

Turkmenistan-China pipeline capacity increased

The heads of Turkmenistan and China signed a framework agreement to increase the capacity of the gas pipeline at the Shanghai Cooperation Organization summit 29 August.

The pipeline is scheduled to start operating in 2009. Its capacity will be increased by 30% - from 30 to 40 billion cubic meters.

The first 30 billion deal between the two was signed back in 2006, but the conditions of the contract are still obscure.

It is also unclear how Turkmenistan is going to fulfill its obligations to China and Russia simultaneously. Turkmenistan is expected to pump 90 billion cubic meters of gas to Russia in 2009. Provided that Turkmenistan's domestic use does not exceed 20 billion cubic meters (as in 2006), the exporter should extract around 150 billion cubic meters of gas annually to meet the contract requirements. Yet in 2006 the country extracted only 60 billion cubic meters – evidently insufficient to fulfill the contract even if Kazakhstan will ship part of the due volume (10 billion cubic meters) to China.

The Russian monopoly agreed to purchase Turkmen gas at market prices, but Turkmenistan continues building the pipeline – not having enough gas to pump via it. When the pipeline is finished, Turkmenistan, China and Russia will likely spur a big bid over it. This might result in Turkmenistan's leaving the pipeline idle or failing to fulfill its obligations to Gazprom (as it repeatedly did).

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