

# TURKMENISTAN

*By Interfax-CNA*

Turkmenistan's GDP in 2002 grew by 21.2% in real terms, mainly as a result of a 26.5% rise in services and a 21.7% rise in industrial production. In some branches, the increase was even more impressive; for instance, in the food industry, production soared by 31% and in light industry, production climbed 24%. Agricultural production was 15.5% higher than in 2001 and accounted for 20% of GDP. In construction, production rose 14% and accounts for roughly 8% of GDP. The private sector, which accounts for over 40% of GDP, is developing particularly well in farming, trade and construction.

Investments in Turkmenistan's fixed capital in 2002 rose 9% from 2001 and was equivalent to 19.6% of GDP. The share of investments from company funds in total investments rose from 42% to 45%, government funds were up from 22% to 24% and personal savings rose from 7% to 9%. The share of local borrowings fell from 15% to 11%, foreign loans dropped from 10% to 3% and foreign investments slipped from 8% to 5%. About 70% of all investments were in production.

Turkmenistan's foreign-trade surplus totalled US\$736.2 million in 2002, up 120% year-on-year. Natural gas, crude oil and oil products made up 84% of exports. Turkmenistan exported about 40 billion m<sup>3</sup> of natural gas, more than 80% going to Ukraine. The value of crude oil and oil product exports rose 11%. More than 60% of crude and oil product exports went to Italy.

Turkmenistan has not extracted or processed any significant amounts of ores containing metals and, so far, no metallurgical plants have been built in the country. Turkmenistan, however, holds the fourth place as a gas producer in the CIS, and fifth as an oil producer. In addition Turkmenistan is developing deposits of industrial minerals, notably kaolin and building granite. There is also the Zulfagar alunite deposit in Badkhyz in southern Turkmenistan and the Zeaklinskoye alunite deposit.

Turkmenistan has large oil and gas reserves. The country is divided into seven oil and gas regions according to the geological development of the sedimentary complex, the conditions for the accumulation of oil and gas and perspectives for oil and gas reserves: West Turkmen, Central Kara Kum, Beurdeshek-Khiva, Chardzhou, Zaunguz, Murgab, Badkhyz-Karabil.

According to Turkmenistan's Ministry for the Oil and Gas industry and Mineral Resources, the Turkmen sector of the Caspian Sea holds an estimated 11,000 Mt of oil and 5,500 billion m<sup>3</sup> of gas. The Ministry controls oil and gas production including that of the state companies Turkmenneft, Turkmengaz, and the trading corporation Turkmenneftegaz.

Turkmenistan produced 53 billion m<sup>3</sup> of natural gas in 2002, up 3%. Oil production in Turkmenistan in 2002 exceeded 9 Mt, which is about 12% more than in 2001. Growth in production was mainly due to the use of the gas-lift method of production at old fields in the west of the country, and also the drilling and launch of new wells in the Keimir, South Kamyshlydzha fields and the Khazar zone on the shore of the Caspian. Of the total amount, Turkmenneft companies produced 7.8 Mt, up 8%.

Joint ventures and foreign companies produced 508,000 t of oil in 2002, which is almost 100% more than in 2001. Only one company is directly producing oil in the republic (in the Caspian) - Dragon Oil (Saudi Arabia), but this volume also includes a quota granted by Turkmen companies to the Panama company Pado Oil in exchange for investment.

In 2003, the republic plans to increase oil production by 50% year-on-year to 13.5 Mt with gas production rose by 26% to 67.6 billion m<sup>3</sup>. It is planned that the state company Turkmenneft will produce about 10 Mt of oil in 2003, with foreign companies operating under production-sharing-agreements accounting for 2.6 Mt. Turkmenistan plans to increase gas exports to 53 billion m<sup>3</sup> in 2003. Naftohaz Ukrayiny will buy 36 billion m<sup>3</sup>, Itera 10 billion m<sup>3</sup> and the National Gas Company of Iran 7 billion m<sup>3</sup>.

To ensure the planned level of oil and gas condensate production, Turkmenistan plans to increase exploration and production drilling significantly. It is planned to search for oil in Mesozoic deposits in the Cheleken structures, East Cheleken, Akpatlavuk and Goturdepe in the west of the republic, as well as to carry out exploration drilling at Korpeje, Gunorta, South Gamyshlydzha, Akpatlavuk and Goturdepe. Turkmenistan plans to drill about 40,000 m in 2003, including 19,700 m of wildcat drilling, 13,800 m of exploration drilling and 6,500 m of parametric drilling. It is planned to drill 38 oil wells totaling 110,600 m, and to launch a total of 46 wells.

Turkmenistan plans to invest US\$600 million in geological exploration over the next eight years. The country will spend US\$280 million of this on prospecting and exploration drilling. Along with this, the sector plans to spend US\$250 million on new equipment and technology in the period to 2005.

Investment in Turkmenistan's oil and gas sector will total US\$25 billion by 2010, and the country plans to increase production of oil and gas condensate by 250% from 2001, to 28 Mt by 2005 and 500% to 48 Mt by 2010. Gas production should increase by 70% to 85 billion m<sup>3</sup> by 2005, and 130% to 120 billion m<sup>3</sup> by 2010. Foreign partners working in Turkmenistan on production-sharing-agreements will produce half the predicted output volume.

Meanwhile, Russian companies Itera, Rosneft and Zarubezhneft, have accepted an offer by President Saparmurad Niyazov to participate in the development of Turkmen offshore oil and gas fields. Rosneft and Itera subsidiary, Gazkhinvest, each received 37% and Zarubezhneft 26% of the shares in Zarit, a company registered in Moscow through which the companies will participate in the Turkmen projects. It is thought that Zarit will

gain rights to several offshore blocks and several others on the right bank of the Amudarya river.

Malaysia's Petronas Charigali has extended a licence to explore and produce hydrocarbons at Block-1 in Turkmenistan's sector of the Caspian Sea for three years until November 8, 2005. Petronas Charigali is developing Caspian fields under a production-sharing-agreement signed with the Turkmen Government in 1996. The company drilled the first three exploration wells in 1998–2000 in the Barintsov, Gubkin, and Livanov fields that are part of the Block-1 contract zone. If Petronas confirms commercial reserves in the block the wells will be used as production wells. A fourth well drilled at Magtymguly 2A (Eastern Livanov) produced flows of 1,937 t/d of oil and 539,000 m<sup>3</sup>/d of gas.

The Government of Turkmenistan has approved an investment project to intensify gas production at the Shatlyk field, worth US\$44 million. As part of this project the state company, Turkmengaz, will sign a contract for US\$22 million with the Shenlin oil administrative bureau of the Chinese corporation Sinopec for the drilling out of a packet of 65 wells at the Shatlyk field. In addition, the concern will hold a tender to purchase equipment and materials for the major repairs of wells and the intensification of gas production (US\$7.66 million), to carry out (jointly with foreign contractors) the reconstruction of the Shatlyk compressor station, with the construction of a combined compressor and gas cleansing unit (US\$14 million).

The project will be financed from the state fund for the development of the oil and gas industry and mineral resources, using funds received from the sale of natural gas, gas condensate and products. According to a special presidential resolution, the state concern, Turkmengaz, the state trading corporation Turkmenneftegaz, Shenlin oil administrative bureau and its subcontractors and also foreign companies working on this project, will be exempted from taxes, excise duties, customs duties, payments for the certification of equipment and materials and compulsory payments to the interbank currency exchange fund.