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EU Energy Security and Kazakhstan's Position on the Middle Corridor

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Before the 24th of February 2022, freight through the [New Eurasian Land Bridge \(NELB\)](#) or so-called 'Northern Corridor' —with Russia, Belarus, and Ukraine as its most critical components— showed great promise. However, the war in Ukraine and the related Western sanctions against Russia and Belarus have created significant shifts in global geo-economics and supply chains. This has heavily affected various sectors such as global energy markets, transportation, and logistics, alongside infrastructural connectivity initiatives.

These new security challenges have [forced](#) the European Union (EU) to explore alternative, reliable trade routes to avoid the Russian territory, resulting in an increased attention on the Caucasus and Central Asia. These regions immediately located below Russia could offer a multitude of actors, especially China, access to Europe without having to rely exclusively on Russia and its territory. In particular, the [Trans-Caspian International Transport Route \(TITR\)](#), known as the 'Middle Corridor', has gained growing momentum. [Compared](#) to other transit routes the Middle Corridor is not subject to any international limitations and sanctions and offers safe access to European and other nearby countries. Russian Railways, which had played a major part in China-Europe cargo transportation, have fallen under [American and European sanctions](#) since the beginning of the war in Ukraine, while international shippers are [uncertain](#) about the current viability of that route. As a result, the [Middle Corridor](#) has seen a boom in freight and transportation of energy in the past months. In the context of this new global geopolitical reality, [Kazakhstan](#) is rapidly developing itself as a strong transportation and logistics hub in Central Asia linking China and Europe. The Kazakh authorities, as well as the European Union and the [United Arabs Emirates \(UAE\)](#), planned to invest heavily in upgrading the local infrastructure, from the railway system to the Caspian ports. Ambitions are high, as are the stakes and uncertainties about the realisation of such an alternative and reliable transport route connecting the Eurasian continent.

Brussels and Astana: a mutually beneficial partnership

Kazakhstan, the biggest Central Asian country, is set to play a crucial role in the Eurasian transcontinental trade. For many years, [Kazakhstan](#) was seen as 'the buckle' of the Belt and Road initiative promoted by China. Following the military confrontation in Ukraine, the Northern Corridor has lost importance, and attention is now focused on the Middle Corridor, running across the Caspian and the Black Sea. Against this challenging background, Kazakhstan and the EU are set to intensify their cooperation. During his visit to Kazakhstan on 26-28 October 2022, President of the European Council [Charles Michel](#) stated that bilateral ties are improving and are founded on trust and mutual understanding. [Josep Borrell](#), the EU High Representative for Foreign Policy, also visited Astana a month later, unveiling ambitious EU plans to re-engage Central Asia as a whole and Kazakhstan in particular. Moreover, Kazakhstan is the first Central Asian partner to have concluded an [Enhanced Partnership and Cooperation Agreement \(EPCA\)](#) with the EU in 2020, which now governs

their trade and economic relations. The [EU](#) is Kazakhstan's largest trade partner and investor, accounting for 40% of the country's external trade. In 2022, the trade volume between Kazakhstan and the EU countries reached 29.5 billion USD over the first nine months, an increase of 42%.

As trade relations develop progressively, political and social reforms in Kazakhstan have opened the door to enhanced cooperation between the European Union and the Central Asian country. The [EU](#) has welcomed Kazakh President Kassym-Jomart Tokayev's agenda 'to further advance his reforms towards an inclusive, democratic, and fair Kazakhstan', and is committed to deepening and broadening relations with the Asian country. In this context, the '[EU-Central Asia Sustainable Connectivity Conference](#)' in Samarkand in November 2022 provided a platform for intra- and inter-regional dialogue on shared concepts that will help translate the goals of resilience and regional cooperation set out in the 2019 '[New EU Strategy on Central Asia](#)' into action. Indeed, Kazakhstan is proving to be an essential and valuable partner for the European Union in Central Asia, especially within the scope of the '[EU Global Gateway strategy](#)'. The program aims to boost intelligent, clean, and secure links in digital, energy, and transport sectors worldwide, with a budget of up to 300 billion EUR until 2027.

With energy shortages looming due to the Russia-Ukraine conflict, the EU started looking at Central Asia as an alternative for its energy supply. On the 20th of June 2022, the EU and Kazakhstan stated in a [joint declaration](#) that 'the current geopolitical context has highlighted the need for new alternative routes that connect Asia and Europe, and connectivity has become an area of strategic importance where there is a mutual interest for further cooperation'. A month later, the [European Bank for Reconstruction and Development \(EBRD\)](#) announced plans to invest more than 100 million USD in Kazakh railways. The EU is willing to explore how developing extra-regional connectivity among the Middle Corridor economies could bolster the region's trade potential. Rail plays a crucial role in the economy of Kazakhstan. As a result, the country's government is actively investing in [rail infrastructure development](#). Over the past five years, nearly 35 billion USD have already been invested in Kazakhstan's transport sector, with 2,500 kilometres of new railways being built. According to [open data](#), the transportation volume between January and March 2022 increased to 266,300 tons of cargo, and in September 2022, the volume of transport [reached](#) 845,000 tons.

By 2025, the Kazakh railway company '[Temir Zholy](#)' intends to implement three key infrastructure projects to eliminate bottlenecks in the country's railway network, enabling them to have 30 million tonnes of goods in transit. The first project is constructing the second track and electrification of the Dostyk-Mojoynty section. The second project concerns the construction of the Darbaza-Maktaaral section that will reduce the transit distance to the countries of Central Asia. The third and last rail project in the making is constructing the bypass railway line at the Almaty station. The latter will reduce 30% of the transit time of cargo passing through the former capital of Kazakhstan's station and potentially increase the transit route with China and other Central Asian countries.

Greater EU financial and technical assistance opens up certain avenues to integrate the region into European and global supply and value chains. Since February 2022, Azerbaijan and Kazakhstan have taken unprecedented steps to optimise transport solutions between the ports in the Black and Caspian Seas. In the Black Sea, Azerbaijan’s ADY Container launched a ferry service linking the Georgian ports of Batumi and Poti with Romania’s port of Constanta. On 5 September 2022, [Azerbaijan Shipping Company’s \(ASCO\) ‘Rasul Rza’ ship](#) delivered 24 containers of mineral fertiliser dispatched from Uzbekistan to Constanta port along this line. Georgia, the only South Caucasus country with access to the Black Sea, does not have a deep sea port that would allow it to reach its full transit potential. The multibillion-dollar Anaklia megaport project was supposed to fill that gap, but the government [withdrew](#) from the project in early 2020, citing the project’s failure to attract investment. Now, though, as interest in Georgia’s role in international transit is soaring, the port is [back on the agenda](#). The EU support under the [Trans-European Transport Network \(TEN-T\)](#) program would further help connect the region to the east-west link across continental Europe - the Rhine-Danube Corridor starting in Romania’s Constanta Port.

In the Caspian Sea, [Azerbaijan and Kazakhstan](#) have agreed to double the number of vessels sailing between the Kazakh port of Aktau and the Azeri port of Alat from three to six. To this end, Kazakhstan has completed [negotiations](#) on exporting around 5 million tons of oil in 2023 via the TITR. This is in line with Astana’s ambition to [increase](#) oil exports via the Caspian Sea to 20 million tons annually, although a specific timeframe was not determined. The widely shared assumption is that it needs to happen by 2030, as the giant Kashagan field nears peak production capacity. The plan is to use the port of Aktau to send oil to Baku via tanker and then transport supplies to ports on the Mediterranean Sea using the Baku-Tbilisi-Ceyhan (BTC) and Baku-Supsa pipelines.

‘The port city of Aktau is rightfully known as Kazakhstan’s sea gate. The Caspian Sea’s significance has increased considerably amid the transformation of global logistics chains. We intend to implement several steps to encourage investments in developing port infrastructure and establishing a container and transport-logistics hub’, [Tokayev](#) stated during a meeting with the Mangystau Region’s public on the 7th of November 2022.

Indeed, the Aktau seaport special economic zone (SEZ), one of the nation’s leaders in investments, production volume, and taxes paid, offers ample opportunities. Tokayev proposed that the government extend the duration of operation of SEZs as they provide opportunities for international investments. He brought up a green hydrogen project, signed during the official [visit](#) of Michel to Kazakhstan, as one of the successful examples of investment cooperation. The [investor](#), the German-Swedish company ‘Svevind’, plans to organise the production of green hydrogen in the Mangystau region. A desalination plant with 255,000 cubic metres per day and a 40-gigawatt renewable energy station are also planned to be built.



The Trans-Caspian International Transport Route (Source: [Flickr](#))

Feasibility Challenges, Huge Investments and Russian Pipelines Dependency

The EU’s proactive stance on strengthening the Trans-Caspian routes has significant [implications](#) for Brussels’ and Middle Corridor countries’ standing in a highly destabilised neighbourhood. First, it aims to contribute to the diversification effort, moving away from the dependency on an increasingly unpredictable Russia for strategic raw materials and cargo transit. Azerbaijan and Kazakhstan, significant stakeholders in the Middle Corridor, need secure and functioning trade corridors to reach the EU market, their largest export partner. This will provide the EU with access to alternative markets for raw materials and Central Asia’s related untapped potential. The EU’s action also fits into its long-anticipated ambition of building a truly European geopolitical power, able to compete with other big Eurasian centres. This signals a shift in the bloc’s thinking from seeing Central Asia through the prism of its European Neighborhood Policy to a more geopolitical, and therefore more pragmatic approach. The recent [Memorandum of Understanding \(MoU\)](#) on access to raw materials signed by European Commission President von der Leyen and Kazakh Prime Minister Alikhan Smailov during the COP27 in Sharm-el-Sheikh, followed by the November 2022

Samarkand summit, evinced that the EU has stepped up its game and increased its engagement to consolidate its presence in the region.

However, even though Kazakhstan accepts western engagement (from the EU or individual states) with open arms and also pays high-level state visits to Europe, a vast amount of [work](#) lies ahead on further deepening political dialogue and investment cooperation with a focus on ‘deepening cooperation in agriculture, transition to a green economy, increasing energy efficiency, digitalization, transport, and logistics’. The projects the EU is involved in regarding cargo and the energy industry will require enormous funds. Regardless of their profitability, they will require careful planning and long-term cooperation. Meanwhile, a greater substantial engagement with the European Union will not automatically lead to a comparable reduction of ties with other partners, be it China or Russia. Indeed, while the war in Ukraine has created chaos in regional energy markets, it is impossible to discuss the export of Kazakh oil without mentioning Astana’s northern neighbour. Russia acts as the middleman for transporting oil from Kazakhstan to global markets, as [96% of all oil exports](#) go through Russian territory, meaning that Astana’s ability to export oil is mainly dependent on stable relations between the two countries.

On the other hand, [important reasons](#) support the notion that Kazakhstani oil will continue to transit to European markets more or less steadily via the ‘Caspian Pipeline Consortium’ (CPC) and the ‘Druzhba’ pipeline in 2023. First, Kazakhstan is one of the few crucial allies Russia has left, and Moscow cannot risk alienating Astana by creating further obstacles, as Kazakhstan is a critical partner in bypassing Western sanctions. Second, Russia exports some of its oil to China via Kazakhstani pipelines, and Astana could suspend these exports in retaliation for future disruptions. Although it is not likely, such an option remains a viable countermeasure. Third, and perhaps most importantly, Astana has Beijing’s backing on this matter. Chinese authorities responded to the CPC’s disruptions last year by [freezing](#) Sinopec’s major petrochemical investment project in Russia and by increasing Beijing’s zeal to adhere to anti-Russian sanctions.

It is therefore no coincidence that the Kazakhstani state-owned oil and gas company KazMunaiGaz [announced](#) on the 29th of December 2022 plans to export 1.2 million tons of oil to Germany through the Druzhba pipeline starting in January 2023. Astana continues to lean on routes running through Russia primarily due to [higher expenses](#). The cost of transporting oil via the CPC is 38 USD per ton, whereas the BTC pipeline costs at least 90 USD per ton. The higher costs result from severe logistical challenges involving transporting oil using train cisterns, tankers, and pipelines and loading and unloading shipments multiple times. Under these circumstances, the [private companies](#) that extract and export around 75% of all Kazakhstani oil are inclined to wait out the war in hopes of a better future. Turning the TITR into a viable export route requires a tremendous amount of investment, continuous multilateral negotiations, and considerable time, all things stakeholders are eager to avoid. Therefore, one should not expect Kazakhstan to economically [drift away](#) from Russia in the coming years, considering the large Russian minority in the country and the strong economic interconnection as members of the Eurasian Economic Union (EAEU).

At the same time, the multi-vector policy is part of the Kazakh agenda. The Kazakhstani authorities will strengthen their attempts to eliminate what they consider excessive dependence on the Russian geographical space and economy. Kazakhstan will continue to search for alternative routes to export its rare earth metals, which presents a huge opportunity and major geopolitical risk for the state. The country will have to manage such overtures extremely carefully, given Russian and Chinese sensitivities around critical elements such as rare earths and uranium. Moreover, Kazakhstan does not seek to build new routes to export its natural resources at the [expense](#) of relations with Russia, as ‘the country will continue its course of achieving greater policy balance with its largest northern neighbour while seriously rethinking its strategic and economic security’. As such Kazakhstan will likely remain committed to and dependent on the CPC and economically dependent on Russia at least in the near future.

Future perspectives

In February 2023, Kazakhstan and the EU will mark the 30th anniversary of their diplomatic relations. Over the past three decades, a solid foundation for bilateral cooperation has been built and as the world navigates the stormy waters of the current geopolitical and economic hardships, closer collaboration between Kazakhstan and the EU will be essential. At the same time, Kazakhstan remains committed to developing its relations with its other partners. As [Tokayev](#) highlighted during his presidential inauguration on 26 November 2022, ‘Kazakhstan continues implementing a balanced, constructive foreign policy to protect national interests’. Among the key partners with whom ‘we will make every effort to develop multifaceted cooperation’, the European Union takes a particular place.

However, there are many issues in the post-Soviet spaces that remain unsolved and continue to destabilise the region, including the ongoing conflict between Armenia and Azerbaijan and the unresolved territorial dispute between Georgia and Russia. Also, continued western antagonism towards Russia, China, and Iran has given rise to a long-held perception of the area as featuring elevated strategic risk and uncertainty for private investors.

Besides economic resilience, [pro-active EU](#) involvement in regional connectivity helps to ensure sustainable peace in the South Caucasus and Central Asia. Brussels’ mediation of Armenia-Azerbaijan peace talks based on the principles of the inviolability of borders and territorial integrity could not only increase the prospects of the Middle Corridor as a stable route between the EU and China, but creating new interdependencies involving Armenia could contribute to the emergence of a new regional status quo which meets the interests of all sides.

Securing alternative energy suppliers to Moscow is a strategic imperative for Brussels, and Kazakhstan is not the only partner in the region. During a joint conference in Baku with the Azeri president Ilham Aliyev last July, von Der Leyen announced an agreement for Azerbaijan to [increase](#) its delivery of gas to the EU from 8 billion cubic metres (bcm) per

annum to around 20 billion by 2027. [Von der Leyen](#) emphasised the EU's long-term partnership with Azerbaijan and declared it 'a trustworthy partner', comparing it to an aggressive and untrustworthy Russia. She only briefly touched upon issues related to human rights and media freedom that have long spoiled relations between Baku and Brussels. Nevertheless, can the Azerbaijan gas deal really be considered a viable long-term strategic move? While Putin is leveraging Russia's position as an energy supplier to discourage foreign support for Ukraine, Aliyev may decide to leverage Azerbaijan's energy supply to similar ends in the future. In fact, Azerbaijan is alleged to have [deliberately cut off gas](#) supplies to areas of Nagorno-Karabakh in March last year. Furthermore, Azerbaijan [sold up](#) to 12 bcm of natural gas to Europe in 2022. The delivery of volumes double the current amount should not be difficult – it would not require the construction of a second pipeline, [only the installation of more compressors and other minor infrastructure](#). Even so, does Azerbaijan have the capacity to raise this volume to 20 bcm by 2027? In 2021, the country's [gas production](#) constituted 43.8 bcm, and it is expected to exceed 50 bcm in 2026. Even assuming a further increase by a similar volume in 2027, Azerbaijan's export potential to Europe will likely equal about 15-16 bcm. Hence, to fulfil the stated target, 4–5 additional bcm of fuel will need to be added to the pipeline. The potential source of this difference can come from Central Asia – and primarily [Turkmenistan](#) – and even from [Russia](#). These countries are among the world's richest in gas reserves, while Azerbaijan [ranks](#) 25th. In January 2022, a scheme involving Turkmenistan's gas exports to Azerbaijan via an Iran 1.5-2 bcm per year swap started. Then, in November 2022 it was disclosed that Russia would supply Azerbaijan with 1 bcm of gas until March 2023. Exact volumes flowing have not been reported, but at least 1.2 bcm of imports were needed to [balance](#) a small rise in domestic demand and unchanged underground storage levels in 2022. A cynical view would be that Azerbaijan has successfully manoeuvred to buy in gas at a lower price and then sell it spot at high European prices.

Some experts [have criticised](#) the relatively modest addition to the European gas supply from Azerbaijan which is unlikely to provide the gas needed to replace European imports. A major limitation of the agreement is that it was signed without conducting political and financial risk assessments or resource and stakeholder analyses. The pipelines from Azerbaijan pass through Türkiye and Georgia, and the EU needs to establish transit agreements with both of them. However, [Azeri President Aliyev](#) recently noted that 'negotiations are taking longer than we expected'. In increasing the capacity of the pipeline framework, investors need long-term political and economic stability, but the risk assessment for the region is still not satisfying enough. In choosing to import gas from Azerbaijan, it seems that the EU has opted to kick its energy dependency problem down the road, instead of seeking a comprehensive long-term solution. If Azerbaijan would be using Russian gas to increase its supply to Europe, this could discredit Von der Leyer and the EU's policy to decouple from Russian gas, the core motivation to reach the agreement.

The Middle Corridor will be capable of addressing only part of the forced reconfiguration of Eurasian connectivity. There are still [serious challenges](#) looming that will prevent this corridor from becoming the main lifeline connecting Europe and Asia. Such challenges

include geopolitical tensions between Armenia, Azerbaijan, and Iran, the administrative hurdles along the many borders and customs administrations, sanctions on Russia and Iran, alongside the fact that especially China would not want to rely on yet another single actor, in this case, Türkiye or Azerbaijan. Thus, it would be naive to believe that Kazakhstan can fill the void left by the EU's oil embargo, especially in the near future. At the moment, Astana's prospects of playing a more prominent role in the European energy market remain primarily dependent on Russia. While evidence supports the idea that Moscow will not hamper the export of Kazakhstani oil to Europe in 2023, the hope that Russia will allow the use of its pipeline infrastructure to increase foreign exports and enrich its neighbours is foolish. Kazakhstan can use alternative routes to export more oil to Europe, but the logistical difficulties and higher costs associated with them have, for now, caused stakeholders to shy away from their use and substantial development.

Kazakhstan has the potential to help the EU to achieve energy security by weaning it off Russian gas. Still, it will not be able to guarantee in the short term the security that the European Union seeks. Bypassing the Russian Federation via the TITR is unthinkable at present as intra-Eurasian trade will continue to need the Russian geographic space at least for the foreseeable future. Nevertheless, the EU should support the Kazakh leadership in its efforts to modernise the country's political system and improve the human rights environment against the backdrop of the troublesome geopolitical situation on its eastern borders. While expectations for a quick end to the war in Ukraine are disappearing, Europe should ensure greater engagement with [Kazakhstan](#), 'a leading state in Central Asia, and a trusted partner and friend of the European Union'. As well as mutual economic and trade advantages, closer ties will encourage Kazakhstan to continue on its path of democratisation, which is also in the long-term interest of the EU.

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