

Executive Summary

This report by Crude Accountability addresses China's investments in the energy sectors of Kazakhstan, Uzbekistan, and Turkmenistan.

China's Belt and Road Initiative (BRI) acts as an infrastructure and resource tapping program that emerged as the result of growing energy demands and a necessity for secure access to energy in the country. Central Asia is vital to this strategy - not only as a key energy source, but also as an access point to Russia, the Persian Gulf, and Africa. Raw materials from these regions enter China through the Xinjiang Uygur Autonomous Region, leading to regional development, another BRI goal.

After 1997, China became Central Asia's top trade partner and investor. Increased Chinese regional influence poses major risks: decreased economic diversification in Central Asia, increased environmental degradation. It also exacerbates the current climate crisis. While China has reacted to international criticism on environmental impact and sustainability practices, specific data is scarce.

KAZAKHSTAN

Kazakhstan is China's closest neighbor and largest regional trading partner in the region. BRI plans include projects in Kazakhstan's metallurgy, oil and gas processing, chemical industry, mechanical engineering, energy, light industry, agricultural processing, as well as in transport and logistics sectors. China's role in the country's oil and gas sector remains one of the most controversial and longstanding issues for Kazakhstan. The total share of Chinese companies in Kazakhstan stands at some 17.7% of oil production (2019). China is the fourth-largest foreign investor in the country.

Compared to other foreign operators, Chinese companies tend to be less concerned about the environmental impact of and local engagement in Kazakhstan's oil and gas sector. In villages near China National Petroleum Corporation (CNPC) operation, local people report concerns of pollution and health impacts. Gas flaring, water exploitation by oil operations, and water contamination have resulted in increased respiratory and cardiovascular disease, and produce and livestock contamination, leading to decreased livelihood for local villagers.

The social impact of CNPC's local operations includes unemployment and decreased educational opportunities. While these concerns have been voiced, and while some concessions have been made by the Kazakhstani government and CNPC, there is a dearth of public data on joint programs and measures to address specific social problems. Further, no public data is available on CNPC's environmental impact. This stands in stark contrast to western companies, such as Karachaganak Petroleum Operating B.V. (KPO), which operates in the same region.

The lack of information from both state authorities and Chinese companies, combined with conflicting statements by Chinese states agencies and a complete disregard for connecting CNPC operations with increasing health risks and environmental damage, including that of a protected natural water basin, likely shows a high degree of corruption and certainly is a blatant violation of international agreements including the Aarhus Convention.

UZBEKISTAN

China has become the country's largest foreign investor and is one of the largest importers of Uzbek gas, exacerbating Uzbekistan's current budget crisis: natural gas exports are one of the state's primary revenue sources. Yet, Uzbekistani gas reserves and overall production are in decline. The Uzbekistan state is reducing its domestic supply of natural gas, refusing to reduce exports, thereby cutting local residents off from their heating and electrical supply. The Uzbek government is now relying on coal to sustain its domestic grid. Despite the drop in production, the oil and gas sector is one of the largest sources of pollution in the country and the largest source of greenhouse gas (GHG) emissions. This situation is clear from data from Uzbekneftegaz facilities in the Dengizukul region, which flare gas and store exposed pollutants.

Although Uzbekistan has signed or is party to several international agreements to protect the environment and reduce emissions, GHG emissions have only increased since 1990. Barring a few companies such as LUKOIL that voluntarily publish environmental impact data, the public has no access to information on the status of the environment or the impact of companies such as CNPC and Uzbekneftegaz.

TURKMENISTAN

Turkmenistan reveals the strongest Chinese influence. Chinese companies operate in the country's most profitable gas fields, are the single largest investors in the Turkmen gas market, and receive major loans and investments. Indeed, Turkmenistan is in a "gas trap." Turkmenistan is heavily indebted to China, so much so that China allows direct gas transfers to pay its loans. Declining gas prices and the alienation of its former export partners have led to massive budget shortfalls. As a result, domestic subsidies have ended and prices of basic goods have inflated. Turkmenistan is limited in its ability to increase its exports due to high production costs and the limited capacity of the Central Asia Gas pipeline, which is mainly owned and operated by CNPC.

The oil and gas industry is one of Turkmenistan's primary sources of pollution and the single largest source of GHG emissions. Sulfur dioxide, along with gas flaring and discarded emissions, is the main source of water and soil pollution, which severely impacts the huge Karakum desert. Although Turkmenistan is a signatory and party to numerous international agreements on environmental regulation and protection, GHG emissions have increased since 2004.

This information dearth is also due to Turkmenistan's effectual NGO ban and because companies such as CNPC are not required to publish any data.

CONCLUSION

In violation of local laws and international agreements, state authorities and Chinese companies deny Central Asians access to relevant information and decision-making processes. These actors' impact on the environment directly impacts society, the economy, and health of the local and national communities, as well as the region. Corporate and state actors in Central Asia, along with their international counterparts, must adhere to the Paris Agreement and other environmental and human rights conventions, reduce GHG emissions, and commit to a sustainable energy future.