

**GEOPOLITICAL COMPETITION
AND ENERGY SECURITY
IN CENTRAL ASIA**

HEARING

BEFORE THE

SUBCOMMITTEE ON NEAR EAST,
SOUTH ASIA, CENTRAL ASIA,
AND COUNTERTERRORISM

OF THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

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GEOPOLITICAL COMPETITION AND ENERGY SECURITY IN CENTRAL ASIA

WEDNESDAY, MARCH 8, 2023

U.S. SENATE,
SUBCOMMITTEE ON NEAR EAST, SOUTH ASIA,
CENTRAL ASIA, AND COUNTERTERRORISM,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:20 p.m., in room SD-419, Dirksen Senate Office Building, Hon. Christopher Murphy, chairman of the subcommittee presiding.

Present: Senators Murphy [presiding], Kaine, and Young.

OPENING STATEMENT OF HON. CHRISTOPHER MURPHY, U.S. SENATOR FROM CONNECTICUT

Senator MURPHY. I am going to call this meeting of the Subcommittee on the Near East, South Asia, Central Asia, and Counterterrorism to order. Someday we will find a way to rename this subcommittee that—something shorter.

Senator YOUNG. Have you thought about the acronym?

Senator MURPHY. Yes, I have not yet. I have not worked it out.

For now we are Near East, South Asia, Central Asia, and Counterterrorism and we welcome both the Honorable Donald Lu and the Honorable Geoffrey Pyatt to testify before us today.

Senator Young and I will make some brief opening comments and then we will turn to both of you for your opening statements and then questions from the members.

We are convening this subcommittee today to discuss Central Asia, and when we talk about Central Asia we are talking about Kazakhstan, Uzbekistan, Tajikistan, Turkmenistan, Kyrgyz Republic.

This hearing comes at a really opportune time a week after Secretary Blinken traveled to the region for the first time and a year after Russia's full-scale invasion of Ukraine has, frankly, shifted the geopolitical landscape in Central Asia.

Russia's invasion of Ukraine has accelerated geopolitical competition that was already underway in the region as Central Asian states seek to balance their dependence on any one regional power.

Preoccupied in Ukraine, Russia is struggling to preserve its traditional influence—some might say dominance—in the region or parts of the region.

It has redeployed many of the troops that were stationed in the region to Ukraine and Central Asian governments appear to be re-

thinking Russia's ability to serve as a dependable security provider and mediator on regional security and economic issues.

Meanwhile, China, like it is everywhere, is ramping up its already active engagement in Central Asia seeking to build on its really big economic investments in the region and expand its influence into the diplomatic and security spheres.

This is the same story we hear everywhere around the world, but maybe more acute in neighboring Central Asia. Turkey, India, Iran, and the EU are also exploring new openings and offering Central Asian states opportunities for greater connectivity to the outside world.

Now, the United States has been a friend and a partner to Central Asian states for the last 30 years. When the Soviet Union collapsed in 1991, we were the first nation to recognize, for instance, Kazakhstan's independence, and our support for the independent sovereignty and territorial integrity of Central Asian countries, it has been a cornerstone of U.S. policy ever since.

Russia's brutal war of aggression in Ukraine reminds us that the words, these principles of sovereignty and independence, they have real meaning, especially for a region long dominated by Moscow.

Frankly, the invasion has reminded these Central Asian countries that relying on Vladimir Putin to guarantee your independence is a really, really bad bet.

The United States is also, frankly, rethinking whether the ways we have dealt with these nations needs to change. I would argue that it does.

For the last 20 years our engagement in Central Asia was focused, arguably, primarily on ensuring supply routes for U.S. military operations in Afghanistan.

However, it is past time to recognize that our efforts and our interests in Central Asia are broader and that one of the benefits of our withdrawal from Afghanistan is that now our policy in Central Asia does not need to be dominated by protecting our presence inside the Afghan civil war.

This is a part of the world that does have incredible untapped potential and that is one of the things we want to focus on today. The people of Central Asia, they want a connection with the American people.

Central Asia, as we know, is rich in critical resources like hydrocarbons and rare earth minerals. There are investment opportunities, connections between U.S. businesses and Central Asian businesses, and we also want to work closely with Central Asian states to maximize the impact of our sanctions against Russia and provide alternatives to Russian-made military equipment.

However—this is the final thing I will say—our policies in Central Asia do need to be realistic and our eagerness to build new ties should not unnecessarily tie us to despotic regimes there.

This is a region whose countries are ranked among the least free and least democratic in the world, and let us be honest, we have had little success in a lot of our engagement there on human rights issues.

This is a region where Russia and China are still deeply invested and engaged and where we saw time after time the limits of our influence during the war in Afghanistan.

I am so encouraged by the Biden administration's focus on the C5+1 diplomatic platform. I am eager to learn more about that today, but also how we can really set a digestible series of objectives for our engagement in the region.

I look forward to hearing more about the Administration's vision for a right-sized U.S. role in the region in the post-Afghanistan war post-Ukraine invasion world.

I look forward to hearing how Secretary Blinken's visit to the region last week helped advance these objectives, including a first-hand account from Assistant Secretary Lu, who was on the Secretary's trip.

Finally, I look forward to our witnesses' views on the steps the United States Congress can take to improve our relations with Central Asian states.

Senator Young.

**STATEMENT OF HON. TODD YOUNG,
U.S. SENATOR FROM INDIANA**

Senator YOUNG. Thank you, Mr. Chairman, for holding this hearing. I want to welcome Assistant Secretary Lu, Assistant Secretary Pyatt, to the subcommittee.

As we have said in other subcommittee hearings, this topic is critical for us to examine because we know that great power competition is not confined to one particular geographic region.

Similarly, America's role in an often under-resourced region of the world has never been more important. Building on Secretary Blinken's recent visit and in light of the ongoing tragic conflict in Ukraine, I am glad we are holding this hearing to examine our relationship with Central Asian countries and to identify where opportunities and challenges exist.

As we look at geopolitical competition in Central Asia we must do so with the people in mind. The future in Central Asia must be one where human rights are valued, where economic activity is flourishing, the private sector is engaged, and the people are determining their own future for themselves.

Neither Russia nor China can help deliver this future for these societies. As evidenced by the continuing crisis in Ukraine, Russia does not care about human lives nor does it value a country's sovereignty.

The tragedy in Ukraine must be a wakeup call to those in the region who still see relations with Russia as something to be pursued.

In China we have witnessed horrific policies in Xinjiang targeting ethnic minorities who also call these countries home and yet many are still content to trade with China and deepen ties via the Belt and Road Initiative.

These countries must realize the nature of who they are working with and realize that partnering with the United States and others presents a much better opportunity.

Of course, we must take actions to become that partner of choice. The chairman mentioned adjustments to Jackson-Vanik. I am open to discussing this and other ideas further.

With Russia occupied by the war in Ukraine, now is a historic opportunity for Central Asian countries to chart for themselves a

new course in their history, one that secures their sovereignty and economic stability for their people and avoids dependence on a larger coercive neighbor in either Moscow or Beijing.

I believe we are at a crossroads in our relationship with the region and we must seize this opportunity to be the partner of choice. I am pleased we are here to discuss such an important issue.

Mr. Chairman, I thank you so much.

Senator MURPHY. Thank you, Senator Young. Looking forward to your questions.

I will introduce both of our witnesses and then ask Secretary Lu to begin, followed by Secretary Pyatt.

It is our pleasure to introduce the Honorable Donald Lu, Assistant Secretary of State for South and Central Asian Affairs. Assistant Secretary Lu previously served as U.S. Ambassador to Kyrgyzstan and Albania, held other important positions in India, Azerbaijan.

Secretary Pyatt, well known to this committee, is the Assistant Secretary of State for Energy Resources. Assistant Secretary Pyatt previously served as U.S. Ambassador to both Greece and Ukraine, holding other important positions in India and Vienna.

First to you, Secretary Lu, then to you, Secretary Pyatt. Look forward to your testimony today.

STATEMENT OF THE HONORABLE DONALD LU, ASSISTANT SECRETARY OF STATE FOR SOUTH AND CENTRAL ASIAN AFFAIRS, U.S. DEPARTMENT OF STATE, WASHINGTON, DC

Mr. LU. Thank you.

Mr. Chairman, Mr. Ranking Member, colleagues, as was mentioned, I just returned on Friday from Central Asia with the Secretary. It was his first visit to the region as Secretary of State and I am pleased to report each of the countries is eager for more U.S. engagement.

We saw real and substantial opportunity there. What I would propose to do is say a few words about Central Asia and Ukraine.

Then I will talk about the economies of the region and how Russia's war in Ukraine is affecting the lives of everyday people. Finally, I want to say a few words about human rights.

The governments of Central Asia have been under intense pressure to support Putin's invasion of Ukraine. They have been pressured to send troops from Central Asia to fight and they have refused.

They have been pressured to recognize Russia's purported annexation of parts of Ukraine and they have refused. They have been pressured to publicly endorse Putin's claims that Ukraine is merely a part of Russia. Not only have they refused, several have loudly and clearly said that they support Ukraine's sovereignty, independence, and territorial integrity.

Now, it is true that Central Asian countries have abstained on U.N. resolutions condemning the Russian invasion, but I would argue that even that is a courageous act as they have been under enormous pressure to vote against these resolutions.

People in Central Asia have historically had strong ties to both Russia and Ukraine. Many of them studied in Ukraine, did business there, or have friends and family living in Ukraine.

People in Central Asia have responded with compassion to the suffering of Ukrainians. They have sent tons of humanitarian supplies—blankets, clothing, food, medicine.

When Russia destroyed some of Ukraine's electrical grid, Central Asia sent generators. Private citizens in Kazakhstan raised money to send yurts to Ukraine where regular people who suddenly found themselves without electricity and without heat could come out of the cold, get a hot cup of tea, charge their cell phones. They call these the yurts of invincibility.

Secretary Blinken told his Central Asian counterparts that the United States sees the hardship in Central Asia caused by Putin's war of aggression and we want to help. We see the rising food and fuel prices. We see the rising unemployment levels. We see difficulties in importing and exporting goods to and from the region. We see large numbers of migrants coming from Russia to escape conscription.

Last year, the Congress generously provided \$41.5 million in new assistance to help Central Asia meet these challenges.

Of that amount, \$16.5 million is being used to promote food security. The remaining \$25 million is being used to retrain workers to reduce unemployment, to pilot new trade routes that do not go through Russia or China, and to help private sector businesses to succeed and to grow.

Last week, Secretary Blinken announced that we would be working with the Congress to secure an additional \$20 million to support these programs. He also announced \$5 million to support regional connectivity through economic and energy programs.

We want to show that we are a reliable partner that acknowledges the hardships caused by Russia's war of aggression.

Mr. Chairman, I have had the opportunity to work and live in Central Asia on and off for the past 20 years. Most of us expected to see progress on human rights proceeding at a snail's pace.

I am happy to report that we have seen some important strides just in the past year. In Uzbekistan, the International Labor Organization has recognized the end to systemic state-sponsored forced labor and child labor in the cotton harvests.

The Government of Uzbekistan achieved this through implementing a series of presidential decrees that prohibited the use of force and child labor in the cotton production and abolished cotton quotas at the national and local levels.

In Kazakhstan the courts convicted three policemen in January for torturing detainees after video footage emerged showing beatings and other physical abuse.

In February, the courts convicted five more policemen charged with torturing detainees with a hot iron. These are small numbers and steps remain to hold security services fully accountable, but these convictions reflect a presidential priority to end torture and physical abuse in places of detention.

This is a goal that we fully support. There is a lot more that needs to be done in Central Asia to prevent human rights abuses, to promote freedom of religion and labor rights, and to secure a free press.

Seeing these steps over the past year makes me optimistic that with the help of partners, Central Asian countries can make impor-

tant progress in the short term in improving respect for human rights.

Let me end where I began. The countries of Central Asia are under tremendous pressure from Moscow. They do not want to be caught up in Putin's war. They want to live in freedom and decide their future for themselves.

We can support these aims through well-crafted foreign assistance programs with support for human rights, and, most importantly, with our sincere engagement.

Thank you.

[The prepared statement of Mr. Lu follows:]

Prepared Statement of Mr. Donald Lu

Mr. Chairman, Mr. Ranking Member, colleagues, I just returned on Friday from Central Asia traveling with Secretary Blinken. This was his first visit to the region as Secretary. I am pleased to report that each of the countries is eager for more U.S. engagement. We saw real and substantial opportunity there.

I propose saying a few words about Central Asia and Ukraine. Then I'll talk about the economies of the region and how Russia's war in Ukraine is affecting the lives of everyday people. Finally, I want to say a few words about human rights.

CENTRAL ASIA AND UKRAINE

The governments of Central Asia have been under intense pressure to support Putin's invasion of Ukraine. They have been pressured to send troops from Central Asia to fight. They refused. They have been pressured to recognize Russia's purported annexation of parts of Ukraine. They refused. They have been pressured to publicly endorse Putin's claims that Ukraine is merely a part of Russia. They have not only refused, but several have loudly and clearly said they support Ukraine's sovereignty, independence, and territorial integrity.

It is true that Central Asian countries have abstained on UN resolutions condemning Russia's invasion, but even that is a courageous act as they have been under enormous pressure to vote against these resolutions. People in Central Asia have historically had strong ties to both Russia and Ukraine. Many studied in Ukraine, did business there, or have friends and family living in Ukraine.

People in Central Asia have responded with compassion to the suffering of Ukrainians. They sent tons of humanitarian supplies—blankets, clothing, and medicine. When Russia destroyed some of Ukraine's electrical grid, Central Asians sent generators. Private citizens in Kazakhstan raised money to send yurts to Ukraine, where regular people who suddenly found themselves without electricity and heating could come to get out of the cold, have a hot cup of tea, and charge their cellphones. They called them Yurts of Invincibility.

THE ECONOMIES OF CENTRAL ASIA

Secretary Blinken told his Central Asian counterparts that the United States sees the hardship in Central Asia caused by Putin's war of aggression, and we want to help. We see rising food and fuel prices. We see rising unemployment. We see difficulties in importing and exporting goods to and from the region. And we see large numbers of migrants coming from Russia to escape conscription.

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In Kazakhstan, the courts convicted three policemen in January for torturing detainees after video footage emerged showing beatings and other physical abuse. In February, the courts convicted five more policemen charged with torturing detainees with a hot iron. These are small numbers, and steps remain to hold security services fully accountable, but these convictions reflect a presidential priority to end torture and physical abuse in places of detention—a goal we fully support.

There is a lot more that needs to be done in Central Asia to prevent human rights abuses, promote freedom of religion and labor rights, and secure a free press. Seeing these steps over the past year makes me optimistic that with the help of their partners, Central Asian countries can make important progress in the short-term in improving respect for human rights.

CLOSING

Let me end where I began. The countries of Central Asia are under tremendous pressure from Moscow. They do not want to be caught up in Putin's war. They want to live in freedom and decide their future for themselves.

We can support these aims with well-crafted foreign assistance programs, with support for human rights, and most importantly, with our sincere engagement.

Senator MURPHY. Thank you.
Secretary Pyatt.

STATEMENT OF THE HONORABLE GEOFFREY PYATT, ASSISTANT SECRETARY OF STATE FOR ENERGY RESOURCES, U.S. DEPARTMENT OF STATE, WASHINGTON, DC

Mr. PYATT. Chairman Murphy, Ranking Member Young, members of the subcommittee, thank you for the opportunity to appear today to discuss the Administration's efforts to strengthen energy security and accelerate energy transition in Central Asia.

Over the past year, Vladimir Putin's brutal invasion of Ukraine and weaponization of energy have disrupted global markets in ways that will ripple for years to come, including in Central Asia.

For most of the world Russia will never again be viewed as a reliable energy supplier, but facing setbacks in Ukraine, Putin has sought to reassert influence over the countries that Russia traditionally considered within its sphere.

Although Central Asia has some of the world's largest fossil fuel deposits and notable renewable energy potential, the region is also landlocked and vulnerable with access to global markets presenting logistical and geopolitical challenges.

My colleagues in the State Department's Bureau of Energy Resources and I seek to strengthen Central Asia's energy security, provide a strategic counterweight to malign actors, and support Central Asian countries in achieving their climate goals.

Reflecting today's energy security challenges and the Administration's focus on energy security transition and access, ENR has increased its foreign assistance budget requests within the Department's overall request to \$30.5 million in FY23.

We appreciate Congress' past and continued support for our work to ensure the United States is the preferred partner for Central Asian countries in energy security and transition.

Since my first week as Assistant Secretary I have prioritized ENR engagement with Kazakhstan, reflecting that country's potential on a broad range of bureau priorities, including energy security, renewables, methane abatement, nuclear, and critical minerals.

At a time when global energy markets are tight, every barrel counts. Kazakhstan exports 1 percent of total global crude oil production, most of which is handled by two American energy companies.

Eighty percent of its exports leave through the Caspian Pipeline Consortium, which terminates in the Russian port of Novorossiysk. Through the revitalized U.S.-Kazakhstan strategic energy dialogue, ENR, along with the Department of Energy and other State Department stakeholders, is supporting the Government of Kazakhstan to strengthen its energy security by accelerating transition and diversifying export routes.

In February, with U.S. encouragement the state-owned energy companies of Kazakhstan and Azerbaijan finalized a commercial agreement to ship an additional 1.5 million tons of oil per year via the Caspian and Azerbaijan to global customers, covering about 2 percent of Kazakh net exports.

By focusing further on regional connectivity and export routes across the Caspian, Central Asian countries will have options that enable them to stand firm in the face of malign influence.

In addition to Russia, China plays an important role in Central Asia's energy sector and is the dominant recipient of Central Asia's exported gas. In 2021, the PRC imported 26 percent of its natural gas from Central Asia, mainly Turkmenistan.

The United States encourages Turkmenistan to consider options for diversifying its natural gas exports, including to Europe. That will hinge, however, on the Turkmenistan Government making their market more attractive to Western energy companies.

Aging fossil fuel infrastructure and poor leakage controls lead to high methane emissions from oil and gas production in Kazakhstan and Turkmenistan.

Turkmenistan, for instance, is the world's fourth largest emitter from oil and gas, methane. Just yesterday, I joined former Secretary Kerry urging the Kazakh energy minister to join the Global Methane Pledge through which participants commit to contribute to a collective effort to reduce global methane emissions by at least 30 percent from 2020 levels by 2030. Of course, the most effective way to increase energy security is for all the Central Asian countries to accelerate their clean energy transitions.

Central Asia has abundant wind and solar potential. Tajikistan and Kyrgyzstan use hydroelectricity for significant portions of their power generation, but as climate change shrinks the mountain glaciers supplying hydroelectric dams, that zero carbon power source dwindles, harming energy security and exacerbating regional conflicts over water access and management.

In Istanbul last October I met with the deputy energy ministers of Tajikistan, the Kyrgyz Republic, and Uzbekistan, all of whom emphasize the need to preserve and develop the region's renewable energy resources.

A pacing factor in the energy transition will be the availability of critical energy minerals. As the world transitions to a clean energy economy, global demand for these critical minerals is set to skyrocket by 400 to 600 percent.

Central Asia has sizeable critical minerals and rare earth element resource potential and the State Department is expanding our work in this area.

Kazakhstan, meanwhile, produces 45 percent of the global uranium supply and is looking to deepen cooperation with the United States, including on technologies like small and modular reactors.

When Central Asia gained independence from the Soviet Union 31 years ago, the United States was among the region's first partners and first sources of foreign direct investment in the oil and gas sectors.

As we face today's pressing challenges, Central Asia has the potential to be a valuable partner in our work on the geopolitics of energy, and ENR is eager to develop this opportunity.

Thank you again for the committee's support in this effort and I look forward to addressing your questions.

[The prepared statement of Mr. Pyatt follows:]

Prepared Statement of Mr. Geoffrey Pyatt

Chairman Murphy, Ranking Member Young, and members of the subcommittee, thank you for the opportunity to discuss the Administration's efforts to strengthen energy security in Central Asia.

During the past year, the consequences of Putin's war against Ukraine have echoed around the world, including in Central Asia. Putin's weaponization of energy has disrupted global markets in ways that will ripple for years to come, and I have seen the effects everywhere I travel. These effects include rising energy and commodity prices, surging demand for non-Russian gas, and an increased determination to accelerate the transition to clean energy sources. For most of the world, it is clear Russia never again will be viewed as a reliable supplier of energy. In the face of widespread condemnation on the global stage, Russia has sought to reassert its influence on the countries it traditionally considered within its sphere.

Although Central Asia has some of the world's largest fossil fuel deposits and notable potential to increase renewable energy and clean technology, the region also is landlocked and vulnerable—with access to global markets through Russia to the north, Iran to the south, and the PRC to the east—presenting both logistical and geopolitical challenges. To support a secure, clean, and resilient energy future, my team in the State Department's Bureau of Energy Resources (ENR) seeks to strengthen Central Asia's energy security, provide a strategic counterweight to malign actors in the region, and support Central Asian countries in achieving their climate goals and protecting their sovereignty and territorial integrity.

Given today's energy security challenges and the Administration's focus on energy security, transition, and access—including increasingly in Central Asia—ENR steadily has increased its foreign assistance budget requests within the Department's overall request to \$30.5 million in FY 2023. We appreciate Congress's past and continued support for our work to ensure the United States is the preferred partner for Central Asian countries in both energy security and energy transition.

At a time when global energy markets are tight thanks to Putin's weaponization of oil and gas, every barrel counts. Kazakhstan exports over 1 percent of total global crude oil production, most of which is handled by American energy companies. Eighty percent of its exports leave through the Caspian Pipeline Consortium (CPC), which terminates in the Russian Black Sea port of Novorossiysk. Through the newly revitalized U.S.-Kazakhstan Strategic Energy Dialogue, ENR, in conjunction with the Department of Energy and other stakeholders at the State Department, is engaging with the Government of Kazakhstan to strengthen its energy security by diversifying export routes and reducing dependence on Russia. As part of this work, we aim to address infrastructure needs in the "Middle Corridor" trade route across the Caspian and through Azerbaijan into Europe to better allow countries to export goods—including energy products and critical mineral commodities such as uranium—to global markets.

In conjunction with the Bureau of South and Central Asian Affairs and the Partnership for Global Infrastructure and Investment in the Department of State, ENR has also worked with the Government of Kazakhstan to pursue diversification of exit routes for crude oil. In February, KazMunayGaz and SOCAR, the respective state-owned energy companies from Kazakhstan and Azerbaijan, implemented a commercial agreement to ship 1.5 million tons of oil per year via the Caspian and Azerbaijan to global markets on the Mediterranean. By focusing on stronger regional connectivity among the states of Central Asia, and by seeking to expand export routes across the Caspian, Central Asian countries will have options that enable them to stand firm in the face of malign influence.

The Central Asian countries that produce fossil fuels rely on the PRC as a critical export market. Turkmenistan and Kazakhstan are two of the top 10 natural gas exporters to the PRC, shipping gas via pipelines. Nearly all of Turkmenistan's natural gas exports are destined for the PRC, providing the Turkmen treasury with the great majority of its revenue. In 2022, the PRC imported 67 percent of its pipeline gas from Central Asia—approximately 34 billion cubic meters (bcm) from Turkmenistan with an additional four bcm from Kazakhstan and four bcm from Uzbekistan. As domestic demand increases in Uzbekistan, and Kazakhstan seeks to transition its coal-based electricity generation to run on natural gas and renewables, the countries' exports to Beijing likely will decrease, increasing PRC demand for Turkmenistan-origin gas and deepening ties between Beijing and Ashgabat. The United States continues to discuss with Turkmenistan options for bringing Turkmenistan gas to Europe, perhaps via the Southern Gas Corridor, but that will hinge on decisions by the Turkmenistan Government to make their market more attractive to western international oil companies.

Greater energy integration is one way to bolster energy security in Central Asia. Natural gas transmission within the region is limited by infrastructure gaps and historically low levels of trade and connectivity. Furthermore, aging infrastructure and export cuts during periods of high domestic demand—particularly during the heating season—contribute to rolling blackouts, hampering economic activity and putting population safety at risk. In 2022, a major technical fault in the regional power grid caused a blackout throughout large parts of Uzbekistan, Kazakhstan, and Kyrgyzstan as the entire Central Asian grid system collapsed. A week of near-freezing temperatures this past January caused widespread power outages in Uzbekistan, disrupting transportation, heating, natural gas distribution, and water supplies. These infrastructure failures are not only an issue for human welfare, but also of energy security: as part of an effort to address limited supplies of natural gas, Uzbekistan and Kazakhstan both signed new cooperation agreements with Gazprom, as Moscow seeks new markets for its natural gas to replace Europe and as Central Asian countries face growing domestic natural gas demand.

Aging fossil fuel extraction infrastructure in the region and poor emissions control lead to disproportionately high methane emissions from oil and gas production in Kazakhstan and Turkmenistan—resulting in significant wasted energy resources and major climate impacts. Based on data from the International Energy Agency and the World Bank, more than 400 billion cubic feet of natural gas (or about 12 billion cubic meters) is wasted every year from the region due to vented, leaked, and flared methane. This wasted volume is equivalent to Romania's entire annual gas demand. As a greenhouse gas, methane is over 86 times as potent as carbon dioxide in the near term, making Central Asian methane emissions a substantial contributor to climate change. Turkmenistan is the fourth-largest emitter of methane from the oil and gas sector worldwide, while Kazakhstan's sector is the 12th largest. The State Department and ENR, alongside other agencies, such as USTDA, EXIM, and DFC, have a strong interest in supporting investment in methane mitigation. We have engaged all the region's governments in signing up to the Global Methane Pledge, through which participants commit to contribute to a collective effort to reduce global methane emissions by at least 30 percent from 2020 levels by 2030.

Of course, the most effective way to increase the energy security of all five Central Asian countries is through the clean energy transition. Shifting from fossil fuels to clean technologies would also contribute substantially to climate action goals and reduce air pollution, though this would require greater electric power integration among the countries.

Worldwide, a pacing factor in the energy transition will be the availability of critical energy minerals. As the world transitions to a clean energy economy, global demand for these critical minerals is set to skyrocket by 400–600 percent over the next several decades. For minerals such as lithium and graphite used in electric vehicle batteries, demand will increase by even more—as much as 4,000 percent. Building stable, secure, and resilient supply chains for the minerals critical to our clean energy transition is important to our engagement with Central Asia. Central Asia has

sizable critical mineral and rare earth element resource potential. The region has produced commodities such as bauxite, chromite, copper, iron ore, manganese, titanium, uranium, and zinc, but the actual extent of the region's mineral resource potential—in terms of diversity and quantity—is still to be fully determined. The use of modern exploration technologies and investment will be essential to unlocking the complex geology associated with these resources. With sound governance and experienced private sector partners, Central Asia could become an important contributor to advancing the global clean energy transition. At the State Department, ENR inaugurated the Minerals Security Partnership (MSP) to facilitate diversification and securing of critical minerals supply chains. The MSP, which includes 12 countries and the European Commission, aims to facilitate investment in mining opportunities using the highest environmental, social, and governance standards. As the partnership evolves, I expect the MSP will also look at projects in Central Asia that can diversify global critical minerals supply chains in ways that strive to meet our stated goals of high environmental, social, and governance standards.

Our emphasis on secure and stable supply chains also has applications for nuclear fuel supply chains. Kazakhstan produces 45 percent of global uranium supply and seeks to increase its exports to global markets. As we engage with allies and partners on reducing Russia's role in the oil and gas sectors, the Department also is working to build safe, diverse, and reliable supply chains for nuclear fuel and other critical supplies and services. Soviet-built reactors in the European Union, for instance, leave Moscow playing an outsized role in the nuclear sector. G7 nations have resolved to reduce their reliance on Russian nuclear energy and to help other countries seeking to do the same.

Central Asia also has abundant solar and wind energy potential. Each country varies in its readiness and willingness to act on renewable energy expansion, which would also require greater electricity grid integration. Uzbekistan has shown notable ambition in tackling the climate crisis, with plans to reduce greenhouse gas emissions per unit of GDP by 35 percent of 2010 levels by 2030 and to increase the share of renewable energy sources to 25 percent of total power generation. Kazakhstan's National Green Growth Plan envisions the significant drawdown of coal as an energy source by 2030 and an increase to 50 percent renewable energy by 2050. Tajikistan and Kyrgyzstan both use hydroelectricity for power generation, providing 90 and 53 percent of total power generation, respectively. As climate change shrinks the mountain glaciers supplying their hydroelectric power plants, that zero-carbon power source dwindles, diminishing energy security and exacerbating regional conflicts over water access and management. In my October travel to Istanbul, I met with the deputy energy ministers from Tajikistan, the Kyrgyz Republic, and Uzbekistan, and they emphasized the need to preserve and develop the region's renewable resources. Our foreign assistance, including USAID's Power Central Asia project, advances the clean energy transition and decreases energy sector methane emissions throughout Central Asia.

When Central Asia gained independence from the Soviet Union 31 years ago, the United States was among the first partners and sources of foreign direct investment, notably in the oil and natural gas sector. As we face today's pressing geopolitical challenges, including issues of energy supply security and the needs of the clean energy transition, Central Asia has the potential to be an effective and valuable partner in our work on the geopolitics of energy. Thank you. I look forward to addressing your questions.

Senator MURPHY. Thank you both for your testimony. We will begin questioning. We have got members of the subcommittee that are tuning in from offices and we may be joined later by other members in-person.

Let me direct my first question to you, Secretary Lu. When you testified before the House Foreign Affairs Committee in September, you stated the Administration's support for the repeal of the 1974 Jackson-Vanik Amendment as it applies towards Kazakhstan, Uzbekistan, and Tajikistan.

This strikes me as a really smart idea and a pretty easy way for Congress and the Administration to stand together in our support for deeper engagement with the region.

This is an amendment that is a pretty major irritant in our bilateral relations. It comes up a lot when you talk to these nations. It sort of suggests that we still view Central Asia through a Soviet-

era lens, but we have failed to repeal the amendment as it applies to three of these countries even though we have repealed the amendment as it applies to Russia, amongst some of the others in the region.

Can you just explain the rationale for repealing Jackson-Vanik as it applies to Kazakhstan, Uzbekistan, and Tajikistan?

Mr. LU. Thank you, Mr. Chairman.

In Secretary Blinken's trip to Central Asia last week, this was raised at each one of the meetings with his counterparts in Central Asia. It is a real drain on the sense of trust between our countries.

The Jackson-Vanik, as you know, was originally created to put pressure on the Soviet Union to allow the emigration of Soviet Jews from the Soviet Union to the United States and to Israel.

It provides four criteria to judge countries on, looking at their ability to let people emigrate—to leave the country. Kazakhstan, Tajikistan, and Uzbekistan have fulfilled those criteria for 25 years.

We completely agree with your statement that at a time when we are trying to help them diversify away from Russia that this would be a strong signal that we are interested in deepening our economic engagement.

Senator MURPHY. Great, and I was glad to hear Senator Young's interest in this issue and I look forward to working with him and others.

This strikes me something we could do on a bipartisan basis to support the Administration's efforts.

Secretary Pyatt, I want to—sort of pulling the conversation out of the weeds, the problem you described in Turkmenistan seems to be a problem without a current solution from the United States.

This is a country rich in natural resources. They are selling predominantly to China today and we are not getting the benefit of those resources because, as you identified, internal conditions—aging infrastructure, a set of rules that investors cannot count on.

The problem is there is not a lot of reason for Turkmenistan to change because they have got a very willing partner who is willing to pay them what they see as a fair price, a partner, in fact, who has invested in sort of keeping that country a backwater, a country that does not support the rule of law.

To me, public shaming or small-scale incentives do not seem to be the answer here. I have never understood why—this is my editorial—why we do not spend more hard dollars on energy security, why we spend \$700 billion on the military and next to nothing on actually helping to connect countries in Central Asia to Europe and to the United States, for instance, because if we have learned anything in our fight in Ukraine alongside the Ukrainians is that you cannot have territorial integrity without energy security and that Russia is using Europe's lack of energy security in particular, but also our lack of energy security as a means to undercut the territorial integrity of both Ukraine and Europe.

How do you—take Turkmenistan, take other countries in the region where we want to have a more robust energy relationship. We want to help them connect to Europe, but it is corruption, old infrastructure, that stands in the way. Do we have the set of tools right

now to help change that reality or do we need to think about a new suite of tools?

Mr. PYATT. Thank you, Senator, and let me start my answer by noting that I spent yesterday and Monday in Houston at what is arguably the world's biggest energy conference, meeting with ministers and corporate leaders from around the world, and it was really striking to me in that setting how the consensus has now emerged on the point I made in my opening statement that Russia is off the table.

This is an enormously important development. The world has seen that Russia will not be a reliable energy supplier. Vladimir Putin talks a lot about finding new markets in Asia for the gas which is no longer going to Europe, but it is notable that Gazprom was resorting to coercion with Uzbekistan and Kazakhstan just last month, trying to force them to sign up to new gas import agreements because he does not have a lot of good options.

A very large volume, perhaps on the order of 140 BCM of Russian gas, is going to be shut in, which means that for the next few years the world is going to need all the gas that it can find elsewhere.

That is particularly the case for our European allies. I had good discussions with my EU counterpart on exactly this issue, and one of the places that Europe is looking to is the Caspian region and Central Asia.

The Azeris have made commitments with President von der Leyen for a significant increase there, but there are also options and the most important one is the one you alluded to, Chairman, on Turkmenistan.

There is infrastructure that would have to be built in order to make that diversification of Turkmen gas feasible, but there are also American companies and European firms that are interested in this.

I have committed to our engagement in ENR. I know Assistant Secretary Lu has been working on the same issues. We very much look forward to Foreign Minister Meredov coming to Washington before too long where we can continue that conversation.

I also will say I remember discussing exactly the same issue with Foreign Minister Meredov 10 years ago when I was the PDAS in Don's bureau, which tells you how embedded some of the challenges are.

The other issue I would flag quickly in this regard is that this is one of those areas where we are really trying to do two things at the same time. We want to advance fossil energy security in order to deal with the fallout of Russia's invasion and Putin's weaponization of his oil and gas, but we also want to accelerate energy transition, and I think one of the areas where we have potential to do a great deal more in Central Asia is helping those countries to build out their capacity for wind, for solar. I am very excited about the interest I heard yesterday from the Kazakh energy minister on small and modular reactors.

USAID has a program in this area called Power Central Asia, which is looking at the electricity interconnectors. My bureau, ENR, has done work in the area of the regulatory structure for grid interconnections.

I would love to see us doing more in this area. I know, having talked to four of the region's energy ministers, that there is appetite from the—for the United States to be more involved.

This is where our toolkit like EXIM and DFC and the work that Congress has done in this area is so important, but we have to keep pushing because, as you noted, Chairman, China has sought to expand in this space and, again, Turkmenistan is the most dramatic example the way in which China has hardwired Turkmen gas production into the PRC's energy supply.

Senator MURPHY. Well, and why I think it is so important that you have constructed a process that brings all of these countries together is they also have some pretty powerful rivers, right. They have got real hydropower capacity, but what comes with that is potential conflict with those who are downstream and so if you have a better, more functional forum to talk together about renewables you can also make some progress on hydropower.

Senator Young.

Senator YOUNG. Thanks, Mr. Chairman. We will stay on the topic of Turkmenistan for a moment.

Secretary Pyatt, you indicated that the country is plagued by internal corruption which inhibits them fully realizing their potential as it relates to oil and gas production and, by extension, countries like the United States benefiting from such production.

They are also plagued by decrepit and dated infrastructure. Let us talk about a distinct potential vulnerability. I would like your assessment of Turkmenistan's vulnerability to economic coercion from China on account of their reliance, what I would characterize based on all that I know about this topic is, perhaps, an over reliance on China's market for their oil and gas products.

Mr. PYATT. Senator, I would characterize Turkmenistan as vulnerable to malign influence from both Russia and China.

Turkmenistan was one of the poorest regions of the Soviet Union and saw tremendous environmental degradation because of the way that the Soviet Union approached the exploitation of Turkmenistan's oil and gas resources.

I think in the case of China as well Turkmenistan by definition has tied itself very closely to China through the dependence on gas, which is the major source of the Turkmen budget, 75 percent of which is going to China.

That, again, is why it would be quite healthy to have American companies that are interested involved there and I would just point right next door to Kazakhstan and the very constructive role that ExxonMobil and Chevron have played in helping to modernize the Kazakh energy system.

I would also emphasize that for those two American companies, Kazakhstan is a very important part of their global production chain and they are companies that have been there for more than two decades now and are committed to further grow that investment, bringing with them the package of values and business practices that we adhere to as Americans.

Senator YOUNG. In addition to some of the lines of effort that Senator Murphy teased out of his conversation with you, I would suggest that any instruments that we can provide our Administration with to assist countries in dealing with these coercive or ma-

align economic activities on the part of China or Russia in the future would be a positive thing and Senator Coons and I have offered some legislation—it is been well received so far—that would assist countries who are experiencing economic coercion through short-term provision of aid, reduction of tariffs and nontariff barriers and all manner of other measures.

Other governments are in the process of passing their own legislation to assist such countries that have been coerced—Japan, for example—and the ultimate vision is to weave these different lines of effort together. I think that will be a subject of conversation at the G-7 in Hiroshima in May.

I want to ask you about a couple of other topics. Central Asia, Mr. Pyatt, has, in addition to being a main source of oil and gas for the global economy since the collapse of the Soviet Union, we have seen an increased demand for critical minerals and the region could have significant potential to be a geopolitical hotspot for mineral production.

We know that China is actively increasing its economic clout across the region, including in the mining sector, through their Belt and Road Initiative.

Unfortunately, without some proactive efforts from the U.S. working with our allies, China is going to continue to strengthen their already strong position in the global critical minerals supply chains and markets.

Secretary Pyatt, in your opinion, what role can Central Asia play in the global supply of critical minerals and do you believe the region is strategically important with respect to great power competition over critical minerals?

Mr. PYATT. Thank you for raising the question, Senator, and I have spent the past few months going around the world with a chart that shows the level of Chinese domination across all the key elements of the clean tech supply chain from hydrogen electrolyzers to solar cells to battery minerals.

We need to focus on this issue systematically. The Biden administration is doing so domestically through the IRA, but we are also working on these issues internationally.

Central America is a potentially significant partner. Right now you have got Tajikistan and Kyrgyzstan where China dominates those countries' mining sectors. I was discussing this issue just yesterday with the Kazakh energy minister and noting our strong interest in continuing to develop our critical minerals, both extraction and processing relationship, with Kazakhstan.

I am very pleased to report that there is a new agreement between USGS and the Kazakh Government to establish a Kazakh geographic survey and to perform the baseline that is necessary to answer your question because most of the mineral maps of Central Asia date back to the Soviet Union, so it is a matter of developing new baselines of what the possibility is.

Then, lastly, I would just like to circle back quickly on the issue I mentioned in my statement of uranium, which is so important to our collective commitment as the G-7 to decoupling from Russian energy supplies and the fact that the United States, like many other countries, still has a level of dependency on Russia for our

nuclear fuel supplies, and Kazakhstan is a willing and eager partner with the United States in that effort to diversify.

Senator YOUNG. That strikes me as very encouraging, whether it is uranium or other critical minerals that the Kazakh Government has agreed to partner with our USGS on conducting that survey.

Have we seen other governments in the region also cooperate with USGS and strike similar agreements?

Mr. PYATT. Senator, I do not know the answer to that question. I suspect the answer is no because we—but I will defer to my colleague in SCA whether, Don, you have got anything on any other prospects.

From the United States side what I would flag, Senator, is an initiative called the Mineral Security Partnership, a State Department program, basically, to create an alternative to China.

We have an agreement among MSP partners to set high ESGs and to make clear to countries with resource endowments that China is not the only option because that has been an overwhelming tendency, for instance, in Africa.

We have made clear that as the MSP develops and we are focused now on the initial project development in the MSP framework with our other partners—13 other parties, 13 countries—that we are willing to expand this exercise out to Central Asia as we find interest from the governments.

Senator YOUNG. Thank you.

Senator MURPHY. Senator Kaine.

Senator KAINE. Thank you to my colleagues and thank you to the witnesses for your service.

Secretary Lu, I would like to begin with you, if I could. Virginia is home to one of the largest Uyghur-American communities, proudly so. China has monitored and harassed these individuals on U.S. soil for their advocacy, but they have also monitored and harassed their family members in China, imprisoning some of them, and we are working on a number of constituent cases because of this.

The domestic policy of China toward not only Uyghurs, but Kazakhs and Kyrgyz minority groups in China who do endure horrific atrocities and human rights abuses is important.

Talk to us about your engagement regarding the PRC's atrocities against ethnic groups.

Mr. LU. Senator, my last job before this one was ambassador in the Kyrgyz Republic. I engaged every person I could in the government about the situation in Xinjiang and was surprised to find very little interest in the Kyrgyz Republic about the genocide happening there.

As you have suggested, it is not only Uyghurs. There are ethnic Kyrgyz people related to people in the majority in Kyrgyzstan and they were not willing to raise their heads or to call out what is happening there.

I think this goes back to Senator Young's views that economic coercion really works in this part of the world, that the Chinese have loaned so much money to some of these governments they are unwilling to be seen as angering Beijing even when it comes to emotive issues like the treatment of fellow ethnic people very close by into China.

If I could add one other issue that I think gets very little attention. In Kazakhstan, they also have not raised publicly human rights abuses in Xinjiang, but they are successfully helping ethnic Kazakhs to leave China.

They are doing this in cooperation with the Chinese Government under the rubric of family reunification, but thousands of ethnic Kazakhs have been able to leave Xinjiang to find lives in Kazakhstan, have been fast tracked to citizenship, and provided assistance and housing. I think that is something we should celebrate.

Senator Kaine. I appreciate you mentioning that. I want to ask now a question about security assistance.

The National Guard-State partnership program has been a big success. I know many of my colleagues talk about the partnerships they have. Virginia seems to have an unlikely partnership, as far as I am concerned.

It has been a successful one with Tajikistan and there has been direct military-to-military contacts, training in such areas as infantry tactics and combat casualty care.

Tajik forces will travel to Virginia this summer to celebrate the 20th year of this partnership agreement with the Virginia National Guard.

I wonder about security cooperation in the region generally. Has the shifting geopolitical landscape in the aftermath of the Russian invasion of Ukraine opened up any more opportunities for security partnership in the region?

Mr. Lu. Absolutely is the answer.

Let me first say our State partnerships are amazing in Central Asia, a place that has historically been quite sensitive to outside militaries operating. Our State partnership programs are just so successful everywhere throughout the region.

In terms of expanding security engagement, what we all know is Russia has consumed a lot of defense equipment in Ukraine, has gobbled up a lot of its munitions, and is going to find it very difficult to resupply its own stockpiles, but certainly to export to other countries will be very difficult for a long time if it ever is able to restore its position as a defense exporter.

This is critical for countries in Central Asia, all of which rely on Russian hardware to defend their borders. Imagine if you are one of the frontline states with Afghanistan. Suddenly you are worried about getting spare parts for your airplanes or bullets for your rifles. This has got them very concerned, and so we are talking with them about where they might source defense equipment from us, from European partners, from South Korea, from Japan, from Israel.

Senator Kaine. Would they have reticence about incorporating us deeper into these partnerships because of the first point that you raised, which is the economic coercion from China, create some challenges or just the fact that we have already had these State partnership programs give us a good foothold that we can potentially expand in this time when Russia's influences may be a little bit on the decline?

Mr. Lu. I think China has the advantage in being a replacement supplier because of costs.

Senator KAINE. Yes.

Mr. LU. All the other countries I mentioned have an advantage because of quality. Everyone has seen how the Russian equipment has performed on the battlefield in Ukraine.

Frankly, the Chinese equipment is derived from Russian technology and so everyone wonders whether that will work either. There is a real interest in diversification and I think this is a perfect opportunity for these countries because the Russians know it will be very hard for these countries to be supplied from Moscow.

Senator KAINE. Thank you. I have one more question, Mr. Chair. Could I extend?

Again, for Secretary Lu, I have got a lot of constituents in Virginia who have been raising questions about violence against protesters in the Karakalpakstan region of Uzbekistan. I would like you to share any conversations you had with the Uzbek Government about the need for accountability, need for due process for defendants standing trial, and other human rights concerns.

Mr. LU. Thank you, Senator.

The Secretary did raise the violent protests in Karakalpakstan, the need for accountability, both on behalf of those who may have committed violence as protesters, but also on behalf of the security forces who may have committed excesses. As we know, dozens of people were killed in that violence.

What he was told is that there will be accountability. We are seeing right now open trials for the protesters. We were assured there would be open and transparent trials also for police and other security forces, some of whom have already been arrested for excesses committed in Karakalpakstan.

Senator MURPHY. Thank you very much, Senator Kaine. We will do a second round if members have questions and then get you guys on your way.

Let me ask you, Secretary Lu, about Afghanistan. I framed in my opening remarks how our policy towards the region is transformed by our lack of a need to have access to Afghanistan dominate that relationship, but the countries in the region are not eager for us to isolate Afghanistan. Obviously, they are right now focused on the question of maintaining their own stability, ensuring their own security.

Uzbekistan and Tajikistan have seen missile strikes into their sovereign territory, but those same countries are recommending that the United States not write off Afghanistan, that, in fact, they believe we have to have some functional relationship with the Taliban government if we also want to have a functional relationship with Central Asia because they see their future, whether they like it or not, connected to the future of Afghanistan, and if we send Afghanistan down the river to perish that has consequences for Central Asia.

I know this is a very difficult question about how we—if we re-engage with the Taliban, but what is this—what do our Central Asian friends tell us about what they would like to see our policy towards Afghanistan be and how our Afghanistan policy can help or hinder our relationship with Central Asia?

Mr. LU. The Central Asians do not speak with one voice, as you may know. Uzbekistan and Turkmenistan, both who share borders

with Afghanistan, are eager for more international influence on the Taliban to try to stabilize the situation there, to normalize it, to normalize borders and trade and security.

Tajikistan has had a very different view. Tajikistan feels incredibly threatened by the Taliban and they believe the Taliban to have killed tens of thousands of ethnic Tajiks in Afghanistan. They have quite a confrontational perspective on this.

I think two of the governments on the border would like us to be engaged with the Taliban. Actually, the Tajiks are resistant to that. I think they want to see us helping them to reinforce security along their border. That is where they see the answer.

In response we are certainly talking to Central Asians about what influence they have on the Taliban, how we can work together on issues such as the rights of women and girls, how we can work together to talk about the potential for pressuring the Taliban to fulfill their commitments to not allow terrorist groups from operating in their territory.

Both Tajikistan and Uzbekistan have had rocket attacks from ISIS-K from northern Afghanistan. They are very aware of the threat that is posed to their societies.

Senator MURPHY. Finally, Secretary Pyatt, I wanted to sort of circle back to this conversation about rare earth minerals and sort of ask a version of the same question I asked you about Turkmenistan and natural gas.

You talked about how China dominates that space right now and how we, of course, would like to effectuate a policy that changes that.

My question is the same. Do we have currently a suite of policies that allow us to make a different offer that is better than the Chinese offer? Is, for instance, the DFC a player here of consequence?

It strikes me that we can offer USGS, right. The United States Government can do a survey, but we cannot extract. We need a private sector partner to extract, and the private sector in the United States or Europe looks at these countries and says fraught with too much peril.

Again, on rare earth minerals, what is the way to solve that? What is the way to get U.S.- or European-aligned private sector companies in to do the extraction?

Mr. PYATT. Chairman, that is exactly what we are trying to do through the Minerals Security Partnership, which is to bring together countries with a resource endowment with countries that have the capital and the industries to create, as I always put it, a door number two.

Door number one is China, which has been very good at going out to the world hoovering up or bringing it back to China where all the processing and value addition happens and then selling it to the world.

We are now trying to break that model. MSP depends on and the projects which MSP is developing depends on the resources that MSP partners are able to bring to bear.

In the United States case those resources are provided to State and USAID by Congress. EXIM and DFC play a critical role, and then we also have what Amos Hochstein is doing with the Partnership for Global Infrastructure and Investment, in a similar way

trying to rack up the infrastructure and commodity opportunities where we need to bring the whole toolkit of U.S. economic statecraft to bear.

I think if I had to prioritize, looking at Central Asia today I would prioritize it exactly as I did in my statement, first, on Kazakhstan, because it is so vast and because there is such a clear signal from President Tokayev's administration in terms of the desire to deepen ties with the United States and because it is a much more developed economy. That is why having this initiative from USGS is so welcome and so important.

I have spoken to a lot of mining company CEOs in my new role. They all emphasize to me the incredible long lead time that it takes. These are sectors where 10 or 15 years is the usual period for the first return on investment.

It is really important that we get moving now if we are going to have the resources that we need to power our own energy transition, and I am constantly asking industry people whether they think that we are going to hit the cliff on copper or on cobalt or on lithium. We are all hoping that the market does what is necessary and that some of this will come from the United States.

I was just with Secretary Granholm yesterday in Houston and she, too, was emphasizing that the United States is not going to be able to fulfill these needs even for our domestic requirements from mining here in the U.S. We need to build these international partnerships setting the highest ESG standards.

Senator MURPHY. As you mentioned, that requires the partners in this initiative, the United States included, to come to the table with capital that is provided to you by Congress.

It strikes me that this issue of critical mineral security is not a partisan one. I think there is support on both sides of the aisle. Yet, we are hearing murmurs from the House that they are going to propose a 40 percent cut to State and USAID.

There is really not much separation between soft and hard power these days, and to rob this Administration of the ability to help secure critical minerals overseas seems like an effort to cut off our nose to spite our face.

I will leave it there.

Senator Young.

Senator YOUNG. Thank you.

Seems to me as we think about mineral security and that topic we also, of course, would need to consider regulatory reform. I do agree with the President's refrain that domestic security is national security and economic security.

Hopefully, we will find some willing partners from the Administration on that front. I am not here to ask you about that today.

I do want to ask a question, broadly, about the region. As Russian dominance in the region is waning it seems to be viewed as an opportunity for others to play a leadership role in the region, whether that is Turkey, Iran, India, or others.

Turkey has formed its own regional C4 + 1 organization of Turkic states. Both Turkey and Iran have exported combat drones to the Central Asian region and promised to produce them in Kyrgyzstan and Tajikistan. Indian Prime Minister Modi held his own virtual C5 + 1 last year as well.

Secretary Lu, as we reflect on Secretary Blinken's recent visit, what actions are we taking and what can this committee—this subcommittee—do to help ensure these countries remain in a favorable position toward the U.S. and our interests?

Mr. LU. Senator Young, when we were in Central Asia last week, several of the governments actually thanked us for the C5+1 format because so many other countries have now copied the format.

Russians have copied it, the Chinese, South Koreans, Japanese, the EU, and we saw just this week a few days after Secretary Blinken traveled to the region to have this face-to-face meeting with five foreign ministers, the Chinese have announced they are going to do exactly the same thing.

They want to have the first ever face-to-face meeting of the C5. We see Putin getting on the phone and calling up the presidents of Kazakhstan and Uzbekistan, the same two presidents Secretary Blinken saw last week.

I think it is a good sign that other countries are noticing our engagement, are nervous about it, and want to compete.

As you suggest, there are many competitors in Central Asia—Turkey, Iran, India, the EU. I, for one, think that the best thing the Central Asians can do is take what all of us have to offer and take the best deal.

Where we have seen real problems is when there is not competition. I served in the Kyrgyz Republic. For more than a decade the Chinese were allowed to give loans to this country without any other countries stepping forward and they produced terrible outcomes.

My daughter has asthma thanks to Chinese investment. They have a renovated Soviet electricity and heating plant in the capital that just belches smoke all winter long, and kids and adults end up in the hospital because this is just terrible infrastructure investment. That is because no one was there to compete.

Go to Kazakhstan. The U.S. is the number-two investor in Kazakhstan. China is number seven. Number one is the Netherlands. Actually, investment there works pretty well and the Chinese are forced to build quality infrastructure and actually abide by normal rules of operation.

We need to compete and so that is DFC. It is private investment. What Congress can do is give us the tools to compete.

Senator YOUNG. Thank you.

Congress—one thing, if we are less comfortable providing resources it seems we are always comfortable sanctioning bad actors and sometimes to the detriment of the larger goals we are trying to realize.

I wrestle sometimes with how much we sanction. Russia is a great example. Their economy grew. According to the IMF, I think it was 2.1, or declined 2.1 percent last year. That is a decline. That is a contraction, but not as significant as many may have thought they would, and with that in mind—and sanctions, of course, have their place—as we continue to consider additional sanctions against Russian leaders and others, how do we balance our desire to sanction Russia and cripple the Russian military machine and the military industrial complex without driving these Central Asian coun-

tries which depend on their relationship with Russia towards adversaries?

Mr. LU. Senator, that is a great question and I think many of our Central Asian partners echo that sense that they want to hear from us loud and clear that they are not the targets of our sanctions.

When Secretary Blinken was in the region last week, he said loud and clear to the presidents of Kazakhstan, Uzbekistan, and the foreign ministers of all five it is not the intention of the U.S. Government to target the people of Central Asia. It is our intention to target Putin's war machine and we are going to work with you to make sure we minimize the impact on your economies.

Some of the best examples of our ability to do that have been in the oil sector that Geoff referred to. Ninety percent of Kazakh oil transits Russia to get out to world markets. It is important to us that that oil reach world markets to stabilize the price to get to European and other consumers.

It was important for us early on right after the invasion for us to give a letter of comfort that the CPC pipeline, which is built across Russia, is not subject to sanction because that is where that oil passes through.

Also, just today we saw a second bank in Kazakhstan able to be given a letter of comfort so it would not be subject to U.S. sanctions. It was subject to sanctions initially. These were big Russian banks—Alpha Bank and what is now called Bereke Bank.

They have now become Kazakh banks because smart people in Kazakhstan realized these banks under U.S. sanction would not be able to continue to perform profitably, and this was a business opportunity for Kazakh people to take those assets at pretty reasonable prices and turn them into assets for Central Asia.

That is the kind of use of the sanctions that we want to see and we are working very closely with all five countries to try and make sure that is possible.

Senator YOUNG. If I am looking for a magic recipe to tease out of that, robust diplomacy to inform the development and the evolution of a particular sanctions regime and then where possible provide alternatives to these countries, to the existing economic relations they have with a malign actor like Russia, is that a pretty good—

Mr. LU. Completely agree. Yes.

Senator YOUNG. Okay. Chairman.

Senator MURPHY. Great.

Senator KAINE.

Senator KAINE. Just one more question for you, Secretary Pyatt.

I was reading your written testimony. I arrived after you delivered your verbal testimony, but I was intrigued about your reference to your October visit in Istanbul with the deputy energy ministers from Tajikistan, Kyrgyz Republic, Uzbekistan, and their emphasizing the need to move forward in the renewable resources space.

Talk to me a little bit about the move toward renewable resources in the region.

Mr. PYATT. No, thank you for raising it, Senator. Let me say there is not a week that has gone by in my job where I have not

thought about your observation during my confirmation hearing about the different objectives that we are trying to balance in our energy security and energy transition agendas, and Central Asia really encapsulates that in so many ways.

It is a region of significant fossil fuel endowment. It is also a region of high vulnerability—the two mountain countries, Kyrgyzstan and Tajikistan, acutely vulnerable to the effects of climate change, destroying their hydroelectric potential with melting glaciers. They are also in the geopolitical crosshairs squeezed between Iran, Russia, and China.

Frankly, when I was in Istanbul and had this opportunity, I was really pleasantly surprised, coming back to this region after 10 years, to hear how strongly focused in particular the Uzbeks were on their energy transition and I think it is because it is an existential issue for them.

They wanted to talk to me about how to better access resources from the EBRD to finance new grid infrastructure, and just like here in the United States the Central Asians have huge challenges if they are going to electrify their Soviet-era energy systems. They have—

Senator KAINE. They have been having blackout problems that are pretty notable.

Mr. PYATT. Exactly. There is a real eagerness for engagement there. Those three countries do not have the attractiveness that Kazakhstan has in terms of the size and the economic opportunity that draws in big American investors.

There, in particular, the work that we are able to do with USAID and DFC and EXIM is critically important, but I think what is striking to me is that we do not have to convince any of these countries about the criticality of the climate crisis because they see it. They are vulnerable to it.

Many of them agriculture is a significant part of the economy and that agriculture is dependent on seasonality and melting glaciers and water access.

I think we have got a real opportunity there, especially in the context of the geopolitical moment that both Chairman Murphy and Senator Young referred to.

Russia's stock is falling because of Putin's egregious actions in Ukraine and the fear that that has induced that Central Asia could be subject to the same kind of revanchist appetite.

China, especially by the smaller countries, is viewed, as Don alluded to, as not a terribly good corporate citizen, but also very big and very, very hungry.

We have an opportunity to make a little go a long way. A lot of that is what USAID and others do, but I am very proud of what ENR is able to do with a very small budget with our programming in areas like helping on critical minerals surveys and helping to develop grid infrastructure and building the software that these countries require to stand on their own.

Senator KAINE. Thank you very much. I yield back, Mr. Chairman.

Senator MURPHY. Thank you very much, Senator Kaine.

Thank you, both of you, for your testimony today. I think this has been a very fruitful and helpful discussion.

Members are going to be allowed to submit questions for the record until the close of business on Friday.

With thanks to the subcommittee and the staff that makes this possible, this hearing is adjourned.

[Whereupon, at 3:22 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSES OF MR. DONALD LU TO QUESTIONS SUBMITTED BY SENATOR JEANNE SHAHEEN

Question. The Taliban's campaign of repression against Afghan women and girls seems to grow more sinister and inhumane every day. Meanwhile, Islamic State-affiliated terrorist groups have been responsible for multiple missile strikes that have hit Afghanistan's Central Asian neighbors.

How do you assess Central Asian governments' relations with Afghanistan since the August 2021 Taliban takeover? Which, if any, of the Central Asian governments are engaging the Taliban or in a position to influence the situation there? Are any willing to engage the Taliban on women's rights?

Answer. Central Asian governments' relations with Afghanistan since the August 2021 Taliban takeover vary, with Uzbekistan being the most forward-leaning in its relations with the Taliban and the most likely to influence the Taliban. Tajikistan has an adversarial relationship with the Taliban. Both countries continue to urge the Taliban to recognize the rights and education of Afghan women and girls.

Question. How has the Taliban takeover impacted the security situation in Central Asia? What new threats or challenges exist, and how can they be effectively addressed?

Answer. The Taliban takeover of Afghanistan has raised concerns among Central Asian states about their security, especially among those that share a border with Afghanistan. The United States supports improved border security, law enforcement, and counterterrorism efforts in the region to help mitigate these threats. We are working with the Congress to identify security assistance to help Central Asian partners address these security challenges from Afghanistan.

Question. How do you believe the U.S. Strategy for Central Asia should evolve in light of the U.S. withdrawal from Afghanistan and the war in Ukraine?

Answer. The U.S. withdrawal from Afghanistan and the war in Ukraine have caused Central Asian states to reevaluate their existing security and economic relationships with Russia. They seek greater cooperation with each other and with the United States to increase their security and prosperity and reduce their dependence on Russia. The U.S. Strategy for Central Asia will continue efforts bilaterally and in the C5+1 regional forum to advance our Central Asia objectives and to support the sovereignty, independence, and territorial integrity of these states.

Question. How do you assess the current state of U.S. investment in the region? What factors could make U.S. investment more attractive to Central Asian countries than working with China?

Answer. While there is promising investment in the region from U.S. companies, and in some countries a long history of significant investment, there is room for improvement. We are distinguished from China in our commitment to market-based principles and helping states improve their business climate to attract U.S. and international investment. I believe Central Asian countries recognize that Chinese investment often comes with significant downsides, such as corruption, shoddy construction, overreliance on imported labor, lax environmental standards, and burdensome debt.

RESPONSES OF MR. GEOFFREY PYATT TO QUESTIONS SUBMITTED BY SENATOR JEANNE SHAHEEN

Question. Two weeks ago, Senator Durbin and I traveled to Georgia and Romania, two Black Sea countries with considerable potential to support Europe's energy diversification efforts. One of the consequences of Russia's failing gambit in Ukraine, in part due to U.S. and international sanctions, is that Russia's traditional trade partners—including Black Sea countries and the Caucasus—are actively exploring alternative transit routes and new infrastructure projects to diversify their energy

sources. This is why I am reintroducing my legislation to ensure that the Administration develop a robust, interagency strategy toward the Black Sea that not only considers the security challenges in the region, but also the opportunities to increase economic connectivity in the region.

Now, Georgia, Romania, Azerbaijan and Hungary have pledged agreement to construct the world's longest and deepest undersea power and fiber optic line that will allow electricity produced in Azerbaijan, Georgia and other countries to be delivered directly to the European market, advancing climate goals and reducing reliance on Russia as a source of energy imports. Does, or can, the United States play a role to support this project?

Answer. The United States supports the Memorandum of Understanding (MOU) signed in December 2022 between Georgia, Azerbaijan, Romania, and Hungary. This MOU can lead to a more connected South Caucasus and European Union with decreased reliance on the Russian Federation for energy. We await the results of the ongoing World Bank feasibility study for the submarine cable. The United States is committed to working with our partners on efforts to increase electricity exports to Europe, advance our climate goals, and further reduce reliance on Russian energy.

Question. What are the prospects for expanding oil and gas trade across the Caspian Sea, via the Trans-Caspian Gas Pipeline or other potential projects? How realistic is establishing natural gas supplies from Central Asia to Europe?

Answer. Linking natural gas supplies from Central Asia to Europe diversifies Central Asian export routes and improves European energy security. The United States has encouraged developing a Trans-Caspian Gas Pipeline since 1995. Turkmenistan has built an overland pipeline to bring natural gas across its territory to the Caspian Sea. A Transcaspian pipeline would bring Turkmenistan natural gas onward to Azerbaijan and Europe via the Southern Gas Corridor. In addition to technical and financial challenges, the prospects for a Trans-Caspian pipeline hinge on Turkmenistan's political will and a strong demand signal from Europe.

Question. In recent years, a number of countries in the region, particularly Kazakhstan and Uzbekistan, have sought to diversify their economies away from commodities and to promote renewable energy development. How extensive have these efforts been? To what extent have they been successful? How can the United States support these efforts?

Answer. Uzbekistan has embraced the need for renewable energy. It is a member of the Global Methane Pledge and has established a policy to generate 25 percent of electricity from renewable energy by 2030. Kazakhstan is positioned to lead the way on clean energy transition, but the fossil fuel sector retains a sizeable price advantage in power generation, hindering the development of renewables. The United States, through USAID, is providing technical assistance for Kazakhstan's national market liberalization reform, clean energy development, and the establishment of a reliable Central Asia Regional Electricity Market to help the electrical grid handle increased renewable energy.

Question. The war in Ukraine has brought increased interest in the Trans-Caspian International Transport Route, also known as the Middle Corridor, which aims to connect rail freight transport networks in China and the European Union via Central Asia, the Caucasus, and Turkey, bypassing Russia.

Should the United States promote the development of the Middle Corridor and, if so, how?

Answer. The development of the Middle Corridor is consistent with the broader U.S. objective of diversifying export routes in Central Asia. The Department of State regularly meets with the Government of Kazakhstan to explore potential strategies for diversifying exit routes for crude oil via the Middle Corridor, including through the newly-revitalized U.S.-Kazakhstan Strategic Energy Dialogue. As a result of these meetings and engagement, State-owned energy companies from Kazakhstan and Azerbaijan recently signed a commercial agreement to ship 1.5 million tons of oil per year via the Caspian and Azerbaijan to global markets on the Mediterranean.

RESPONSES OF MR. GEOFFREY PYATT TO QUESTIONS
SUBMITTED BY SENATOR CORY BOOKER

Question. In June 2022, the United States and 12 countries established the Minerals Security Partnership (MSP) to coordinate their use of export or development finance to help develop critical mineral mine or processing projects abroad. The

MSP is open to any country, but so far it only includes key industrialized partners such as Australia, Canada, the UK, France, Germany, Japan, and South Korea. On February 6, Under Secretary Jose Fernandez touted MSP at the Mining Indaba Conference in South Africa while MSP partners engaged African countries at a vice-ministerial meeting, according to a State Department media note.

How were Under Secretary Fernandez's remarks at Indaba received? How did African participants react to MSP's Statement of Principles for environmental, social, and governance (ESG) standards? What is the MSP's due diligence standard?

Answer. Both African officials and Minerals Security Partnership (MSP) member officials welcomed the emphasis Under Secretary Fernandez placed on high environmental, social, and governance (ESG) standards and benefits for local communities that are home to mineral resources. Our foreign interlocutors recognize that responsible supply chains that uplift local communities are more resilient and create greater benefit for all involved. Officials shared that they believe the African continent has an important role to play in the clean energy transition through its mineral resources, but that increased investment will be necessary for African countries to fully contribute to and benefit from this historic opportunity.

African officials expressed support for the specific principles in the MSP's joint statement on "Principles for Responsible Critical Mineral Supply Chains." Officials noted that minerals projects must benefit both industry and local communities, including through environmental stewardship and local employment and infrastructure development. The MSP's principles provide a strong framework to support the responsible development of African countries' critical minerals industries.

The MSP does not endorse a single ESG standard or accreditation framework to the exclusion of others. MSP projects receiving financing from government agencies will be benchmarked against internationally applicable ESG standards in accordance with agencies' existing project review and due diligence procedures.

Question. How does the MSP operate in practice? What are some of the MSP projects under consideration?

Answer. To achieve concrete, project-level results, the Minerals Security Partnership is sharing information among partners about minerals projects and then developing action plans to support the most promising projects, including through financing, promoting high standards for responsible mining and processing, and engaging project operators and governments.

MSP partners considered over 200 projects in 2022 and winnowed that list down. MSP partners are currently assessing the most promising projects to identify how we can best support those that will contribute to more diverse and secure supply chains and promote the highest standards for responsible industry. These projects range from mining to processing to recycling and offer a distinct value proposition, based on partnership with governments, local citizens, and other stakeholders.

To give one example, two partners are working to develop battery materials and attract transparent investment and trade in the Pacific. MSP partners are also assembling a public-private consortium to develop a state-of-the-art processing facility in Latin America which will help form a complete value chain in the region for a mineral crucial to the energy transition. If successful, the project will show how sustainability and the circular economy can be part of project design from day one. In another example, an MSP partner launched a strategy to incentivize the growth of battery recycling and create a closed-loop supply chain for battery manufacturing; the MSP is also considering support for a recycling plant for end-of-life lithium-ion EV batteries in that country.

Question. What role can Congress play in supporting implementation of the MSP?

Answer. It will be critical for the Executive Branch and Congress to work together to develop a response to the challenge of building resilient, diverse, and secure critical mineral supply chains and to resource that response appropriately. To that end, the President's Budget for Fiscal Year 2024 requests additional staffing resources for the Bureau of Energy Resources to address critical minerals policy, additional assistance funds to secure resilient and transparent mineral supply chains for the clean energy transition, and a new Department of State and USAID critical minerals initiative.

Other countries' willingness and ability to finance upstream and midstream critical minerals projects domestically and abroad have contributed to the structure of supply chains we see today—a structure that will leave the United States vulnerable as the demand for clean energy technologies increases. The United States' ability to support strategic critical minerals projects in a meaningful, agile way could determine whether these supply chains evolve to meet the growing needs of the U.S. economy and U.S. national security.

Currently, many private sector lenders perceive these projects as too novel or too risky, so public support is needed to encourage more private investment. By way of example, Japan recently allocated additional financial support for investments in critical minerals by Japanese companies, a budget Japan can draw on to support MSP projects. By leveraging U.S. private-sector innovation and the United States' global partnerships, the Executive Branch and Congress can formulate and implement an approach that supports more responsible and better diversified critical minerals projects abroad and at home that can support the future energy needs of the U.S. economy.

Question. Certain mineral-rich countries have not joined EITI despite the importance of the mining sector to those countries' economy. What can the U.S. do to encourage broader participation in EITI?

Answer. The United States plays an active role in encouraging increased membership in the Extractive Industries Transparency Initiative (EITI), as well as enhanced uptake and implementation of the EITI Standard. The U.S. Department of State and USAID are also actively working to ensure that the EITI governance Standard addresses critical energy minerals.

Additionally, USAID programming helps countries apply for EITI candidacy, launch national and subnational EITI implementation processes, facilitate effective multi-stakeholder engagement, and ensure implementation of the EITI Standard. Our embassies regularly promote the importance of transparency, anti-corruption, and high environmental, social, and governance standards in extractive industries, which underlines the importance of EITI's mission.

