Geopolitics of Central Asian Energy Resources and Indian Interest

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The energy needs of the every country in the world are growing fast, and competition for it, is on the rise. With the Middle East in seemingly permanent turmoil, the attention of the world is now shifting towards Russia and Central Asia.

According to some estimates, India's daily oil imports are poised to rise more than three-fold by 2020, from the current level of 1.4 million barrels per day. Indian prime minister, Manmohan Singh, has gone on record saying that "energy security is second only in our scheme of things to food security". Besides other pipelines, Turkmenistan-Afghanistan-Pakistan [TAP] pipeline project, [TAPI, and Iran- Pakistan-India [IPI] pipeline projects are important for Indian Energy Security.

Central Asian hydrocarbon resource reserve makes this region strategically very important for developing as well as developed countries of the world. In this modern age, energy is the locomotive of development. In this connection, the geopolitical importance of Central Asia needs no further elaboration. The location of the region, forming a land-bridge between Europe and Southern Asia, is well known, but its importance has varied with the changing international security environments. Before oil became an important ingredient of strategic conflicts, Central Asia, as currently defined, remained, by and large, a peaceful region. The republics of Central Asia have yet to settle down politically and decide what their future course of action should be.

The energy needs of the world are growing fast, and competition for energy acquisition is on the rise. Not only hydrocarbon (crude oil and natural gas) resources are at stake, but most other sources of energy are also depleting fast.

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In this context, as fast growing economies, China and India may both need to double their oil requirements by 2030, while Europe will need to import more natural gas day by day.[1] Even the United States, despite hopeful political speeches on energy independence, will need outside sources of oil and gas, with net energy imports being expected to rise from approximately 27% of total consumption to 38% of consumption in the next twenty years.[2]

As has been outlined earlier, with the Middle East in seemingly in permanent turmoil, much of this will have to come from Russia and Central Asia [CIS]. The outside world has in the 21st century come to regard Russia and the Commonwealth of Independent States (CIS) as increasingly important sources of energy for other countries, particularly in the West.

One important geopolitical consequence of the demise of the Soviet Union was the rise of intense political and commercial competition for control of the vast energy resources of the newly independent and vulnerable states of the Caucasus and Central Asia. The energy resources and, in particular, the oil and natural gas deposits have now become the apple of discord in Central Asia, introducing, according to analysts a new chapter in the Great Game for the control over Eurasia."[3] The advent of the US forces in Afghanistan, withdrawal of the Soviet troops from this region, and the Chinese attempts to extend their influence in the region, has started a new Great Game, in which several European and Asian powers, along with a new shadowy player, in the garb of resurgent Islam, have become actively involved.

However, much depends on how we look at this game, and to which side of the geographic, political, ethno-religious divide we belong. The five countries that now constitute Central Asian Republics were, however, never given a chance to choose their future course or action in the wake of the post-9/11 developments that brought American troops into the region.

Central Asia's energy game is now intensifying, nevertheless, with China grabbing the spotlight with a high-profile push into Kazakhstan's energy market. The US and Russian companies remain major players in the contest to develop and export energy resources in Central Asia and the Caspian Basin. However, Chinese and Indian entities have become increasingly competitive in recent years.[4] India, with a growing appetite

for oil and gas, is working diligently to make energy inroads into the region.

Since geography cannot be changed by world events, Russia will continue to retain its influence in the region to a large degree, because of its permanent geopolitical interests in this area—which Russia calls "The Near Abroad." Chinese influence will also grow in the region, because of its economic thrust and geographic proximity. The essence of this new geopolitical game in Central Asia is twofold: first, control of production of the oil and gas, and second, control of the pipelines which will transfer the oil to the Western markets. While the Central Asian states have physical possession of their oil and gas reserves, they do not possess the capital and the technology that would allow them to go for production all on their own, a fact which brings in foreign companies with a share in production and revenues.

Asia as a whole currently uses about as much energy as the US, or about 100 quadrillion British thermal units. By 2020, however, Asia will roughly double its energy consumption, while the US consumption will rise just more than 25 percent. Asia'senergy needs will also grow inal areas, as evidenced in the following current estimates:

- oil consumption to increase by roughly 88 percent
- natural gas by 191 percent
- coal by 97 percent
- nuclear power by 87 percent when Japan is included, but 178 percent for the rest
- hydroelectric and other renewable by 109 percent.

This is a genuine change of the guard in the global marketplace—a shift of world's "demand centre." Today, North America accounts for just under a third of the world's energy consumption, with Asia comes second at 24 percent. But within one generation, those two regions will swap both global rankings and percentage shares.

In short, Asia is destined to become the world's centre of gravity for energy flows, giving it virtually the same market clout as the North Atlantic Treaty Organization countries— or North America and Western Europe combined.[5] In Asia, India's energy requirements and hence stakes are high.

Indian Interests

Today India needs energy desperately. "Its economy is

India: Energy Reserves: Table 1

Items	Year		
	1983	1993	2003
OIL (billion barrels)	3.6	5.9	5.6
GAS (billion cubic meters)	460	720	850

Table 2: Primary energy supply: baseline scenario

Items	1990	2000	2010	2020
Coal	3850	7145	10508	15516
Indigenous	3850	7145	10508	15167
Imports	—	—	—	349
Oil	2416	4245	7553	10723
Indigenous	1410	1592	1774	1955
Imports	1006	2653	5759	8768
Gas	480	1002	1909	3478
Indigenous	480	1000	667	533
Imports	—	2	1242	2945
Hydro *	249	324	625	917
Nuclear	24	31	25	12
Total commercial energy	7019	12747	20600	30646
Crop residue	763	763	763	763
Fuel wood	3134	3134	3134	3134
Animal waste 1314	1227	1113	939	
Total traditional energy	5211	5124	5010	4836

**energy in electricity generated*

Source: TERI Energy Data Directory & Yearbook 1998/99

beginning to move quickly — quicker than anybody would have predicted 15 years ago when India was slipping behind the rest of the world and also slipping behind China very badly."[6] Because of its rising energy security needs which is being termed as being "second only ...to food security,"[7] India is not only looking at Central Asia but also other options for its energy requirements.

India has a possibility of importing natural gas from Bangladesh and Myanmar if these coutnries would agree to supply energy to India. It is probably going to turn to other countries, including the United States, for assistance in developing its civilian nuclear programme, and there is apossibility of India importing natural gas in liquefied for. The visit of the US President and later signing of nuclear deal with India also confirms that India is deeply worried about its energy security needs and is bent on diversifying its energy base.[8]

Over the last twenty years, India's domestic production of oil has stagnated while its consumption of petroleum products has almost trebled. India imports 70% of their oil, which has had a significant impact on the balance-of-payments position. The rise in international oil prices in 2007-2008 took India's current account sharply into deficit after several years in surplus. In the next ten years, even if the latest series of domestic oil exploration discoveries (for example, by UK-based Cairns Energy in Rajasthan) are fully exploited, India will still struggle to keep its imports down at current levels. Domestic demand for petroleum products is increasing relentlessly at 5% per year. Meanwhile, demand for natural gas, which stood at 0.6 trillion cubic feet (tcf) in 1995 had reached 0.9 tcf by 2002 and is expected to touch 1.2 tcf by 2010 and 1.6 tcf by 2015. Domestic sources of supply met over 90% of demand as late as 2003. However, despite the increased reserves discovered by recent exploration, the country will need to import up to one-third of its projected consumption needs by 2015. Moreover, volatilities in the international gas market threaten not only India's balance-of-payments position, but also the underlying growth rate of its industrial and agricultural sectors — where gas is a fast-rising substitute fuel and is used extensively to produce chemical fertilizers.

Against this backdrop, India will leave no stone unturned to pursue hard policy for a very warm relationship with Central Asia States. Indian government is full aware of this fact. The then Petroleum Minister Manishanker Aiyar's visit to China, Iran, Central Asian Republics, Russia etc, underlined the urgency of achieving the goal of energy security.

Pipelines Routes: Crux of Energy Security

Energy security is an issue which has geopolitical and international dimensions. Energy security is maintained by strategic planning to ensure diversity of fuel, diversity of supply source, and efficiency and flexibility in the energy sector. Defining threats to energy security, however, is more difficult, since it is a wide-ranging concept covering many aspects, "including access to fuel (at acceptable prices), safe transit and processing of the fuel, and protection of the environment and resources."[9]

Attampts to define energy security more clearly is also complicated by the variety of views of what is at stake. To some it means seeking protection against politically induced supply disruptions (i.e. the supplier "turning off the taps") or technically induced supply problems (accident or breakdown), to others it is facing the challenges of terrorism,[10] and to yet others, it means addressing the issue of global warming by changing consumption patterns.[11] All these are involved in bringing Central Asian Oil to the international market including India.,

While recognising ng the constraints imposed by geopolitical realities, it is also important for us to identify opportunities. The largest reserves of gas in the world happen to be in countries in the neighbourhood of India such as Iran, the countries of Central Asia, Qatar, and the rest of the Gulf region. It is also evident that the largest markets for this gas are in South Asia. Diplomatic breakthroughs and political initiatives involving countries to both the east as well as the west of India can ensure large-scale supplies of natural gas through pipelines, that would not only provide us with greater security of supply but also large quantities of a clean fuel that would have major environmental benefits.

It has been established that Central Asian States have huge reserve of oil and natural gas waiting to be tapped. The area around the Caspian Central

States has been witnessing frenetic activity, with important geographical implications. "In 2005, The US backed Baku- Tiblisi- Ceyhan [BTC] pipeline was opened. Subsidized by the US government to the tune of $ 2 billion, the pipeline will carry Caspian Sea oil from Azerbaijan to Turkey via Georgia."[12] In the recent past, the Central Asia Pipeline, Ltd. (CentGas) consortium, in which Unocal holds an interest, was formed to develop a gas pipeline that will link Turkmenistan's vast natural gas reserves in the Dauletabad Field with markets in Pakistan and possibly India. "An independent evaluation shows that the field's resources are adequate for the project's needs, assuming production rates rising over time to 2 billion cubic feet of gas per day for 30 years or more".[13]

Doubts on Iranian route have been relatively lessened in recent months. In his South Asian tour [mainly India and Pakistan] US President George Bush okayed the $7.2 billion project linking Iran, Pakistan and India [IPI].[14] But Pakistan's questionable ability to protect the pipeline, as it passes through sensitive Baluchistan , creates doubts in New Delhi. An alternative is being considered by New Delhi in the shape of the Turkmenistan – Afghanistan-Pakistan[TAP] pipeline project, which already has the backing of Asian Development Bank] (ADB)[15] and the US. India has reportedly decided to join the $3.5 billion TAP project for fetching gas from Turkmenistan. This will also help unlock gas from Uzbekistan, Kazakistan and Azerbaijan.[16] Further TAP is also key ingredient of Washington's Afghan rehabilitation plan as it will earn substantial transit fee. The economic benefit alone is expected to ensure the safety of the pipeline.[17]

During his visit to Afghanistan, August 28, 2005 Indian Prime Minister Manmohan Singh said that both pipeline projects needed to be realized in order for New Delhi to achieve the energy security that it seeks. "It is not a question of preferring one [pipeline] over the other," Singh said during a joint news conference with Afghan President Hamid Karzai. "We need both pipelines. ... India's needs for commercial energy are increasing at an explosive rate", he reiterated.[18]

The then Petroleum Minister Manishanker Aiyar, clearly advanced the idea of duplicating the Baku-Tbilisi-Ceyhan pipeline (BTC) that runs from Azerbaijan through Georgia to Turkey, and aimed at building up an export route connecting India and the Caspian

Basin. He also aimed at buying some crude oil from other sources. One of these was the BTC pipeline and another was the Eilat-Ashkelon pipeline in Israel[19], the oil from which could be shipped from the Red Sea to India via the Indian Ocean. He was also exploring natural gas deals from Qatar and evidently wishes to conclude a contract with Azerbaijan for up to 5-6 million tons of oil annually beginning early in 2006.

However, tapping such resources has not been easy. Political instability together with the region's isolation and poor infrastructure has been discouraging Western investors. It will take some time before transportation and other infrastructure of the region improves and energy extraction and supply beginsin a big way. India for her own sake is keenly observing the developments and is also actively participating in finalizing the pipeline routes and other associated things, however lot depends on international support and participation. ■

Endnotes

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