

IGU

Final draft

***Turkmenistan: the emergence of a new
global gas leader***

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Distinguished Delegates and Panellists,
Ladies and Gentlemen

It is a great honour and privilege for me to have been invited to convey the messages of the International Gas Union on the occasion of the *Turkmenistan Gas Congress of 2013.*

The mission of IGU is to advocate for gas as an integral part of a sustainable global energy system, and to promote the political, technical and economic progress of the gas industry. The more than 120 members of IGU are associations and corporations of the gas industry representing over 95% of the global gas market. The working organisation of IGU covers the complete value of gas chain, from exploration and production, pipeline gas transmission and LNG international trade, as well as the development of new technologies for the most efficient use of natural gas.

IGU is also an active platform of cooperation between its members, who exchange valuable experience and expertise on a wide range of issues, whether geopolitical, environmental, commercial or technical, within a series of working groups covering all aspects of our industry.

Slide 1

Actually, it was already a long time since I was expecting to come to Ashgabat and meet with the men and women in charge of the oil and gas industry of Turkmenistan. Over the last few years, you have raised your country to the position of fourth largest natural gas reserves holder; you are now developing the second largest gas field in the world and building several major transportation infrastructures, both for the benefit of the domestic market and for enhancing the export capacity of your country at the level of its potential of production.

Slide 2

I have been somewhat hesitant for quoting the published reserve figures of Turkmenistan, not that I have any doubt on their accuracy, but only because they are growing so rapidly that any official figure today will appear as too conservative tomorrow.

For instance, the reserve figures of the two largest fields located East of Turkmenistan, I mean South Yolotan and Yashlar, which were estimated in 2011 to 19 Tcm, have been raised to 26.2 Tcm in 2012, which may well mean that Turkmenistan will soon move up again on the top 5 list of the reserve holders' countries.

The emergence of Turkmenistan as a new gas top player comes at a time when the global gas demand is triggered by environmental and economic factors, and also by a series of technological breakthrough across the spectrum of its uses, in particular for power generation, cogeneration, fuel cells, NGV and LNGV, LNG bunkering of sea carriers, back-up of renewables, and much more to come.

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In 2012, IGU has commissioned to IHS CERA a study of the global gas market by 2030 and 2050, evidencing that the gas demand should follow a pathway acknowledging its "Triple A" qualities (availability, affordability, acceptability in climatic terms). According to this study, which is in line with the forecast of IEA, the gas demand should double from its 2010 level and reach more than 7000 Bcm/year in 2050.

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Therefore, the share of natural gas in the primary energy balance of the world should move from 21 % in 2010 to more than 30% in 2050. This is mainly due to the ideal combination of natural gas and renewables, which are by essence intermittent. IGU has, on this important point, evidenced that, to achieve the intended level of GHG emission reduction in the power generation sector at the lowest cost for consumers, natural gas and renewables constitute the optimal energy mix.

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However, these global figures do not reflect the specificities of the three main natural gas regional markets, the American continent, more and more self-sufficient with the massive contribution of shale gas, Europe, which is a mature market, but being increasingly dependent on imports is adamant to diversify its import pattern, and Asia, in particular China and India, which are the fastest growing markets and will require additional pipeline gas and LNG imports in the coming decades.

Slide 6

In this outlook, the Caspian region, and Turkmenistan in particular, will play an increasing role in the supply of the European and Asian markets and therefore will soon become major geopolitical actors in the world trade flows of gas. Turkmenistan has a pivotal position on the map and has the capacity of supplying both the European and Asian markets, primarily by pipeline, but also by LNG after a short regional transit so as to reach the shore of the Persian Gulf or the Indian Ocean for liquefaction and shipping.

This key geographical position between Europe and Asia gives more than one string to Turkmenistan's bow for arbitraging its flows of exports in space and in time. The outstanding medium term programme of development of its pipeline infrastructures should fully support this goal.

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Turkmenistan has already completed three main export pipeline projects: to the North (Russia and Ukraine), the South (Iran) and the East (China):

- Since 1974, the production from the large Dauletabad field has been exported via the Northern route in the *Central Asia Centre Pipeline*, with a capacity of about 50 Bcm/year;
- In 2009, transmission infrastructures have been built to carry Dauletabad gas to new export routes. The *Turkmenistan to Iran Pipeline* was opened in January 2010, and extended a further 190 km to Mashhad in Iran, with a capacity of 14 Bcm/year. A second pipeline with a capacity of 6 Bcm/year was inaugurated in November 2010, which raises the export capacity of the Southern route to nearly 20 Bcm/year;
- The opening, at the end of 2009, of the *Central Asia –China Pipeline* linking Turkmenistan to China, was a major event for the two countries. Works are now on-going for increasing its export capacity to 40 Bcm/year by 2013 and eventually reach a capacity of 56 Bcm/year by 2015, which will make of this feeder a major transcontinental gas artery.

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The major discoveries now under development in the Eastern part of the country have justified the construction, initiated in January 2010, of the *East-West Pipeline*, to connect these fields to the Caspian Sea area and thus serve as a potential transit link to Europe. The pipeline has a length of 800 km and its intended capacity is 30 Bcm/year.

At this stage, we observe that Turkmenistan now holds the five main assets enabling the country to become a new global gas player; I mean: a key geostrategic position between Europe and Asia, the fourth reserve natural gas world base, a capacity to raise its production to a level close to 500 Bcm/year by 2020-2030, a network of transmission infrastructures unlocking its reserves, and a notoriety of welcoming attitude to investors, who engage in a confident and stable cooperation with the government and the Turkmen people.

Slide 9

If we turn our eyes to the West, we see a continent that will depend for more than 70 % on imports for its gas supplies in 2020. Although the gas demand in the European Union is only very gently growing, safety of supply considerations command a wider geographic diversification of its pattern of resources and the Caspian region is the most sensible option for achieving this goal.

Several schemes and routes for this new supply are now being contemplated and are at the centre of an active competition, for the supply as well as for the transit options.

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It is yet difficult to say which route will eventually be chosen, either the Nabucco way as shown on the slide or another one, but in all options, it is likely that the contribution of Turkmen gas will eventually be a key driver for the project.

Slide 11

The project to build a *Trans-Caspian Pipeline* across the Caspian Sea to Azerbaijan for facilitating the connection of Turkmen gas to the pipeline grids of Europe is also under review. The project contemplated by Turkmengas has a planned capacity of 30 Bcm/year and represents a major cooperation challenge for Turkmenistan and Azerbaijan.

Slide 12

The rapid development of the natural gas markets in Pakistan and India has triggered the project of a *Turkmenistan-Afghanistan-Pakistan-India Pipeline*, also named *TAPI*. The pipeline would span over more than 1700 km and has a proposed capacity of 30 Bcm/year.

The four countries involved have signed a Gas Pipeline Framework Agreement and Inter-Governmental Agreement in December 2010, and Turkmenistan and Pakistan signed a Heads of Agreement in December 2011. It is obvious that in the long term, this project will contribute to the energy integration of the region and will be a factor of peace and improved prosperity for all concerned.

As a conclusion, I will simply say that a new global gas leader is born and that I would be delighted to welcome Turkmengas as an active partner of our organization. Turkmenistan should rest assured that Turkmengas would receive from the IGU's community as much as they should expect in joining us.

I thank once again the Turkmen authorities and Turkmengas for having invited me in Ashgabat and I hope to welcome all of you at the next World Gas congress of IGU, in Paris, by mid-June 2015.
