



INTERVIEW

Uzbek Energy Minister Shares Transition Vision

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Uzbekistan's Energy Minister Alisher Sultanov outlines some of the challenges the country faces – including its handling of the energy transition – in an interview with Energy Intelligence. Sultanov started his career in the early 1990s with state oil and gas company Uzbekneftegas, rising to become chairman before being appointed to his current position in 2018.

Q: How will Uzbekistan finance the modernization of its power plants? Does it have sufficient funds to do it independently, and which structures will it use to develop and operate these projects?

A: I should point out straight away that the reforms we have carried out have created an attractive investment climate that allows us to tap investment in all sectors of the economy. So, we are upgrading and building new power plants by attracting private direct investment. It is the investor's obligation to finance, maintain and operate the plants throughout the duration of the contract. Usually this is for 25 years. I should also stress that the investor brings in qualified EPC contractors, global engineering companies and is obliged to hire local personnel for these projects, at all levels.

Financing, both for the construction and upgrade of these plants, comes predominantly from commercial banks and international financial institutions. There is a mandatory procedure for decisions to be taken for each question, based on standard international practice.

As an example, we have the projects to modernize the third sections of the Navoi Thermal Power Plant (TPP) and to upgrade the Talimardzhanky TPP, and also a further 14 hydroelectric power plants. These are being financed with credit from international financial institutions and multilateral lenders and direct investment, as part of sovereign debt arrangement.

Q: Can you say what percentage renewables currently make up in the overall energy balance, and what plans you have to increase the ratio by 2025 and 2030? What do you need to do to achieve your targets?

A: This is an important and urgent question. By 2030, Uzbekistan will need to double electricity output to meet the needs of the economy and the population. In other words, to guarantee our country's energy security.

The energy ministry, in alliance with the Asia Development Bank and the World Bank, has devised a 10-year energy plan for Uzbekistan. By 2030, the plan is to create additional renewable energy capacity that will include 5 gigawatts of solar power, 1.9 GW of hydroenergy and 3 GW of wind power. So, the state has come up with a target to increase the share of renewables in overall energy production to 25% by 2030, compared to 10% today.

As for 2025, the plan is to raise the entire energy capacity to 25.6 GW, including 18.8 GW of thermal energy, 2.5 GW of hydro electricity, and wind and solar combined to 4.3 GW. We are already making progress: on the eve of our 30 years of independence, on 27 August, President Shavkat Mirziyoyev witnessed the completion of our first solar photovoltaic plant in the Navoi oblast. Masdar of the United Arab Emirates began building the plant last year and has invested \$110 million in installing 300,000 solar panels. The plant's capacity is 100 megawatts.

Q: Will more tenders be held for the remainder of this year and 2022 for the construction of solar and wind plants?

A: By the end of this year, we plan to announce an electricity tariff and sign draft agreements for a project to build a wind power plant with a 100 MW capacity in Karakalpakstan. This will be the first-ever wind project in Uzbekistan to be awarded by open tender and it is supported by the European Bank for Reconstruction and Development.

I should also point out that in August a tender was launched for the construction of three new solar plants with a total capacity of 500 MW. The tender is due to be closed and a winner announced in third-quarter 2022. These projects are being supported by the International Finance Corp. There will also be two more tenders held by the end of this year for the construction of solar plants with a 300 MW and 100 MW capacity, in partnership with the Asian Development Bank. They are due to close by the end of 2022.

We are preparing one more open tender for the end of this year, for the construction of a 200 MW wind plant in Karakalpakstan, which will be done in partnership with the EBRD.

Q: When will the Shurtan GTL plant be completed? Why the delays?

A: I should say that the Uzbekistan GTL plant is now at the completion stage. Pre-commissioning and commissioning works are being actively carried out at the technological units of the plant.

As you know, UzGTL is one of the largest-scale projects of its kind being carried out not just in Uzbekistan, but throughout the CIS. You can appreciate that the pandemic disrupted the timing of the project in many ways, including delays with transport and cargo shipments, etc. In spite of all this, more than 13,000 people continued to work on-site. After the plant comes into operation, there will be around 1,000 extra jobs created. I should remind you that the project has always been subject to the strictest monitoring of all its components, with a view to increasing Uzbekistan's capacity for deep refining of natural gas, slashing imports of hydrocarbons and also strengthening the republic's energy independence.

Once UzGTG reaches its targeted capacity, we are looking at the production of import-reducing oil products and other hydrocarbons worth more than \$1 billion or 12.8 trillion som. The state budget would then receive around 2 trillion som from tax deductions. In addition, the use of GTL is one of the most effective, economic and safest ways to reduce carbon emissions. I also note that feedstock will, in part, come from the purified commercial gas processed at the Shurtan Gas Chemical Complex (MCC), which produces a range of polymer products obtained by extracting from natural gas such components as ethane, propane, butane, etc. The naphtha produced from the GTL will be used to expand the Shurtan complex to increase the production of polymers, therefore creating an integrated oil and gas chemical cluster.

GTL will process 3.6 billion cubic meters of gas per year, and will produce 1.5 million metric tons/yr of high-quality and low-carbon synthetic fuel, including 307,000 tons of kerosene, 724,000 tons of diesel, 437,000 tons of naphtha and 53,000 tons of LPG.

Q: What is your target for gas production this year? Is it more or less compared to 2020, and have there been any problems with gas sales to China and Russia?

A: Uzbekistan adopts a cautious and even-handed approach toward its gas policy in all its manifestations, including exploration and production, the implementation of investment projects and the question of supply. The primary challenges around gas are not just related to

ensuring full supplies for the population and economy, but also in adopting an ecological approach towards gas usage. This year we plan to increase gas production by 5 Bcm more compared to last year.

As you know, our gas export strategy is based around bilateral agreements, including our supplies to China. Any rise or drop in deliveries is the result of a negotiating process, in which the two sides come to a mutually satisfactory decision. Exports of Uzbek gas to China are one only aspect of the multi-layered energy cooperation between Uzbekistan and China. Chinese companies are active participants in tenders for various energy infrastructure projects, including the construction of new plants and the upgrade of existing ones. The two sides are constantly developing their partnership in energy. The progress of ongoing projects and the perspectives of new ones was discussed in April during a meeting of the Uzbek-China intergovernmental committee for cooperation.

Q: What is happening with the Fergana oil refinery? Are there are plans to privatize it?

A: The issue of denationalization has become critical in our country and the Fergana oil refinery is one of the targets of our privatization drive. To prepare the refinery for the road ahead and its transition to a market economy-driven business model, it was put under the trust management of the company Jizzakh Petroleum in March 2020.

It is important to stress that the procedure for privatizing such big state-owned industrial enterprises with great histories — and Fergana is already 60 years old — provides a good opportunity to transform their operations by introducing modern and more energy-efficient technologies. Having new investors on board would help resolve these issues by introducing best international standards into the work of domestic enterprises.

The country has two main oil refineries — Bukhara and Fergana — which have a combined annual capacity of 8.95 million tons. But at the moment they are operating at below half capacity. The plan is for the Fergana refinery, once it is upgraded, to re-emerge stronger with a bigger variety of finished products.

The plan is to complete the upgrade by 2023 and launch production of gasoline and diesel that adheres to the Euro-5 environmental specifications. We will also modernize the unit that produces base oils and motor oils to bring them up to international standards.

There is also a plan to include a hydrocracking complex in the refinery's future configuration, and to improve fuel and oil yields so we can increase the refining depth to 92%. This would allow us to produce higher-quality products and boost output of jet and diesel fuel, as well as base oils and industrial lubricants. The whole suite of products at the refinery would be changed.