

## Current reforms in Uzbekistan's energy sector

Since coming to power in December 2016, the second president of independent Uzbekistan, Chavkat Mirziyoyev, has been pushing for reforms aimed, in particular, at attracting foreign investors. Results have already been obtained in the energy sector, as seen in the contracts signed with Total and Orano, to mention only two major French groups. Three presidential decrees concerning this sector were signed during the first half of 2019. That of 27 March 2019 – “Strategy for development and reforms of the electricity sector” – concerns the splitting of Uzbekenergo (a public limited company comprising companies in the coal industry created in 2001) into three separate joint-stock companies. These are headed by men from the so-called ‘seraglio’: Dadajon Isakulov, Ruslan Mubarakshin and Ulugbek Mustafaev, an economist by training who, in 2016, held the post of deputy manager for the Djizak region.

Despite the adoption of more than 15 programmes aimed at increasing hydrocarbon production over the period 2000–2018, oil production fell by 5.6% each year between 2007 and 2017. Meanwhile, natural gas production in Uzbekistan has increased by 8% over the past 20 years, but the share of Uzbek companies in this production has decreased by 29%. Proven gas reserves decreased by only 4% between 2008 and 2018. The latest report from BP shows proven reserves of 1.2 trillion cubic meters of gas at the end of 2018, against 1.3 trillion at the end of 2008 (0.6% of the world total, against 0.5% for Kazakhstan and 9.9% for Turkmenistan).

The presidential decree on exploration in the Ustûrt region, signed in February 2017, has led to renewed activity in this field. Indeed, recent exploration on the ancient plateau of the Aral Sea coast and the Ustyurt Plateau has led to the discovery of new gas fields including Arslan-12, discovered in 2019, located between the Arslan and South Surgil fields. Together, these may constitute a single huge gas field. The estimated total gas reserves of the plateau are around 120 billion cubic meters and 7 million tonnes of condensate, making it the most important source in Uzbekistan and enabling a significant increase in the production of hydrocarbons.

A decree of June 2017 had already reorganised the vertically integrated national company Uzbekneftegaz, whose current management system for the energy sector is still considered ineffective, outdated and opaque, even within the company. Founded in 1992, since February 2019, it has been headed by Bakhodirjon Sidikov since 1992, before being replaced on Janu-

ary 8, 2020, by Mekhridin Abdullaev, who worked in the banking sector between 1993 and 2010, served as deputy finance minister between 2010 and 2012 and has been responsible for the Bukhara region so far.

A decree of 9 July 2019, “Measures to ensure the stability of the economy and of households in energy resources, the consolidation of finances and the improvement of the management system of the oil and gas industry”, provides for reorganizing Uzbekneftegaz, with technical assistance from the Asian Development Bank, through mergers, a split and the creation of a new structure.

Some former Uzbekneftegaz subsidiaries, responsible for drilling and exploration, production, refining and selling of oil and gas products, as well as manufacturing the main types of equipment for the sector, will be merged into Uzbekneftegaz, thereby reducing redundant structures. However, gas transport company Uztransgaz will no longer be part of Uzbekneftegaz. Uztransgaz will be the sole operator responsible for acquiring natural gas from gas production and processing organisations and transporting it, including international trade. Newly created Hududgastaminot is intended to operate gas distribution networks and supply natural and liquefied gas to individuals and firms. It also has the function of buying, supplying, storing and selling liquefied natural gas.

The modernisation of the gas transport and distribution sector is necessary since, outside the capital, the gas distribution networks are 80–90% dilapidated. Among other projects, there are plans to modernise the refineries at Bukhara (built by Technip in the late 1990s) and Fergana (built in 1959 and constantly re-equipped since).

The clearly displayed ambition is to make Uzbekneftegaz a national company that is “internationally recognised, with a high level of transparency and a culture of business management”. Recruitment of foreign managers began in July 2019. Internally, the company provides more than 80% of energy and electricity production and generates almost 20% of the country’s tax revenue and 10% of GDP.

Regarding nuclear power, a decision was made to build Uzbekistan’s first nuclear power plant in the Djizak region. First, the Atomic Energy Development Agency (Uzatom), headed by Jurabek Mizamakhmudov, was created by presidential ukaz (decree) in 2018. Russia’s Rosatom will be responsible for construction, financed by credit granted by Russia; but this project

is not without its critics. Environmentalists and other civil society activists have raised fears, in particular owing to the seismicity of the chosen location.