

## Will gas tariff become the dealbreaker for the Eurasian Economic Union?



KAZAKHSTAN

By Shaimerden Chikanayev

**The Eurasian Economic Union (EAEU) is a Russia-led economic union of the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic and the Russian Federation that represents, from an energy perspective, one-fifth of the world's gas reserves and more than 50% of world gas exports.**

The siren call for the EAEU, particularly for Armenia, Belarus and Kyrgyzstan, is the heavily discounted gas price from Russia.

There is no surprise, therefore, that the most controversial issue and potential dealbreaker for the EAEU's proposed common gas market or may even be for the whole union, remains the matter of gas pricing and the tariff for gas transportation services in the common natural gas market of the EAEU.

Armenia, Belarus and Kyrgyzstan, as gas-consuming countries, insist on equal treatment of all gas consumers in the EAEU's common gas market, irrespective of the country of origin.

The expected launch of the EAEU's common gas market is in 2025; however, it provides almost no economic benefit for Russia and Kazakhstan as gas-exporting countries that use gas export

revenues for cross-subsidization of their population and industries.

The lack of interest from Russia and Kazakhstan to hasten the process of formation of the EAEU's common gas market, unsurprisingly, has caused sterile debates on different approaches to gas pricing in the EAEU's common gas market without much success for more than four years now.

The latest push to agree on the aforementioned matters was made on the 19<sup>th</sup> May 2020, when the heads of the EAEU member states were supposed to come to some consensus on the issue of tariff-setting for gas transportation services in the union's common gas market.

EAEU's leaders, however, failed not only to agree to resolve the foregoing issue, but also to adopt a common strategy for development of the EAEU, so now there is a high risk that the current deadline of the 1<sup>st</sup> January 2025 for the official launch of the EAEU's common gas market would not be met.

Interestingly, this time Russian President Vladimir Putin clearly rejected the possibility of imposing a uniform gas transportation tariff on the territory of the EAEU because "uniform tariff may be realized only on a single market with a uniform budget and uniform tax system".

This means that Putin, apparently, sees the difference between the concepts of 'common gas market' and 'single gas market' and considers 'single gas market' with 'unified tariff' possible only if there is a sufficient political level of integration among EAEU member countries.

The elites of Armenia, Belarus, Kyrgyzstan and, surely, of Kazakhstan are, however, not ready to give up particles of sovereignty of their respective countries, even in exchange for subsidies in the form of cheap gas.

There is quite a big risk, therefore, that the gas tariff issue will become a dealbreaker not only for the proposed common gas market of the EAEU, but for the EAEU itself.

All gas-producing and gas transportation companies in Kazakhstan are, evidently, Shariah compliant.

The official launch of the EAEU's common gas market is anticipated to eliminate inefficiency in Kazakhstan's gas sector and, thereby, create ample opportunities for foreign lenders and investors, including using Islamic finance structured products. (🔗)

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## Saudi Arabia's investments in Brazil



BRAZIL

By Fabio Amaral Figueira

**The Brazilian president had the opportunity to meet Saudi Crown Prince Mohammed Salman during his visit to Saudi Arabia in the last quarter of 2019. During the meeting, the crown prince expressed his intention to invest up to US\$10 billion in Brazil in the years to follow with the Saudi Public Investment Fund (PIF) as the vehicle.**

As such, the PIF has invested in two funds managed by Patria Investimentos, a fund manager that creates new

businesses in the infrastructure, real estate and agribusiness segments. The amounts involved in the investments made by the PIF were not disclosed.

Based on the aforementioned, it is foreseeable that once the pandemic crisis subsides, a Saudi mission will visit Brazil to assess investment opportunities and learn from the Brazilian authorities about the economy in a post-pandemic situation.

AgriBrasil, a Brazilian trading company focusing on the commercialization of grains, is planning to export transgenic

soya to Europe, the Middle East and North Africa regions. AgriBrasil's focus on the MENA region is complementary to the one adopted by Brazilian manufacturing companies exporting Halal chicken to the MENA region for decades.

In fact, the importance of agribusiness in the Brazilian economy is significant, corresponding to approximately 21% of the Brazilian GDP in 2019. (🔗)

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