

The TAPI Gas Pipeline: Pro et Contra

S. Afonin

THE IDEA OF BUILDING a gas pipeline from Central Asia to Pakistan and India with transit through Afghanistan first came to light in the Soviet Union as early as the 1980s. However, the war in Afghanistan prevented this project from being developed. In 1993, Bidas S.A.P.I.C. (Argentina) revived this idea by presenting former President of Turkmenistan Saparmurat Niyazov with the Trans-Afghan Gas Pipeline project.¹ Two years later, the leaders of Turkmenistan and Pakistan signed an agreement on drawing up a technical feasibility report. * At this time, the Americans, who were trying to build up their geopolitical influence in Central Asia, also joined its development. In 1995, America's Unocal appeared on the Turkmen market, managing to displace Bidas S.A.P.I.C. with the support of the U.S. Department of State. It is worth noting that, according to certain data, the current Afghan leader Hamid Karzai worked for Unocal right up until 2001.² The Afghans also supported the idea of the project; the "good" members of the Taliban were enthusiastic about the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project, insisting that the United States hold talks with them as the representatives of Afghanistan.³

In October 1995, a contract was signed between Turkmenistan, Unocal, and Saudi's Delta Oil Co. on building the Trans-Afghan gas pipeline. Later, in October 1997, at a meeting in Ashgabat, an international consortium called Central Asia Gas Pipeline, Ltd. (CentGas) was established in which Turkmenistan, Pakistan, Unocal, INPEX, ITOCHO Oil Exploration Co, Ltd. (Japan), and Hyundai Engineering & Construction Co, Ltd. (South Korea) were members. The following year,

* The Asian Development Bank supported the idea of building a Trans-Afghan gas pipeline with access to India. The bank's Indian lobby thought that a common pipeline would enhance relations between Delhi and Islamabad.

the Taliban leaders proposed signing an agreement on building the Trans-Afghan gas pipeline and ensuring security of the route. But by that time relations between the Americans and the Taliban had significantly deteriorated, as a result of which U.S. Congress essentially blocked the Unocal deal with the Turkmen government. According to the project agreement, Unocal was the main funder of the international consortium.⁴ The project was left without financial support, while the military-political situation in Afghanistan took an abrupt nose dive. The project had to be put off until better times.

These times came in 2002. The military campaign launched by the U.S. in Afghanistan in October 2001 yielded some positive results; most of the country's territory virtually came under the control of the Northern Alliance, which meant that the transit of Turkmen gas to Pakistan and India was once more a pertinent issue.

On 30 May, 2002, temporary prime minister of Afghanistan Hamid Karzai, Pakistani leader Pervez Musharraf, and President of Turkmenistan Saparmurat Niyazov signed an Agreement of Intent in Islamabad on building the Trans-Afghan gas pipeline. The gas pipeline was originally planned to be 1,500 km in length. It was to begin in Dovletabad (the Turkmen gas field in the southeast of the country), pass through Afghanistan, and join up to the Pakistani gas network in Multan with a possible 650-kilometer branch from Pakistan to India. There were plans to limit the annual throughput capacity of the gas pipeline to 15 bcm.* Whereas at present the cost of the pipeline amounts to around \$7.6 billion, in 2002 it was no higher than \$2 billion for the Turkmen-Afghan-Pakistani section and another \$600 million for the Indian branch.⁵

A technical feasibility report of the project was to be prepared by 2003, but the preliminary estimates showed that, without India's participation, the Trans-Afghan gas pipeline would not be lucrative. And by this time the military-political situation in Afghanistan had become acute again. All of this put the project's negotiations on indefinite hold. In 2005, the Asian Development Bank (ADB) made a decision to participate in building the gas route. ADB assumed responsibility for funding the technical feasibility report, the practical development of which was undertaken by British companies. According to the bank's estimates, the cost of the project rose to \$7.6 billion, and it would only be profitable if the pipeline's throughput capacity was raised to 30-33 bcm a year. The

* After India joined the Trans-Afghan pipeline project, its planned throughput capacity was raised to more than 30 bcm a year.

length of the Turkmenistan-Afghanistan-Pakistan-India gas pipeline from Dovletabad in Turkmenistan to the Indian town of Fazilka, on the Pakistani-Indian border, would be 1,735 km. It is worth immediately noting that the expert conclusion primarily applied to the technical and financial aspects of the issue, while the problem of ensuring transit security was evidently relegated to the background.

At the beginning of 2007, a new leader, Gurbanguly Berdimukhamedov, came to power in Turkmenistan. One of his priorities in the energy sphere was to create a multifaceted gas pipeline system that would allow Ashgabat to export gas in four directions at the same time – to the north (to Russia), to the

east (to China), to the west (to the EU), and to the south (to Iran, as well as Afghanistan, Pakistan, and India). This would help the country to acquire additional levers of pressure on its neighbors interested in deliveries of Turkmen hydrocarbons, raise gas prices, and make its foreign policy more independent of outside influence. The Turkmen authorities actively engaged in advancing the project. In April 2008, the tenth sitting of the steering committee of the Trans-Afghan gas pipeline was held in Islamabad. As a result, Turkmenistan, Pakistan, Afghanistan, and India signed a Framework Agreement on Building the Trans-Afghan Gas Pipeline.⁶

In December 2008, the UN General Assembly approved the resolution put forward by the Turkmen side on “Reliable and Stable Transit of Energy and Its Role in Ensuring Sustainable Development and International Cooperation.” In April 2009, a high-level international conference was held in Ashgabat on international legal and practical security of energy-resource transit. It is obvious that Turkmenistan was making active use of UN mechanisms to resolve TAPI’s main problem – ensuring security of the Afghan and North Pakistani sections of the pipeline.*

* Some analysts believe that the adoption of this resolution was Ashgabat’s response to the temporary halt in Gazprom’s purchases of Turkmen gas in 2008 caused by the explosion on one of the sections of the Central Asia-Tsentr gas pipeline. What is more, the resolution would to some extent simplify the possibility of building the Trans-Caspian gas pipeline and ensure its safe operation despite the indefinite international legal status of the Caspian and Russia’s position on this issue.

Since 2009, Russia has made extensive cutbacks in the import of Turkmen gas, which has prompted Ashgabat to begin actively developing alternative blue fuel export routes.

On December 11, 2010, a summit of the leaders of the TAPI Participating states was held in Ashgabat, in which Turkmen President Gurbanguly Berdymukhamedov, Afghan President Hamid Karzai, Pakistani President Asif Ali Zardari, Indian Minister for Petroleum and Natural Gas Murli Deora, and President of ADB Haruhiko Kuroda participated. The event ended in the signing of an Intergovernmental Agreement on Implementing the Gas Pipeline (TAPI) Project, as well as a Framework Agreement on the Gas Pipeline at the level of the branch ministries of the four countries. The participants in the meeting came to an agreement on the deadline for launching the project – no later than the end of 2015. But, as practice shows, the officially declared and actual deadlines for implementing pipeline projects rarely coincide. Several problems which also faced TAPI were to blame for this.

The security issue. Ensuring TAPI's security is an extremely urgent issue. In their official statements, the project participants say that the importance of this issue is being blown way out of proportion, but this is doubtful. Most of the pipeline will pass through the territory of unstable Afghanistan and Pakistan's Balochistan. In order to resolve this problem, the project lobbyists intend to use both financial and military-political levers to create a protected green corridor along the pipeline.

It is believed that building the pipeline will give a boost to the economic development of these territories, create new jobs, stimulate an inflow of foreign loans and investments, and help to negotiate with the leaders of the Pashtun and Baloch tribes. But world experience shows that this will have little effect in the face of rampant corruption, a lawless state, and undeveloped civil society.* Giving the tribe leaders access to large, by local standards, financial resources could well backfire, provoking them to fight for their "fair share." Those tribe leaders who feel short-shifted will try to restore justice by carrying out new terrorist acts, blowing up the gas pipeline, and committing other acts of sabotage. Representatives of the American Department of State are openly showing that they have no qualms about simply bribing the leaders of the many militarized formations along the pipeline route. But this corrupt practice is unlikely to yield the desired results. When the local population realizes that the Western sponsors can be blackmailed by threats to blow up the

* During the civil war in Somali, the opposing sides in the conflict intercepted the humanitarian aid meant for the peaceful population. They either sold it for money or exchanged it for weapons. It was this corrupt practice that prompted the U.S. to begin the military operation in the country, the grievous results of which are common knowledge.

gas pipeline, the poverty-stricken country will acquire many new chiefs and leaders of rebel groups who will try to drive the occupants out until the latter bribe them.

Another way to resolve the security problem is to create a green corridor along the TAPI route through Afghanistan and Balochistan. The corridor should be 1-1.5 kilometers wide. The possibility is being considered of recruiting American servicemen and UN peacekeepers to keep guard, but Pakistan must assume the main responsibility. However, it is no secret that the Pakistani special services and military are known for their indulgence toward the Taliban and radical Islamists. It is enough to recall that the mujahedin and then the Taliban have received military-technical support for decades from the Pakistan defense and security structures. Many in the West are also well aware of this. As a British diplomat noted, “where is the guarantee that there won’t be members of the Taliban or their supporters among the Pakistani security guards, who can guarantee that they won’t blow up the pipeline instead of protecting it.” According to a statement by Afghan Minister of Mines Wahidullah Shahrani, in addition to Pakistanis, the pipeline will have to be guarded by 7,000 servicemen from the Afghan security forces. The territorial administrations will use the money they receive from transit services to guard the pipeline.⁷

It should also be noted that creating a kilometer-wide security zone will not protect TAPI from bombardment, missile fire, or other sabotage, for example, at night. Many experts have already suggested laying the pipeline through Iran along the Iranian-Afghan border, but this idea was immediately rejected by the U.S. anti-Iranian lobby. Potential investors in the pipeline should understand that the \$7.6 billion declared as the project cost will have to be inflated by wages for the servicemen guarding TAPI, as well as repair and restoration costs after terrorist acts, which are almost bound to happen.

The financing issue. Looking for funding for the project is extremely complicated. Even the European Union has been unable for years to find sponsors for the “safe” Nabucco project due to investors’ doubts about its financial profitability. In the case of TAPI, we are dealing with countries that have fewer financial capabilities than Europe, while Nabucco does not entail the military-technical risks that TAPI does. At present, not one major energy consortium has given any serious indication that it is willing to make large investments in the project.

In October 2010, after Dmitry Medvedev visited Turkmenistan, Deputy Chairman of the Russian Government Igor Sechin, in an

interview with the Russian media, voiced Gazprom's intention to participate in implementing TAPI, including the possibility of pumping Russian gas through the pipeline, while referring to corresponding agreements with the Turkmen side reached during the visit. This aroused an extremely negative reaction on the part of official Ashgabat. A statement by the Turkmen Ministry of Foreign Affairs said that "there are no agreements about the participation of Russian companies," "the participation of companies of other states who are not participants in the project can be decided by the countries directly involved in the project – Turkmenistan, Afghanistan, Pakistan, and India – under joint agreements." Moreover, it was recommended that the Russian officials be "guided by a sense of responsibility and realism."⁸

It seems the reason for this statement lies in the significance Ashgabat is assigning to its own role in the project, as well as the Turkmen side's displeasure regarding the severe cutback in gas export volumes to Russia, which had a negative effect on the level of revenues for the budget and forced the Turkmen for the first time in many years to turn to a foreign country for a multi-billion loan. * Nevertheless, Gazprom had not abandoned its attempts to join TAPI. ** The Russian side succeeded in obtaining the essential consent of the Afghan and Pakistani authorities for Gazprom's participation in the project.⁹ In particular, Pakistani Prime Minister Yousuf Gilani said at talks with his Russian colleague Vladimir Putin that Pakistan "welcomes the participation of Gazprom and its subsidiaries in building the TAPI gas pipeline."¹⁰ The only participant in the project that does not support Russia's participation is Turkmenistan.

This is not surprising, given Ashgabat's interests. Since 2009, Russia has made extensive cutbacks in the import of Turkmen gas, which has prompted Ashgabat to begin actively developing alternative blue fuel export routes, including to Pakistan and India, in order to make up for the financial losses from the decline in its hydrocarbon sales. In turn, Moscow not only proposed participating in building the pipeline, but also exporting Russian natural gas via it. Ashgabat expected that Gazprom would suggest returning energy resource purchases to the 2008 level, but instead it acquired a competitor with plans to reduce the amount of

* Turkmenistan reached an agreement with the PRC to receive two loans for a total of more than \$8.1 billion.

** It is worth noting that at the end of the 1990s, the international consortium engaged in developing the Trans-Afghan gas pipeline project proposed that Gazprom become a participant in it.

Turkmen gas exported along the Trans-Afghan gas route.

International monetary and financial institutions and UN structures could become potential sponsors of the project, and large Pakistani and Indian energy business concerns might also participate if foreign private capital cannot be attracted. In particular, at the end of the 13th sitting of the TAPI gas pipeline building project steering committee, the participants stated that “leading foreign companies with the necessary technical capabilities, advanced technology, and practical experience in building major pipelines in the Asian region” could be involved in implementing the project.¹¹ According to unofficial data, South Korean and Chinese companies may also participate in the project as general contractors. However, this does not mean investors, but executors of the commission, for which funding has still not been found.

There are many arguments in favor of implementing the project. First, it has an extensive resource base and the natural gas exporter country is extremely interested in its rapid implementation. Second, the importers are countries with actively developing economies, large financial capabilities, a vast internal market, and a continuously growing demand for raw hydrocarbons. Third, the project has the broad support of the international community. There is essentially not one state in the region or beyond it that is openly against its implementation. Russia, which was initially skeptical, is now trying to become a full-fledged participant itself in TAPI. Other large geopolitical centers – Brussels and the U.S. – are also supporting the project in every way. The West is hoping to use building of the pipeline to transform the military-political conflict in Afghanistan into a financial conflict of interests, as well as to enhance its image in the eyes of the Afghan people and the Muslims of other countries.

However, despite all the arguments “pro,” TAPI has remained on paper for two decades now. This shows that they are outweighed by the arguments “contra.” Nevertheless, implementation of the gas pipeline project is possible in the long term as world hydrocarbon prices rise and industry in India and Pakistan further develops, thus attracting real investors to the project and also making it possible to reliably protect the pipeline.

NOTES

¹ *Transafganskiy gazoprovod – popytka ...* <http://www.rosinvest.com/news/404818/10.05.2011>.

² Bhadrakumar M. “Uncle Sam, Energy and Peace in Asia”, *Asia Times*, 30.10.2010.

³ Ibid.

⁴ *Transafganskiy gazoprovod – popytka ...* <http://www.rosinvest.com/news/404818/> 10.05.2011.

⁵ Socor V. “The ‘Peace Pipeline’ Could Save the Subcontinent,” *The Wall Street Journal*, 09.06.2002.

⁶ *Transafganskiy gazoprovod – popytka ...* <http://www.rosinvest.com/news/404818/> 10.05.2011.

⁷ Lukin O. “Novoe ruslo gazovoy reki,” *Turkmenistan*, December 2010, No.12, p. 11.

⁸ Statement by the Ministry of Foreign Affairs of Turkmenistan: <http://www.turkmenembassy.ru/?q=node/219> / 10.07.2011.

⁹ Weitz R. “«Russia’s Return’ to Afghanistan,” *World Politics Review*, 25.01.2011.

¹⁰ *Pakistan privetstvet uchashtie “Gazproma” i ego dochernykh kompaniy v sozdanii gazoprovoda TAPI*: <http://www.regnum.ru/news/polit/1350830.html> / 12.06.2011.

¹¹ *K stroitelstvu gazoprovoda TAPI budut privilecheny vedyshchie zarubezhnye kompanii*: <http://www.turkmenistan.ru/ru/articles/35915.html> / 12.06.2011.

Key words: Central Asia, ensuring gas pipeline security, looking for investors, Gazprom, rise in world hydrocarbon prices.