

# Key Aspects of Cooperation Between the Orenburg Region and the Republic of Kazakhstan in the Sectors of Fuel and Energy Complex

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**Abstract**—The Article is devoted to the study of the main directions of cooperation between the border territories of the Republic of Kazakhstan and the Russian Federation in the sectors of fuel and energy complex. This issue is of particular interest, since these States are members of the Eurasian Economic Union, which is in a state of formation, and the historical connection of the border territories of individual countries contributes to the acceleration of the integration process. The research focuses on cooperation between the Orenburg region and the border territories of the Republic of Kazakhstan in the fuel and energy complex. These areas are rich in minerals, which are sources of energy. Western Kazakhstan, bordering the Orenburg region, is the largest oil and gas producing region. At the same time, a gas processing plant operates in the Orenburg region, in addition, the region under consideration is rich with a variety of minerals. Thus, the Orenburg region is a constant supplier of natural gas, crude oil, petroleum products, ferrous and non-ferrous metals to Kazakhstan. And the Orenburg region receives products of the fuel and energy complex. In connection with these circumstances, the reasons for the close interaction of these territories in the fuel and energy complex become obvious. The article identifies the gaps in the legal regulation of cooperation of these territories and put forward proposals to determine the mechanism of legal regulation that will eliminate them.

**Keywords**—*integration associations, cooperation of border territories, scientific and technical cooperation, fuel and energy complex, intergovernmental treaties and agreements, environmental management, environmental protection.*

## I. INTRODUCTION

Currently, there is a tendency in the world to establish economic ties between States through the creation of integration associations. This is due to the fact that in the global economy there is an urgent need for interaction of national systems in order to achieve the most effective result of their functioning. One of such integration associations is the Eurasian Economic Union (hereinafter - the EAEU), the member countries of which are the following: the Russian Federation, the Republic of Kazakhstan, the Republic of Belarus, the Republic of Armenia and the Kyrgyz Republic. The main goal of the

Union is comprehensive modernization and cooperation of national economies, increasing their competitiveness, creating a favorable basis for stable economies in order to improve the quality of life of the population of the member countries, as well as to build a single market of goods, services and labor resources. This integration association was established on the basis of the Eurasian Economic Union Treaty [1] (city of Astana, May 29, 2014). This act established the areas of cooperation that are currently included in the orbit of the international legal regulation of the law of the EAEU. However, this does not mean that the law of the EAEU will remain "frozen" and will not be improved taking into account the goals and objectives that objectively arise on the "agenda" of the EAEU member countries and need for international legal regulation on a multilateral basis within the framework of interstate integration cooperation"[2] The existence of the EAEU is an incentive for the emergence of greater opportunities within the framework of effective international cooperation of the member countries, "and the idea of Eurasian integration and Eurasianism exactly corresponds to all generally recognized principles and norms of modern international law"[3]. And as a result, for a fairly short period of existence of this integration association, a large regional market was formed, which unites territories with a total area of more than 20 million square kilometers, and has a huge potential in the industrial, scientific and technical spheres. Recently, quite a lot of strategic documents on the development of the EAEU have been adopted, which, in the fair opinion of S. Shokhin, E. Kudryashova is a demonstration of the political readiness of member countries to cooperate[4].

The main activity within the framework of the EAEU should be "the deployment of innovative and industrial component of the integration process in the interests of stable economic development of the EAEU member countries and increasing competitiveness at the global market. The spheres of scientific and technical cooperation within the EAEU are obvious. This is energy, including nuclear energy, transport and telecommunications, agricultural and industrial complex"[5].

Of particular interest is the cooperation of the border territories of the EAEU member countries. Since exactly

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within the framework of their interaction the main areas of cooperation between the countries of this integration association are implemented. In addition, the relations of the border territories are linked historically, since Soviet times. Their economy has always been of an integration nature, which fully contributes to the implementation of the integration process within the EAEU at the present time.

## II. RESEARCH METHODOLOGY

The basis of the methodology of the study of the main areas of cooperation between the Orenburg region and the Republic of Kazakhstan in the fuel and energy complex are the following principles: objectivity and historicism. This contributed to the consideration of the interaction of these territories, taking into account the time factor, which allowed us to identify the features that determine the current state of these relations. The comparative-legal method allowed to allocate characteristic features of contractual relations in the considered sphere and to define possible variants of development of these relations. The method of generalization made it possible to draw meaningful conclusions, which were expressed in proposals for the implementation of Treaty norms in force in the sphere of cooperation between the Orenburg region and the Republic of Kazakhstan, in order to increase the efficiency of interaction between these territories.

## III. RESULTS

The Republic of Kazakhstan and the Orenburg region have been closely cooperating for a long period, even before the creation of the EAEU. One of the reasons for cooperation is the long border, which is 1876 km, which creates the need for cooperation in various areas. At the same time, four border municipalities border with Western Kazakhstan (Ilekskiy, Sol-Ilekskiy, Pervomaiskiyy and Tashlinskiy districts). All this creates a favorable basis for cooperation, since these territories form strong trade and investment ties; they form a common infrastructure. That is why, at present, the Orenburg region is one of the leading regions in the field of mutual trade with Kazakhstan.

Orenburg region is one of the subjects of the Russian Federation, which is characterized by a fairly stable economy and a developed social platform. The region is distinguished by a diversified economy (agriculture; metallurgical, gas processing, chemical, copper, nickel, oil and asbestos industries), as well as by developing financial and credit, scientific and technical spheres. Also, the territory has a high scientific and technical potential, which ensures the development and implementation of high technologies in the priority areas of socio-economic development of the region. Particular attention in this direction is paid to the fuel and energy sector operating in the Orenburg region, since more than 2,500 deposits have been explored and 80 types of minerals have been identified. The basis of the economy of the region is the oil and gas industry. In the total share of production, it is 42%. About 24 thousand people are employed in this sector. The Orenburg region annually produces more than 20 million tons of oil, more than 18 billion m<sup>3</sup> of gas. There are more than 50 oil companies operating in the region.

Timely solution of scientific and technical problems in the fuel and energy complex (FEC) of the Orenburg region allowed the formation of new post-industrial segments of the economy in the region, based on the use of energy-saving technologies and alternative energy sources, as well as ensuring the effective existence of an innovative gas-chemical

cluster. Operating on the territory of the region in the framework of the Federal programme for the development of renewable energy sources solar power plants, the development of the NGV market, the introduction of modern methods of development of small oil deposits are clear evidence of the truth of the postulate that science and technology serve as the main driving force of the economy not only of the separate region but of the state. All this has led to the fact that the Orenburg region has recently become the center of discussion of interregional and international problems within the Eurasian space.

In the conditions of integration association, the specified directions of activity of the Orenburg region acquire special relevance as this subject of the Russian Federation carries out close interaction in the trade and economic sphere with the Republic of Kazakhstan, especially in branches of fuel and energy complex.

The basis of cooperation between border territories were laid in the General acts of the Commonwealth of Independent States (hereinafter – CIS), which formed a solid platform for the development of international cooperation in various areas between the two countries. This led to the adoption of relevant acts, including those aimed at regional cooperation of border territories. On the seventeenth of February 1997, a document on trade and economic, scientific, technical and cultural cross-border cooperation was signed in the form of an international agreement between the administrative-territorial units of the Russian Federation and the Republic of Kazakhstan [6]. This act determines that the development of cross-border cooperation of neighboring regions of neighboring states will create great opportunities for the development of these territories and for the expansion of various contacts between Russia and the Republic of Kazakhstan. Priority areas of cooperation are the following: development of investment and business activities, trade, transport and communication links; ensuring rational use of natural resources and environmental protection; scientific and technical cooperation. This act, in its essence, is of a general nature, since it only defines the guidelines for cooperation between the border territories, but does not establish a specific mechanism for its implementation.

Further, on January 22, 1999 the Order of the Head of Administration of the Orenburg region "On further development of trade-economic, scientific-technical and cultural cooperation of the Orenburg region with the CIS countries for 1999" was adopted [7]. It was established that the unconditional priority in the development of international economic relations of the Orenburg region is given to the Republic of Kazakhstan. In the total trade turnover of the region with the CIS countries, the share of Kazakhstan is 74.3%. In this regard, this document defined the action plan to enhance bilateral international cooperation between the Orenburg region and the Republic of Kazakhstan and the composition of the working group responsible for its implementation.

These acts served as a basis for more effective development of relations between the individual border territories of the states under consideration. For example, the highest state executive authorities on behalf of the Orenburg region of the Russian Federation and the West Kazakhstan region of the Republic of Kazakhstan signed a document in the form of an international agreement on cross-border cooperation in certain areas of cross-border interaction on

May twenty-eighth, 2012 [8]. The analyzed agreement establishes obligations of the parties to promote cooperation in the field of culture, education, sports, tourism and other cultural activities, industrial and innovative development, introduction of modern technologies; to promote humanitarian and information exchange, including participants of scientific and educational relations. In addition, it defines that the competent public authorities, institutions, enterprises and organizations carry out direct contacts among themselves within their competence and in accordance with the legislation of the Russian Federation and the Republic of Kazakhstan.

One of the main directions of cooperation between the Orenburg region and the Republic of Kazakhstan is the developed market of minerals. Thus, this entity of the Russian Federation is a regular supplier of natural gas, crude oil, petroleum products, ferrous and non-ferrous metals to Kazakhstan. And the Orenburg region receives products of the fuel and energy complex. Quite a large number of enterprises of the Orenburg region have close contacts with Kazakhstan partners. For example, "Novotroitsky plant of chrome compounds", "Orsknefteorgsintez", etc.

The company "Gazprom dobycha Orenburg" LLC operates in the Orenburg region. The main activities of this organization are the following:

- gas and oil production;
- processing of hydrocarbon raw materials;
- exploration of new fields of sources of gas and oil;
- ensuring environmental safety.

At the disposal of this enterprise there are gas processing and helium plants. Close cooperation with the Republic of Kazakhstan contributes to the development and effective functioning of this organization. More than "8 billion cubic meters of gas and about 1 million tons of gas condensate per year enter the region for processing from the gas condensate field of Kazakhstan, a long-term contract for the supply of this raw material is concluded until 2022. Currently, negotiations are underway to extend the contract until 2038 with an increase in annual supply volumes to 9 billion cubic meters" [9]. The main prospect in the sphere of cooperation in this industry is the creation of an innovative sector on the basis of the Orenburg gas processing plant in the period up to 2030.

To implement these plans, it is necessary to expand the scope of cooperation with the border territories of the Republic of Kazakhstan. This will be possible, for example, by increasing the supply of natural resources (raw materials) from the Karachaganak field. In order to improve the quality of products, it is planned to reconstruct production facilities.

All this suggests that the Orenburg region and the border regions of the Republic of Kazakhstan have a significant mutual impact on economic development. The main problem that arises in the framework of the bilateral relations under consideration is the lack of a single mechanism for cooperation in the energy sector, as well as a regulator in this area. Currently, we can only talk about the bodies established at the level of the EAEU, as well as within the framework of bilateral agreements between Russia and Kazakhstan. However, since they are mainly focused on coordination activities and they do not have real levers of influence on the participants of relations, their activities do not always significantly affect cooperation.

One of such bodies is the Intergovernmental Commission for Cooperation between the Republic of Kazakhstan and the Russian Federation, which acts on the basis of the Agreement between the Government of the Russian Federation and the Government of the Republic of Kazakhstan [10]. This body plays the role of coordinator in the implementation of agreements in various areas of cooperation between the Republic of Kazakhstan and the Russian Federation, including in the framework of cross-border agreements. The activities of the Commission are aimed at analyzing the state of Russian-Kazakh cooperation and its prospects; constant monitoring of the implementation of intergovernmental agreements; coordination carried out in the framework of the preparation of treaties and agreements; establishment of order in the organization of work on the exchange of experience, etc.

The commission is composed of representatives of both the Russian and Kazakhstan sides. The main form of work of this body are meetings in which various issues related to the implementation of regional agreements are discussed. Financing of activity of this body is carried out at the expense of that party where meetings of the Commission take place. The last meeting of the intergovernmental Commission was held on October 15, 2019 in the city of Nur-Sultan. During the meeting, the sides discussed issues of cooperation in various spheres, including fuel and energy complex. Thus, within the framework of the meetings of the Commission, general strategic issues of development of relations between Russia and Kazakhstan in these areas are discussed. However, it seems that in order to achieve the greatest effect in the sphere of cooperation between the border territories of these countries, it is necessary to create a body in whose functions will be defined not only coordination, but also regulatory and control powers. This will in no way contradict the contractual basis of relations, but, on the contrary, will help to increase the motivation of the border territories for their development.

On November 9, 2018, the XV Forum of Interregional Cooperation of the Russian Federation and the Republic of Kazakhstan was held. As a result, the program of interregional and cross-border cooperation between the Government of the Russian Federation and the Government of the Republic of Kazakhstan for 2018-2023 was approved. A priority highlighted in the context of this document is the improvement of the legal framework of the interregional and border cooperation of the Russian Federation and the Republic of Kazakhstan and the main spheres of cooperation of entities of the Russian Federation and administrative-territorial formations of the Republic of Kazakhstan are the following: trade and economy; industry; fuel and energy; science and education; environmental protection. It is important that the implementation of the program should be carried out through the exercise of authority by the authorities and various organizations of the Russian Federation and the Republic of Kazakhstan of the activities defined by the plan. At the same time, control and management will be carried out using the following means: annual monitoring of documentation and analysis and evaluation of reports on the implementation of planned activities.

Such important functions are assigned to the sub-commission on interregional and cross-border cooperation of the Intergovernmental Commission on cooperation between the Russian Federation and the Republic of Kazakhstan.

#### IV. CONCLUSIONS

Thus, despite the established wide practice of cross-border cooperation with the Republic of Kazakhstan, including in the field of fuel and energy complex, it should be noted that at the present time at the regional level there is no modern legal mechanism of state regulation of this area, providing an adequate legal impact on the emerging social relations in this area. The Orenburg region has not adopted a special legal act that establishes the legal basis for cooperation in the region, as well as there is no state authority of the Orenburg region, provided with special competence to conduct a unified state policy and legal regulation in the fuel and energy sector.

At the same time, the Strategy of scientific and technological development of the Russian Federation from December 1, 2016 No. 642 [11] fixes as a priority task of scientific and technological development of the country the construction and creation of a unified model of international scientific and technical cooperation in the field of research and effective technological development, which would protect the identity of the Russian scientific sphere and state interests in the conditions of internationalization of science and increase the efficiency of Russian science through mutually beneficial international cooperation. Achievement of results within the framework of this task involves, as noted in the text of the Strategy, the development of concerted action not only by government bodies of the Russian Federation, but also by government bodies of constituent entities of the Russian Federation and local government bodies.

In addition, currently, priorities in the sphere of cooperation between the Republic of Kazakhstan and the Orenburg region in the field of functioning of the fuel and energy complex are not clearly defined. It is necessary to consolidate them within the framework of a separate agreement between these countries. Thus, in our opinion, in the fuel and energy sector it is necessary to pay special attention to such issues as:

- restoration of natural resources and compensation for damage;
- ensuring public safety and environmental protection in the process of mining and processing;
- improvement of the management system through the creation of a regulator in this sphere;
- rational (efficient) use of natural resources;
- introduction of innovative technologies.

In addition, it is necessary to agree with the opinion of R.N. Salieva that the main principles of a unified scientific and technical policy in the energy sector should be the following: ensuring sustainable environmental management; reducing environmental pollution and resource conservation; preservation and restoration of the natural environment, achieving rational use of natural resources through the introduction of resource-saving and energy-efficient technologies, minimizing environmental risks [12]. This will create common guidelines in the field of formation of the main directions of cooperation between the Republic of Kazakhstan and the Russian Federation, as well as specific border territories, in the sectors of the fuel and energy complex and, as a result, will allow for more effective cooperation in this sphere.

Thus, the issues of cooperation between the border territories of the Russian Federation and the Republic of Kazakhstan in the sectors of the fuel and energy complex are now becoming increasingly relevant. First, this is due to the fact that the border territories of these states have large reserves of natural resources and great potential at the energy market. Second, since most of the minerals extracted in these territories are of an exhaustive nature, there are acute questions of the effectiveness of their use and the search for alternatives. Third, only close cooperation in this area will allow the most efficient use of energy resources through the introduction of innovative technologies.

In addition, the development of cross-border relations in the field of cooperation on the functioning of the fuel and energy complex will contribute to greater integration, which is especially important within the EAEU. As rightly notes D.A. Kurochkin, without the creation of a stable legal framework and a solid strengthening of economic ties between the EAEU participants, the development and effective functioning of this integration association is impossible [13]. However, it should be noted that at present the legal regulation of cooperation between the border territories is at a fairly low level. Most of the acts, treaties and agreements are declarative and proclaim only the main directions of cooperation between Russia and Kazakhstan. The mechanism of functioning of this cooperation, main categories, criteria and principles are not formed. In addition, it seems that currently there is still no single regulator of these relations in the person of the competent authority at the level of the entity of the Russian Federation.

The functioning of the Intergovernmental Commission in this area is insufficient, since its powers are mainly of a coordinating nature. It would be advisable to form a body that would also have supervisory and regulatory powers. To do this, it is necessary to use the experience of foreign countries. Thus, the experience of Italy, where an independent body for regulating the electricity and gas markets was established, is indicative. The activities of the above-mentioned body are aimed at ensuring control over the observance of the interests of consumers and regulation of competition in the market of energy resources. Its subsidiary functions are to advise the legislative and executive bodies of the Italian government, with the subsequent preparation of comments and proposals, as well as to submit an annual report on the results of activities during the reporting period [14]. This body has not only powers in the sphere of regulation of the sphere in question, but also control powers. At the same time, as rightly notes D.A. Kurochkin, for an ecological safety system, the most effective form of control should be recognized as monitoring the implementation by countries of their international obligations [15]. In this regard, we believe that it is possible to apply the Italian experience in establishing a single body regulating cooperation in the fuel and energy sector of the border territories. This will make it possible to implement an effective policy in the fuel and energy sectors in the border territories, which will contribute not only to energy conservation, rational use of natural resources and environmental protection, but also to the implementation of an effective state policy in this sphere.

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