



Uncertainty Still Looms Large Over TAPI

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Introduction

In the past few months, there has been renewed optimism for the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline, also termed the 'Peace Pipeline'. On May 23, 2012, India and Pakistan signed the Gas Sales and Purchase Agreement (GSPA) with Turkmenistan, raising hope for the pipeline. This 1,800 km¹ long TAPI pipeline, if it materialises, will be the first pipeline in the region transporting Central Asian gas to South Asian market. Initially, the Dauletabad field in Turkmenistan was identified, but recent reports suggest that the newly found South Yolatan gas field, close to the Afghanistan border will supply gas to TAPI. The proposed route of the pipeline is Dauletabad/South Yolatan (Turkmenistan) through Herat-Kandahar (Afghanistan) and Quetta-Multan (Pakistan) to Fazilka (India). In addition to commercial benefits, geo-political factors have been crucial in the TAPI project. Greater political will of the member countries is increasingly visible today. However, multiple challenges still make the future of the pipeline uncertain.

Backdrop

The idea of the pipeline was mooted back in the mid-nineties. Initially, three countries were party to the pipeline- Turkmenistan, Afghanistan and Pakistan. There were two consortia competing to build the pipeline-one led by an Argentinean firm, Bidas and the other led by a

U.S. Company, UNOCOL. The competition between Bridas and UNOCOL (supported by the U.S) reflected the wider geopolitical dynamics behind the pipeline.² Both companies courted Turkmenistan and Afghanistan for the pipeline. UNOCOL led *CentGas* consortium ultimately won the deal.

In October 1995, Turkmenistan signed an agreement with UNOCOL for the pipeline. The stakes of the various companies in the consortium were- 70 per cent UNCOL, 15 per cent Delta (Saudi Arabia), 10 per cent Gazprom (Russia), five per cent Turkmenrosgaz (Turkmenistan).³ However, by end of 1990s Gazprom withdrew from the consortium. In 1997, oil companies from Japan, South Korea and Pakistan also joined the consortium.⁴ The project, however, failed to make headway and in 1998, UNOCOL walked out putting the project on the backburner. Instability within Afghanistan, Taliban's poor human rights record, especially their treatment of women (UNOCOL faced stiff opposition from Feminist Groups in the U.S.), growing tensions between the U.S. government and Taliban, low international oil prices and Afghanistan's inability to form an internationally recognised government were some of the factors forcing UNOCOL to withdraw from the deal⁵, which it gained after a tough competition against Bridas.

There was a renewed interest to build the pipeline after the fall of the Taliban regime in 2001. In 2005, the Asian Development Bank (ADB) conducted a feasibility study and approved the pipeline. During this period, India also expressed interests to join the project and in 2006, the Indian Parliament approved India's participation. The 10th Steering Committee meeting of the project held at Islamabad on April 23-24, 2008, formally included India in the project and the Gas Pipeline Framework Agreement was signed.⁶ Notwithstanding the ADB's green signal to the project, work on the pipeline moved at a slow pace.

Recent Developments

In December 2010, Turkmenistan, Afghanistan, Pakistan and India signed the Intergovernmental Agreement (IGA) and the Framework Agreement for TAPI. In May 2012, the GSPA was signed by Turkmengaz, the State Gas Company of Turkmenistan, GAIL Ltd, an Indian company and Inter State Gas System, a private company from Pakistan, on the sidelines of the International Gas Conference held at the Caspian Sea resort of Avaza in Turkmenistan. The GSPA agreement between Afghanistan and Turkmenistan is yet to be signed; both countries have already inked the

Memorandum of Understanding for cooperation in the gas sector. The signing of the GSPA agreement between Afghanistan and Turkmenistan would be a step forward for the project.

According to recent press reports, the pipeline has the capacity to transport 90 mmscmd (million metric standard cubic metres per day) of gas for 30 years and the pipeline is expected to be operational by 2018.⁷ India and Pakistan would individually receive 38 mmscmd and the remaining 14 mmscmd would go to Afghanistan.⁸ India has also agreed to pay 50 cents per mmBtu (million metric British thermal unit) as transit fee to Pakistan and Afghanistan.⁹ Given the slow pace at which the project has moved in the last 17 years, the recent developments, however on a limited scale, hold significance.

Why TAPI?

TAPI will cater to the growing energy needs of India and Pakistan. Both countries are dependent on energy imports and TAPI will provide these countries with an alternative source of supply from Turkmenistan.

The India Hydrocarbon Vision-2025 report suggests that bulk of India's energy needs will continue to be fulfilled by oil and gas.¹⁰ The demand for natural gas, an environmental friendly fuel, is growing today. The Report also suggested that India needs to (a) encourage use of natural gas, which is a relatively clean fuel, (b) ensure adequate availability by a mix of domestic gas imports through pipelines and import of LNG, and (c) pursue diplomatic and political initiatives for import of gas from neighbouring and other countries with emphasis on transnational gas pipelines.

India's domestic production of natural gas is not sufficient to meet the increasing demands for natural gas. The India Hydrocarbon Vision 2025 has projected that the demand for natural gas in India will increase to 391 mmscmd by 2025. TAPI, thus, holds a crucial place in ensuring India's energy security. For the first time, India will get direct access to Central Asian hydrocarbon resources, removing one of the major obstacles in developing closer economic cooperation between India and the Central Asian Republics (CARs).

Pakistan's Integrated Energy Model Report of 2011 stated that to 'attract investment necessary to foster sustainable economic growth there must be a reliable and affordable supply of

energy', underscoring the country's need for safe and reliable source of energy supply. TAPI, thus, opens a new option for Pakistan.

Decades of civil war have hit hard the Afghan economy. The transit fee received by Afghanistan will facilitate in rebuilding the war torn economy. The Afghan economy today is dependent on aid from other countries. TAPI would be the country's "largest development project",¹¹ boosting the infrastructure facilities in the country. Afghanistan has also planned several industrial units close to the pipeline route, which are expected to run on the gas supplied from TAPI.¹²

Afghanistan will also receive about 14 mmscmd of gas through the pipeline. Iran is an important transit country for energy bound for Afghanistan, The bulk of Afghanistan's fuel imports pass through Iran, which includes imports from Iran as well as from countries. However, dependence on Iran sometimes proves critical for Afghanistan as was evident from the tensions that erupted between the two countries in the winter of 2010. Suspecting Afghanistan of supplying fuel coming via the Iranian route to NATO forces stationed in Afghanistan, Iran blocked the supply route. The blockade took a heavy toll on the life of the common people with fuel prices skyrocketing. The route though Pakistan is also vulnerable to blockades. After the Salala incident in November 2011, Pakistan closed the route till July 2012.

TAPI gives Turkmenistan another option to diversify its energy export basket by giving the country access to the vast South Asian market. Turkmenistan with 24.3 trillion cubic metres¹³ of gas has the largest gas reserves in the Central Asian Region and the fourth largest reserves in the world.¹⁴ It accounts for about 11.7 per cent¹⁵ of the world's share of natural gas. Turkmenistan's economy is primarily dependent on gas exports and TAPI would open another opportunity for the energy rich country.

The Soviet made pipelines were until recently the only outlet for Turkmen gas to the international markets. Gazprom, the Russian Company, is the main buyer of Turkmen gas, which is then re-exported to Europe. Turkmenistan since independence has been keen on reducing its dependence on Russia for gas exports. Dependence on the Russian pipeline system has sometimes caused tensions between the two countries. In 2009, the bilateral relations soured when the main pipeline transporting Turkmen gas to Russia exploded. Turkmenistan suspected

Russian ploy behind the explosion. Russia stopped purchasing gas from the Republic, which cost Turkmenistan about \$1 billion per month.¹⁶ After several months of negotiations, gas supply was resumed.

At present, the two other markets for Turkmen gas are China and Iran. Since 2009, Turkmenistan has been selling gas to China through the Central Asia-China gas pipeline. The Korpjeje-Kurt Kui pipeline opened in 1997 transports Turkmen gas to Iran. In 2010, the second gas pipeline between Iran and Turkmenistan was inaugurated.

In addition to the commercial benefits, the pipeline is also seen as a means to promote peace and stability. It is hoped to build greater understanding between the two hostile neighbours-Pakistan and India and also promote development in war ravaged Afghanistan. The ADB Director General Klaus Gerhaeusser's remark after India and Pakistan signed the GSPA agreement reflects the spirit behind the pipeline: "This is a truly historic moment of unparalleled regional cooperation.---Each country stands to gain, making this not only the 'Peace Pipeline', but a pipeline to prosperity as well".¹⁷

Risk Factors

TAPI pipeline will be a win-win situation for the countries involved, if it materialises. There are a number of challenges TAPI faces that raise serious doubts about the feasibility of the pipeline. Security of the pipeline is of prime concern. About 735 km of the pipeline runs through Afghanistan, passing through the volatile provinces of Herat and Kandahar. The presence of landmines along the route makes the construction of the pipeline extremely risky. If the pipeline is built, protection of the pipeline against terrorist attacks by Taliban would be a mammoth task for the Afghan government. With the withdrawal of international forces coming closer, security threats in Afghanistan are mounting. Will the Afghan government after 2014 be able to provide adequate security to the multi-billion dollar pipeline? In Pakistan, the pipeline passes through the disturbed Baluchistan province and extremist forces in Pakistan might take the pipeline hostage or sabotage it. Although, the Afghanistan and Pakistan governments have assured to provide safety to the pipeline but in prevailing security conditions, these countries' ability to protect the pipeline remains doubtful.

Another challenge is of financing the multi-billion dollar project. The TAPI project is yet to establish a consortium. From 11-20 September 2012, a series of meetings were held at Singapore, New York and London with potential investors. Representatives from ADB, Turkmenistan, Afghanistan, Pakistan and India participated in the meetings. If the project fails to form a consortium immediately, the pipeline will be further delayed, raising doubts about its implementation.

In addition to the above mentioned challenges, building a cross country pipeline in mountainous topography will be a daunting task. Because of the topography, the pipeline will face “considerable engineering challenges”.¹⁸ However, the engineering challenges could be managed if the security condition is stable and there are sponsors for the pipeline.

TAPI and the Geo-Political Dynamics

Geo-political factors play a crucial role in most multi-national pipeline projects. The TAPI project is no exception and reflects the power politics involved in the region. Since the idea of the project was floated, the pipeline has witnessed severe competition between the U.S. and Russia. Since the beginning, the U.S. support to the TAPI project is seen as a counter to the Russia backed Iran-Pakistan-India (IPI) pipeline. The U.S. sees IPI as a threat to its efforts to isolate Iran. Moreover, the U.S. sees TAPI as a way to reduce Russian influence in the Central Asian energy sector. Initially, when the earlier consortium, *CentGas* made the bid for the pipeline, Gazprom, the Russian company was one of the stakeholders. However, later Gazprom walked out of the consortium, accusing the U.S. of using the project to weaken Russian position in the region and supporting Taliban.¹⁹

Today, the U.S support to TAPI is linked with the U.S. Silk Route Strategy to connect Central and South Asia. It has been observed that TAPI is a “milestone in the U.S. ‘Greater Central Asia’ strategy, which aims at consolidating American influence in the region”.²⁰ Also, failing to protect the pipeline, Afghanistan might request the U.S. or NATO forces to provide security.²¹ On the pretext of protecting the pipeline, the western military presence in the region could be prolonged, a development that could create uneasiness in many countries. It is also argued that “TAPI is in actuality a Silk Road project connecting Central Asia to the West via Gwadar, which will make Pakistan the U.S. gateway to Central Asia”.²² These developments will

complicate the geo-political competition in the region, questioning the rationale of the pipeline being a 'Peace Pipeline'.

In recent times, Russia has shown interest in the project. Analysts see the change in Russian attitude a consequence of its wider geo-political interests in the region. Today, Europe is courting Turkmenistan to sell gas directly to Europe. Is Russia trying to divert Turkmenistan's market to South Asia to protect its markets in Europe? However, if the pipeline is extended to Gwadar port and eventually linked to European markets, it will jeopardise Russian interests.

Conclusion

Today, the challenges facing the TAPI project overshadow the advantages that will accrue from the pipeline. In the present circumstances, especially the uncertainties surrounding the security situation in Afghanistan post- 2014, TAPI seems a difficult proposition. At the same time, further delay will put the project in cold storage. Turkmenistan is today courted by several countries and would obviously opt for accessible markets. For example, China has emerged as a big opportunity for Turkmenistan. China is already buying gas from Turkmenistan through the Central Asia-China gas pipeline. China has now proposed to construct a new pipeline bringing Turkmen gas to China passing through northern Afghanistan, which is relatively safer than the provinces TAPI passes in Afghanistan.

For TAPI to be operational there is an urgent need to work towards rebuilding Afghanistan and promoting peace and stability in the country. At a time when there are efforts to attract investors, it is also important to outline the security provisions to protect the pipeline, both at the time of construction and afterwards. This would give confidence to investors.

In the given circumstances, India has to weigh its options cautiously. TAPI is certainly one option for India, which cannot be ignored. However, India should continue exploring other routes too, such as the IPI to meet its increasing energy demands. While exercising caution and being conscious of the region's power politics, India needs to explore pro-actively various avenues and take some hard decisions, given its aim to enhance its energy security in the long term.

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Notes

¹ “Project Data Sheet: Overview”, *Asian Development Bank*, <http://www.adb/print/projects/44463-013/main> (Accessed on 6 September 2012).

² For details see Ahmed Rashid, *Islam, Oil and the New Great Game in Central Asia*, London, New York, I.B.Tauris, 2002, pp 157-182.

³ Ibid, p 160.

⁴ Ibid, p173.

⁵ Ibid, pp 170-182.

⁶ Speech by Shri Murli Deora, Honourable Minister of Petroleum and Natural Gas At the Meeting of the Consultative Committee of Members Of Parliament for the Ministry of Petroleum & Natural Gas in New Delhi on Wednesday, the 4th June, 2008, <http://petroleum.nic.in/speeches/04-06-2008.pdf> (Accessed on 4 September 2012).

⁷ “TAPI Pipeline Gas Sale Agreement Signed”, *The Hindu*, 23 May 2012, <http://www.thehindu.com/business/Economy/article3449588.ece> (Accessed on 12 September 2012).

⁸ Ibid.

⁹ Ibid.

¹⁰ “India Hydrocarbon Vision-2025”, www.petroleum.nic.in/vision.doc, (Accessed on 1 September 2012).

¹¹ John Foster, “Geopolitics Afghanistan, the TAPI Pipeline, and Energy”, 23 March 2010, *Journal of Energy Security*, http://www.ensec.org/index.php?option=com_content&view=article&id=233:afghanistan-the-tapi-pipeline-and-energy-geopolitics&catid=103:energysecurityissuecontent&Itemid=358 (Accessed on 12 August 2012).

¹² Ibid.

¹³ BP Statistical Review of World Energy, June 2012, <http://www.bp.com/subsection.do?categoryId=9037150&contentId=7068622> (Accessed on 12 September 2012).

¹⁴ Russia, Iran and Qatar are the three countries having more reserves than Turkmenistan.

¹⁵ BP Statistical Review of World Energy, June 2012, *op.cit.*

¹⁶ Leland R Miller, “Courting Turkmenistan”, August 28, 2009, http://www.foreignpolicy.com/articles/2009/08/28/courting_turkmenistan (Accessed on 5 September, 2012).

¹⁷ “Turkmenistan Signs Natural Gas Deal with Pakistan, India for Cross-Afghanistan Pipeline”, *The Washington Post*, http://www.washingtonpost.com/world/asia_pacific/turkmenistan-signs-natural-gas-d---- (Accessed on 10 September 2012).

¹⁸ Raghav Sharma, “Will TAPI Remain a Pipedream?” 27 August 2008, *Institute of Peace and Conflict*, <http://www.ipcs.org/article/terrorism/will-tapi-remain-a-pipedream-2661.html> (Accessed on 2 September 2021).

¹⁹ Ahmed Rashid, 2002, p 173. *op.cit*

²⁰ M.K. Bhadrakumar, “U.S. Brings Silk Road to India”, *The Hindu*, 24 December 2010, <http://www.thehindu.com/opinion/lead/article972541.ece?homepage=true> (Accessed on 4 September 2012).

²¹ Ibid.

²² Ibid.