

Kazakhstan

Kazakh oil pours into China through pipeline

ALATAW PASS, Xinjiang province – Crude oil from Kazakhstan poured into China on the morning of May 25 through a crossborder pipeline that is designed to transmit 20 million tons of oil a year, 15% of China's total crude oil imports for 2005. This was the first time in history imported oil has been directly pipelined into China, and experts say the move will help enhance China's oil supply and provide an ideal outlet for Kazakhstan's oil exports.

Brownish oil sprang into a petroleum hub in Alataw Pass, in northwest China's Xinjiang Uygur Autonomous Region, at 3:10 AM May 25, about 30 hours after Kazakhstan began pumping oil into the 960 kilometer pipeline, customs officers at the Alataw Pass told Xinhua.

Technicians with the Sino-Kazakh Oil Pipeline Co Ltd opened the valve on the China-Kazakhstan border at 7:32 PM May 23 after instructions were received from their Kazakh counterparts in Atasu, who started to pump oil into the pipeline at 8:22 PM the same day.

The first phase of the pipeline will transmit 10 million tons of oil a year, a figure that will double when the entire project is completed in 2011. The total length of the pipeline would then be around 3,000 kilometers.

Industry insiders say construction of the oil pipeline is a win-win strategy for both countries as it will hopefully ease China's energy dearth and provide an ideal destination market for Kazakhstan's rich oil resources. "It has provided a direct link between Kazakhstan's rich oil resources and China's robust oil consumer market," said Yin Juntai, deputy general-manager of China Petroleum Exploration and Development Company.

The pipeline was jointly developed by the China National Petroleum Corporation (CNPC) and the Kazakh state energy company, Kazmunaigaz.

Kairgeldy Kabyldin, vice-president of the Kazakhstan National Petroleum and Natural Gas Company, praised the transnational oil pipeline as a "new paradigm of cooperation" between the two countries. He said it is the common aspiration of the Kazakh and Chinese governments as well as the two peoples to step up cooperation in the energy sector, and such cooperation plays a vital role in promoting mutual economic development and improving the quality of the peoples' lives.

Kazakhstan's crude oil output topped 50 million tons in 2002, the most recent time that data is available from here, and about 70% of its oil is exported. With huge reserves in the Caspian Sea, insiders say the country's oil output will top 100 million tons by 2015.

The new oil shipping route will link Chinese consumers with the oil fields of the Caspian Sea, as well as alleviate China's excessive reliance on the Strait of Malacca, a traditional route for 80% of China's imported oil, said Yin.

Last year, China's crude oil imports totaled 127 million tons, about 40% of its total consumption. About a half of China's oil import came from the Middle East and only 1.3 million tons was imported from Kazakhstan, via Alataw Pass, in 2005. Insiders predict that the figure will climb to 4.75 million tons this year and to around 8 million tons in 2007.

China and Kazakhstan started energy cooperation in 1997, marked by an intergovernmental agreement covering diverse means of collaboration in oil and gas fields, including an oil pipeline between western Kazakhstan and China's Xinjiang. The transnational pipeline, extending 962.2 km from Atasu in Kazakhstan to the Alataw Pass of Xinjiang, was completed in November 2005 at the cost of US\$700 million.

China has completed laying a 252 kilometer oil pipeline between Alataw Pass to Dushanzi in Karamay where the country's largest oil refinery, capable of producing 5.5 million tons of refined oil a year, will become operational in 2008.

China produced 182 million tons of crude oil in 2005, a figure experts say will climb up to 195 million tons by the end of 2010. By then, the country's production demand and consumption will be hovering around 330 million tons and 350 million tons respectively, said Pan Derun, deputy chairman of the China Petroleum and Chemical Industry Association.

Amid global oil price hikes, the Chinese government on May 24 raised the prices of gasoline, diesel and aviation kerosene by 500 yuan (\$62.29) per ton, the ninth and the biggest price hike for refined oil products since July 2003. The current retail price of 93-octane gasoline is 5.09 yuan per liter, 0.44 yuan higher than two months ago.

Asia Pulse/XIC, May 27, 2006

Cheney's Visit Leaves Astana Facing New Dilemma in Multi-Vector Policy

U.S. Vice President Dick Cheney praised Kazakhstan as "a good friend and important strategic partner," particularly in fighting international terrorism, as he wrapped up his two-day visit to Kazakhstan on May 6. The trip culminated with the signing of documents to amend the agreement to eliminate facilities for developing and testing weapons of mass destruction, cooperation in preventing the illegal movement of nuclear material, and a memorandum on mutual understanding on economic development.

Although Cheney's visit was highlighted as a new phase in U.S.-Kazakh economic relations, and he pledged assistance to Kazakhstan in its endeavors to join the most economically competitive states of the world, the trip carried a strong political subtext. Fielding questions from journalists in Astana, Cheney essentially reiterated his statement, made earlier in Vilnius, that Russia is using its control over energy resources to exert pressure on the Baltic and Black Sea states. He said his views on that point coincided with those of other participants at the Vilnius summit. Kazakh President Nursultan Nazarbayev adopted Cheney's conciliatory tone and said that there was no confrontation between Russia and the United States. "Rather, it was a friendly exchange of opinions. We all should be accustomed to thinking that every independent state solves its problems and pursues a certain policy. We all should learn to respect this policy" (*Kazakhstanskaya pravda*, May 6).

Cheney's Vilnius speech also did not go unnoticed in China. Beijing media speculated, "Cheney's harsh criticism [of Russia] infected fresh tension that is likely to be still felt when Russian President Vladimir Putin hosts U.S. President George Bush at the summit of the G-8 club of rich nations in St. Petersburg in July." The official Chinese view is that Cheney's criticism was provoked by "Russia's new self-confidence" (*China Daily*, May 6).

On the eve of Cheney's arrival in Astana, some analysts noted that the White House, no longer content with Kazakhstan's role as an important economic partner in Central Asia, was scheming to draw Astana into its geopolitical orbit. Kyrgyzstan's plans to revise the U.S. lease on the Manas air base and deteriorating relations with Uzbekistan make a long-term political alliance between Washington and Astana more realistic.

Cheney's visit coincided with Kazakh Prime Minister Daniyal Akhmetov's trip to Baku, where he conducted talks with Azeri leader Ilham Aliyev and Iran's President Mahmoud Ahmadinejad. Akhmetov stressed Azerbaijan's need to ensure the security of the Caspian region and reaffirmed Kazakhstan's readiness to deliver oil to the Azeri Sangachal sea terminal to be sent onward to Europe, bypassing

Russia. Experts believe Azeri oil and gas supplies alone are not enough to meet Europe's enormous demands for energy resources, and future deliveries from Kazakhstan through the Baku-Tbilisi-Ceyhan pipeline could make up the shortfall. But at the same time, analysts warn that Kazakhstan will have to stick to its multi-vector foreign policy and keep the right balance among China, the United States, Russia, and other players in the Caspian region (*Delovaya nedelya*, April 28).

Like Aliyev, Nazarbayev is worried over the intensifying standoff between Teheran and Washington, which poses a direct threat to the Caspian region. Apparently, if Astana will not actively support the U.S. campaign against Tehran, the White House wants Kazakhstan to at least maintain a "friendly neutrality." Washington does not want Kazakhstan, which possesses one-fourth of the world's uranium reserves, to get too close to Iran. Talking to journalists, Cheney said the United States favors a diplomatic solution to the Iranian nuclear problem. He said Iran would be well advised to follow the example of Kazakhstan, which surrendered its nuclear arsenal in the early 1990s (*Liter*, May 6). He also lauded Kazakhstan for its peace-keeping efforts in Afghanistan and Iraq.

Yet Astana expects much more than just praise and friendly words from Washington. American investment in the Kazakh economy has reached \$1.5 billion. Now Kazakhstan wants U.S. assistance for its nuclear energy program. Over the last two months the government has been actively discussing projects to construct nuclear power stations.

Nazarbayev told journalists that his talks with Cheney were conducted in an open and trustful atmosphere. But Kazakhstan cannot easily discard Russian and Chinese interests in the Caspian region. Just before Cheney's visit Astana hosted the president of Russia's Lukoil company, Vagit Alekperov, who took part in the ceremony opening Lukoil's new branch office in Astana and announced plans to expand the company's activities in Kazakhstan's Khvalynskoye and Tsentralnoye oil fields (*Kazakhstanskaya pravda*, April 27).

Even taking into account Russian and Chinese strategic priorities in Kazakhstan, Astana markets itself as Washington's most reliable partner in Central Asia. Thus, it is no wonder that the Bush administration toned down its criticism of political developments in Kazakhstan, mildly rebuking Astana for last year's presidential elections that were "not fully conforming to international norms." Cheney had only perfunctory talks with leaders of local political parties, conspicuously avoiding painful topics. He said Kazakhstan was on the right track with political reforms, but Astana still must prove that it deserves that assessment.

*Marat Yermukanov, Jamestown Foundation
Eurasian Monitor, May 8, 2006* □