



Testimony before the House International Relations Committee
Subcommittee on the Middle East and Central Asia

Assessing Energy and Security Issues in Central Asia

July 25, 2006

A Statement by

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My name is Robert E. Ebel and until very recently I chaired the energy program at the Center for Strategic and International Studies. I am now Senior Advisor to the Center. I welcome this opportunity to present my views on energy and security issues to this Subcommittee on the Middle East and Central Asia, focusing, as requested, on Central Asia.

I first traveled to Central Asia in 1969 as a member of a delegation whose charge it was to develop an assessment of the natural gas industry in that part of the world. The republics of Central Asia were then defined by yurts and camels, and directed all their gas to Moscow. My visits since then have allowed me to keep up with social, economic, and political changes.

I would venture that when the Soviet Union broke up in December 1991, rare was the individual in Washington who could name the five now independent republics that made up Central Asia. In the intervening years international media changed all that. Because several of these countries possessed oil—and natural gas—in volumes that initially at least were presumed to offer a viable alternative to Middle East oil.

Kazakhstan and Turkmenistan are two of the five states bordering on the Caspian Sea, an inland body of water that caught the eye of major international oil companies, for several reasons.

1. First, nothing is quite attractive as something which in the past has been denied but which is now available.
2. Second, the Caspian producing potential is world-class.
3. Third, this potential could not be realized within an acceptable time frame without outside participation.
4. Fourth, and perhaps most important for the foreign investor, the oil will not be developed to meet domestic requirements. Domestic requirements are comparatively small and are expected to remain that way. Most of the oil to be produced will be for the export market.

Over time more realistic assessments had set aside the presumption that Central Asian oil could substitute for Middle East oil. However, interest in Kazakhstan and Turkmenistan did not diminish but rather focused on the contributions we might expect these two countries to make to world supplies. The timing and scale of the anticipated contribution, particularly of oil, unfortunately faced the unavoidable fact that Central Asia is landlocked, indeed doubly so, for the Caspian Sea must first be circumvented if access to ports of export were ultimately to be reached.

When these states looked north, they saw Russia and Russian export pipelines were—and still are—unavailable to third parties. China stood to the east, but at that time was a net exporter of oil. Iran lay to the south, but was unavailable to American companies. Exports to the west remained the only viable option.

The policy of the United States, at least in large part, supports development of oil and natural gas and the construction of multiple export pipelines circumventing Russia. That support has been considerable, enduring, and successful. Why did we make the effort? It all has to do with the power of oil. [Yes, oil powers our cars and trucks and fuels our airplanes, but there is more to it.] Just what is that power?

I would describe it this way.

Oil is high profile stuff, for it fuels much more than automobiles and airplanes. Oil fuels military power, national treasuries, and international politics. Because of this, it is no longer a commodity to be bought and sold within the confines of traditional energy supply and demand balances. Rather, it has been transformed into a determinant of well-being, of national security and international power for those who possess this vital resource, and the converse for those who do not.

These sentences describe the past, the current worldwide situation, and the future.

We have noted Central Asia's past but what is the current situation? The U.S. looks favorably upon Kazakhstan, we sidestep all the political shortcomings of President Nazarbayev because he has something that the world covets – oil. What has been accomplished?

- Western oil companies have been invited in to develop and produce the onshore Tengiz oil field, discovered in Soviet times.
- A pipeline has been built from Tengiz, across Russia, to the Black Sea export port of Novorossiisk. This pipeline lies outside Russian control.
- An oil export pipeline has been built from western Kazakhstan to the Chinese border. This line has a capacity of 400,000 barrels per day.
- The discovery of the Kashagan oil field in the Kazakh sector of the Caspian Sea, again by Western firms, has been described as the largest discovery worldwide in the past quarter-century.
- On the basis of these two fields, Kazakhstan by the year 2015 hopes to be exporting 3 million barrels per day. Equalling perhaps three percent of world oil supply, not pivotal by any means, but important to those importing countries always searching for diversity of supply.

Do Turkmenistan and Uzbekistan matter? They do, but for differing reasons.

Turkmenistan, profoundly isolated from the outside world, has a rich natural gas resource base, or so it claims. It is selling gas to Russia and Ukraine, and entertains plans to sell to China, to Pakistan and India. Could it meet all these commitments? Doubts have been raised and potential buyers must await

reserves confirmation. Pipelines are not built unless and until an adequate reserve base has been independently confirmed and long term sales contract have been signed, assuring at least that those banks having loaned construction funds will be repaid.

Uzbekistan is increasingly unstable and has turned away from the West and towards China and Russia. It is independent in terms of oil supply and exports large volumes of gas to Russia. I would note that these volumes—plus those imported from Turkmenistan—allow Russia, in the face of relatively stagnant domestic gas production, to meet growing demand at home and in the West.

I try to catch up on my reading during the summer, although energy security issues seem to have gotten in the way. But let me quote from one book I did find time to read.

“It will be sad to see how the magnet of oil draws great armies to the Caucasus; it will be fascinating to examine how oil companies mobilize their forces of diplomacy to fight their battles across green tables and behind the scenes...; it should be enlightening to study how far the foreign policies of nations, in the matter of recognition, of credits, etc. are influenced by that universal lubricant and irritant—oil...”

The author is Louis Fischer, the title of the book is **Oil Imperialism**. The date of publication—1926. Those words, written 80 years ago, by chance or by foresight come close to capturing the sense of what is taking place today in that remote part of the world. We need only substitute “Central Asia” for the “Caucasus.”

I thank you for your attention and I look forward to any questions you may have.