

Geopolitics of Turkish Energy towards Balkan Gas Market

Dr. Volkan ÖZDEMİR

EPPEN (Institute for Energy Markets & Policies) Chairman

www.eppen.org

Sofia, Bulgaria

4/11/2015

ENERGY SECURITY

The provision of reliable, clean, diverse and ample supplies of energy at affordable prices and adequate infrastructure to deliver these supplies to the market.

THREE PILLARS of the Concept

1. Security of Supply (for importers)
2. Security of Demand (for exporters)

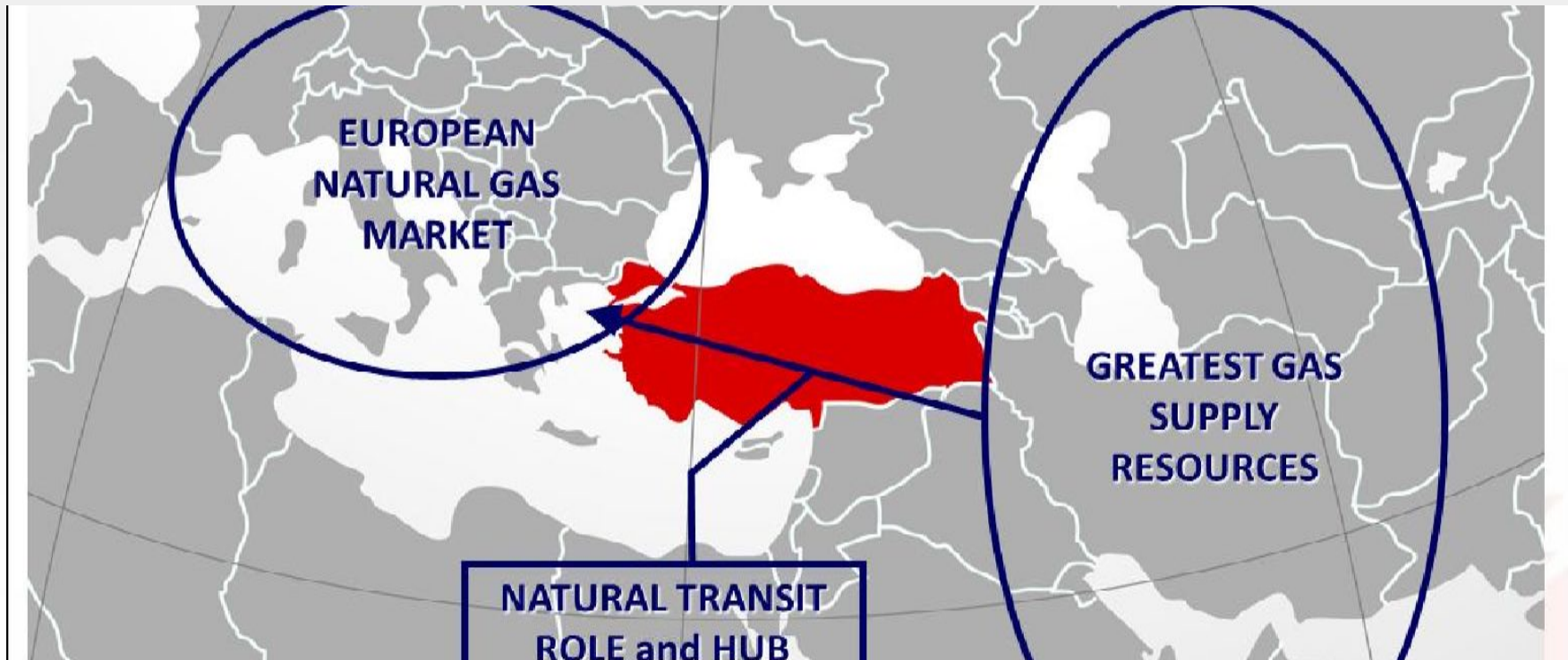
PIPELINE POLITICS

3. Transit Security (for all actors!)

Geopolitics of Pipelines: Selection of route of transportation confers political muscle on those who have them. Thus, decision-makers observe strategic interests even when commercial criteria would dictate otherwise. Geopolitics of pipeline is the most important part of the concept. Because;

Whoever controls the lifeline of transportation in fact controls the *energy* resources!

PIPELINES/PIPELANDS or PIPE-DREAMS? Geopolitics of Turkish Energy!



TURKEY BETWEEN TWO WORLDS

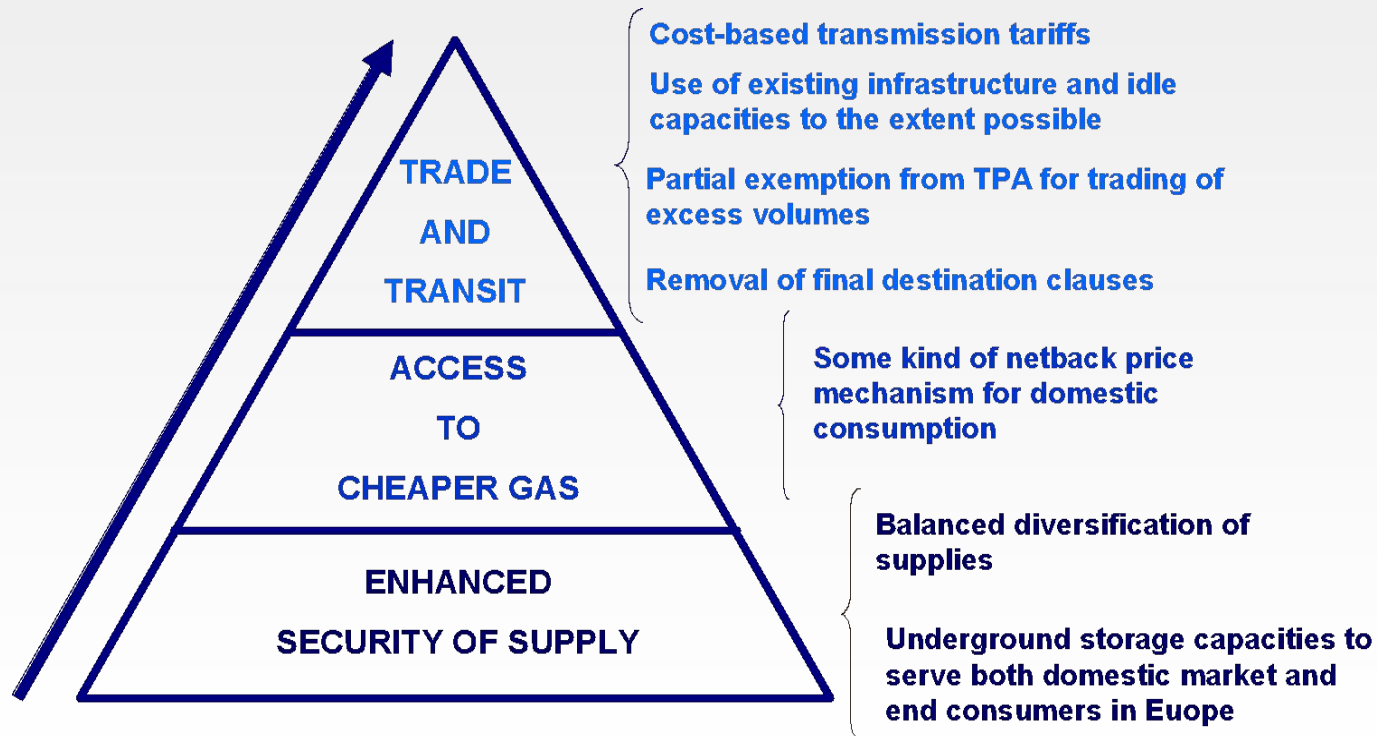
TURKEY GEOGRAPHICALLY BETWEEN TWO WORLDS!

It is surrounded by

- 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 West pluralistic democracies
 - International pipeline projects are seen as a tool to balance this overdependence.

TURKEY & GAS BUSINESS

Consumption 50 bcm/a - Transport Cap.200 mcm/d



GAS MARKETS IN THE BALKANS

- Balkans: Over 30 bcm gas consumption combined excluding Turkey
- **Eastern Balkans:** EU members---Russia main supplier, gas market is mature
- **Western Balkans:** Ex-Yugoslavia + Albania ---Gas consumption is not high
- Albania-Montenegro-Kosovo are new comers to the business.
- Gas demand increase: 10 bcm for near future **Croatia** has LNG alternative

INTERESTS OF THE INVOLVED ACTORS ON BALKAN ENERGY MARKETS

- **EU:** Diversification of Supply --- Diminishing Overdependence on Russia: “Southern Gas Corridor” European Energy Community 2005
- **Russia:** Diversification of Route ---- Avoiding transit risks and Consolidation of Gazprom’s position in Balkans: “South Gas Ring” IGAs
- **Turkey:** Diversification of Supply--- Geographical Position Seeking Influence with new Allies: Participation into East-West Energy Corridor projects

ENERGY TRIANGLE IN THE BALKANS: EU-RUSSIA-TURKEY

- There is limited Turco-Russian energy cooperation: Blue Stream! But Turkey has always had an ambivalent position both against the European Union and Russia.
- **Turkey**, did not fully support Nabucco although it was partner and both Turkey and European countries have common problems like Russian energy dependence and import diversification. Turkey does not want to position itself a solely energy transit country for EU.
- On the other hand, in its energy relations with Turkey, **the EU is not eager to have another Gazprom in its immediate neighborhood and Russia'd not want to see a second Ukraine in its gas transit to European markets.**

GAS PIPELINES, TARGETING THE REGION

- **Southern Corridor:**
 - Azerbaijan-Georgia-Turkey-Greece 6.6 bcm
 - SCP** and **TANAP**: $16+15 = 31$ bcm
 - ~~Nabucco West $10+13 = 23$ bcm~~
 - Trans-Adriatic Pipeline (**TAP**) $10+10 = 20$ bcm
 - Ionian-Adriatic Pipeline (**IAP**) 5 bcm
- **Turkish Stream $16+16=32$ bcm**
- **Turkey-Bulgaria reverse flow?**

WHY IS NABUCCO ONLY AN OPERA NAME NOW?

- Nabucco West (OMV-RWE) lost competition to TAP (**BP-SOCAR-STATOIL**) for bringing Azeri Gas to South Europe
- TANAP (**BP-SOCAR-BOTAŞ**) signed in 2012
- Strategic Alliance between **BP** and Rosneft in 2013
- Acquisition of DESFA by **SOCAR** in 2013
- Decision by Shah Deniz Consortium-(**BP-SOCAR-STATOIL**) June 2013. Surprise?

Less competition/Russia is not strong enough to block flow of Azeri gas to Europe but TAP (Southern Europe) was favorable than Nabucco West (Eastern Europe)

“TURKISH STREAM” IMPLICATIONS FOR TURKEY

- Benefit: Just transforming from ‘end user’ to ‘intermediate user’
- Physical Hub in Greek Border! What if Turkey becomes transit and Greece becomes hub?
- Rather a virtual hub (Eurasian gas hub) in Turkey with Russian partnership?
- Turkey-Greece/TAP/Reverse flow to Bulgaria?
- For Russia is it easy to finance those projects in a time of sanctions?

FINAL REMARKS!

- **The Crimea Crisis between Russia/Ukraine: Energy Security in Balkans!**
- Realization of related energy projects has been revitalized
- Southern Gas Corridor of EU is now highly dependent on success of Azeri-Turkish investment commitments thus Turkish interests should be observed
- Future of these projects both in terms of economics (supply & demand) and politics will depend on the political situation in the wider Black Sea&Balkans
- **But most importantly it depends on the political stability in Turkey**