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RESEARCH ARTICLE

International Cooperation in The Gas Industry of Qashqadaryo Region (The Case of The Shurtan Gas Fields)

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Abstract

This article examines international cooperation in the gas industry of Qashqadaryo Region, focusing on the Shurtan gas fields, which hold the largest gas and condensate reserves in Uzbekistan. Drawing on archival materials, government resolutions, and periodical sources, the study traces the modernization of the Shurtan fields from the 1990s onward, including the construction of the gas-processing facility, the compressor station, and the Shurtan Gas-Chemical Complex for polyethylene production. Particular attention is given to the involvement of foreign companies and financial institutions from the United States, Japan, Italy, Germany, France, Russia, South Africa, Malaysia, and elsewhere, as well as to later projects such as the Oltin Yo'l GTL plant and the expansion of the Shurtan Gas-Chemical Complex's production capacity. The findings show that international collaboration played a decisive role in modernizing the region's fuel and energy sector, expanding export volumes, attracting foreign investment, and raising the economic potential and living standards of Qashqadaryo Region.

KEYWORDS

Qashqadaryo Region, Shurtan gas fields, gas-chemical industry, international cooperation, foreign investment, Uzbekneftegaz, Shurtan Gas-Chemical Complex, GTL plant, energy sector, Uzbekistan.

INTRODUCTION

More than 70 percent of oil deposits and about 71 percent of gas deposits in Uzbekistan are located in Kashkadarya Region. The largest gas and condensate deposits are located in Sho'rtan. According to statistics, in 2018, the region produced 89.7 percent of the oil, 96.2 percent of the gas, 96.6 percent of the condensate, and the total amount of sulfur produced in the republic.1

Shurtan gas fields are among the largest gas fields in the Republic of Uzbekistan. This gas field has been explored geologically since the 1960s. Commercial gas production began in the 1970s. Since Uzbekistan's accession to state sovereignty, the Sho'rtan gas fields have become an important part of national energy policy. In order to extract and supply gas from these fields effectively, modernization of the fields has been carried out with the assistance of foreign companies.

A new facility started operating in May 1997 at the Shurtan Gas Fields Administration. Designed in conjunction with engineers from industrial companies in the United States, Russia, and Ukraine, it was intended to process 3 billion cubic meters of gas annually and produce 60,000 tons of propane-butane mixture per year. One of the main elements of this facility was a turbo-expander, which was produced in the United States.2

In order to accelerate gas production, work began on the construction of a compressor station at the Sho'rtanneftgaz subsidiary unitary enterprise. On the basis of Decision No. 439 of the Cabinet of Ministers dated 20 November 2000, the station was established with the involvement of foreign investment. In particular, Israel's Bateman company was engaged as the main designer, with an Uzbek design and research institute as a partner. With a cost of USD 200 million, this station was equipped with machinery produced by the American company Dresser-Rand. The station had the capacity to transport 13.5 billion cubic meters of gas annually.3

The Cabinet of Ministers of the Republic of Uzbekistan issued Decision No. 395 on 11 November 1996, "On the Construction of the Shurtan Gas-Chemical Complex for the Production of Polyethylene Products."4 On the basis of this decision, the design of the plant's construction began.

In February 1998, Uzbekneftegaz JSC signed a contract with a consortium consisting of ABB Lummus Global (United States), ABB Soimi (Italy), Mitsui & Co., Toyo Engineering, and Nissho Iwai Corporation (Japan) for the turnkey construction of the technological section of the Shurtan Gas-Chemical Complex. The total cost of the project was equivalent to USD 500 million, of which around half was raised by members of the international consortium.5

The construction of the Shurtan Gas-Chemical Complex not only expanded the economic potential of Kashkadarya Region but also made a significant contribution to raising the industrial capacity of the country. Regarding the creation of the technological base of the enterprise, approximately USD 657 million worth of work was completed during the construction period of 1998-2001, whereas another USD 323 million was spent on developing the project infrastructure. Thus, almost USD 1 billion was spent on constructing the complex.6

As for investments made in the project, there is information that it included the participation of such companies as ABB Lummus Global; Honeywell from the United States; Fisher, Ermafa, and T plus G from Germany; Mitsui, Nissho Iwai, and Toyo Engineering from Japan; the Petroleum Institute and Ipedex from France; Nova Chemicals from Canada; Renco from Italy; and Sozvneshtrans and VNIIGaz from Russia. Financial investments came from the following banks: the U.S. Export-Import Bank, Chase Manhattan Bank, Commerzbank of Germany, Eximbank of Japan, Paribas of France, and several other leading banks, as well as the Hermes insurance agency.7

The official inauguration ceremony of the complex was held on 21 December 2001 and was attended by the First President of the Republic of Uzbekistan, Islam Karimov, as well as other senior officials.8 The opening of the enterprise signified the first production of polyethylene in the history of the country.9

From 2002 to 2016, Shurtan GCC LLC exported more than 630,000 tons of polyethylene to more than fifteen countries of the world. Under the UzClear brand name, the main consumers were CIS countries, including Russia, Kazakhstan, and Ukraine; however, other countries, such as Poland, Italy, Turkey, and China, were added to the list. Before the Shurtan Gas-Chemical Complex began its operation, polyethylene required for manufacturing various industrial products was imported mainly from Russia, China, and the Republic of Korea. The emergence of the new enterprise prevented the loss of foreign currency from the country.

Following the commissioning of the Shurtan Gas-Chemical Complex, yearly growth was observed in foreign investment into enterprises of the region, including those that worked in cooperation with the complex. It should be noted that the enterprise was founded in the form of a joint venture between the Shurtanneftgaz subsidiary unitary enterprise, the company Zeromax of Switzerland, and ARCH ENERGO LTD. of the United Kingdom. The authorized capital of the enterprise amounted to USD 300,000; half of it belonged to the Uzbek side, and the rest belonged equally to the other shareholders, each with a stake of 25 percent. The main business operation of the Uzbek-British-Swiss joint venture Sho'rtanneftgazmahsulot included the production of liquefied gas at gas-condensate fields.10

In 2012, an event dedicated to the official presentation of the Oltin Yo'l GTL brand of the Uzbekistan GTL joint venture, which specialized in the manufacture of synthetic liquid fuels, was conducted at Uzexpocentre. Together with the South African company Sasol and the Malaysian company Petronas, Uzbekneftegaz JSC started the implementation of a large-scale joint project to build a plant for the manufacture of synthetic liquid fuel (GTL) using methane extracted at the Sho'rtan Gas-Chemical Complex.11

Speaking at the event, President of Sasol David Constable praised Uzbekistan for its efforts to create a favorable investment environment in the country oriented toward liberalization and development of the national economy. Moreover, the company president emphasized the efforts taken to establish new capacities in the oil and gas industry and to reconstruct and modernize existing capacities. On that occasion, a teleconference was held with managers and specialists of the Shurtan Gas-Chemical Complex and the Uzbekistan GTL joint venture located at the construction site of the GTL plant in Kashkadarya Region.12

In October 2013, public hearings on the assessment of the environmental, social, economic, safety, and health effects of the project for producing synthetic liquid fuel from natural gas at the Oltin Yoʻl GTL plant took place in Karshi city and in Guzar and Nishon districts.13

The public hearings were held by Golder Associates, the consulting company engaged in the research carried out for the Uzbekistan GTL joint venture. This joint venture included Uzbekneftegaz JSC, Sasol Synfuels International of the Republic of South Africa, and Petronas International Corporation Ltd. of Malaysia. These hearings brought together representatives of related industries and territories, academics, representatives of state and non-governmental non-profit organizations, inhabitants living close to the proposed plant, as well as the general public.14

On 25 December 2021, with the participation of the President of Uzbekistan, the GTL plant was launched and construction works began within the framework of the investment project "Expansion of the Production Capacity of the Shurtan Gas-Chemical Complex."15 In turn, the considered project is being developed at an accelerated pace in Guzar district. The feasibility study of the project was prepared by the specialized institute UzLITIneftgaz JSC. According to the calculations, the value of the project was USD 1.85 billion. The project includes the processing of 430,000 tons of naphtha produced at the GTL plant. The expected annual production of polyethylene and polypropylene is 280,000 tons and 100,000 tons, respectively.16

For the financing of this initiative, USD 300 million was obtained through a credit line from the Russian financial institution Gazprombank JSC. In addition, work is being conducted on attracting financing from export-credit institutions, including China's SINOSURE, Saudi Arabia's ICIEC, and Russia's EXIAR.17 Foreign financial institutions, namely the China Development Bank, Export-Import Bank of Korea, Korea Trade Insurance Corporation, Gazprombank, and Roseximbank, actively participated in the financing of the project. During the commissioning, Seifi Ghasemi, President of Air Products; Kim Chang Hag, President of Hyundai Engineering; Aleksey Matveyev and Tigran Khachaturov, Deputy Chairmen of Gazprombank; Nikita Gusakov, Director General of EXIAR; and representatives of Sasol Energy, Chevron, and Haldor Topsoe were present at the ceremony.18

To summarize the findings, it should be noted that international collaboration was crucial for the development of the fuel and energy sector of the country and the modernization of technologies. In addition, there are production complexes similar to those of Uzbekistan in only several countries. The volume of products delivered abroad from the Republic of Uzbekistan has increased significantly. In connection with the attraction of foreign investment into Qashqadaryo Region, the region's economic potential, and consequently the quality of life of the population, have increased.

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