THE IMPORTANCE OF ENERGY COOPERATION BETWEEN KAZAKHSTAN AND RUSSIA WITHIN THE FRAMEWORK OF THE EURASIAN ECONOMIC UNION (EAEU)

Problems and perspectives for the development of energy relations between Kazakhstan and Russia are becoming relevant in the context of reforming the Kazakhstani economy and globalization of the world economy, which dictate the growing interdependence and interaction of national economies. The character of the emerging new system of global and regional world order is especially pronounced in the Eurasian region, which has become important and dynamic from a geopolitical and economic point of view. The geopolitical situation around this region is characterized by a combination and clash of national interests of the main centers of the world economy and policy, such as USA, EU, Russia and China.

The purpose of the article is to analyze the bilateral relations of the EAEU member countries – Russia and Kazakhstan in the energy sector in the new geopolitical conditions. In accordance with the goal, the following tasks were set: to reveal the specific features and imperatives of energy cooperation between countries; identify the reasons for the interest of Russia and Kazakhstan in the integration interaction in the field of energy policy, identify priority areas for the development of energy interaction.

Key words: energy security in the EAEU, Kazakhstan-Russia Relations, Eurasian Region.
Introduction

An analysis of the mechanisms for the interaction between the two countries requires a systematic review of the processes of evolution of relations between Russia and Kazakhstan in the energy sector, identification of problem areas, and determination of the main directions of development. Based on this, in the research process, comparative and systematic methods of analysis were used.

Using the comparative method made it possible to compare the main reasons for interest in the energy partnership and energy integration of Russia and Kazakhstan. Using the systematic method allowed us to analyze the energy interaction between Russia and Kazakhstan within the framework of the EAEU, as well as to identify the activities, the implementation of which is necessary for the success of energy cooperation between Kazakhstan and Russia.

Issues of the development of integration and energy security are widely covered in foreign and domestic scientific literature. Current development of energy partnership between Russia-Kazakhstan is considered in the studies of Russian specialists A.A. Sokolov (Соколов, 2011: 18), V.I. Tsai, R.E. Sagindikov (Цай, Сагиндиков, 2015). Some of Western scholars such as Jeffrey Mankoff (Манков, 2009: 60), and Ariel Cohen (Коэн, 2005: 40) in their analytical articles consider issues of Eurasian energy security.

A special place in the consideration of energy security issues in Kazakhstan and Russia is occupied by the works of researchers from Kazakhstan such as G. Movkebaeva (Мовкебаева, 2016: 109-115), F. Kukyeyeva (Кукеева, 2014: 27-33), K. Baizakova (Байзакова, 2010). The articles of these authors are devoted to issues on energy policy of Kazakhstan and Russia, and to questions on the formation of energy security in the EAEU.

The studies of B. Balass (Баласс, 1962: 113-134) D. Mitrani (Митрани, 1975), E. Haas (Хаас, 1957: 641), B. Rosamund (Росамунд, 2000: 232) L. Lindberg (Линдберг, 1963) provide a theoretical analysis of international and regional economic integration. Separately, the works of E.Yu. Vinokurov and A. Libman (Винокуров, Либман, 2012), these authors consider issues related to Eurasian continental integration. Questions of the regional integration theory and practice in the Eurasian space were raised in the works of such researchers as Zh.Ibrashev (Ибразhev, 2014), V. Savin (Савин, 2006). Today, such authors as N. Kulbatyrov, A.Tulepbekova (Кулбатыров, Тулебекова, 2014: 64-79), A. Esdauletova (Эсадулетова, 2008) are actively involved in energy cooperation in the Eurasian space and in the further energy cooperation between Russia and Kazakhstan.

Discussion

Since the beginning of the 1990s, when Kazakhstan gained its independence, the country began to conduct active work within the framework of regional integration associations. Due to its geographical location, historical development and economic structure, priority is given to projects that have a Eurasian dimension. Integration in the Eurasian space is not only one of the priority areas of Kazakhstan’s foreign policy, it also bears a long-term and strategic character in the country’s economic development. It should be noted that Kazakhstan is the actual initiator of the process of Eurasian integration. The integration of countries into the Unified Economic Community essentially combined the post-Soviet vector of integration with Western and Eastern vectors. It is worth noting that in the framework of the concept of integration, European and post-Soviet integration models were not considered as mutually exclusive. The Eurasian Economic Union may well become the largest regional economic project, which in the future, as it develops and deepens integration, as
well as new member states expand and engage, can not only influence global economic and political processes, but also change the global architecture. Such assumptions are based on several important reasons:

Firstly, the EAEU countries together possess enormous natural and human resources;

Secondly, the Union countries occupy a unique transcontinental geographical position between the EU and the Asia-Pacific region, which enhances the EAEU’s global competitiveness and allows the creation of transport and logistics routes of both regional and global importance and thus accumulate large-scale trade flows between Europe and Asia.

Thirdly, as you know, it is in Eurasia today that a new pole of economic activity is forming, which in the future will become the engine and source of world development (https://clck.ru/MLU3d. ЕАЭС может стать таким же крупным как ЕС или НА-ФТА. 4.06.2014).

The global future of the Eurasian Economic Union is also supported by the ambitiousness and courage inherent in the leaders of the united countries, along with balanced pragmatism. All this happens against the background of the openness of the EAEU for cooperation with other states of the world.

As for Kazakhstan, the country plays a key role for the EAEU. The economy of Kazakhstan continues to grow dynamically over the past three decades, and in terms of GDP per capita, Kazakhstan is among the fifty most developed countries in the world. For example, the volume of Gross Domestic Product in Kazakhstan grew to 171 USD billion in 2019. The maximum volume reached 237 USD billion, and the minimum 16.87 USD billion (https://clck.ru/MLU4K. ВВП в Казахстане. 2019). (See below):

At the same time, about 25% of Kazakhstan’s GDP, half of national income and almost 70% of exports are in the energy sector. The country continues to develop as an energy power, relying mainly on the oil and mining industries.

According to Forbes, the country ranks seventh in the world in terms of proven oil reserves. At the current rate of consumption, the availability of proven reserves reaches, according to various sources, from 70 to 90 years. The confirmed hydrocarbon reserves, both on land and on the shelf, are estimated at 5.5 billion tons (https://forbes.kz/stats/ostatochnyie_yavljeniya. Сколько триллионов долларов хранит природная кладовая Казахстана. 2011). The Kashagan field in the north of the Caspian with recoverable reserves, according to an initial estimate of 1.67 billion tons of liquid hydrocarbons, was called the most significant event in world practice over the past 30 years.

Kazakhstan accounts for more than 2% of the world’s oil reserves, that is, 30 billion barrels. To date, more than 200 deposits have been discovered
in the country. The forecasted oil resources of the country can potentially reach about 100 billion barrels (Сафинов, 2016: 55).

After gaining independence, Kazakhstan found itself on the path to choosing several options for the development of its mining industry. The first option was the complete nationalization of the country’s resources, the second – the creation of joint partner enterprises and the conclusion of agreements on the sharing of extracted products with foreign investors. The energy partnership between the countries began during the Soviet Union, respectively, after gaining independence, Russia became one of the first countries that showed interest in developing Kazakhstan’s rich deposits. At present, Russia continues to be a key foreign economic partner of Kazakhstan.

In the energy sector, relations between Kazakhstan and Russia can be viewed through the prism of transit-transport interdependence:

From 1991 to 2006, Russia was a de facto monopolist in the transportation of Kazakhstani hydrocarbons;

From 2006 to the present, Kazakhstan has got alternative transport routes and its dependence on Russia has significantly decreased.

Despite a slight decrease in the dynamics of mutual trade in 2019 compared to 2018, the strategic nature of bilateral economic cooperation remains both in industry and in interregional contexts. According to the data for January-November 2019, Russia ranks 1st in terms of trade (with a share of 19.9%) and imports in the Republic of Kazakhstan (with a share of 35.8%) and 3rd place in terms of export (with a share 9.4%) of Kazakhstani products (https://clck.ru/MLU3x. Казахстанско-российские отношения в торгово-экономической сфере. 2019).

Currently, cooperation between Russia and the Republic of Kazakhstan in the energy field is being activated, which is an important tool for the development of energy strategies of these states and the realization of the potential of economic and energy development of countries in the context of the development of integration processes in Eurasia.

Results

The governments of Russia and Kazakhstan are undertaking a lot to form and develop a common energy market, which would strengthen the positions of Kazakhstan and Russia as exporters of oil and gas in the context of their influence on world oil prices.

The creation of energy integration between Kazakhstan and Russia is complicated by the fact that investments in the development of oil and gas fields in these countries are less financially attractive compared to other regions of the world. Russia’s natural gas resources are located in remote areas, on the continental shelf of the Arctic Ocean or in the underdeveloped regions of Siberia, where production costs are significantly higher compared to most other oil and gas exporting countries. Kazakhstan and Russia are located on the periphery of the global hydrocarbon transportation network, while the world’s largest gas producers are located on ocean coastlines that facilitate transportation to large oil and gas consumers. The situation, in addition, is complicated by the fragmentation of the regional economic space in Central Asia, which increases transport costs. Hydrocarbons, mainly natural gas and oil, account for more than two-thirds of the fuel and energy balance and are mainly used to generate electricity. Under these conditions, the implementation of the goal of increasing hydrocarbon exports and being one of the largest hydrocarbon exporters in the world market becomes problematic, especially in the long term.

The conditions for the integration of oil and gas complexes of Russia with Kazakhstan are: collective work on oil and gas production, transportation and processing of energy resources; harmonization of positions regarding importing countries; joint efforts to attract investment; creation and implementation of financing mechanisms for joint investment projects in the energy sector; joint work on innovation, on the conduct of scientific and technical research, training; joint efforts to ensure direct access to traditional and new markets for oil, oil products and gas.

The dynamics of the Russian-Kazakh interaction in the energy sector as a whole is unambiguously characterized as positive, however, with this assessment, special attention should be paid to the prospect of developing the most strategically important hydrocarbon component. The “Kazakhstan-2050 Strategy: a new political course of the established state” states that “the oil and gas complex of Kazakhstan is a locomotive for the entire economy”, and Kazakhstan, in turn, is “one of the key elements of global energy security”. At the same time, the process of ousting Russia from this sector of Kazakhstan continues, which poses a threat not only to Russia’s interests, but also to developing a unified strategy in the fuel and energy field within the framework of Eurasian integration (Шапкин, 2016: 1-11). There is a fact that Kazakhstan has no natural access to world markets, and Russia and Kazakhstan
have the longest land border in the world. This fact increases the importance of the partnership between the two countries in the oil and gas sector. This co-operation in the field of energy transportation in the western direction can and should be complemented by the development of new strategic routes in the direction of the East Asia region, primarily China.

Until recently, all the agreements between Russia and Kazakhstan in the energy sector remained on paper and were not implemented due to disagreement between the parties in the price of gas purchased by Russia. However, at a meeting in the Sochi residence of the President of Russia in 2006, everything was finally agreed on the most pressing issues of energy cooperation between the countries.

Starting in 2020, Kazakhstan plans to dramatically increase gas production and invites Russia to take part in its projects. We are talking about the production of about 40 billion cubic meters of gas in the new fields of Kazakhstan – Imashevsky (proved reserves – 128.7 billion cubic meters of gas and 20 million tons of gas condensate) and Central on the shelf of the Caspian Sea (forecasted reserves – 2 trillion cubic meters). In both fields, production will be organized under production sharing agreements (Шапкин, 2017: 221-222).

Today, the presence of Russian investors in the primary sector of Kazakhstan’s energy economy is still insufficient. Integration in the oil and gas industry is undoubtedly a promising area and could be the decisive key in the integration processes. The integration strategy is that Russia and Kazakhstan are the two largest producers of oil and gas in the region. Nevertheless, the expansion of integration based on the energy factor faces a number of serious problems that may complicate the implementation of a clear export orientation in Russia and Kazakhstan. The hydrocarbon resources and export potential of Russia and Kazakhstan are relatively small against the background of long-term demand for oil and gas in the world economy.

According to British Petroleum, the oil resources of Russia and Kazakhstan make up about 7% of the total world resources, with regard to the situation with natural gas, the production potential is almost the same. The export potential of natural gas in the Middle East is much higher than in Russia and Central Asia. The reality is that the hydrocarbon resources of Russia and Central Asian countries are of more strategic importance for these countries and their partners in the post-Soviet space than for the global energy market.

Cooperation between Russia and Kazakhstan in the oil and gas market is most effective in the framework of project-investment cooperation – the development of promising oil and gas fields, since it is the basis for institutional and economic implementation in the world market. Cooperation in the field of processing and sale of hydrocarbons is less effective, which is affected by the low competitiveness of hydrocarbon markets, while its technological manifestation is the underdevelopment of oil refining. This entails an inefficient use of government spending in this sector, a lag in the nomenclature and quality of products from the world level (Нкарова, 2011: 55-57).

The development of cooperation between Kazakhstan and Russia in the energy sector is due to the need to deepen the integration of energy markets by overcoming the unevenness of energy resources, establishing a mutually beneficial energy dialogue and optimizing the emerging infrastructure and investing in this industry.

In May 2019, as part of the meeting of the Supreme Eurasian Economic Council, the heads of state signed an international agreement on the formation of a common EAEU electricity market. Currently, the stages of the formation of the common electric energy market of the EAEU member states have been identified, the Framework for Cooperation in the field of the peaceful use of atomic energy has been approved, and a forecast for the production and consumption of energy resources has been developed as a tool for coordinating energy policy.

The formation of common energy markets will improve the safety and reliability of the operation of the fuel and energy complexes of the EAEU member states, create conditions for increasing the provision of the population with energy resources and a more favorable environment for investing in energy facilities.

In order to make better use of the total energy potential and optimize interstate energy supply, Kazakhstan and Russia will annually develop and coordinate indicative (forecast) balances of gas, oil and oil products as authorized EAEU member countries. In addition, the EAEU begins to form common energy markets and pursue a coordinated transport policy (https://clck.ru/MLU3$. В ЕАЭС начинает- ся формирование общих рынков энергоресурсов и проведение скоординированной транспортной политики. 12.03.2015).

Under the common markets for oil, gas and oil products of the Eurasian Common Economic Space we mean the totality of trade and economic relations of economic entities of the EAEU member countries in the field of production, transportation and
delivery, processing and marketing of oil, gas and oil products in the territories of the EAEU member countries, defined by legal and the contractual base of the Customs Union within the framework of the Eurasian Economic Community and the Common Economic Space, which are necessary for the participating countries to satisfy general needs for them.

The EAEU provides Russian investors with access to Kazakhstan’s energy resources, thereby increasing the demand for Russia’s transit services in a broad direction. In parallel with this, the level of competition between Kazakh and Russian enterprises will gradually decrease, and countries will have the opportunity to coordinate their efforts in the global energy market.

**Conclusion**

Integration projects initiated by Kazakhstan set long-term goals. Kazakhstani businessmen are especially interested in new opportunities to receive cheap energy resources, solve transit problems, and have free and unlimited access to the Russian market. In this regard, an urgent problem in the structure of a functioning and developing EAEU is the focus on the export of raw materials and energy resources to foreign markets and the low share of mutual trade in equipment and technologies. Based on this, it is important to note that regional energy integration requires structured cooperation between Kazakhstan and Russia in the energy sector, which can reduce to some extent the problems associated with the difference in energy potentials of the two countries. Cooperation within the EAEU will allow them to jointly solve common topical problems, such as: coordination of long-term energy strategies; development of common mechanisms for implementing energy policies; development and implementation of collective energy security measures; development of coordinated positions and actions in the global energy market (formation of general energy diplomacy); development of transit infrastructure, transport, communications.
The importance of energy cooperation between Kazakhstan and Russia within the framework ...

References


EAES mohuet stat’ takim zhe krupnym kak ES ili NAFTA [The EAEU may Become as Large as the EU or NAFTA]. June 4, 2014. https://clck.ru/MLU3d.


