

# ENERGY INTEREST OF INDIA AND CHINA IN CENTRAL ASIA: INDIA'S ENERGY DIPLOMACY COULD CHALLENGE CHINA'S MONOPOLY

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**ABSTRACT:** *Energy supply is one of the most important requirements for a country to develop its industries and other infrastructures. Central Asian region remains as the main focus for the world's major energy resources. Energy is the most valuable natural resource in this century. It has become the driving source of the Global economy. Energy has been and will always be an important issue. India and China have developed strong relations with Central Asian states in order to achieve their strategic aims in the reshaping geopolitical regional scenario. The region is again likely to become the "heartland" of world's economic and military powers because of its geo-strategic location and natural & energy resources. China has actively penetrated into Central Asia's energy market in the last decade. The growing Chinese influence in the region is an established fact. China has created a great influence for itself through trade, energy deals and the Shanghai Cooperation Organization (SCO). India's interest in securing reliable energy supplies and trade through Central Asia remains substantial. Besides oil and gas, India is eyeing imports of uranium from both Kazakhstan and Uzbekistan. Iran will always be an important component of Indian strategy toward Central Asia. Iran's reemergence as a full-fledged economic player is certain to help India to expand its options in Central Asia. Successful implementation of Chabahar project could bring India closer to Central Asian State by reenergizing the INSTC. The paper mainly deals with the key aspects of India – China's expanding regional and global energy linkages in search of energy supply security are creating new challenges and opportunities.*

**Key Word:** *Energy Security, Economy, Comprehensive, Environmental, Diplomatic*

## INTRODUCTION:

Central Asian economies have grown fast in last 15 years. Central Asia's trade and investment links with neighbouring economic centres have increased significantly. Central Asian states, namely Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan and Uzbekistan are rich in Energy resources. According to BP Statistical Review of World Energy 2016, Turkmenistan which leads the Central Asian Region with the highest gas reserves is placed fourth in the world. Uzbekistan and Kazakhstan have the second and third highest gas reserves in this region. Uzbekistan's natural gas reserves are currently estimated to exceed 1 trillion cubic metres. Kazakhstan also accounts for world's Twelfth – largest global oil deposits. Tajikistan and Kyrgyzstan have abundant hydropower potential for which only less than 10 percent is being used. Kazakhstan, the biggest oil and gas producer in Central Asia, also has advocated for an "Asian Energy Strategy" to adopt a comprehensive approach to energy security, with a greatest thrust towards energy efficiency and environment protection. Integrating Energy and Climate goals, Central Asian Region can play a significant role in clean energy cooperation among its member countries and region at large. Due to the presence of energy sources, these countries have been able to pursue relatively independent economic policies. Energy investments and transport infrastructure has also helped the region to integrate itself with other economies in Asia and Europe. Central Asian energy markets reflect largely the global trends. In the past few years' production of oil witnessed a fall among the oil rich countries in the region. Production of gas grew primarily due to the demand for the same in the neighbouring markets, especially China and India. In the years ahead the oil and gas industry is likely to face three different scenarios. First, Central Asian energy policies will give importance to reaching out to the international market. China and India being the major energy consumer in the neighbourhood will get great attention in the energy planning of these countries. Second, a low price scenario is unlikely to help the Central Asian producers to developing their respective oil and gas reserves, especially due to the fact that, further development and modernization of the existing energy supply infrastructure would need huge investments. Third, the increasing consumption of Petroleum fuel among Central Asian countries would demand domestic energy produce to be directed to the domestic market.

## India's Quest for Energy in Central Asia:

India is the world's fourth largest energy consumer, with its energy demand perpetually rising in parallel with national power shortages and an insufficiently developed energy infrastructure. There has been a recognition in New Delhi's diplomatic circles of the need for greater energy diversification and Central Asia, with its abundant oil, gas and uranium reserves as well as hydroelectric potential is key to reducing its energy dependency on the middle east. The energy resources of Central Asian states have certainly grabbed the attention in Indian diplomatic circles, in view of the country's energy needs and the potential of the region. ONGC Videsh has been active in oil and gas exploration in Kazakhstan in the last two decades. It has also invested in Caspian Satpayev oil field in Kazakhstan. On the other hand, India was outdone by China in acquisition of Kashagan oilfield. Kazakhstan on the other hand has emerged as a major supplier of fuel for India's nuclear plants. India and Kazakhstan signed an agreement for the supply of more than 2,000 tonnes of Kazakh uranium by 2014.

Turkmenistan-Afghanistan-Pakistan-India pipeline (TAPI) has the potential to take India-Turkmenistan relationship to a new level. The transport of Turkmen gas to India has been waiting for the materialization of the TAPI. Despite having considerable deposit of natural gas, the market of Turkmen gas is only limited to China, Russia and Iran. Once operational the pipeline will meet around 12.5 to 16 percent of India's natural gas

need. The TAPI gas pipeline is expected to carry 90 million standard cubic metres a day gas for the next 30 years and is planned to become operational by December 2019. During his visit to Turkmenistan in 2015, Indian Prime Minister Narendra Modi called TAPI a key pillar in the economic engagement between India and Turkmenistan. India also committed long term investment in the energy sector in Turkmenistan. During his visit to Uzbekistan, Prime Minister urged it to join INSTC and expedite the uranium supply agreement. Nuclear supply agreement was signed in August 2014 under which Uzbekistan agreed to supply 2,000 metric tons of uranium ore during 2014-18. In case of Tajikistan, India's engagement in the energy sector is limited to hydropower projects. During his visit to Central Asia, PM attempted to explore new avenues of cooperation, his signing on the Chabahar agreement with Iran resurrected India's 'Connect Central Asia' policy by opening up new trade routes, bypassing Pakistan. Those agreements, besides providing India a gateway to landlocked Central Asian Republics have also offered India as an access to warm water via the port of Chabahar to maximize their economic gains. There is a chance now of breaking China's hegemony in Central Asia, particularly with respect to its energy harvest, which it has consolidated. India's active engagement to SCO club, the Eurasian Economic Union and the 'Asia Energy Strategy' (as proposed by Kazakhstan) could become a game changer.

India's quest to become a full fledged member of the SCO is a reflection of its desire to diversify its transregional ties in the emerging regional order in Europe and Central Asia. Among the factors encouraging this, geopolitical proximity may force India ( and China for that matter ) to expand its Strategic relations to secure energy supplies. No matter what it implies for their neighbours, navigation rights, India and China may develop common strategic interests in ensuring stability in the South China Sea.

India's regional rival China possesses vast economic resources and more efficient state machinery that they can galvanize to project their economic power and access the region's energy market. China's capacity to rapidly mobilizes resources in developing communication, transport and pipeline infrastructure in Central Asia is unrivalled in scope, scale and speed. It is often said that whereas India spends millions, China spends billions. India was outmaneuvered by China during its attempt to secure an 8.4 percent stake in Kazakhstan's giant offshore Kashagan oil field, coming back empty handed in what was a huge blow to national prestige and India's vision of establishing a foothold in the region.

### **China's Energy Quest in Central Asia :**

Since the breakup of the former Soviet Union, the Caspian Sea which borders Russia, Azerbaijan, Iran, Turkmenistan and Kazakhstan, has become one of the worlds latest oil zone. The Caspian Sea has mostly untapped oil and Natural gas sources. China's proximity and insatiable appetite for oil make it an ideal partner for Central Asia's energy market. Kazakhstan has the Caspian Sea region's largest percentage of recoverable crude oil reserves. China is also pursuing energy co-operation with Uzbekistan – used to be the third largest producer of natural gas in Central Asia.

China in the last few years has emerged as a potent force in the region. The region's rich natural resources have been one of the main attractions for China. China needs secure and reliable supply of oil and gas to sustain its economic growth. China is the second largest energy consumer in the world and is looking for diverse sources of supply across the world to meet its demands for hydrocarbon. The reserves in Central Asian Region have opened new avenues for China. Geographical proximity is an advantage for China. They have made huge investments in constructing energy infrastructures in the region. The completion of two pipelines: Kazakhstan-China oil pipeline and Turkmenistan-China gas pipeline have strengthened China's influence in the region. The total length of the Kazakhstan-China pipeline is 960 km. The China-Central Asia gas pipeline originates from Gedaim at the Turkmenistan-Uzbekistan border crosses central Uzbekistan and southern Kazakhstan and finally reaches Horgos in Xinjiang. This pipeline can carry about 55 billion cubic metres of gas annually. China signed the intergovernmental agreement with Uzbekistan, Kyrgyzstan and Tajikistan. The oil and gas pipelines from Central Asia to China have deep impact on the region. These pipelines gave the landlocked Central Asian Region alternative routes to access international markets, which these republics have been searching for since their independence. China's major achievement has been the timely completion of these two pipelines, which has consolidated China's position as an important player in the region. In 2016, China purchased 29.4 billion cubic metres of gas from Turkmenistan.

China have developed strong relations with Central Asian states in order to achieve their strategic aims in the reshaping geopolitical regional scenario. It is evident that the Silk Road initiative and the Chinese engagement in Central Asia represent a serious geopolitical challenge. China and Russia pursue common interests in Central Asia through the Shanghai Cooperation Organisation (SCO). The SCO has the necessary official bodies that facilitates synchronized decisions among the member states and if the SCO energy club succeed then it could contribute to the deepening of cooperation between energy producers (Russia, Kazakhstan, Uzbekistan and Iran) and consumers (China, Tajikistan, Kyrgyzstan, India, Pakistan, Mongolia).

### **Role of Other Countries in the Region:**

Due to lack of funds, experience and technology, Central Asian Republics require external assistance in promoting use of renewable energy. The bilateral donors like the US, European Union, Russia, Germany and Japan etc. are helping these countries in renewable energy. Russia is helping to build small hydropower projects in Tajikistan and Kyrgyzstan. Japan's Ministry of Economy, Trade and Industry has been holding discussions on renewable energy under Asian Development Bank financed Central Asian Regional Economic Cooperation (CAREC) program. The CARs are also trying to study and adapt energy efficiency legislations of the European Union and Russia. The EU focuses on areas of energy efficiency and saving, low carbon technologies, water management in its interaction with the CARs in energy sector. A Kazakh-Dutch-German company KB Enterprises in close operation with Siemens is developing biggest solar plant in Central Asia near Astana in Kazakhstan worth 150 million Euros. United States Agency for International development (USAID), an American agency for foreign aid also provides help to CARs in renewable energy. It helps in energy trade. It also supports C5+1 political dialogue where renewable energy is an area of common interests between the US and CARs. The US also supports CASA-1000 project which seeks to supply extra electricity from Tajikistan and Kyrgyzstan to Afghanistan and Pakistan. Germany provides bilateral assistance to Uzbekistan, Tajikistan and Kyrgyzstan while Turkmenistan and Kazakhstan are excluded due to better per capita incomes. They are, however, considered in regional initiatives by Germany.

### **CONCLUSION:**

Mackinder's notion of Eurasian 'Heartland' was just a conceptualization of the significance of the region. Central Asia has been an arena of geopolitical and geo-economic contestation among great powers. Surrounded by two great powers Russia and China, under the shadow of

unstable and terrorist prone Af-Pak region and in vicinity of Iran and the arab world, the achievements of the Central Asian countries can be described as commendable. The Central Asian region is important as alternative sources of energy and because of its proximity to the large energy consumers – China, Europe and India. Russia had dominance over Central Asia's energy market. It was through Russian pipelines, that the oil and gas of Central Asia were transported to Europe. With the rise in energy prices and significant investment in infrastructure related to the energy sector, the region witnessed a relatively stable economic growth. The countries tried to reduce their dependence on Russia, and went on to forge energy ties with other countries. India and China are the two countries developing the greatest new thirst for oil. While China imports approximately 40 percent of its oil, India imports more than 70 percent of its oil. Neither country has domestic oil fields capable of supplying their domestic needs, making them equally dependent oil from abroad. Central Asia can help China diversify its energy supplies. Given China's attempt to develop nuclear energy by constructing about 30 new nuclear power plants, Kazakhstan and Uzbekistan's uranium deposits, which account for around one quarter of the world's uranium reserves, can meet China's critical need but now China is feeling the crunch as India is competing more and more for oil and natural gas fields around the world. Rival strategies that are implemented in the region of Central Asia have the main goal of controlling oil and gas production, and transport and export to the world market. Nevertheless, Central Asians republics like Kazakhstan, Uzbekistan and Turkmenistan themselves have become important players in this 'New Great Game', each with their own aims, objectives and methods.

There has been limited Indian Investment in the Central Asian energy market. Thus India has in a position to challenge the dominance of China in the region. For better connectivity and to access the gas reserves of the region there are two ambitious projects for India – International North South Corridor (INSTC) and the TAPI pipeline. It is becoming clear that China is going to provide tough competition to India in both energy and trade. If Chinese expansion coincides with declining Russian influence, India will have no choice but to expand its trade and economic capabilities in Central Asia.

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