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Afghanistan: Future Energy Corridor?

ISAF are scheduled to begin leaving Afghanistan in 2014. Peace and stability may lead to Afghanistan becoming a major energy transit corridor, consumer and producer -- a development that will also benefit its neighbors.

By John CK Daly for ISN

Afghanistan remains largely dependent upon the international system for energy supplies. In 2008, for example, Afghanistan [imported](#) 120 million kilowatt hours (kWh) of electricity and has imported 4,800 barrels of oil per day (bpd) since 2010. If Kabul is going to bring stability and a better standard of living, then increased energy production will prove critical to President Hamid Karzai's efforts to win 'hearts and minds'.

Afghanistan as energy transit corridor

Afghanistan's post-Soviet Central Asian neighbors - in particular Turkmenistan - are looking at Afghanistan as a prime energy transit corridor for natural gas. The crown jewel of the proposed projects is the \$7.6 billion, 1,040 mile-long Turkmenistan-Afghanistan-Pakistan-India natural gas pipeline (TAPI). The idea of a pipeline was first floated before the Taliban captured Kabul. In 1995, Turkmenistan and Pakistan [signed](#) a memorandum of understanding regarding the TAPI project. With an annual carrying capacity of 33 billion cubic meters of Turkmen natural gas, the pipeline was [projected](#) to run from Turkmenistan's Dauletabad gas field across Afghanistan and Pakistan and terminate at the northwestern Indian town of Fazilka.

In 2011 Afghanistan's security situation seemed to be sufficiently stable enough to [revive](#) TAPI under the auspices of the Asian Development Bank (ADB). As a result, Afghanistan's Minister of Mines and Industries Wahidullah Shahrani [declared](#) that, "This huge project is very important for Afghanistan. Five thousand to seven thousand security forces will be deployed to safeguard the pipeline route."

But how does Afghanistan stand to [benefit](#) from the TAPI? Projections suggest the country would receive nearly \$400 million in annual transit fees as well as 14 million standard cubic meters per day of natural gas. Yet TAPI is not Afghanistan's only energy transit corridor [option](#). On 7 June, Iranian President Mahmoud Ahmadinejad stated that Iran is ready to deliver oil to China with the construction of pipelines through Afghanistan and Pakistan. Ambitious as these projects are, the important question remains as to whether Afghanistan is sufficiently stable to support them.

Afghanistan as energy importer

When it comes to supplying electricity to Afghanistan, Uzbekistan's Uzbekenergo has quickly emerged as a major [player](#). By 2010 the company was transmitting about 150 megawatts of power to Afghanistan. Uzbek media is now [reporting](#) that Uzbekistan provides an uninterrupted supply of 1.2 billion kWh of electricity a year to Afghanistan, with Kabul receiving electricity 24 hours a day. The electricity costs Afghanistan roughly \$9 million per month at an average rate of 6 cents per kilowatt hour, on a [sliding scale](#) ranging from industrial rates of 10 Afghanis (20 cents) per kWh for industrial consumers, to residential fees for those consuming less than 300 kWh of 1.5 Afghanis (about 3 cents) per kWh. In neighboring Pakistan, [rates for electricity](#) are roughly 7.5 cents per kWh.

Farther east, Tajikistan is also considering starting exporting electricity to Afghanistan. However, one of the country's major stumbling blocks - corruption - is impacting upon proposed energy export deals. In February 2012 Tajik journalists uncovered a document regarding the country's electricity distribution. The [report](#), signed by Prime Minister Akil Akilov, noted that the country received only half the domestic electricity supply compared to the same period in the previous year. The Prime Minister also outlined that about 5.5 billion kWh -- roughly one-third of the country's electrical output -- was simply "lost."

Such discrepancies are likely to continue in the short term, even though on 17 May Tajikistan, Kyrgyzstan, Pakistan and Afghanistan signed a memo on the CASA-1000 project. This project aims to export surplus Tajik and Kyrgyz hydroelectric power to Afghanistan and Pakistan. The World Bank, Islamic Development Bank and the US Agency for International Development are supporting CASA-1000. Russia also intends to [finance](#) almost half of the project, the total cost of which is estimated at nearly \$1 billion.

Afghanistan as energy producer

Beginning in 2009, the United States Geological Survey (USGS), the Afghan Geological Survey and the Task Force for Business and Stability Operations began a two-year effort to identify Afghan mineral resources. In December 2011 the results of the surveys were [released](#), covering 24 areas of prime mineral development for Afghanistan.

The study updated a 2006 energy survey conducted by the USGS with assistance from the Afghan Geological Survey and the US Trade and Development Agency, which resulted in the first-ever assessment of undiscovered Afghan oil and natural gas resources. The survey estimated that the country contained potentially exploitable reserves of 1.596 billion barrels of oil and 36.462 trillion cubic feet of natural gas. All of the known crude oil and natural gas reserves are situated in the north of the country - at the Amu Darya Basin to the northwest and the Afghan-Tajik Basin to the northeast.

The two basins cover roughly 200,000 square miles for those portions that lie within Afghanistan and USGS geologists [concluded](#) that the two geological basins hold 18 times the oil and triple the natural gas resources previously thought. The news clearly elated Karzai, who said that the estimates were "very positive findings." He added that "knowing more about our country's petroleum resources will enable us to take steps to develop our energy potential, which is crucial for our country's growth."

Enter China

But while the United States has effectively led the projects that discovered these reserves, for the time being China is showing the most interest in investing in them. Last year Afghanistan approved [China National Petroleum Corporation's](#) (CNPC) bid to drill for oil and natural gas in Sari Pul and Faryab provinces, the first energy concession granted to a foreign firm. Karzai and Chinese President Hu Jintao signed a deal allowing China to pursue mineral resources, energy development and agricultural opportunities. Government media quoted Hu as saying that China planned to "provide

sincere and selfless help to the country." CNPC worked out a [deal](#) to begin pumping 5,000 barrels of oil a day from newly discovered Afghan reserves later this year.

And the CNPC has big plans: On 15 June Karzai met with CNPC Chairman Jiang Zieming to discuss a feasibility study for the proposed Turkmenistan-China gas pipeline through Tajikistan and Afghanistan. Karzai subsequently directed the Afghan Mining Ministry to prepare a comprehensive framework agreement for Sino-Afghan cooperation.

Accordingly, China's interest in Afghanistan's natural resources reflects Beijing's commitment to diversifying its sources of energy in order to reduce its dependency on the Middle East. Because of the perceived vulnerability of supply lines via the Indian Ocean and the Straits of Malacca, Central Asia's land-based pipelines have now assumed increased importance.

Once again however, security issues are impacting the proposed project, as militia loyal to the ex-warlord General Abdul Rashid Dostum have been disrupting CNPC's oil exploration activities. Dostum now holds the largely ceremonial office of chief of army staff. Two Afghan government officials said that supporters of Dostum were demanding a share of the proceeds and a top aide to Karzai said, "Armed men belonging to General Dostum are [intimidating](#) the Chinese engineers in the area and creating obstacles to exploring the oil block." As China has no military forces in Afghanistan, their security falls by necessity to ISAF and Afghan National Army (ANA) forces.

In an [interview](#) with the *Global Times*, Jeffrey Reeve of Griffith University noted that of the Afghan Geographical Survey's 22 identified priority minerals, "the majority are in areas outside of ISAF and Afghan control". Dostum's recent actions are an ominous indicator of potential future security issues surrounding them.

An Uncertain Future?

Afghanistan's future prosperity seems increasingly to rest upon the US concept of military security balanced against China's 'soft' economic power. That Washington has long-range (primarily military) strategic interests in Afghanistan post-2014 was underlined by the Strategic Partnership Agreement signed by Presidents Obama and Karzai on 1 May. In contrast, on 8 June -- following talks between Presidents Hu and Karzai -- China [announced](#) that it will provide a 150 million yuan (\$23.8 million) grant to the Afghan government this year within the framework of the Joint Declaration between China and Afghanistan on Establishing Strategic and Cooperative Partnership.

China's strategy for maintaining its own territorial integrity is to establish control on both sides of its borders -- in the case of Afghanistan, with 'soft' fiscal power in the form of investment. Accordingly, it is unclear at this point whether Washington's or Beijing's model for future Afghan development will prevail. But as the above survey of developments shows, peace is essential for any of these grandiose projects to succeed. Pipeline construction and oil and natural gas exploration depends upon a stable Afghanistan and all interested potential stakeholders being involved in the projects' successes. This is no small task in a country as deeply tribal as Afghanistan.

That said, any solution must necessarily be primarily political and not military. Whether Kabul and the ANA will be up to the task remains uncertain. Given the track record of the Karzai administration and its lack of success in battling corruption, success seems problematic at best despite the obvious benefits of pipelines and energy production to the Afghan government.

For additional reading on this topic please see:

[Pipeline Politics in Asia](#)
[Energy and Environmental Security \(South Asia\)](#)
[The TAPI Pipeline: A Recipe for Peace or Instability?](#)

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