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THE ENERGY VECTOR OF KAZAKHSTAN-RUSSIA RELATIONS IN THE CONTEXT OF GLOBAL CHANGES ON THE INTERNATIONAL ENERGY MARKET

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ABSTRACT

Kazakhstan actively cooperates with Russia in the energy sector, which is directly associated with the role played by the fuel and energy complex in the functioning of all sectors of the Kazakh economy. The paper considers the main factors in the development of Kazakhstan's fuel and energy complex, and concludes

that its partnership with Russia is important in ensuring national security in a contextual sense. The article also considers the risks of Kazakhstan's energy policy based on the geopolitical competition of regional and global actors.

KEYWORDS: *fuel and energy complex, energy security, Kazakhstan-Russia partnership, Eurasian Economic Union, diversification*

Introduction

Kazakhstan is one of the major suppliers of fuel and energy products in the world. According to 2019 data, Kazakhstan takes the 12th place in oil reserves and the 14th place in oil production in the world.[1] The potential of the fuel and energy complex (FEC) of Kazakhstan can be evaluated using the following data (see Table 1).

Table 1

Production Volume by Kazakhstan Energy Sector Industries

Energy Sector Industry	Production Volume, 2019	Change Compared to 2018, %
Oil industry	90.5 million tons	▲0.2
Gas industry	46.2 billion cu m	▼16.7
Coal industry	111.1 million tons	▼ 2
Nuclear energy	22.7 tons of uranium	▲0.9
Electric energy	106.0 billion kWh	▼0.7
Renewable energy sources	1.9 billion kWh	▲44

Source: Compiled by the authors based on the reports of the state organs of the Republic of Kazakhstan and materials of the Committee for Statistics of the Ministry of National Economy of the Republic of Kazakhstan).

The development concept of the fuel and energy complex of the Republic of Kazakhstan until 2030 integrates the development of the oil and gas, coal, nuclear and electric power industries, with regard for the trends in the development of world energy.[2] Although the republic aims to diversify the national economy, the development of the energy sector is extremely important since the country's economic growth depends on world energy prices and price volatility in these markets.[3]

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[1] See: *Global Firepower Index 2020*, available at [https://www.globalfirepower.com/proven-oil-reserves-by-country.asp].

[2] See: "Ob utverzhdenii Kontseptsii razvitiia toplivno-energeticheskogo kompleksa Respubliki Kazakhstan do 2030 goda," available at [http://adilet.zan.kz/rus/docs/P1400000724], 3 December, 2019.

[3] See: "Republic of Kazakhstan: 2018 Article IV Consultation-Press Release; and Staff Report," available at [https://www.imf.org/en/Publications/CR/Issues/2018/09/14/], 3 December, 2019.

Mineral resource trade accounts for approximately 70% of the country's export portfolio.[4] The issue of the country's energy security is a matter of strategic importance in this context. This factor is specified in a number of key documents related to the priorities for the republic's long-term development, including the Development Strategy of the Republic of Kazakhstan until 2050, which emphasizes the key role of energy security in strengthening overall national security.[5]

Reliance on partners in the energy security sphere is crucial for Kazakhstan, especially in the context of globalization, when energy issues have become one of the factors in the formation of a new geopolitical and geo-economic structure of the world. The challenges facing the republic's energy sector require urgent solutions in the framework of cooperation with Russia, Kazakhstan's strategic partner. Focusing only on a range of problems in the energy sector, it is necessary to determine the possibilities for achieving a balance of interests of partner states in the current global energy market competition perspective.

The problem of the energy policy of Kazakhstan and Russia is currently being discussed in both domestic and foreign discourse. Kazakhstan researchers,[6] focus on geopolitical aspects considering the problem of energy security as an important component of national security. A number of researchers[7] pay special attention to cooperation between the two countries in the energy sphere within the framework of a single economic space and the EAEU. Publications of most Russian researchers examine the issue of the countries' energy security in a multilateral format (SCO, CIS and other structures).[8]

Methodology

Analysis and synthesis methods are used along with the study of processes by description and comparison, and economic and statistical analysis methods. Based on the fact that bilateral interstate cooperation is an integral part of the system of international relations, the systems approach method has become the optimal tool in analyzing the Kazakhstan-Russia relations. The systemic method considers the energy sphere a single organism with a multi-actor and multi-level structure and is the foundation for identifying Kazakhstan's priorities in the interstate energy relations system, as well as the country's positioning in regional and global energy spheres.

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[4] See: "Kazakhstan Export Profile 2018," available at [https://www.trademap.org/Product_SelProductCountry.aspx?nvpm=1%7c398%7c%7c%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c2%7c1%7c1%7c1%7c1%7c1], 3 December, 2019.

[5] See: "Strategiia 'Kazakhstan-2050'—novyy politicheskiy kurs sostoiavshegosia gosudarstva. Poslanie Prezidenta Respubliki Kazakhstan—Lidera Natsii N.A. Nazarbayeva narodu Kazakhstana," Astana, 14 December, 2012, available at [http://adilet.zan.kz/rus/docs/K1200002050], 3 December, 2019.

[6] See: M.T. Laumulin, "Politika SShA i EES v Tsentralnoi Azii (sravnitelnyi analiz)," in: *Vyzovy bezopasnosti v Tsentralnoy Azii*, IMEMO RAS, Moscow, 2013, pp. 106-132; K. Syroezhkin, "China's Presence in the Energy Sector of Central Asia," *Central Asia and the Caucasus*, Vol. 13, Issue 1, 2012; R. Izimov, "Globalnaia energeticheskaia politika KNR: mesto TsA," available at [http://www.kisi.kz/ru/categories/geopolitika-i-mezhdunarodnye-otnosheniya/posts/]; Idem, "Dlia nas rost voennoy moshchi Kitaia ne neset priamykh ugroz," 2017, available at [https://www.caravan.kz/gazeta/ruslan-izimov-dlya-nas-rost-voennojj-moshhi-kitaya-ne-neset-pryamykh-ugroz-392991/], 27 October, 2019.

[7] See: A.S. Nurgaziyeva, G.A. Movkebayeva, "Sotrudnichestvo Rossii i Respubliki Kazakhstan v sfere energoresursov v ramkakh EEP," *Bulletin of KazNU*, Series *International Relations and International Law*, No. 2, 2014, pp. 95-99; G. Movkebayeva, E. Aydarkhanova, "Energeticheskoe sotrudnichestvo Kazakhstana i Rossii v ramkakh EAES," *Bulletin of KazNU*, Series *International Relations and International Law*, No. 2, 2017, pp. 44-51.

[8] See: S. Luzyanin, "Kitayskiye korni i rossiyskie vetvi v Tsentralnoy Azii," available at [https://cyberleninka.ru/article/n/kitayskie-korni-i-rossiyskie-vetvi-v-tsentralnoy-azii-k-voprosu-o-sootnoshenii-politiki-knr-i-rf-v-regione], 28 October, 2019; D.B. Malysheva, *Tsentralnoaziatskiy uzel mirovoy politiki*, IMEMO RAS, Moscow, 2010. 100 pp.

Main Vectors of Bilateral Cooperation

Based on the principle of multi-vector foreign policy, which it adheres to in its energy policy, Kazakhstan relies on several partners in its energy strategy. First and foremost, they are the key investors and main consumers of its energy resources, including EU countries, the U.S., and China. However, Russia plays a key role in the implementation of its multi-vector energy strategy.

Since Kazakhstan became an independent state, the republic has created conditions for attracting foreign direct investment by establishing joint ventures and concluding preferential agreements with the leading countries in the interests of developing the energy sector.

According to the RK Foreign Policy Concept for 2014-2020, Kazakhstan's most important country and regional priority is the strengthening of relations with the Russian Federation in all spheres based on the Treaty on Good Neighborliness and Cooperation in the 21st century.[9]

Russia, in turn, emphasizes the importance of relations with Kazakhstan, pointing out that "the development of bilateral and multilateral cooperation with the member states of the Commonwealth of Independent States and deepening integration within the framework of the Eurasian Economic Union are the key tasks."[10]

The characteristics of geopolitical cooperation currently determine the path of cooperation between the two countries. Kazakhstan and Russia have the longest land border in the world—about seven and a half thousand kilometers. Bilateral relations take on a different meaning given the country's inland location, the lack of direct access to the oceans, long distances in the ninth biggest country in the world, and the fact that Kazakhstan's main foreign trade partners in the crude oil market are EU countries, and supplying them requires transit through Russia. Kazakhstan and Russia also have a common border along the Caspian Sea, which accounts for a significant share of the country's hydrocarbon reserves.[11]

The bulk of Kazakhstan's oil and gas production is provided by three mega-projects: Karachaganak, Tengiz (TCO), and Kashagan. The main increase in production in 2019 is associated with stable growth in the Kashagan field (14.1 million tons), as well as in Tengiz (29.8 million tons) and Karachaganak (11.2 million tons). These three projects account for about 60% of all production in Kazakhstan.[12]

The implementation of all these projects is linked to the partnership with Russia. In particular, the development of the Karachaganak field, one of the key oil and gas infrastructure sites, is carried out under the auspices of the Karachaganak Petroleum Operating (KPO) consortium,[13] where Lukoil holds a 13.5% stake. However, the dependence of Kazakhstani oil exports to the world market on transit through Russian territory is the determining factor (see Table 2).

In May 1997, Kazakhstan and Russia agreed to establish the Caspian Pipeline Consortium (CPC), the largest international oil transport project with the participation of leading international oil

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[9] See: Official website of the Foreign Ministry of the Republic of Kazakhstan [www.mfa.kz/ru/erevan/content-view/koncepcia-vnesnej-politiki-rk-na-2014-2020-gg].

[10] *The Concept of Foreign Policy of the Russian Federation (approved by the President of the Russian Federation V.V. Putin, 30 November, 2016)*, available in Russian at [http://www.mid.ru/foreign_policy/news//asset_publisher/cKNonkJE02Bw/content/id/2542248], 4 December, 2019.

[11] See: *Annual Report of JSC NK KazMunaiGaz for 2018*, available at [file:///C:/Users/Acer/Documents/kmgzp_2018_rus.pdf], 4 December, 2019.

[12] See: "Bolee 90,5 milliona tonn nefti i gazokondensata dobyto v Kazakhstane," available at [https://ru.sputniknews.kz/economy/20200110/12508147/neft-dobycha-kazakhstan-2019-god.html].

[13] See: "Lukoil in the Republic of Kazakhstan," available at [http://www.lukoil.ru/Company/BusinessOperation/GeographicReach/Asia/LUKOILinKazakhstan], 4 December, 2019.

companies. The goal was to construct a 1,511 km long pipeline (452 km of which is in Kazakhstan). It connects the Tengiz oil field and the Russian sea port of Novorossiysk on the Black Sea, from where Kazakhstani oil goes on to the EU countries. CPC throughput in 2018 was 67 million tons of oil per year. It should be noted that only consortium shareholders (KazMunayGas, Chevron, Lukoil, Exxon-Mobil, Rosneft-Shell, Eni, etc.)[14] have the right to use the CPC pipeline system to transport oil. KazMunayGas owns equity in the Caspian Pipeline Consortium in the amount of 20.75%, including KMG—19% and KOO Kazakhstan Pipeline Ventures—1.75%.[15]

Table 2

Pipeline System Span in Kazakhstan and Russia, 2019 *(thousand km)*

Indicator	Kazakhstan	Russia
Main gas pipelines	**15**	**179.3**
Main oil pipelines	**8.0**	**53.4**
Oil product pipelines	**0.3**	**17.1**

Source: EEC website.

In 2019, the CPC pipeline transported the prevailing portion of all produced Kazakhstani oil—55.8 million tons (of the total 90.5 million tons produced), which emphasizes the role of CPC for Kazakhstan.[16]

Another pipeline, Atyrau-Samara (throughput capacity—17.5 million tons of oil per year, in 2019 the oil transportation volume amounted to 14.3 million tons[17]), spanning a total of 697 km (535 km of which is the Kazakhstan section), provides access to markets across Russia through the Russian Transneft pipeline system to the ports of the Black and Baltic Seas. At the same time, transportation of oil in the Caspian and Black Seas is practically stagnant; on the contrary, its decline is anticipated.

Thus, the joint projects of the two countries' corporations in the energy sector are precisely what creates the basis for interstate cooperation in the energy field. Lukoil is involved in the development of three fields—Karachaganak, Kumkol and Tengiz, as well as in the Caspian Pipeline Consortium (CPC). Rosneft is engaged in the development of Caspian resources at the Kurmangazy field.[18]

Kazakhstan and Russia carried out joint production based on the 1998 Agreement on the Delimitation of the Bottom of the Northern Part of the Caspian Sea. In October 2015, the Presidents of Kazakhstan and Russia agreed to amend this agreement due to the joint use of the Central oil and gas

[14] See: *Speech of the Minister of Energy of the Republic of Kazakhstan K.A. Bozumbayev at an Expanded Meeting of the Board of the Ministry on the Results of Activities for 2017 and Tasks for 2018 (Astana, 23 February, 2018)*, available in Russian at [http://www.zakon.kz/4911798-vystuplenie-ministra-energetiki-rk.html], 4 December, 2019.

[15] See: "Otchet rukovodstva AO NK "KazMunayGas" o rezultatakh finansovo-khoziaistvennoi deiatelnosti," available at [https://docviewer.yandex.ru/view/993944974/?page=2], 1 January, 2019.

[16] See: "KTK obnarodoval itogi za 2019 god po otgruzke nefti, v tom chisle kazakhstanskoy," available at [https://inbusiness.kz/ru/last/ktk-obnarodoval-itogi-za-2019-god-po-otgruzke-nefti-v-tom-chisle-kazahstanskoj].

[17] See: "AO 'KazTransOil' uvelichilo transportirovku nefti na NPZ Kazakhstana na 5% v 2019 godu," available at [https://www.kaztransoil.kz/ru/press-centre/press-releases/soobsheniia_o_proizvodstvennoy_deiatelnosti_i_finansovih_rezultatah/ao_kaztransoil_uvelichilo_transportirovku_nefti_na_npz_kazahstana_na_5_v_2019_godu/].

[18] See: "Natsionalnyi energeticheskiy doklad 2017," available at [http://www.kazenergy.com/upload/document/energy-report/NationalReport17_ru.pdf], 4 December, 2019.

condensate field, located in the border zone. Along with Lukoil and Gazprom, KazMunayGas was engaged in this project with a 50 percent stake.[19]

In addition, since 2013, Rosneft has been supplying Russian oil to China along the Omsk-Pri-irtyshsk-Atasu-Alashankou[20] route in an amount of up to 10 million tons per year (transportation price is $15 per ton of oil), with the pipeline capacity of 20 million tons.

KazRosGaz partnership, formed in 2001 on a parity basis by the national company NK KazMunayGas JSC and Gazprom, is an example of mutually beneficial cooperation in the gas industry between Kazakhstan and Russia. The company's main functions are marketing, processing, transportation and sale of Kazakhstani natural gas and its products in the domestic and foreign markets. KazRosGas operates primarily on the resources provided by Karachaganak.[21]

Since 2006, Kazakh gas has been processed in Orenburg and sold in Russia through the Orenburg-Novopskov gas pipeline, while Russian gas is sold at reduced prices for consumption in the Kostanay and Aktobe regions. Thus, cooperation between Kazakhstan and Russia in the oil and gas sector, which is the basis of economic growth of both countries, is developing in several directions.

Unlike the oil and gas industry, the competitive factor acquires greater importance in the coal energy sector, where it affects the observed decline in coal exports to Russia, the country that has traditionally been the main market for Kazakh coal. It is worth noting that in Kazakhstan, which holds the eighth place in the world in terms of proven coal reserves (4% of world reserves), there are 12 large coal producers, which provide for 98% of the country's total production.

There are private producers among the largest enterprises, i.e., the Eurasian Group with its production share of 30%[22] and state-owned companies (Samruk-Energy JSC—20% of production). Samruk-Energy and Russian Rusal each own 50% of the shares of the enterprise that is responsible for approximately 20% of Kazakhstan's coal production.

An average of 25% of coal mined in Kazakhstan is exported. On 14 April, 2016, the energy ministries of the two countries signed an Indicative Forecast for the Consumption of Kazakhstani Coal by Russian Electricity-Generating Enterprises for 2016-2022 (see Fig. 1).

For comparison purposes, a joint Indicative Balance of coal between the two countries for 2012-2015 was signed between the Ministry of Industry and New Technologies of the Republic of Kazakhstan and the Ministry of Energy of the Russian Federation in 2012. This Indicative Balance[23] estimated the annual export of Kazakhstani coal to Russia at the level of 29 million tons. Figure 1 shows that a gradual decline in coal exports to Russia is expected.

Over 90% of exports to Russia are from the Ekibastuz basin (its coal mainly consumed by the power plants in the Urals). In addition, the Karaganda basin supplies coking coal for the needs of Russian industrial enterprises.

According to EDB estimates, diversification of export supplies depends on both the geographic distance of Kazakhstan from the largest export markets, and the high transportation costs. In addition, Kazakhstan coal is uncompetitive due to its high ash content and calorific efficiency, which affects the country's export capabilities.[24]

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[19] See: "RK i RF soglasuiut popravki v soglashenie po razrabotke mestorozhdeniia Tsentralnoe na Kaspii," available at [https://www.zakon.kz/4748497-rk-i-rf-soglasujut-popravki-v.html], 4 December, 2019.

[20] See: "Utverzhdena stoimost transportirovki rossiyskoy nefti cherez Kazakhstan...," available at [https://kursiv.kz/news/otraslevye-temy/2019-01/utverzhdena-stoimost-transportirovki-rossiyskoy-nefti-cherez?page=5], 4 December, 2019.

[21] Official website of "KazRosGaz". About the Company [http://kazrosgas.org/rus/o-kompanii/], 4 December, 2019.

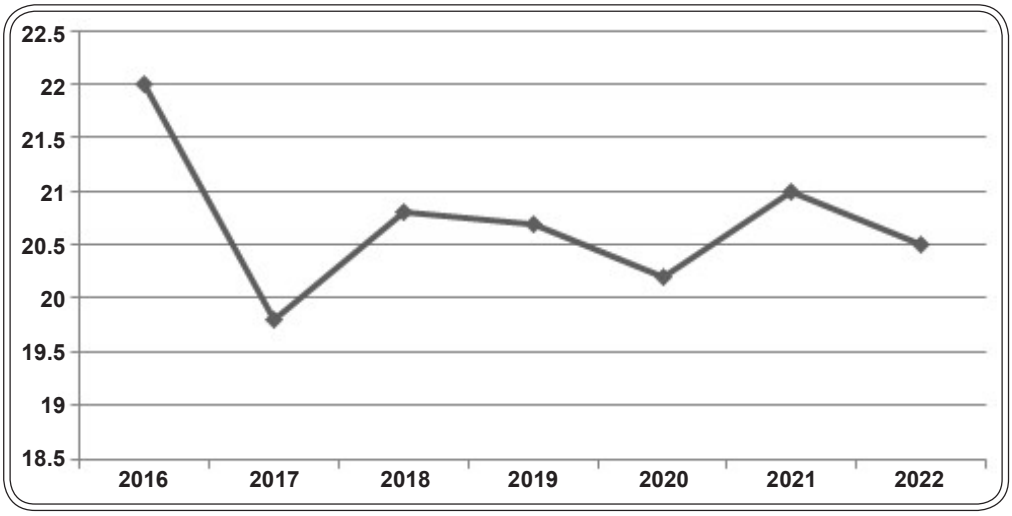
[22] See: "Natsionalnyi energeticheskiy doklad 2015," available at [file:///C:/Users/Acer/Desktop/национальный%20энергетический%20доклад.pdf], 4 December, 2019.

[23] See: "Rossia medlenno perekryvaet Kazakhstanu ugol," available at [http://abctv.kz/ru/news/rossiya-medlenno-perekryvaet-kazahstanu-ugol], 4 December, 2019.

[24] See: "Sostoianiye i perspektivy ugolnoy promyshlennosti Kazakhstana," available at [https://eabr.org/press/comments/sostoyanie-i-perspektivy-ugolnoy-promyshlennosti-kazakhstana], 4 December, 2019.

Figure 1

Estimate of Kazakhstan Coal Export to Russia (*million tons*)



Cooperation in the field of nuclear energy is developing with greater success. Kazakhstan has the second largest natural uranium reserves, which accounts for 12% of all the explored global stock. Russian companies enter the Kazakhstan market through the repurchase of global uranium mining companies engaged in developing Kazakhstani deposits. Russia is the leader in uranium mining in the republic: in 2013, the Russian Rosatom corporation purchased 100% of the Canadian Uranium One, a company with controlling stakes in Kazakhstan's uranium mining companies, and became a monopolist in this sphere. Uranium One owns more than 20% of uranium production in Kazakhstan.[25] Russia is among the major consumers of Kazakhstani uranium raw materials. There are also a number of agreements on scientific and technical cooperation in the peaceful uses of atomic energy.[26]

The dynamics of the development of cooperation in the electric power industry are largely determined by the integrated energy system inherited from the U.S.S.R. For example, Northern Kazakhstan is traversed by power lines owned by the UES of Russia. In 2019, Kazakhstan exported 1.273 billion kWh of electricity to Russia.[27]

Some factors influence the development of Kazakhstan-Russia relations in the energy sphere. The internal factors comprise uniform distribution of the fuel and energy balance of countries by region; condition of the transport and logistical infrastructure; and high energy capacity of economies. The external factors are: transit of various kinds of energy through neighboring and other countries; price of energy resources on external markets; tariff policy; deficit of investments; and geopolitical ambiguity.

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[25] See: "Borba Kazakhstana za kontrol na mirovykh rynkakh urana," available at [http://vstrokax.net/avtorskaya-kolonka/borba-kazahstana-za-kontrol-nad-mirovyim-ryinkom-urana/], 4 December, 2019; *Collection of Regulatory Legal Documents Adopted in the Framework of the Commonwealth of Independent States in the Field of Electric Power*, Internet Portal of the Electricity Council of the Commonwealth of Independent States, available in Russian at [http://energo-cis.ru/getfile/662.pdf], 4 декабря 2019.

[26] See: "Rosatom and the Ministry of Energy of the Republic of Kazakhstan Signed Documents in the Field of Nuclear Cooperation," available in Russian at [http://www.rosatom.ru/journalist/news/rosatom-i-ministerstvo-energetiki-respubliki-kazakhstan-podpisali-dokumenty-v-oblasti-sotrudnichestv/], 4 December, 2019.

[27] See: "Kazakhstan Electricity and Coal Market Analysis Report January-December 2019," available at [https://docviewer.yandex.ru/view/993944974], 24 February, 2020.

The study of the relations between Kazakhstan and Russia in the fuel and energy sector by industry demonstrates a consistently evolving dynamics of mutually reinforcing cooperation. However, the ambivalent and asymmetric nature of the bilateral energy cooperation between the two countries is also apparent. This interaction can at once be characterized as a partnership and a competition.

Energy Market: Partnership vs. Competition

Kazakhstan's partnership with Russia in the energy sector should be viewed through the prism of the former's transit and transport dependence. In particular, Russia was a de facto monopolist in the transportation of energy resources from Kazakhstan until 2006. Despite the availability of resources and the active dynamics of energy production, the intracontinental location of Kazakhstan in the very center of Eurasia creates certain difficulties for the full realization of its potential.

The interconnectedness of the transport systems of Russia and Kazakhstan limits the choices for Kazakhstan, which seeks greater independence in hydrocarbon exports. The competition between oil producing countries for international investments, especially for new project financing, in the global market has increased. Despite the modernization of three oil refineries in Kazakhstan, dependence of the domestic market on the imports of Russian oil products is preserved.

In the face of increased competition among various geopolitical forces within the CIS, Kazakhstan is gaining new significance for Russia in realization of its geopolitical and geo-economic interests. Russia traditionally considers the entire Central Asian region, including Kazakhstan, its "zone of influence." According to experts,[28] Russia's energy strategy in Central Asia is based on Moscow's interest in "making full use of the raw materials and production potential of the countries in the region, their infrastructure, which contribute to Russia's economic and military security, as well as in controlling the energy flows to Europe and the Asia-Pacific region." Thus, energy has become not only a source of economic dividends, but also a kind of geopolitical resource.

Russia prefers to develop deposits jointly, striving to maintain its monopoly on the transportation of the region's energy resources in order to maintain its influence.

China's comprehensive evolution as a global actor in world geopolitics stimulates its increasingly more active presence in Central Asia. The competition between China and Russia for access to the region's resources and their transportation channels is slated to intensify. China has already managed to disrupt the Russian monopoly on the regional transportation of hydrocarbons, thereby changing the geo-economic situation within Central Asia, thanks to the beginning of the construction of the 900-km Atasu-Alashankou pipeline in 2005. The oil pipeline was commissioned in 2006.[29] Currently, about 12 million tons of oil is being delivered to China through the pipeline.

The subsequent agreement between China and the countries of Central Asia was signed in April 2006 on the construction of a new Central Asia-China gas pipeline, which passes through Turkmenistan, Uzbekistan and Kazakhstan, spanning 1,830 km. Notably, Chinese investments in Kazakhstan's fuel and energy sector still make up about 98% of China's foreign direct investment in Kazakhstan's national economy. In 2017, with the commissioning of additional capacities of the gas pipeline system, namely the Beineu-Bozoi-Shymkent gas pipeline,[30] Kazakhstan began annually exporting 1 bcm of Kazakhstani gas to China.

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[28] Yu. Morozov, "Rossia, zapad i strany ShOS v energeticheskikh proektakh Tsentralnoy Azii," available at [https://cyberleninka.ru/article/n/rossiya-zapad-i-strany-shos-v-energeticheskih-proektah-tsentralnoy-evrazii], 5 December, 2019.

[29] See: "Realnaia rabota nefteprovoda Atasu-Alashankou nachnetsia v seredine 2006 goda—glava MEMR RK," available at [http://www.zakon.kz/67523-realnaja-rabota-nefteprovoda-atasu.html], 6 December, 2019.

[30] See: *Report of the Eurasian Development Bank*, available at [https://eabr.org/upload/iblock/252/EDB-Centre_2017_Report-47_FDI-Eurasia_RUS_1.pdf], 7 December, 2019.

China has become an important alternative market for hydrocarbons, and the oil pipeline is the first alternative route for oil exports, which had freed the country from direct dependence on Russian infrastructure. Kazakhstan has expanded its room for maneuver by implementing plans to de facto diversify the hydrocarbon export routes. Close cooperation with China is becoming a real tool in strengthening foreign policy positions, including those in relations with Moscow.

It also marked the beginning of competition between Russia and the Central Asian countries, forcing Russia to strengthen the focus on the eastern routes of energy supply. The commissioning of the Power of Siberia gas pipeline makes the issue of competition with the Russian Federation in the Chinese market pertinent for Kazakhstan.

In addition to the construction of oil and gas pipelines, China acquires ownership or conducts development on long-term concession terms[31] in a number of fields in the region (60.3% of the shares of the Aktobe oil company were acquired in Kazakhstan for the development of large Kenkiyak and Zhanazhol fields). This served as an occasion for Russia to strengthen cooperation between the SCO member countries in the energy sector, and to support Beijing's initiative to establish the SCO Energy Club. Despite this, the difficulties associated with the different scales of the SCO countries' economies and the harmonization of national energy strategies are practically unsolvable.[32]

In the context of the existing sanction confrontation between Russia and the West, suppliers of hydrocarbons from the countries of the Caspian basin, specifically, Kazakhstan, are considered by the European Union as important sources for diversifying the supply of hydrocarbons (crude oil, gas and oil products) to ensure their own energy security. The new Agreement between the EU and Kazakhstan can intensify energy cooperation and, on the other hand, intensify the key actors' struggle for access to Kazakhstani projects for the extraction and transportation of raw materials. China's energy cooperation with the Central Asian states has already attracted the attention of Russia, whose reaction to it is ambivalent.[33]

As a landlocked country, Kazakhstan supports the key transport corridor construction projects, thus realizing its own geopolitical and geo-economic interests. Ideally, the country could become a transit hub for the North-South and West-East routes, which will ensure the country's development even in the event of shocks to the global hydrocarbon market and other crises. In addition, the transport corridor system significantly reduces the level of geopolitical tension, which is also among the country's priorities. Ultimately, in view of the new challenges and threats to national and regional security and the crisis of strategic stability, China, Russia and Kazakhstan are committed to ensure stability in the region. Pairing the Chinese Belt and Road initiative with the EAEU will reduce the severity of the geopolitical competition between Beijing and Moscow in Central Asia. The paradox of the current competition is Russia's reluctance to lose ground in the region, despite the obvious lack of resources and channels of influence to realize its own interests, which is largely dictated by the existing confrontation following the outbreak of the Ukrainian crisis.

The Eurasian Economic Union, which aims, among other things, to establish a single energy market, carries certain risks for Kazakhstan's national economy in its current form. Today, disagreements arise among the EAEU participants because of the differences in the terms of oil and oil product trade, which Russia applies to different member states of the Union. In addition, Russia holds a dominant position among EAEU member countries, mainly due to the volume of its market and the size of the national economy. The harmonization of prices and tariffs in the process of forming a common energy market will be subject to pressure from Russia and will increase competition, espe-

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[31] See: "Proekty kitaiskikh neftegazovykh korporatsiy v gosudarstvakh TSAR," available at [http://www.webeconomy.ru/index.php?page=cat&newsid=2274&type=news], 7 December, 2019.

[32] See: S. Luzyanin, op. cit.

[33] See: I.V. Zeleneva, "Perspektivy ekonomicheskogo i politicheskogo prisutstviia Rossii i Kitaia v Tsentralnoy Azii," available at [https://cyberleninka.ru/article/n/perspektivy-ekonomicheskogo-i-politicheskogo-prisutstviya-rossii-i-kitaya-v-tsentralnoy-azii], 7 December, 2019.

cially between Kazakhstan and Russia, the two main participants in the CIS energy market. Moreover, in 2018-2019, the Kazakhstan authorities already regulated the oil-refining market conditions, aiming to create advantages for domestic producers, while temporary bans were introduced on the import of Russian gasoline.

Meanwhile, membership in the EAEU intensifies one risk factor—the expansion of the economic consequences of sanctions imposed by the European Union, the United States and other states on Russia because of the Ukrainian crisis. Due to a double blow—the falling oil prices and Western sanctions—the Russian economy is in recession, which has a general negative effect on the economies of the EAEU countries: Kazakhstan and other countries of the Central Asian region are faced with problems such as lack of resources for economic growth, inflation, and devaluation of national currency, among others.

Thus, in the oil sector a ban was imposed on the transfer of technologies and equipment used to develop fields on the deep marine shelf. In addition, special financial sanctions were imposed on key oil companies (for example, Rosneft, Transneft, Gazprom Neft, Lukoil, and Surgutneftegaz).[34] Western sanctions on the provision of financing, technology transfer and the export of goods and services are becoming a factor of uncertainty in the near future, which has a negative effect for Kazakhstan, considering its close connections to Russia. Under such conditions, as the geopolitical confrontations intensify, Kazakhstan is forced to maneuver in order to maintain a balance of power, as it attempts to maintain the status quo both with Russia and with the countries of the West.

Conclusion

There are development risks in almost all of Kazakhstan's energy sectors, which are associated with cooperation with Russia. In addition to transportation issues in the oil or gas sectors, the development of the nuclear industry is also dependent on Russia in the transport and logistics spheres. Since uranium is transported through Russian ports, there is a risk of price changes for rail and sea transportation of raw materials by Russian carriers. Logistics problems are also relevant for the coal industry in Kazakhstan. Potential sales markets, for example, European countries, are quite far away. Russia, which is a major importer of Kazakh coal, has projected a decrease in supplies from Kazakhstan due to the decommissioning of specialized power plants that operated on Kazakh coal, as well as to the desire to support domestic producers.

As one of the largest exporters of energy resources, Kazakhstan occupies a significant position in the arrangement and balance of the energy space on a regional and global scale. The significant role of Kazakhstan's energy policy in the formation of the regional international relations subsystem is also evident. It can be clearly observed in the analysis of the dynamics of relations between Kazakhstan and Russia in the context of their trans-regional ties and the competition of global actors.

The multi-tier nature of energy problems can lead to more effective cooperation between Kazakhstan and Russia in the format of regional institutions (EAEU), as well as in the context of megaprojects launched by the leading powers (SCO, Belt and Road initiatives, TRACECA). The national interests of Kazakhstan require the strengthening of a multi-vector policy in the energy sector to ensure state security.

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[34] See: "Novye sanktsii SShA prervut mezhdunarodnuiu ekspansiiu rossiyskikh neftianikov," available at [https://www.rbc.ru/economics/04/08/2017/59824c529a7947b30d0818eb], 7 December, 2019.