

Turkmenistan Welcomes U.S. Oil Firms

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ASHGABAT, Turkmenistan — Turkmenistan on Friday offered U.S. energy majors their first concessions in the Central Asian state and said it was pursuing a \$4.1 billion loan from China to develop one of the world's five largest gas fields and ship the fuel east.

State television named Chevron, ConocoPhillips, Houston-based TXOil and Abu Dhabi-based Mubadala Oil and Gas as the preferred bidders for two offshore oil blocks within Turkmenistan's portion of the Caspian Sea.

It also reported that Turkmenistan expected to secure a loan from China to develop the lucrative South Yolotan gas deposit, the second round of financing for a project contracted out to Chinese state oil and gas firm CNPC and other Asian companies.

Turkmenistan is looking to diversify energy sales from Russia, its traditional market, and is courting investors from the West, China and other Asian countries keen for a share of gas to be pumped from the world's fourth-largest reserves.

"President Gurbanguly Berdymukhammedov gave the order to the relevant sector leaders to hold productive negotiations with the State Development Bank of China for the receipt of a favorable loan of \$4.1 billion," state television reported.

A source in the government, speaking on condition of anonymity, said the credit was required for the second phase of South Yolotan, a deposit that Turkmenistan estimates could contain up to 16 trillion cubic meters of gas.

British firm Gaffney, Cline & Associates audited the field in 2008 and said at the time that it contained 4 tcm to 14 tcm.

The first pipeline between gas-rich Central Asia and energy-hungry China opened in 2009, and the expanded link should be able to carry up to 40 billion cubic meters of gas a year to China by 2012-13 — if enough gas is pumped to fill the multi-billion-dollar pipelines.

"There's obviously a supply risk involved in that, and one way that they can mitigate the supply risk for this pipeline is by ensuring that the investment goes into the upstream project," said Ian Thom, head of Caspian energy research at Wood Mackenzie in Edinburgh.

"They can't build the pipeline and then not have the gas. This to me just looks like another step in China's penetration into the Central Asia energy sphere."

Firms from China, South Korea and the United Arab Emirates in December won \$9.7 billion worth of contracts to drill and build gas plants at South Yolotan.

In addition to CNPC, South Korean firms LG International and Hyundai Engineering, as well as the United Arab Emirates' Petrofac Emirates won these tenders.

Chevron had earlier held talks about its possible participation in developing the South Yolotan field, a company official said in November.

Its selection among the four companies to drill Blocks 9 and 20 in the Caspian Sea marks a step forward for U.S. companies in Turkmenistan, which had to date been unable to secure licenses.

Richard Morningstar, Washington's energy envoy for the Eurasian region, said during a visit to Ashgabat on Aug. 3 that U.S. companies had made "a lot of progress" with offshore projects in the country.

The same government source said ConocoPhillips and Mubadala had bid together for access to the Caspian. The two companies are already working on an offshore oil joint venture in Kazakhstan's portion of the sea.

Turkmen state television, while naming the companies, revealed neither the size of the blocks nor the investment involved.

Turkmenistan says its portion of the Caspian Sea holds an estimated 11 billion tons of oil and 5.5 tcm of gas, and that 32 licensed blocks are up for tender.

Other Western companies involved in talks with the Turkmen government include

ExxonMobil, Marathon Oil, BP, Total and GDF Suez, local sources have said.

The same television report also cited an order from Berdymukhammedov to conclude a preliminary gas supply contract with Pakistan and India by the end of this year.

The government source said India and Pakistan had expressed interest in buying up to 70 bcm of Turkmen gas annually via an ambitious trans-Afghan pipeline, known as TAPI after the four countries through which it would pass.

"This pipeline, at a cost of \$3.3 billion, could bring peace and stability to Afghanistan, as well as jobs and hard currency," the Turkmen government source said.

He said gas could be drawn both from South Yolotan and the existing Dovletabad field. The planned pipeline would run for nearly 2,000 kilometers, including 735 kilometers across Afghanistan and another 800 kilometers through Pakistan.

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