Enerji Piyasaları ve Politikaları Enstitüsü

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Institute for Energy Markets and Policies

ENERGY ARENA IN SOUTH EAST EUROPE and TURKISH-RUSSIAN ENERGY COOPERATION

Dr. Volkan Özdemir

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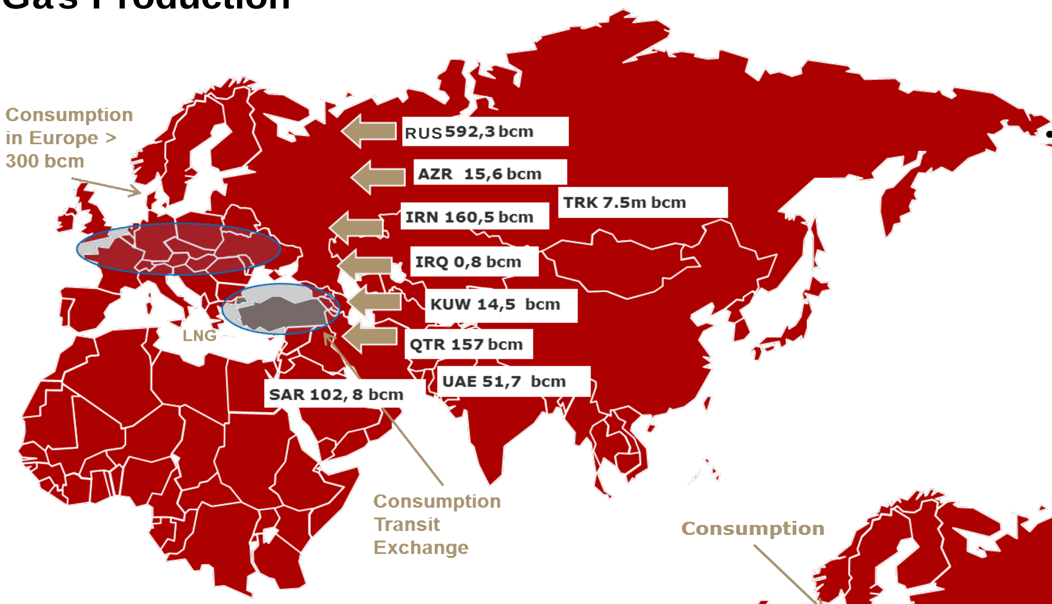
Turkey is at the crossroads of consumption and production: a natural bridge.

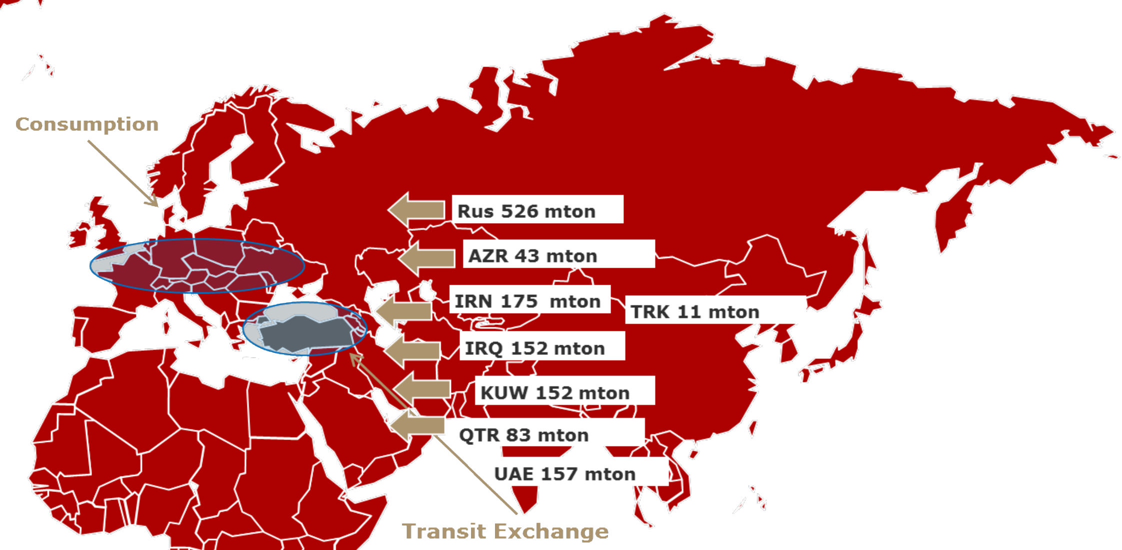
Gas Production



Source: BP Statistical Review 2013

- Even though Turkey is limited in primary energy resources and is dependent on imported energy, it acts as a bridge between the world's crucial supply and demand regions.
- Having a position central to the regions of Europe, the Balkans, the Aegean, the Black Sea, the Caucasus-Caspian Basin and Central Asia, Turkey is a natural transit country for maritime and pipeline transportation of gas and oil.

Petroleum Production



- Turkey's position is critical for the export and import of petroleum as it straddles the demand-rich west to supply-rich east.

Fundamentals of Turkish Energy Policy

TURKEY GEOGRAPHICALLY BETWEEN TWO WORLDS

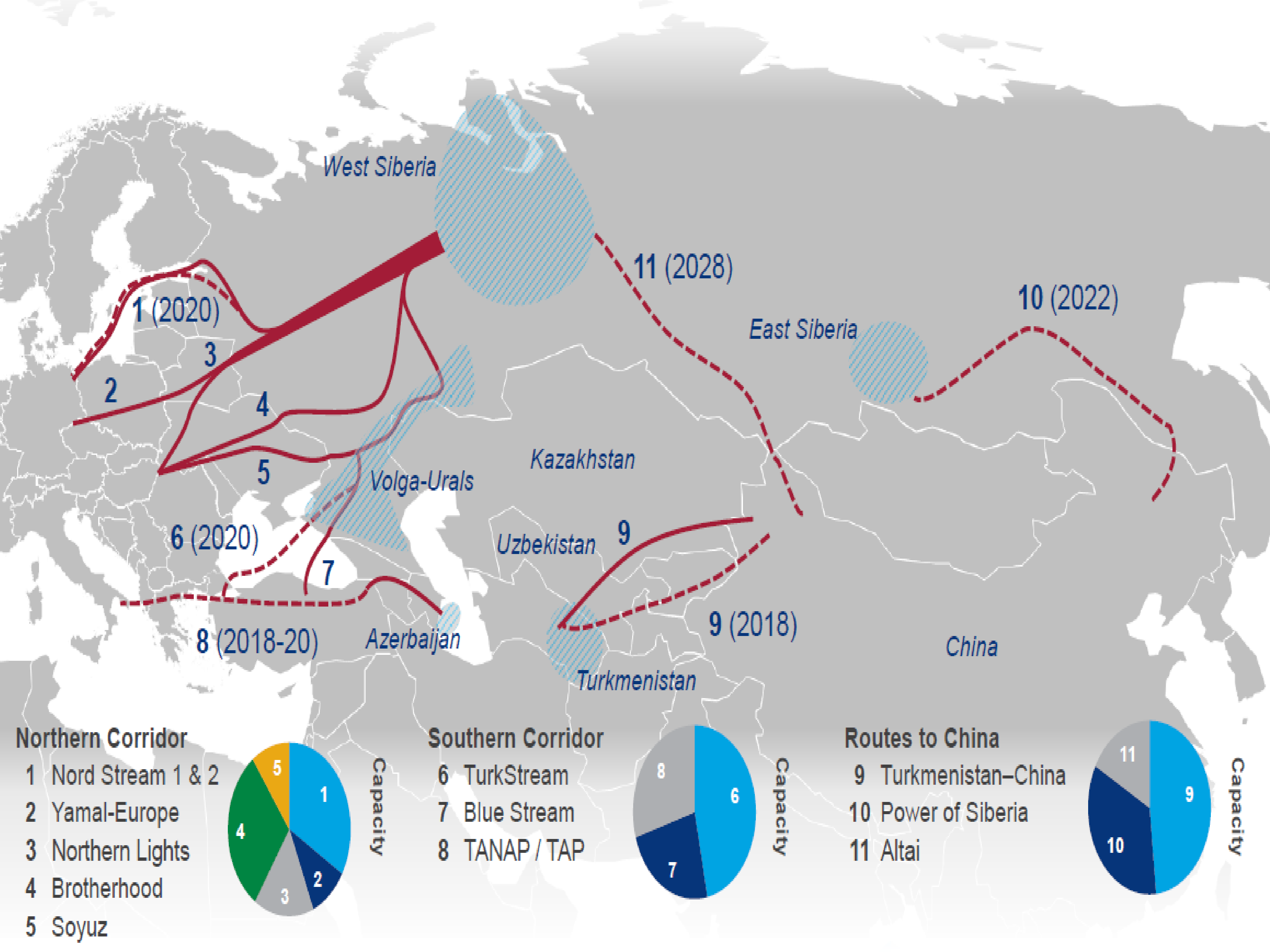
* In its East producers/exporters; In its West consumers/importers

* In its East monopolistic markets; In its West liberalized energy markets

* In its East mainly autocratic regimes; In its pluralistic democracies

Turkish oil, gas production is not significant and energy is the main cause of high current account deficit. Turkey will remain as a net importer of hydrocarbons and dependent on Russia, Iran for foreseeable future.

International pipeline projects are seen as a tool to balance this overdependence


West Siberia
East Siberia
Volga-Urals
Kazakhstan
Uzbekistan
Turkmenistan
Azerbaijan
China
1 (2020)
2
3
4
5
6 (2020)
7
8 (2018-20)
9
9 (2018)
10 (2022)
11 (2028)
Northern Corridor
1 Nord Stream 1 & 2
2 Yamal-Europe
3 Northern Lights
4 Brotherhood
5 Soyuz
Capacity
Southern Corridor
6 TurkStream
7 Blue Stream
8 TANAP / TAP
Capacity
Routes to China
9 Turkmenistan–China
10 Power of Siberia
11 Altai
Capacity

TURKEY-EU-RUSSIA Energy Triangle İN SEE

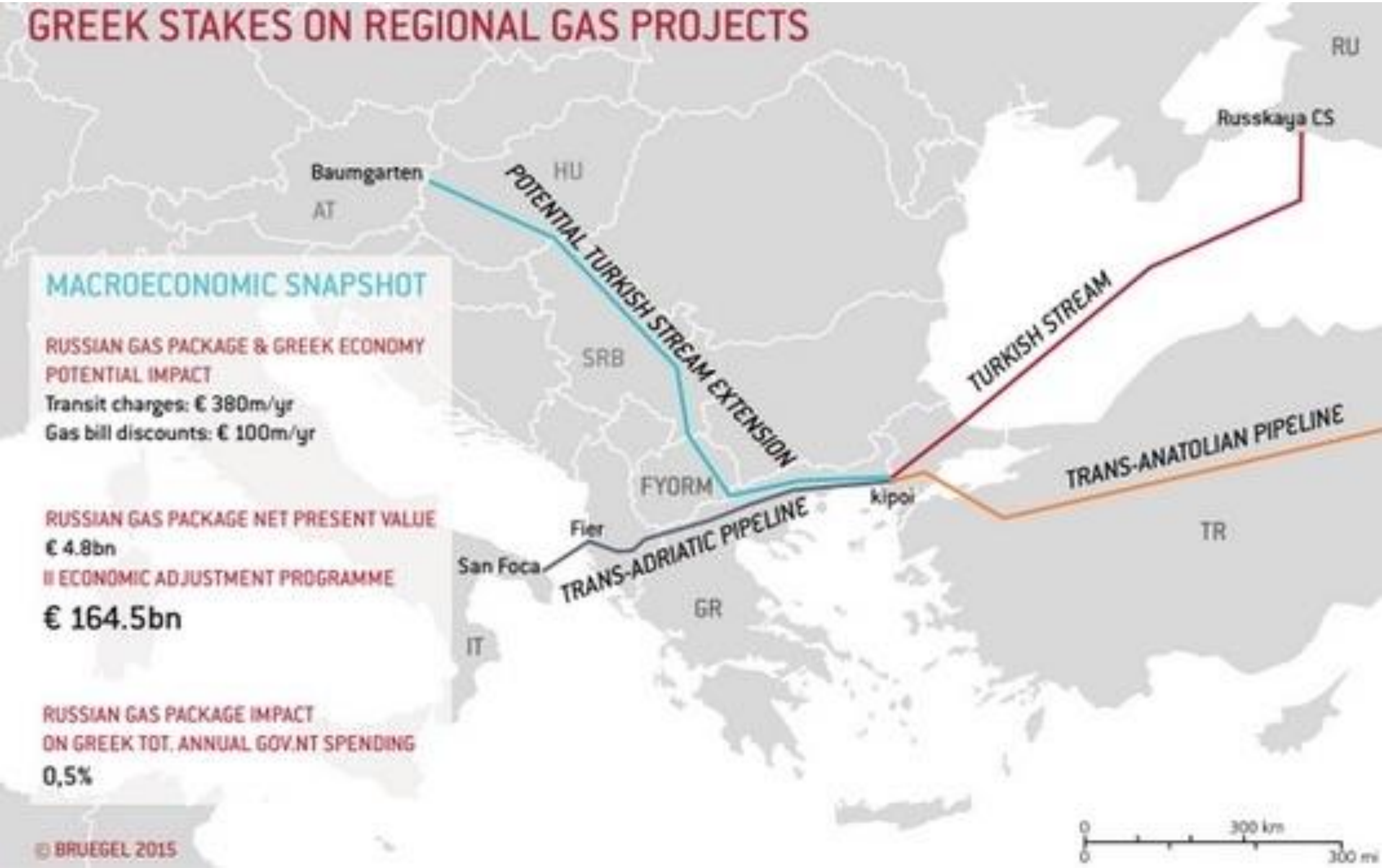
- **EU:** Diversification of Supply --- Diminishing Overdependence on Russia: "Southern Gas Corridor"
- **Russia:** Diversification of Route ---- Avoiding transit risks and Consolidation of Gazprom's position in Europe: "South Gas Ring" IGAs
- **Turkey:** Diversification of Supply--- Geographical Position Seeking Influence with new Allies: Participation into East-West Energy Corridor and North-South energy projects

RUSSIAN PIPELINES to EUROPE

- **2020 Forecast =200+ bcm (Increasing Competition due to LNG)**

- Nord Stream: 55 bcm (OPAL+NEL)
- Yamal: 33 bcm
- Northern Light:
- Blue Stream: 16 bcm
- Total: 126 bcm
- **“Turkish Stream 2?”: + 17.5 bcm**
- **“Nord Stream 2”: 55 bcm**

- The first option for Gazprom before it focuses on second line of Turkish Stream was to win some concessions from the EU for the higher utilization rate of already constructed OPAL pipeline and/or the realization of Nord Stream 2 project.
- OPAL resolution was reached. Polish regulatory and political objection to NS 2 could be neutralized with Trump effect.
- Nord Stream 2 (55 bcm/a) plus just the first line of Turkish Stream (15.75 bcm/a) is more than enough to replace the Ukrainian GTS by 2020. If half of NS 2 + 1 TS, means: There will be small transit UGTS
- In this framework, if only the first line is constructed, then Turkish Stream will evolve into another Blue Stream: It means only a bilateral pipeline between Turkey and Russia under the Black Sea just to feed the Turkish domestic market.
- The second option for Gazprom is to focus on building both lines. Under this scenario, Turkey will become an energy corridor for Russia, not a gas hub, under the current agreement. However, Gazprom will have to agree with EC for gas sales within EU.


GREEK STAKES ON REGIONAL GAS PROJECTS
RU
Russkaya CS
Baumgarten
HU
AT
POTENTIAL TURKISH STREAM EXTENSION
MACROECONOMIC SNAPSHOT
RUSSIAN GAS PACKAGE & GREEK ECONOMY
POTENTIAL IMPACT
Transit charges: € 380m/yr
Gas bill discounts: € 100m/yr
SRB
TURKISH STREAM
TRANS-ANATOLIAN PIPELINE
FYORM
kipoi
RUSSIAN GAS PACKAGE NET PRESENT VALUE
€ 4.8bn
II ECONOMIC ADJUSTMENT PROGRAMME
€ 164.5bn
Fier
San Foca
TRANS-ADRIATIC PIPELINE
TR
GR
IT
RUSSIAN GAS PACKAGE IMPACT
ON GREEK TOT. ANNUAL GOV.NT SPENDING
0,5%
© BRUEGEL 2015
300 km

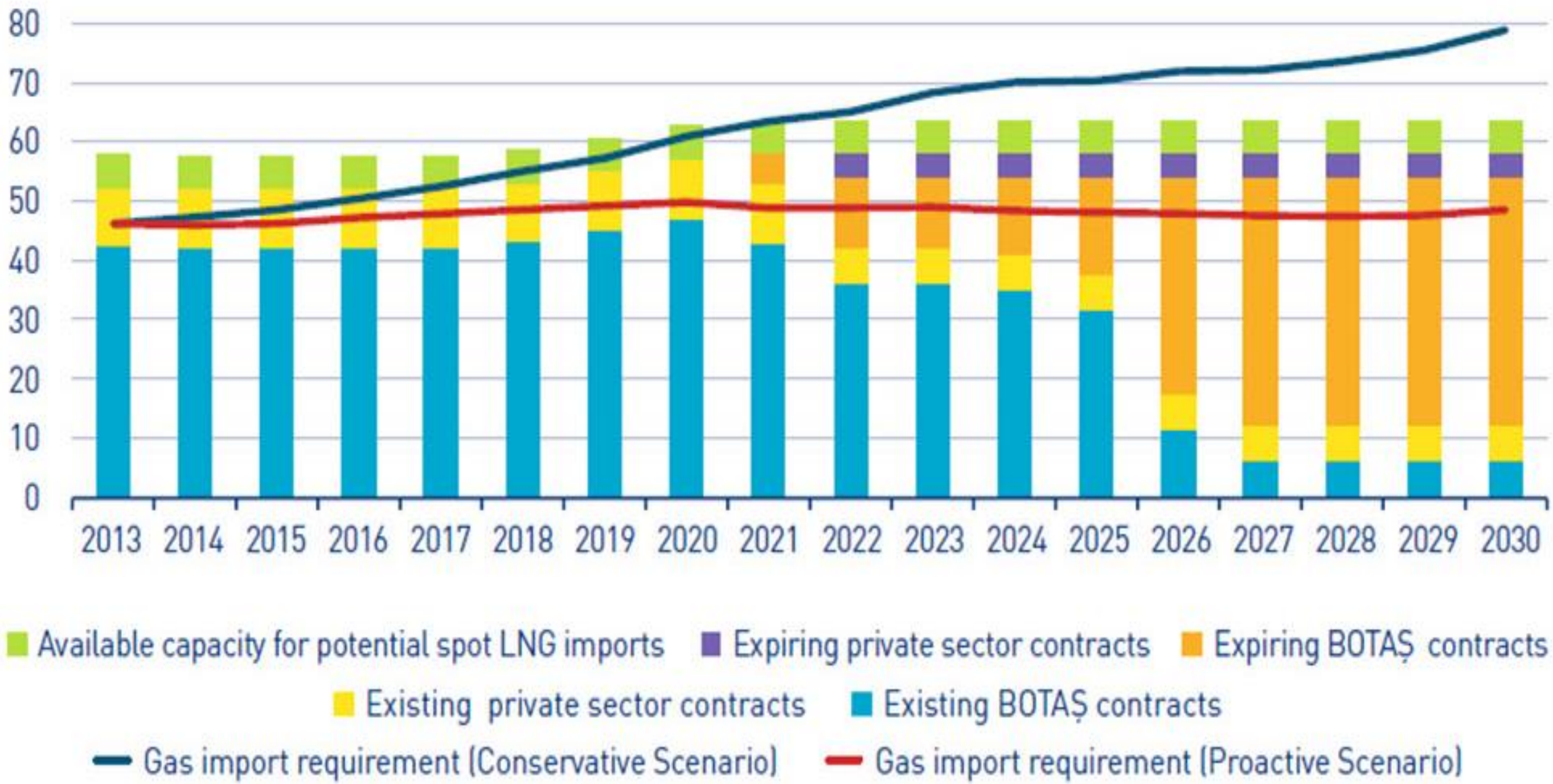
- Turkey, which is fluctuating between Western supported East-West and Moscow based North-South axes energy projects, is seen as a corridor for all.

- Initially, under the European concept of a Southern Gas Corridor the role of Turkey was reduced to that of a gas corridor for *consumers* (European Union). More recently, because of a changing geopolitical environment and political choice by Ankara, Turkey is now being developed into a gas corridor for *producers* (Russia and Azerbaijan).

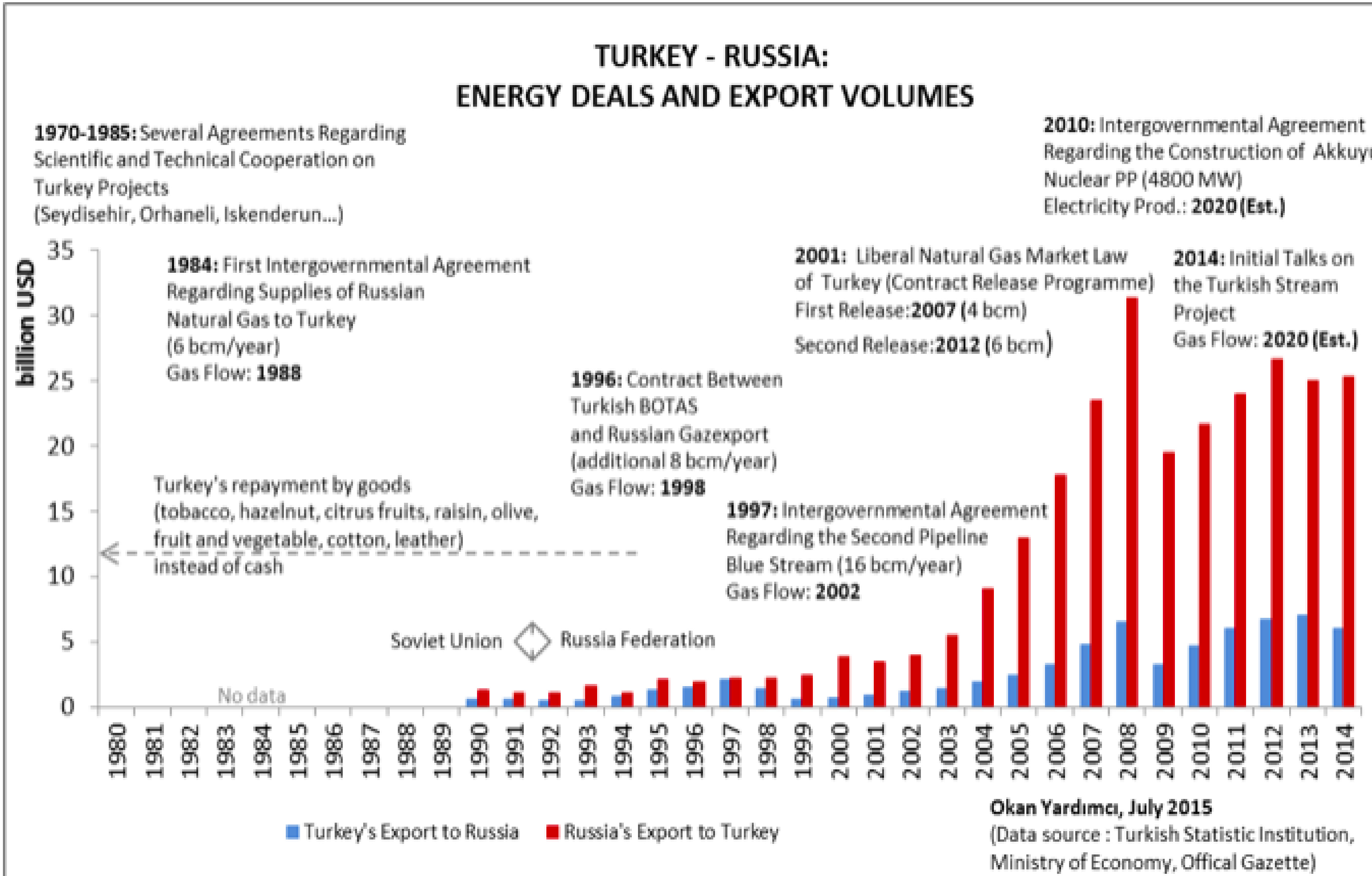
- Ironically, Russia seems to have a bigger say in the European concept of a Southern Gas Corridor which is now being ‘Eurasianised’. Consequently, a new energy triangle is being formed between Azerbaijan, Russia and Turkey in which the first two are suppliers and the latter is corridor in energy infrastructure of the region. Therefore, there is not any competition between Azerbaijan and Russia unlike opposite claims. Baku will reach TAP through TANAP and Moscow can reach Poseidon or Bulgaria via Turkish Stream.

A repeat of European Hybrid Model in 2020s?

Gas Imports of Turkey (bcm) and LTCs (S.Karbuz)



TIMELINE OF TURKISH-RUSSIAN ENERGY COOPERATION



A MORE ACIVE ROSNEFT IN TURKISH ENERGY MARKET?

- **There is lack of big energy cooperation between ROSNEFT and Turkish Companies.**
- **Rosneft is active in Northern Iraq's Oil Development**
- **Big business opportunities could be established between Russia and Turkey in which oil and oil products' sectors are growing. (TUPRAS and Star (SOCAR) Refiniries**

- **Teşekkürler!**
- **Спасибо!**
- **Thank you!**