

# PARTNERING FOR THE FUTURE

**Azim Akhmadkhajev, First Deputy Minister for the Ministry of Energy in Uzbekistan spoke with *Oil & Gas Middle East* about how his country handled the pandemic, the role of gas in the energy transition, and the importance of cultivating partnerships for growth**

## How did the country's gas sector fare during the pandemic?

In 2020, natural gas production decreased by 12%. However, Uzbekistan recovered from this pandemic-induced drop during 2021, achieving more than 95% of pre-pandemic output. Overall, Uzbekistan's economy was one of the few posting positive growth (1.7%) during the pandemic year. Considering almost the entire volume of gas produced in our country satisfies domestic needs, the gas sector quickly returned to its usual level of productivity.

## What role do you think natural gas can play in the energy transition?

We are witnessing a global trend towards rejecting hydrocarbons and embracing renewable energy. However, the current level of technological development of wind and photovoltaic power evidently presents a significant drawback manifest in the instable electricity production these sources afford. Thus, a strict rejection of traditional energy sources would make the economy vulnerable in terms of energy security – an irresponsible tradeoff in our eyes. Instead, gradual transition is the way to go, natural gas being the best contender to serve as base power resource because of its less harmful effect on the environment compared to other hydrocarbons.

Under these circumstances, Uzbekistan is in an enviable position. Already today, more than 85% of our energy needs are covered by natural gas. However, while gas provides about a quarter of the world's current energy needs, if all countries



Azim Akhmadkhajev, First Deputy Minister for the Ministry of Energy in Uzbekistan

choose natural gas as a transitional fuel, present production capacities will not suffice to satisfy demand. First indications of this mismatch became visible in last year's drastic price increases due to shortages, for example in Europe and Great Britain. Considering these countervailing pressures, it is likely different countries will adapt their respective energy transition path – natural gas not necessarily being the optimal choice for every country.

## How did the agreement between the UAE-Uzbekistan on Masdar's development of solar energy in Uzbekistan take place?

The continuous dialogue between Uzbekistan and the UAE has led to a strategic partnership, the development of solid bilateral relations, beneficial to the economies of both countries.

Masdar, one of the largest companies in

the UAE, has played an active part in the development of Uzbek-Emirati relations by becoming an active investor in Uzbekistan. At the moment, Masdar is implementing five renewable energy projects, an investment totalling more than \$1 billion.

Masdar also has indicated it plans build on the tremendous results achieved – being at present again a contender in our tenders for the construction of new power plants.

Relations between Uzbekistan and the UAE will continue to grow stronger, with a specific focus on cooperative development of solar energy resources.

## How has Covid-19 changed your energy priorities?

Fortunately, Uzbekistan did not have to change its energy preferences due to the Covid-19 pandemic. The main reasons countries reconsidered their energy policy over the course of the pandemic is how this crisis highlighted the overall fragility of interconnected global markets. Being forced to cope with domestic demand in an environment where trade and supply, including of energy resources, became suddenly insecure or outright impossible naturally caused some rethinking of how interconnectedness also enhances vulnerability.

However, Uzbekistan's energy strategy relies mainly on strengthening domestic output of renewable energy sources to address the energy needs of our growing country – forecasts estimate a 36% growth in electricity demand by 2026. Incidentally, extensive investment in



energy infrastructure also strengthens Uzbekistan's autarky and resilience against crises of all sorts, including pandemics.

**What level of importance do you place on partnerships as facilitating the energy industry's move towards sustainability?**

In terms of sustainability, Uzbekistan has made a large leap ahead over the last years – starting with almost no renewable energy infrastructure, while today 10% of Uzbekistan's energy is sourced from renewables. In 2019, 98.6% of Uzbekistan's energy needs were met by fossil fuels. In 2021, Uzbekistan committed to becoming carbon neutral by 2050.

This rapid move towards a more sustainable energy mix was in large parts implemented through public-private-partnerships and foreign direct investments. The Ministry of Energy and the Ministry of Investments and Foreign

**“GRADUAL TRANSITION IS THE WAY TO GO, NATURAL GAS BEING THE BEST CONTENDER TO SERVE AS BASE POWER RESOURCE**

**AZIM AKHMADKHADJAEV, FIRST DEPUTY MINISTER FOR THE MINISTRY OF ENERGY IN UZBEKISTAN**”

Trade have acted according to President of Uzbekistan Shavkat Mirziyoyev's decrees to liberalise and diversify the country's energy economy.

There are two reasons why partnerships with private companies are the best way to achieve the growth in renewable energy Uzbekistan needs. First, our domestic energy champions lacked the experience and technical know-how to deliver industrial scale solar or wind plants. Thus, involving foreign companies – like Masdar from the UAE or ACWA Power from Saudi Arabia – was the fastest, most efficient way to grow this sector domestically in a short

period of time. And second, long-term partnerships with large energy companies or other countries will benefit Uzbekistan by transferring knowledge and introducing international industry standards. For our partners, Uzbekistan's growing economy offers great business opportunities. The way ahead is a competitive and diverse domestic energy market operated by world-class national champions as well as foreign competitors.

In one sentence: partnerships with foreign companies and other nations are an important part of Uzbekistan's renewable energy development strategy. ○