's energy bonanza.

"The window of opportunity for Turkmen gas has never been as open as now, but we need commitments and decisions soon," said Michael-Dieter Ulbrich, head of the pipeline projects

department at OMV, which also has a stake in the planned Nabucco route.

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