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REFINING STRATEGIC DIRECTIONS FOR OIL AND GAS INDUSTRY DEVELOPMENT IN THE REPUBLIC OF UZBEKISTAN

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Abstract. This article examines how improvements in management practices can enhance the efficiency of oil and gas enterprises in Uzbekistan.

Keywords: oil and gas enterprises, competition, investment, monopolistic industries.

Introduction

Reforms aimed at reducing state ownership in Uzbekistan's monopolistic industries are contributing to improvements in the infrastructure of oil and gas enterprises. Investment in these enterprises provides opportunities to modernize infrastructure and strengthen their financial position. Against the background of ongoing reforms, research into innovative mechanisms for managing oil and gas infrastructure has therefore become increasingly relevant.

Uzbekistan has consistently pursued the development of its oil and gas and broader fuel and energy sectors, alongside the diversification of energy supplies through alternative sources. These efforts play an important role in meeting the growing demand for energy resources across the economy and among the population.

The Republic's Investment Program comprises 26 projects with a total value of $27.8 billion. The Ministries of Energy and Finance were tasked with determining the financing terms for foreign loans amounting to $2.3 billion under the project "Organization of production of synthetic liquid fuel (GTL) on the basis of purified methane of the Shu'rtan gas-chemical complex." They were also assigned responsibility for securing a $300 million loan from Gazprombank to expand the production capacity of the Shurtan gas-chemical complex.

Financing from the country's Eurobond proceeds was identified for projects involving liquefied gas production at the Mubarak gas processing plant, Sho'rtanneftgaz, and Gazlineftgaz, as well as oil and gas production and the procurement of geological exploration equipment. At the same time, foreign direct investment in areas with complex geological exploration conditions was considered insufficient. These circumstances underscored the need to accelerate the transformation of state-owned companies as part of broader structural economic reforms. The proposed measures also included expanding private-sector participation in the liquefied gas market and abolishing import duties on liquefied gas [1].

Literature review

International and domestic scholars have examined the improvement of economic management and innovative strategic management mechanisms in oil and gas enterprises. Their research addresses the substance of management practices, their implications for other sectors of the economy, and approaches to increasing managerial efficiency in oil, gas, and energy enterprises.

The discussion of strategic planning associated with I. Ansoffa, A. Chandler, and Mintzberg emphasizes the limitations of allowing strategy to follow an existing organizational structure. In this interpretation, subordinating strategy to structure undermines its effectiveness. A. Chandler defines strategy in terms of establishing an enterprise's principal long-term goals and objectives, determining the courses of action required to achieve them, and allocating the necessary resources [2].

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Henry Mintsberg expresses the importance of commitment and strategic focus as follows: "When we believe strongly in our actions, we usually achieve better results. The importance of the strategy for the enterprise: its adoption eliminates the main problems, and the most important thing is that the manager should pay attention to details and choose specific goals or choose to serve customers, instead of discussing the best market selection" [3].

According to V. Quint, strategic management involves establishing and operating a management system that supports the creation or enhancement of the fundamental value of the object of strategizing. This process encompasses the development and long-term implementation of a strategy and its doctrine in accordance with the missions, priorities, goals, and tasks defined within it [4].

R. Rumelt's work is discussed in relation to improving economic management and innovative strategic management mechanisms in oil and gas enterprises. His research addresses the theoretical and methodological foundations of strategic management and the development of its conceptual framework [5].

The efficiency of the oil and gas industry is closely connected with the performance of other economic sectors. Economic development and the anticipated increase in demand for energy resources reinforce the need to accelerate reforms supporting the industry's sustainable development. Uzbekistan's oil and gas industry occupies an important position in the national economy, with its development accompanied by the introduction of innovative processes. The country's investment policy prioritizes innovation in strategic sectors through modernization and technical and technological re-equipment.

Methods

The study examined approaches to improving infrastructure management in oil and gas enterprises in the Republic of Uzbekistan, with particular attention to the introduction of innovations and modernization measures aimed at producing high-value finished products. The research employed observation, time-series analysis, induction and deduction, economic and statistical analysis, synthesis, statistical grouping, monographic research, systems analysis, and comparison. These methods were used to consider infrastructure development, management practices, and the conditions for improving enterprise performance.

Results and Discussion

The Action Strategy on the five priority areas of development of the Republic of Uzbekistan provided the framework for a series of changes in the oil and gas industry. In particular, the management system of Uzbekneftgaz JSC was improved pursuant to the presidential decision dated June 30, 2017, "On measures to improve the management system of the oil and gas sector" [2].

An assessment of the industry's export potential highlights the need to increase exports through deeper hydrocarbon processing and to reduce dependence on gas alone. In addressing state regulation of the monopolistic industry, the country's leadership emphasized the revision of tariffs in accordance with market principles and the gradual introduction of public–private partnerships in the operation of oil depots and regional gas supply services. The measures discussed also included transferring the Fergana oil refinery to investors under a trust management arrangement.

A program to increase hydrocarbon extraction until 2021, together with mechanisms for its implementation, was approved. The reported fulfillment of the 2017 plan for oil and gas condensate drilling and liquefied gas production was considered alongside the need to improve the infrastructure of Uztransgaz JSC.

The statistical data cited for enterprises within Uzbekneftgaz JSC describe an extensive infrastructure network. It comprises 25 gas pumping stations, 252 gas pumping units, 393 gas distribution stations, and 101,317 gas distribution points. Pipeline infrastructure includes 13,250.2 km of main gas pipelines, 13,736 km of high-pressure gas pipelines, 31,651 km of medium-pressure gas

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pipelines, and 85,203 km of low-pressure gas pipelines. The figures also include 210 free gas fields and 125 oil fields.

Despite the scale of this infrastructure, the industry has accumulated substantial operational and investment-related problems. Insufficient growth in reserves contributed to the failure to meet the 2017 forecasts for natural gas extraction and petroleum product output. Geological exploration drilling reached 77% of the forecast volume. Completion of the planned work could have supported a further increase in reserves. Meanwhile, development drilling reached only 49% of the forecast, and the number of completed wells amounted to 53% of the planned figure [2].

The modernization and maintenance of natural gas extraction facilities and distribution networks were also inadequate. Consequently, 6% of natural gas was lost between extraction and delivery to consumers. Under the state geological exploration program, the discovery of new fields was expected to increase natural gas reserves by 57 billion cubic meters and oil and condensate reserves by 3.6 million tons in 2018.

To achieve the stated annual production targets of 63 billion cubic meters of natural gas and 3 million tons of oil and condensate, the planned measures included completing 255 new wells and 26 new technological facilities and overhauling 76 wells. Uzbekneftgaz JSC was expected to implement 24 investment projects valued at $2 billion 756 million. The planned allocation of these funds covered the construction and technological equipping of the Jizzakh oil refinery, the second line of the Kandim gas processing complex and the Kandim field group, and synthetic liquid fuel production at the Shu'rtan gas-chemical complex. It also included exploration work and the preparation of technical and economic feasibility studies for the “25th Anniversary of Independence” field in Surkhandarya.

The concentration of more than half of the investment attracted to the national economy in the oil and gas sector makes the economic return on expenditure particularly important. Protecting the state’s economic interests requires a review of production-sharing agreements and joint venture terms. It also calls for the diversification of logistics routes and the identification of transport corridors and tariffs that reduce the costs of importing raw materials and exporting finished products.

Losses during natural gas delivery indicate the physical deterioration of the distribution system. This creates a need to apply research-based innovations to the improvement of oil and gas infrastructure. Relevant measures include developing high- and medium-pressure gas distribution systems and considering proposals for converting motor vehicles to gas fuel in cooperation with foreign companies.

The US company Epsilon Development was expected to invest $5.2 billion in gas production in Uzbekistan. The company had previously announced plans to extract gas from fields in Surkhandarya and Fergana regions that involved substantial development costs and difficult operating conditions. A further statement referred to plans by the United States to invest $2 billion in the development of gas fields in these areas over the following two years. The investment figures cited also indicate that $11.8 billion had been invested in the country in recent years, with 73% allocated to the oil and gas sector.

The economic stability of an oil and gas enterprise depends on expanded reproduction. In terms of value flows, this requires the generation of sufficient additional value both to replenish consumed resources and to expand their volume, while also increasing the value and quality of output. Each enterprise therefore needs a program that connects its production and investment activities with the objective of maintaining economic stability.

Such a program should organize measures for economic stability within a multilevel framework and specify the resources required for their implementation. Alternative approaches to achieving stability should be coordinated through the financing and resource provision of investment projects,

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including arrangements involving partnership with the state. The relationships among these approaches should be considered when determining how resources are allocated and used.

Conclusions and Recommendations

The analysis identifies opportunities to support the economic recovery of financially unstable oil and gas enterprises through innovative management mechanisms. These opportunities are connected with the use of natural gas as an industrial raw material rather than solely as a fuel in the national economy. The resulting recommendations concern infrastructure modernization, private investment, public–private cooperation, and the effective use of investment resources.

First, the infrastructure of oil and gas enterprises operating in Uzbekistan should be improved alongside efforts to attract private capital. Private investment should extend to oil extraction and production activities as well as the broader development of the sector.

Second, public–private partnerships should be expanded through clearly defined tasks for infrastructure development and enterprise financial stability. Such partnerships can provide a framework for coordinating the resources needed to strengthen the economic stability of this strategically important industry.

Third, infrastructure development in financially unstable enterprises within Uzbekneftgaz JSC should involve both foreign investors and domestic business entities. Creating a competitive environment for local businesses and introducing financing through venture funds are proposed as complementary measures.

Fourth, investment attraction and utilization should draw on the experience of industrialized countries, with particular attention to the investment policy of the Republic of Korea. A corresponding priority for Uzbekistan is to attract foreign investment through long-term projects that introduce advanced equipment and technologies.

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