

INTERVIEW WITH TANER YILDIZ*

Turkey has been considered the most trustworthy country by investors for the past ten years. With the energy sector becoming a significant factor in the expansion of the Turkish economy, domestic and foreign investors' interest in this sector is growing, which is a reflection of Turkey's political and economic stability within the energy sector. Turkey is rising to the status of a regional leader in energy by the realization of the Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Erzurum pipelines, as well as the TANAP project, which will contribute considerably to the diversification of our country's gas portfolio, and to the security of our national energy supply. Especially, TANAP will take on the main role in Turkey's mission of becoming a "bridge" for transporting the rich energy resources of the East to the West.



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The Turkish energy market has been fairly vibrant for the past ten years. Especially energy companies from developed countries are investing significantly into Turkey. Thus are you expecting considerable new investments in the near future?

Turkey has been considered the most trustworthy country by investors for the past ten years. With the energy sector becoming a significant factor in the expansion of the Turkish economy, domestic and foreign investors' interest in this sector is growing. In 2011, 4.2 billion dollars worth of foreign direct investments were made in the energy sector.

This reflects Turkey's political and economic stability within the energy sector. All sectors in Turkey are witnessing this presence of stability and trust. Investments in the energy sector will increase in the future.



Another important issue is the nuclear power plant. What is the current situation of the plant in Mersin that is to be built by the Russian company? When will it become clear as to who will build the second power plant?

Hopefully, the construction of the Akkuyu nuclear power plant will begin in the year 2014. The license, Environmental Impact Assessment (ÇED), and new statutes will be completed by the end of 2013. Under the direction of our ministry, our associated institutions will cooperate with the Ministry of Foreign Affairs and the Ministry of Environment and Urbanization. This will facilitate progress. The drafts of the associated legal infrastructure will also be completed by the end of 2013. Hopefully we will make the decision on the second nuclear plant at the end of this year.

Your government set a goal for Turkey to become an energy hub. Do you think this target will be realized? What is the Caspian Region's significance with respect to Turkey's energy policies?

Turkey is rising to the status of a regional leader in energy. We enabled the realization of the Baku-Tbilisi-Ceyhan (BTC) main crude oil export pipeline, leading to 1.5 percent of global oil consumption to be transported from Ceyhan. We initiated the Baku-Tbilisi-Erzurum (BTE) gas pipeline project. With the gas pipeline and commercial agreements, we provided an opportunity for Azerbaijan's gas fields to be devel-

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oped and at the same time obtained the gas that Turkey needs for its own consumption. We completed the Turkey-Greece Gas Pipeline as well as the first part of the South European Gas Ring project, and started exporting gas to neighboring Greece. Together with Azerbaijan, we took the first step of the Trans-Anatolian Gas Pipeline (TANAP) project, which will transfer Azerbaijani gas through Turkey into Europe. We completed the project's intergovernmental agreement.

Our support for the Nabucco project continues. By signing the TANAP agreements we opened the way for the Nabucco project. Nabucco, now under the title of Nabucco West, can be operational as a pipeline that stretches from the Bulgarian border, deep into Europe. We hastened our work on transporting Iraqi gas to Turkey, and through Turkey to world markets. In this context, we signed a memorandum of understanding on the Iraq-Turkey Gas Pipeline project. We are continuing our work on the third phase of the Arab Gas Pipeline project that aims to transport Egyptian gas through Jordan and Syria to Turkey, and into Europe. We extended the Kirkuk-Yumurtalik Oil Pipeline agreement by 15 years, an important project for us that has been consistently operational for 40 years. We synchronized our national electric system with that of Europe through the European Network of Transmission System Operators for Electricity (ENTSO-E). We initiated oil exploration at sea. Together with large global companies, the Turkish Petroleum Corporation (TPAO) is conducting deep sea oil exploration in the Black Sea and the Mediterranean. We have begun constructing our own seismic vessel in order to discover our own oil. Turkey will have a seismic vessel entirely made in Turkey.

Turkey and Azerbaijan have put an important project on the agenda TANAP, which envisions the transfer of Azerbaijani gas into Europe through Turkey, with some gas remaining in Turkey for domestic consumption. What is this project's significance for Turkey and the Caspian Region?

TANAP will contribute considerably to the diversification our country's gas portfolio, and to the security of our national energy supply. Furthermore, TANAP will take on the main role in Turkey's mission of becoming a "bridge" for transporting the rich energy resources of the East to the West where demand is on the rise. If we consider Europe, Asia, and Africa as a continuum, Turkey can be described as the "Artery of Energy." Therefore, following the BTC oil and BTE gas pipelines, the Turkey-Greece-Italy gas pipeline, and Kirkuk-Ceyhan Oil Pipeline, TANAP will be the last and perhaps most important component of this "Artery" function.

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The TANAP project carries significant strategic value for Turkey, Azerbaijan, and European countries. From Turkey's point of view, the fact that the Turkish market will be provided with an amount of natural gas coming through the TANAP system is important for Turkey's supply security, as well as for its strategic goal of becoming an energy hub and bridge.

Moreover, considering that nearly seven billion dollars will be invested in the TANAP project, it will provide significant job opportunities for Turkish companies. From Azerbaijan's perspective, the pipeline will provide direct access to European markets *via* an alternative route, and enable transporting its gas to a wider range of markets, and thus open the way for other gas fields in Azerbaijan to be developed. Viewed from the perspective of European countries, they will be able to meet their increasing gas demand from an alternative source and through an alternative route.

In Turkey, the privatization of coal fields is an important issue. What is your evaluation of the private sector's interest in these fields?

We began transferring the state-owned coal fields to the private sector in order to build a thermal power plant. We auctioned the Tufanbeyli field, which has the potential to establish a 600 MW thermal power plant, and the Soma field, which has the potential of 450 MW, thereby transferring them to the private sector.

The royalty auctioning with the condition of building a thermal power plant in the Harmanalan-Davutlar at Bursa Keles was recently completed. A 270 MW

thermal power plant will be built. The coal produced from these fields, which have reserves of almost 50 million tons of coal, will keep the plant running for 30 years. The plant, which needs to become operational within six years after the agreement has been signed, will produce 1.7 billion kWh of electricity annually. With an investment value of 850 million dollars, this project will provide employment for 1,000 people.

We are hoping to integrate our other fields –which have the potential to sustain almost 18,000 MW thermal power plants– into our economy with the same model.

With reserves of 4.38 billion tons, the Afşin-Elbistan field comprises approximately 38 percent of Turkey’s lignite reserves. Currently there are two operational thermal power plants in the field with a combined power of 2,795 MW. To reach its 11,000 MW thermal potential, the field has the potential to build new plants of a total power of 8,200 MW.

Again, our top goal, by giving priority to local resources in order to increase resource variability, is to initiate the coal reserves in the Elbistan field and bring them into the economy.

In this context, in August 2012, our national Electricity Generation Company (EÜAŞ) and the Abu Dhabi National Energy Company (TAQA) signed a memorandum of understanding for investments concerning the Afşin-Elbistan coal field. This memorandum covers the B, C, D, and E fields in the Afşin-Elbistan field. The memorandum aims to modernize the electric power station and its operation, build new electric power plants, and develop the coal fields in the Afşin-Elbistan B field.

A reserve of almost three billion tons, and a potential of nearly 7,000 MW thermal power based on this reserve, are ready for investment. The field’s agenda includes the annual production of almost 17 million tons of coal within each of the C-D-E projects, and each power plant built will produce nearly nine billion kWh of electricity a year.

We predict that once these projects turn into investments, a total of approximately ten billion dollars will be invested in the region. Once the investments are completed they will comprise 20 percent of current electricity production in

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Turkey. Almost 15,000 people will be employed in this project. Once the projects are completed and operational, nearly 8,500 people will be directly employed.

What are your government's visions about Turkey's plans on adapting to renewable energy sources?

Turkey is rich in terms of renewable resources. In geothermal energy resources, for example, installed capacity rose from 17.5 in 2002, to 114 MW today. Regarding wind energy, a rapid increase in terms of installed capacity –from 20 MW in 2002, to 2,105 MW today– has taken place. In 2002 hydroelectricity installed capacity was 12,241 MW, now it has reached 18,747 MW. For solar, license applications to the Energy Market Regulatory Authority (EPDK) will start in June 2013.

We believe that renewable energy will be the most important resource, both for Turkey and the world. In this context we aim to have installed capacity become 20,000 MW for wind, 3,000 MW for solar energy, 20,000 MW for hydroelectricity, and 600 MW for geothermal. By 2023, we aim to increase the portion of renewables in the energy mix to 30 percent.