

**ARTICLE**

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STEPPE ON THE GAS?



Recent announcements and developments regarding construction of a gas pipeline between Russia and China, transiting Mongolia, have been gathering steam and if the project moves forward would be a major boon for the Mongolian economy with a number of potential side benefits. These developments have built on the concept of an “economic corridor” between China and Russia routing through Mongolia.

In late August, according to media reports, a cooperation agreement was signed between various private and state-owned players relating to the potential construction of a pipeline and this has coincided with government level discussions at both the Shanghai Cooperation Organization summit this summer and again at the Eastern Economic Forum in Vladivostok in September, with support from Russian President Putin and Mongolian President Battulga.

There has been considerable discussion about the routes for gas pipelines following the eye-watering US\$ 400 billion agreements for supply of gas signed by Gazprom and CNPC in May 2014, including a potential route through the Altai region. At this stage, it seems that there has not been any publicly announced consensus on the best route, and Mongolia has been pushing for a transit route for a number of years, which indeed would be more direct and route gas to China’s eastern regions.

While this project remains at a very early stage, and subject to detailed feasibility studies (as mentioned by the Russian President himself) it does represent a major opportunity for Mongolia in terms of energy development. What the project would look like is an entirely different question.



- Mongolia would need to participate in a long-term gas supply contract between Russia and China, presumably looking to take a margin on the pricing of the contract for transit costs. Construction would likely be primarily undertaken by the Chinese side. What Mongolia must ensure is that it has rights of offtake to a domestic delivery point to develop and stimulate a domestic natural gas sector. This would involve the construction of domestic pipelines and transit infrastructure, and adequate storage facilities, each large project in its own right. Given the lack of expertise of Mongolia in the natural gas sector it is likely that this type of infrastructure would require foreign construction and foreign operation and maintenance in the initial stages.

Construction of domestic gas supply infrastructure could be a challenge given the levels of financing and expertise that it would require. Another interesting question is the creation of a robust gas regulatory regime and the entity that would be responsible for overall supervision, implementation and domestic transit and storage. Effectively, Mongolia would need to develop this framework from scratch, but this may be an advantage enabling it to do so based on experiences in similar situations internationally.

Another key benefit will be for projects and companies currently looking to develop natural gas from coal sources. Coal sourced energy continues to be roundly attacked from all sides, not least because of the recent Intergovernmental Panel on Climate Change report published on 6 October demanding the complete phase-out of all coal-based energy generation by 2050 (between 0 and 2 per cent). In the international context of this huge pressure on coal, regardless of one's views on climate change, development of coal bed methane as an alternative source of coal-based energy is critical from a national credibility perspective.

In short, it is difficult to overestimate the potential impact that a transit pipeline might have on the Mongolian economy and the broad range of knock-on benefits for Ulaanbaatar in particular. This is an exciting potential development, but given the inherent risks for Gazprom in a transit pipeline, would need to be carefully managed and negotiated if it moves forward.

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Crucially, this development would enable a strong long-term solution to the air quality and pollution issues that seriously impact on Ulaanbaatar and its citizens over the winter months. Not only would this improve quality of life for hundreds of thousands of Mongolians, but it would also generate important political support. Construction of this infrastructure would create a significant number of jobs and improve the economy from numerous angles.

► Gazriin Medee. TDB is not the government, and it shouldn't seem to speak on its behalf. Yet the Reporters without Borders report contends that TDB "is owned by highly influential people with a lot of political affiliations". Over 65% of TDB's shares are owned by Globull Investment and Development SCA, a company registered in Luxembourg. In Mongolia, TDB owns [Bloomberg TV](#) and Forbes Mongolia Magazine, and the company was involved in the ["mysterious" sale of Erdenet mine](#).

Similarly, questions arise in the case of the university names: Who owns the private university? And how is their misleading name allowed to persist?

Procedure

The Mongolian law enforcement system is complicated and costly. The law enforcement powers are shared between many government agencies. The university name dispute shows that at least three authorities were involved, and each authority issued different, even contradictory decisions. In these cases, the courts' powers are limited, and complicated administrative complaint proceedings hinder the access to justice. For example, a trademark infringement case needs to be dealt with by administrative and civil courts separately, provided they reached the stage of a court dispute at all. At

the end of the court proceeding, there is an additional complication with the enforcement of the court decisions by the [General Executive Agency](#) for Court Decisions, a government agency.

Light at the end of the tunnel?

Both cases are typical examples of the challenges of law enforcement in Mongolia. Mysterious ownership structures allow a private bank to operate a newspaper under the name of the Mongolian Government. But in cases of trademark and unfair competition infringements, a less complicated law enforcement is possible if, for example, civil courts dealt with these cases based on Civil Code and Civil Procedural Code without any interference from government agencies.

Unfortunately, the new intellectual property law [reform proposals](#) suggest that our "hidden owners" do not want a less-complicated and efficient system. And until they do, unsuspecting Mongolians will continue to get their "Government News" from the "National University of Mongolia".

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