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### **Energy cooperation between the EU and Central Asia**

The article analyzes the relationship between the European Union and the Republic of Kazakhstan in the framework of the energy sector. Kazakhstan is a country with vast energy resources, therefore it is one of the most important players in this industry. The European Union, in turn, is a major consumer of energy in the eastern hemisphere. The energy dialogue is a key component of Kazakhstan's cooperation with the EU. Relationships are being built in the framework of the Energy Charter Treaty and the support of programs such as TRACECA and INOGATE.

**Key words:** the European Union, the Republic of Kazakhstan, Central Asia, energy resources, prospects for cooperation, The Energy Charter Treaty.

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### **Энергетика саласындағы Еуропалық Одақпен Қазақстан Республикасының ынтымақтастығы**

Бұл мақалада энергетикалық секторының шеңберінде Еуропалық Одақ пен Қазақстан Республикасының арасындағы қатынастарды талдайды. Қазақстан орасан зор энергия ресурстары бар ел, сондықтан осы саладағы ең маңызды ойыншылардың бірі болып саналады. Еуропалық Одақ, өз кезегінде, шығыс жарты шарда энергияның негізгі тұтынушысы болып отыр. Энергетикалық диалог Қазақстан мен Еуропалық Одақ арасындағы ынтымақтастықтың негізгі парызының бірі болып табылады. Энергетикалық Хартия және осындай ТРАСЕКА және ИНОГЕЙТ сияқты бағдарламаларды қолдау аясында тараптардың қатынастары құрылады.

**Түйін сөздер:** Еуропалық Одақ, Қазақстан Республикасы, Орталық Азия, энергетика, ынтымақтастықтың келешегі, Энергетикалық Хартия.

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### **Сотрудничество Республики Казахстан с Европейским Союзом в области энергоресурсов**

В данной статье анализируются взаимоотношения Европейского Союза и Республики Казахстан в рамках энергетической отрасли. Казахстан страна с огромными запасами энергоресурсов, вследствие чего является одним из важнейших игроков в этой отрасли. Европейский Союз в свою очередь основной потребитель энергоносителей в восточном полушарии. Энергетический диалог является одним из ключевых компонентов сотрудничества Казахстана и ЕС. Взаимоотношения строятся в рамках Энергетической Хартии и при поддержке таких программ, как ТРАСЕКА и ИНОГЕЙТ.

**Ключевые слова:** Европейский Союз, Республика Казахстан, Центральная Азия, энергоресурсы, перспективы сотрудничества, Энергетическая Хартия.

**ENERGY COOPERATION  
BETWEEN THE EU AND  
CENTRAL ASIA**

An important area for investment of the European Union Member States in the Republic of Kazakhstan is the oil and gas sector and non-ferrous metallurgy. Attraction of investments to these sectors of Kazakhstan's economy is objectively necessary process. This is due to the orientation of the economy of the Republic in the market economy, where need for the country to develop oil, gas, coal, ferrous and non-ferrous ores, in the development of oil and gas fields, extraction of mineral raw material, its processing is sharply increased and, accordingly, need to attract foreign investment is increased.

In the last few years there is an increased interest on the part of the European Union member states in the Caspian region and its future, first of all – its energy resources. This is because at this time in the foreign policy strategy of European countries on the agenda was a question of creating a united Europe and the need for a common European energy strategy, increased competition in global markets, the Asian financial crisis of the market. In these circumstances, it becomes more tangible appeal of the Caspian region to the European Union.

Relations between Kazakhstan and the EU in energy sphere have developed quite positively. In order to legalize the political decisions and principles of the independence of the Energy Charter Treaty (ECT), in December 17, 1994 Kazakhstan also signed the Agreement of the European Energy Charter, which was ratified by Presidential Decree in 18 December 1995.

Agreement to ECT is crucial for Kazakhstan, because it affects the energy sector of Kazakhstan, «ensuring non-discrimination in the energy market of the republic, creates conditions that encourage entrepreneurial activity and the flow of private capital companies on the basis of MFN and national treatment» [1].

It should be noted that today the Central Asian region for many countries is presented in the form of large mineral deposits and rich deposits of energy resources, which are so essential to Western countries. Taking into account the rise in prices on the world's largest commodity exchanges, where the price of one barrel of oil is around \$ 72 and has a tendency to increase, it is possible to predict an increase in the interest of the world to the situation in Central Asia, is able to provide energy to Europe [2].

Accordingly, the European Union's interests extend to the Caspian oil and gas. Especially now, when it became clear that in the future is expected to significantly increase oil production in the Caspian Sea basin and the role of Caspian energy resources to the global energy supply. Everyone knows that oil consumption in Europe is growing rapidly. European countries expect to take the decision to infrastructure issues in the region in order to connect the European gas system with the Caspian space.

Therefore Kazakhstan is the largest trading partner of the EU in Central Asia and the CIS. In particular, the most dynamically developing mutually beneficial relations in the sectors of oil and gas complex. In the future, Kazakhstan will become the largest supplier of Caspian oil and gas resources to European markets.

EU and Kazakhstan attach special importance to the development of hydrocarbon resources in the Caspian Sea to ensure the security of supply of energy resources to the EU and for the development of Kazakhstan's economy.

In addition, according to results of its expansion in 2004 and 2007 the EU has become closer to the CA and in a geographical sense, objectively reinforces the importance of joint projects, including in the transport and energy sectors. Also, the approach of the EU to the borders of the CIS countries – Kazakhstan, the phenomenon is very positive and responsible pragmatic interests of the republic, EU enlargement has served as an additional factor in maintaining stability in the region and on the Eurasian continent as a whole.

Kazakhstan is considered by the EU as a country, which supplies energy to the West and minerals. Thus, in the structure of Kazakhstan's exports to the EU is dominated by oil and oil products, base metals, agricultural, chemical and mineral products, textiles.

Moreover, Kazakhstan has quite favorable geographical position. Through its territory are not only extremely lucrative transit routes, but, most significantly, thanks to its geographical position of Kazakhstan is largely projected oil potential has become a geopolitical factor. Control over the region allows us to solve a lot of geopolitical problems: first of all, to restrict the degree of influence in its main geopolitical players in the next century – Russia, China and the countries of so-called «Islamic arc».

In addition, since the first years of independence, Kazakhstan has paid very serious attention to the development of the oil and gas sector. And this is due, above all, a great potential of this industry.

Kazakhstan in terms of proven oil reserves among the top ten countries in the world.

Oil and gas industry is a strategic sector of the economy of Kazakhstan. Kazakhstan holds 13<sup>th</sup> place in the world according to its proven oil and gas reserves. The total area of Kazakhstan's oilfields is 1,698,000 sq. km, where more than 160 fields are situated. Recoverable reserves are composed of 2,8 bln. tons of oil and 3 trillion cubic meters of gas. 43.6% oil and 51.4% of gas share are extracted in Atyrau region [3].

The main hydrocarbon reserves are concentrated in the Atyrau region of Kazakhstan (the total trade turnover in the region is about 2.7119 billion US dollars). There are more than 75 fields in the region, 39 are in development, 7 are under preparatory works. The largest field is Kashagan, where the oil reserves are estimated at 7 billion tons [3, p.127].

After analyzing the cooperation of Kazakhstan and the EU in this area, it should be noted that the energy dialogue is a key component of Kazakhstan's cooperation with the EU and developing quite successfully. During all the time under the auspices of the EU four expert working group meetings of the Caspian region and the Black Sea were held, which was attended by representatives of Kazakhstan. In addition, the EU and RK have focused on early conclusion of negotiations and the conclusion of the Agreement between the Government of Kazakhstan and European Atomic Energy Community (Euratom) for cooperation in the use of nuclear energy for peaceful purposes, which meets the interests of both sides.

Currently, Kazakhstan is the third largest supplier of oil to the EU out of the OPEC member countries. In 2004, exports amounted to 124 million barrels, in monetary terms - 4 billion euro. Taking into account the EU's desire to diversify energy supplies to the domestic market against the background of increasing energy dependence (50% of imports in 2000 to 70% in 2020), Kazakhstan may eventually become the main alternative to the EU that is more understanding from EU side. There have been positive prospects for the further deepening of relations in the transportation and aerospace industries, in the field of investment, innovation.

The participation in the development and implementation of EU projects related to the development of transport infrastructure, «TRACECA» and «INOGATE» are relevant for the Republic of Kazakhstan. The project «TRACECA» (Transport Corridor «Europe-Caucasus-Asia») was developed for the further development of the Trans-Caucasian and Trans-Balkan corridor, which is important to

increase export deliveries of oil and gas resources of Kazakhstan to the European market. The development of these corridors is particularly relevant in connection with the future growth of oil production in the Caspian region and the reconstruction of the commercial seaport Aktau. TRACECA program – support for the rail industry in Central Asia.

TRACECA aims to promote the opening of transport corridor Central Asia – Caucasus – Europe and involves the creation of a system of unimpeded passage of goods and access to the European market. The participation of Kazakhstan as an important transit link reverts to the Great Silk Road.

As of today 39 studies in the amount of 57.405 million euro and 14 investment projects for infrastructure rehabilitation in the amount of approximately 52,300 million euro are financed by the program TRACECA[4].

Since 1995, Kazakhstan is involved in more than 15 technical assistance projects of TRACECA, which primarily include components of the economic and financial analysis of the pre-investment studies in order to identify the true extent of the necessary financial and technical assistance.

One of the major projects where Kazakhstan was involved, is a project to restore the ferry complex in Aktau, which was launched in summer 2000. The aim of the project is the reconstruction of the ferry terminal of Aktau trade seaport. Investment of the project is amounted to 2 mln. euro [4]. The northern part of the TRACECA route passes through trade seaport of Aktau, which has a strategic importance for the program as a whole.

Since August 2000 the restoration of all facilities and the ferry terminal assemblies were held in the framework of the project. Currently, updated equipment and facilities of the railway ferry terminal allows Aktau seaport to solve the problem of ferry cargo transportation via Aktau-Baku-Noushahr in accordance with recognized international standards.

Another important program aimed at the development of Kazakhstan's oil and gas industry, is the «IN-OGATE» program. International transportation, and oil and gas to Europe, which determines the conditions of integration of the various modules of Kazakh oil transportation system in the Trans-Caucasian. For the implementation of this program at the international level adopted Framework Agreement «On the institutional framework of the creation of an Interstate Oil and Gas Transportation System» [5].

Developed by the European Union joint projects in the future will be an important factor in the development of the energy sector of Kazakhstan, modernization of oil and gas transportation infrastructure

and attracting large-scale investments in the basic sectors of the economy.

Kazakhstan is also expanding ties with the states of the EU in the field of creating a common electricity and capacity market. The Government of Kazakhstan adopted active measures to reform the electricity sector. According to experts, Kazakhstan's export of electricity in the future will be about 100 million. KW. In this regard, relevant to the development of the Republic of Kazakhstan is integration and cooperation with the EU in terms of the formation of the electrical energy and power for general functioning of the market mechanism.

In addition, Kazakhstan is actively involved in the implementation of the Energy Charter Treaty. In particular, the Kazakh side, together with other parties to the Treaty to develop proposals on the Transit Protocol within the framework of the Energy Charter Treaty. The implementation of this Protocol will help to ensure safe and reliable transit of Kazakh oil and gas resources to the world markets.

So, for the European Union, Kazakhstan is one of the largest suppliers of oil and oil products, as well as a major importer of industrial and agricultural products made in Europe.

European Union to the Republic of Kazakhstan is the main largest creditor, and after the expansion of its role as a leading economic partner increased. These links are for Kazakhstan's strategic importance has for the reason that energy exports to Europe now and in the future will be the main source of foreign exchange earnings of the country.

Huge reserves of oil and gas in Kazakhstan make it a highly attractive partner for the EU. Kazakhstan also needs such a reliable partner as the EU to ensure stable markets for its products.

For Europe, the geopolitical importance of oil and natural gas in Central Asia and the Caspian region will increase.

In this respect, Europe will be forced to increase imports of natural gas and oil from Russia, and from non-European regions – Central Asia, the Middle East, also in small size of Africa.

On energy security leading industrialized nations will thus affect stability in Central Asia.

Recognition of general and specific problems and suggest ways of their possible solutions require the establishment of an institutional basis at the national, regional and global levels, which will also contribute to their promotion.

Provide and maintain energy security at different levels, it is possible only within the framework of a close encounter and cooperation between the European Union and Central Asia.

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