

Presentation of the KAS-EUCERS Study:

**“Strategic Perspectives for Bilateral Energy Cooperation
between the EU and Kazakhstan - Geo-economic and
Geopolitical Dimensions in Competition with Russia’s and
China’s Central Asia Policies”**

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Dr. Frank Umbach

Research Director of EUCERS, King's College, London;
Senior Associate, CESS GmbH (München) & Senior
Fellow, U.S. Atlantic Council (Washington D.C.)

E-Mail: FraUmbach@AOL.Com



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EU-Central Asia Strategy I

- **2007: Declaration of a Common EU Central Asia-Strategy:**
 - Enhancing energy and general political-economic cooperation with Central Asia;
- **Focus on Kazakhstan:**
 - the most important oil partner in CACR for the EU-28;
 - crucial energy and raw material partner country in its energy foreign policy energy foreign policy since 2007;
 - vital partner for the EU due to its well-balanced multi-vector foreign and energy policy, which has strengthened its role in the region as a 'bridge' between Europe and Asia, as well as beyond;
 - key player for worldwide uranium exports and many other critical raw material supplies to Europe, which are needed for renewable energy resources (RES), batteries (for electricity storage) and many other 'green technologies'.

EU-EU-Central Asia Strategy II

▪ **EU:**

- has become Kazakhstan's most important trading partner, representing more than 50% of FDI in Kazakhstan =
 - ~ US\$100bn in 2013;
- imports around 5-6 per cent of its oil consumption and 21% of its uranium demand.
- In 2013, EU's share of Central Asia's total trade (26.9%) was also bigger than Russia's (14.4%), but has already been surpassed by China (31%).
- For Kazakhstan, the EU - with its unique integration experiences enhancing its intra-regional energy policies - has been perceived as a model seeking to increase its regional energy cooperation and integration.

EU-Central Asia Strategy III

▪ **Kazakhstan's overall regional economic and strategic importance has grown beyond its geographic location and oil exports:**

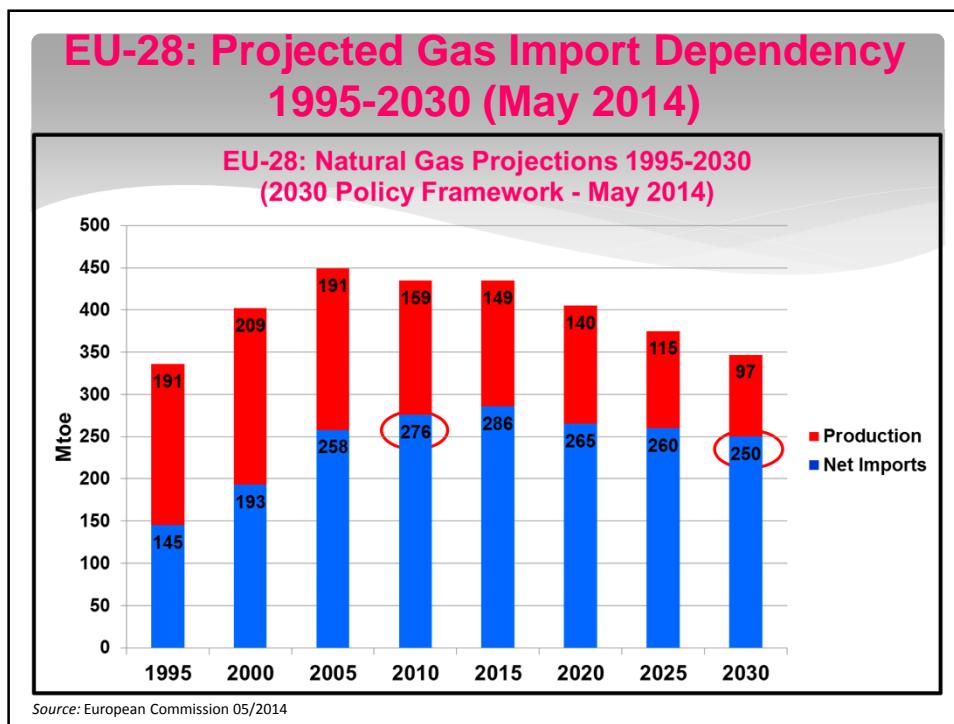
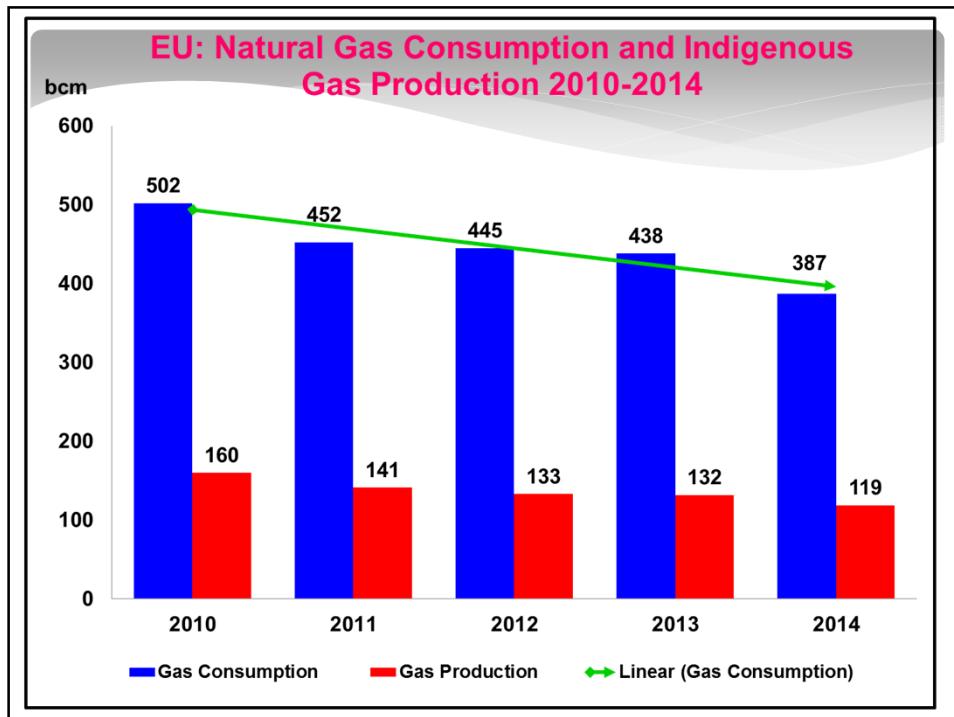
- its GDP exceeds those of the other four central Asian states combined.
- Its business environment is the best in Central Asia, and
- will play a fundamental role in new transcontinental transport routes such as the 'Western-Europe-Western China Transport Corridor', the EU's Transport Corridor Europe-Caucasus-Central Asia (TRACECA), and China's new Silk Road concept of 'One Belt, One Road' (OBOR);
- * accession of Kazakhstan as the 162nd member of WTO on 30/11/2015 offers new perspectives for enhanced cooperation with EU and others.

▪ **Problems and Challenges:**

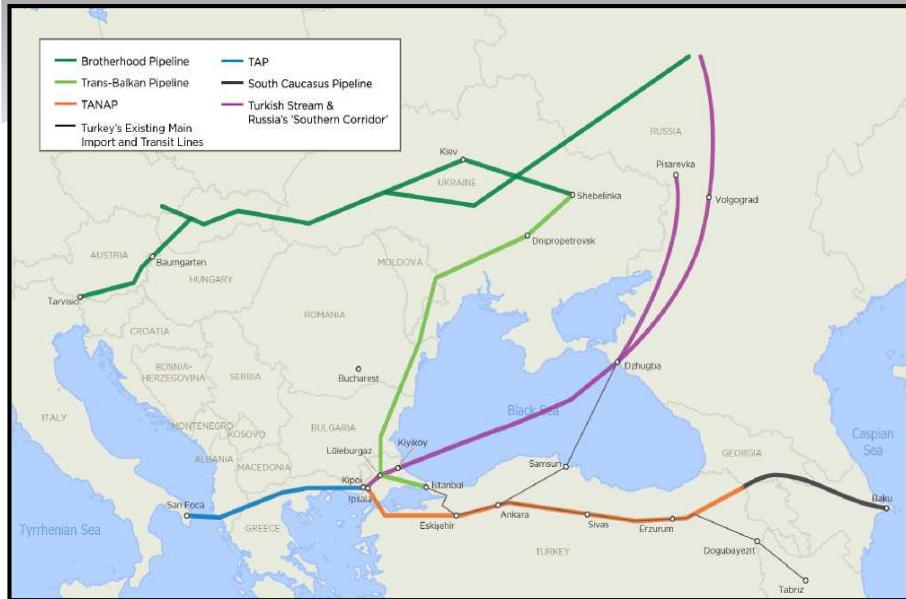
- Geopolitical rivalry with Russia and its zero-sum perceptions ;
- geopolitical Competition with China and its new Silk Road Strategy ("OBOR");
- numerous impacts of the Ukraine conflict on the EU's and Kazakhstan's/ CACR-Energy and Security Policies;
- dramatic fall of oil prices, international sanctions against Russia, and technical problems in its Kashagan oil field have threatened Kazakhstan's economic growth, and could even undermine its political stability.

EU-Kazakhstan: Enhanced Partnership and Cooperation Agreement (21 December 2015)

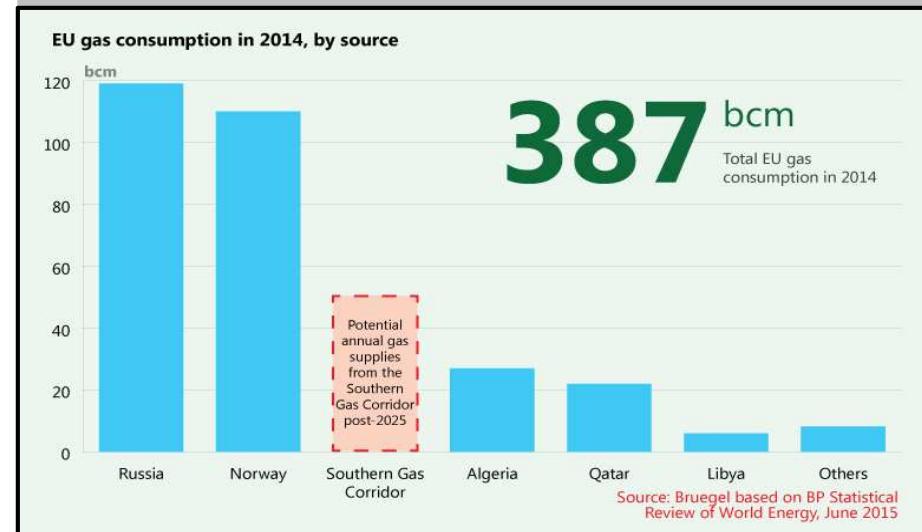




Turkish Stream und Südlicher Gaskorridor



EU: Gas Consumption in 2014 and Southern Gas Corridor



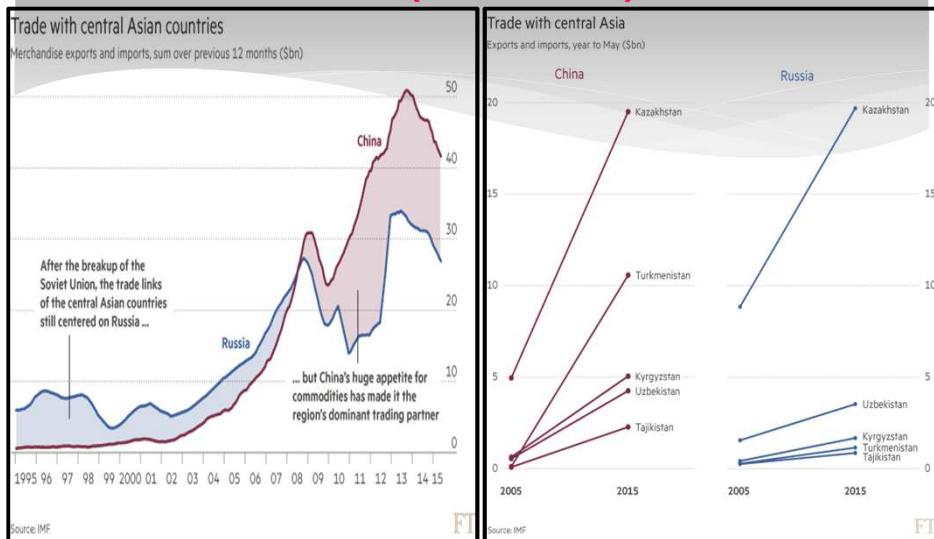
Source: www.interfaxenergy.com-NGD2015

Turkmenistan – Gas Export Diversification Plans and Transcaspian Gas Pipeline

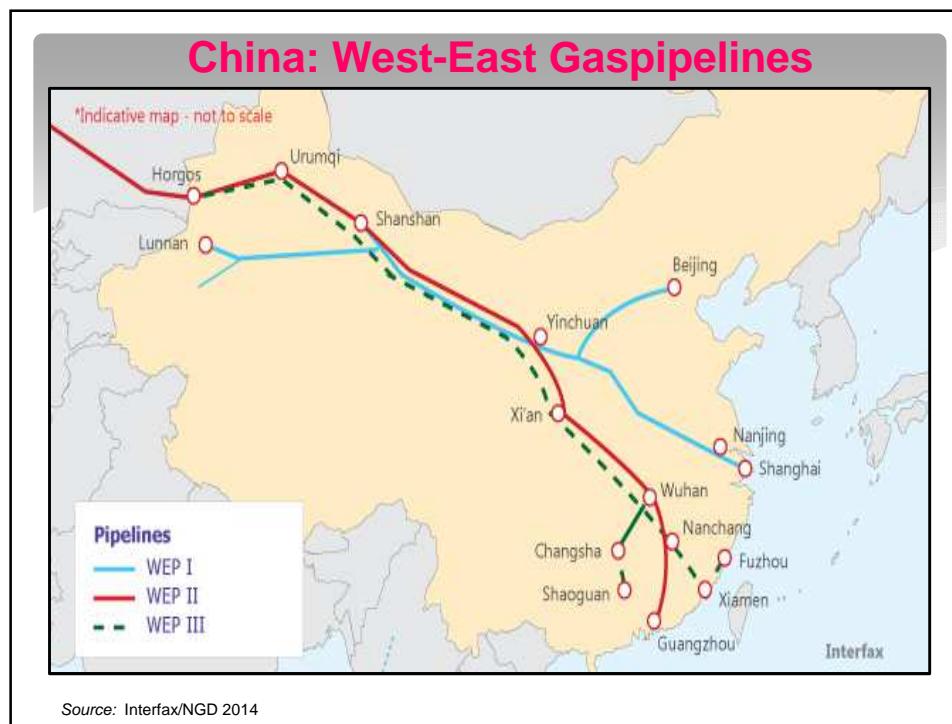


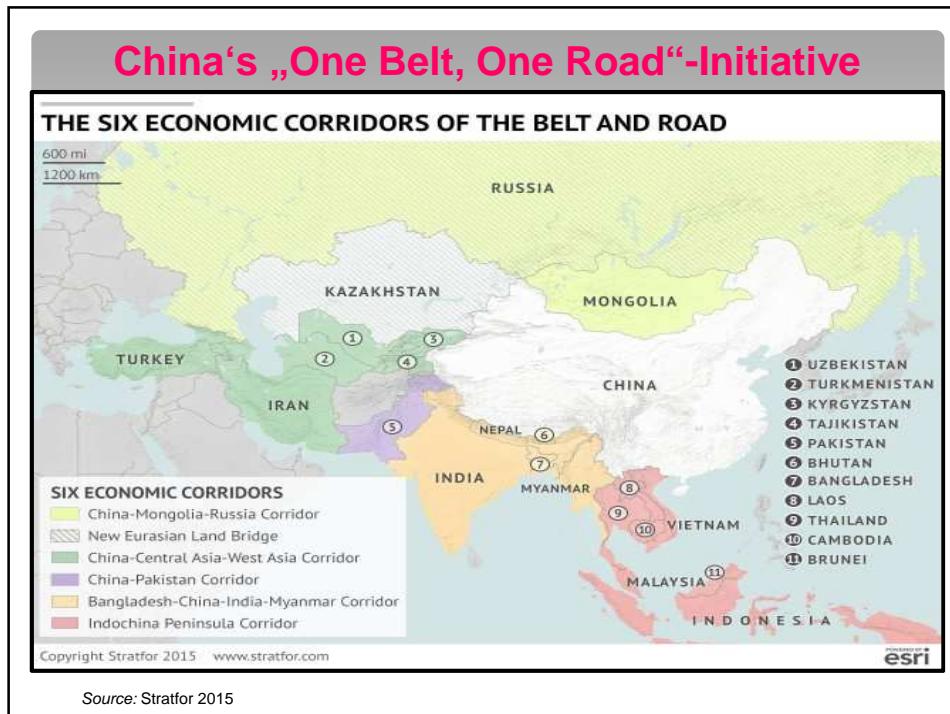
Source: Interfax/NGD 2014

Russia's and China's Trade with Central Asia (1995-2015)

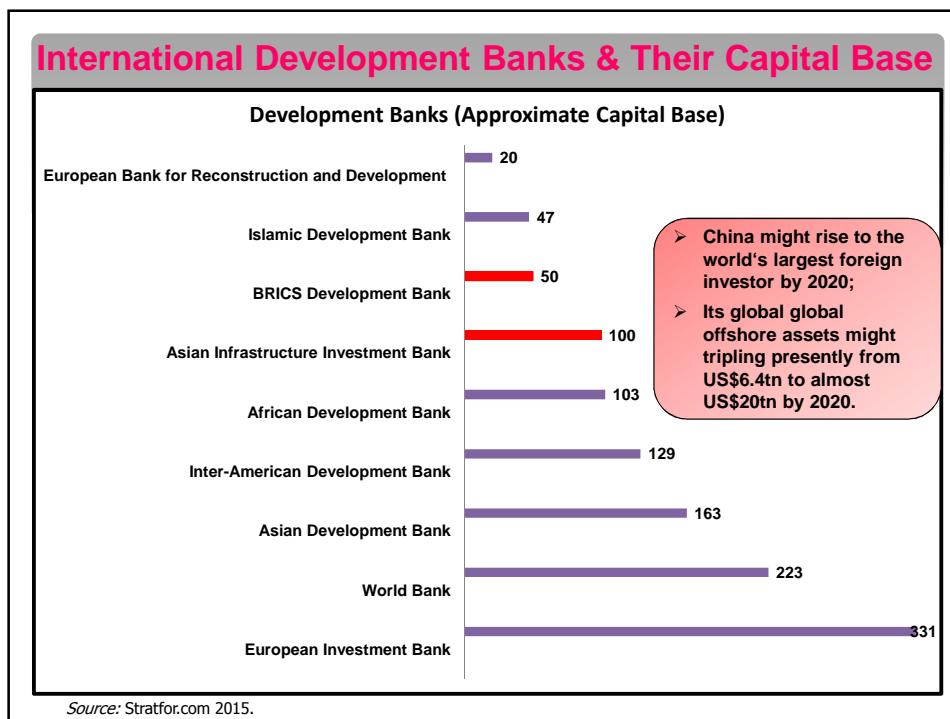


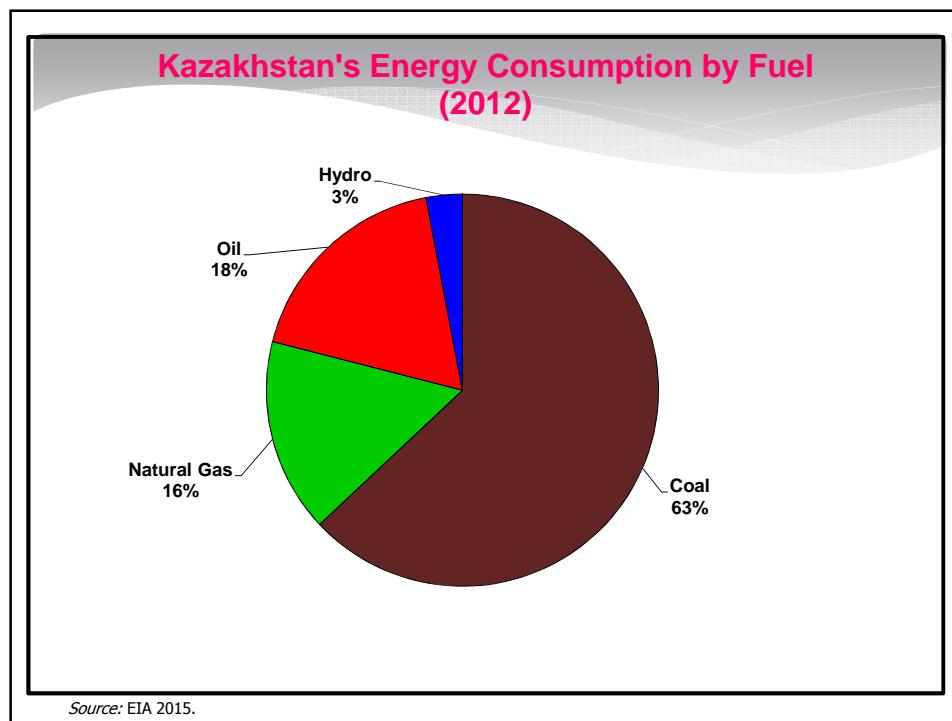
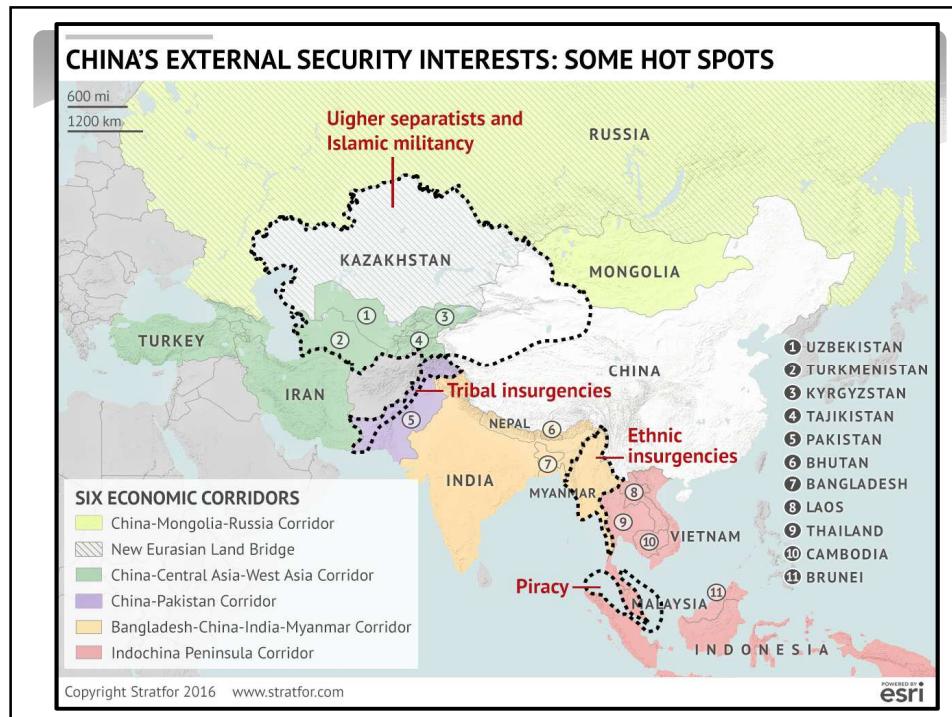
Source: Financial Times 2015



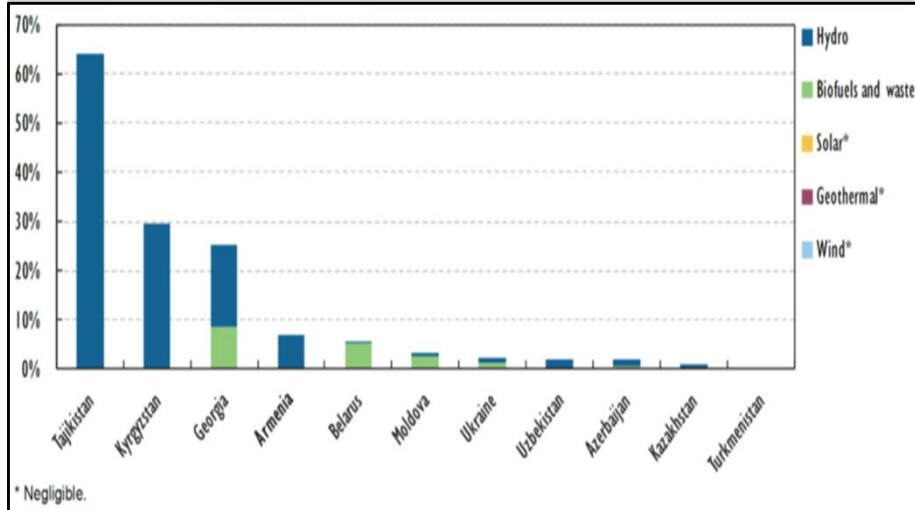


Source: Stratfor 2015

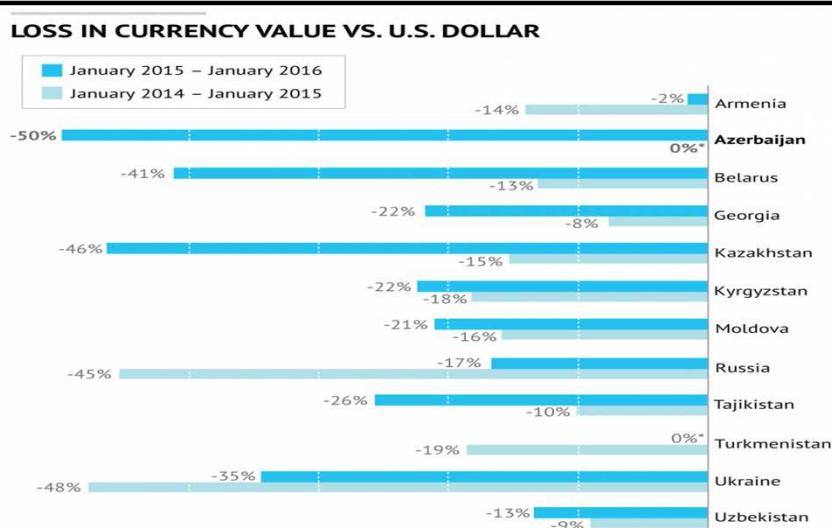




Renewable Energy as a Percentage of Total Primary Energy Supply (TPES) in Kazakhstan and other CACR and East European Countries



Impact of Falling Oil Prices – Currency Devaluation (0116)



Conclusions and Political Recommendations I

▪ Kazakhstan:

- made progress by developing a relatively strong and robust energy security and energy equity ranking compared with many other countries in the world;
- has reduced transmission and distribution losses, enhanced energy efficiency in the power sector, reduced energy and emission intensity, and diversified its electricity generation portfolio away from fossil fuels to include more hydropower and RES, which also decreased CO₂-emissions.
- its inclusion of RES in the electricity generation may have reached 1bn kWh in 2014 – almost three times 2009 levels.
- but performs rather poorly on environmental sustainability compared with many other countries;
- also needs to introduce cutting-edge technologies to enhance domestic supply security and a modern grid system.

Conclusions and Political Recommendations II

▪ Geopolitical Dilemmas:

- any enhanced energy partnership between the EU and Kazakhstan is not only dependent on the political will and strategic vision on both sides, but also on third parties such as Russia and China;
- both Russia and China's energy foreign policies in CACR have become more assertive;
- an enhanced energy relationship between the EU and Kazakhstan needs to take into account the potential impacts and implications of their energy foreign policies on their relevant security strategies in the region;
- Kazakhstan's 'green energy concept' for the expansion of RES and increasing energy efficiency appears less challenging for Russia and offers new opportunities for the EU to engage in CACR, and to support Kazakhstan's energy transformation for a sustainable;
- most recent experiences of Russia and Gazprom with the shrinking European gas market and the German 'Energiewende':

Conclusions and Political Recommendations III

▪ Most recent experiences of Russia and Gazprom with the shrinking European gas market and the German ‘Energiewende’:

1. it would free more gas resources in the CACR countries for exports on the shrinking or stagnating European and Asian (i.e. Chinese) gas markets (i.e. when oil prices have fallen up to 60% between the summer 2014 and 2015);
2. it would further decrease the energy dependence of CACR countries on Russia, and
3. hinder its own energy cooperation with the Eurasian region.

➤ Recommendation:

- Ultimately, the EU cannot avoid neither to clearly define its strategic and geopolitical interests, as well as needed instruments in CACR, nor to address the hard security questions with all relevant actors, including Russia and China.