

Turkey's Role in European Security as the Epicenter of Regional Energy Routes

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Turkey's long-term energy strategy is shaped by a broad vision, taking into account the need to maintain balance between its geography, foreign policy and energy demands. Due also to the liberalization of its energy market, in the near future Turkey will constitute a fourth artery of Europe's energy supply after Russia, Algeria, and Norway. This goal overlaps with EU's security policy, opens new horizons in Turkey-EU relations and contributes to regional peace and stability. The East West Energy Corridor project is on track, Turkey is buying natural gas from Russia and Iran, and projects from Iraq and Egypt are under consideration. In light of the EU's strategy of diversification of energy sources and origins of supply, the EU is expecting Turkey to play a key role in the transit of gas to Europe.

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Energy, the most important factor in economic and social development, continues to play a strategic role in the global economy. The International Energy Agency's (IEA) latest energy projections, which attempt to forecast what the energy landscape will look like up until 2030, depict a future in which fossil fuels continue to dominate the energy mix. Energy trade will expand rapidly, in particular the major oil and gas-consuming regions will see their imports grow substantially. And demand for natural gas will rise more strongly than for any other fossil fuel.

Given outlook for energy demand, and taking into consideration Turkey's unique geographical location whereby three fourths of the proven oil and gas reserves of the world are located in neighboring regions, it should come as no surprise to see Turkey emerging as a major player in energy diplomacy. The geographical location of a country determines not only its foreign policy but also of its energy policies. Turkey's long-term energy strategy is shaped by a broad vision, taking into account the need to maintain balance between its geography, foreign policy and energy demands.

Pre-1990 discussions of Turkey's energy policy were mostly confined to the Iraq-Turkey oil pipeline and the Russian gas coming from the Western line. That framework was shortsighted as far as Turkey's potential and scale were concerned. The ensuing period was the beginning of Turkey's emerging role as an energy corridor and terminal, particularly with respect to the potential of the Caspian region. Turkey has undertaken world scale energy projects, and throughout this period, a spirit of cooperation has been the defining factor in its energy strategy.

One such strategy is to connect Central Asia and the Caucasus to the Mediterranean and provide a Western outlet for these landlocked countries, to facilitate their cooperation with Mediterranean and European countries and the US through Turkey. The prospect of an economically developed, politically stable and strong Caucasus and Central Asia has become one of Turkey's foreign policy priorities in the hope that this will contribute to regional peace and stability. This objective not only aims to assist Central Asian and Caucasian countries consolidate their economic and political independence but also serves Turkish energy policy; which has been shaped in response to the ever-increasing demand for a reliable, sufficient, prompt, economic, and environmentally sound energy supply. Turkey's import dependency, which was 65% in 2001, is expected to rise to 73% by 2010 and to 78% by 2020.

The hydrocarbon reserves of the Central Asian and Caucasian region are significant. Proven oil reserves are estimated to be between 15 billion to 31 billion barrels, which constitutes nearly 3% of the world's total proven oil reserves. Proven natural gas reserves of about 8 trillion m³ represent 7% of the world's total proven gas reserves. Some geologists assert that the proven reserve numbers for Central Asia and the Caucasus, commonly referred to as the Caspian Basin, are misleadingly low because huge areas of the region have not been explored yet. Future exploration may confirm that the region potentially holds up to 235 billion barrels of oil and up to 8.3 trillion m³ of gas.

It was on the basis of these considerations that Turkey undertook the East-West Energy Corridor project, in close cooperation with Azerbaijan, Georgia and the US. It is based on the construction of trans-Caspian and trans-Caucasian oil and gas pipelines through Georgia and Turkey that will supply the Western markets with Caucasian and Central Asian hydrocarbon resources through safe and alternative routes. It includes the Baku-Tbilisi-Ceyhan crude oil

pipeline project, the Baku-Tiblisi-Erzurum natural gas pipeline that is also being referred to as the South Caucasian Pipeline and the Trans-Caspian natural gas pipeline projects.

The Baku-Tiblisi-Ceyhan (BTC) Crude Oil Pipeline project, which constitutes the backbone of the East-West Energy Corridor, has reached the construction phase. Pipe laying activities began last spring in all three countries. The first tanker to carry Caspian oil is to be loaded in Ceyhan during the first half of 2005. Its possible extension to Aktau is being negotiated between Azerbaijan and Kazakhstan. The consumer market for this Caspian oil will be the Mediterranean and beyond. Therefore, the BTC pipeline will not only provide safe transport of Caspian oil to Western markets but will also reduce the amount of oil transportation in the Black Sea and the Turkish Straits, thus enhancing navigation safety and providing a greater measure of environmental protection for the Black Sea and the Turkish Straits, as well as the security of the 15 million inhabitants of Istanbul. The possible extension to Kazakhstan by means of an Aktau-Baku-Tiblisi-Ceyhan oil pipeline will be a major advance in terms of protecting the fragile environment of the Black Sea, the Turkish Straits and the Aegean Sea. It should be clear to everyone by now that the Turkish Straits do not provide a viable and acceptable option for the transportation of oil and other potentially devastating cargo. The number of vessels carrying dangerous cargo was 7627 in 2002 for the Canakkale Strait (compared to 5657 in 1996), and 7427 for the Strait of Istanbul (compared to 4248 in 1996). Similarly the amount of oil carried through the Strait of Canakkale was nearly 131 m/t (compared to 80m/t in 1996). The amount was approximately 123 m/t for the Strait of Istanbul (compared to 60.1 m/t in 1996). These figures highlight the need to deal with the major environmental and humanitarian problems that a potential accident would cause.

Another project, which constitutes an important part of the East-West Energy Corridor, is the South Caucasian Pipeline project, which aims to ship Azeri natural gas from the Shah Deniz field to Turkey via the Baku-Tiblisi-Erzurum route. The companies participating in the projects related to the Shah Deniz field and the Baku-Tiblisi-Erzurum pipeline gave their sanction with regards to field development and pipeline construction in February 2003. This decision means that Azeri natural gas will reach Turkey in the second half of 2006. The initial amount 2 bcm to be transported through this pipeline is expected to reach 6.6 bcm. The transportation of Azeri natural gas to Europe via this pipeline will also be possible in the future. In other words it will constitute the first leg of the Caspian- Turkey- Greece –Western Europe route.

The share of natural gas in the EU's primary energy supply balance increased from less than 2% in 1960 to 23% in 2000. At present, the EU is one of the largest energy consuming regions in the world and by far the largest net energy importer with a steady annual average growth rate of 1% since 1990. In 1998, 40 % of the EU gas demand was met mainly from the three conventional gas suppliers, i.e. Algeria, Norway and Russia. With the LNG imports, Europe's total gas imports in 2000 accounted for 246.33 bcm.

On the demand side, during recent years the demand for gas within the EU has raised considerably both in absolute and relative terms compared to other fuels. The gas market has increased its share over ten years from 16% to 22% as of 1998. According to the IEA, the share of gas in the EU's total primary energy demand is projected to be 34% in 2030. In parallel with the forecasted increase in European gas demand, EU gas import dependency, presently 41%, is envisaged to account for approximately two thirds of the total gas demand by 2020. It is likely that there will be a supply deficit beginning around 2010 and continuing thereafter. By 2020, gas demand in the EU-30 will reach 777 bcm, from 462 bcm in 1999,

with an average growth rate of 2.5% per annum, which will result in foreign natural gas dependency of nearly 75%.

To overcome this dependency, the EU decided to take action and within this framework the EU Commission published, in November 2000, the Green paper titled “Working towards a European strategy for the security of energy supply”, which emphasized an uninterrupted flow of gas through secured and diversified foreign energy. The Paper stated that the most appropriate strategy to ensure a constant energy supply was a diversification of energy sources and origins of supply and support for increased political and economic cooperation with the Caspian Basin countries in an effort to obtain a more geographically distributed energy supply. In other words, while Russia, Algeria and Norway are expected to remain the main gas suppliers to Europe, a number of new gas suppliers are expected to emerge. And within this framework the EU decided to identify a category of energy network projects, which would be given priority according to European interests and which, would also incorporate the candidate countries’ energy networks. In this respect Turkey-Greece and Greece-Italy natural gas interconnections are considered part of the framework of the “Caspian Sea countries-Middle East- European Union” natural gas priority project. In other words the EU, acknowledging its dependence on Russia for natural gas imports, opted for guaranteeing energy supply security by creating another supply route through Turkey. Therefore, the EU is expecting Turkey to play a key role in the transit of gas to Europe. The first step to make possible the incorporation of Turkey’s energy network with that of the EU was realized with the signing of the Intergovernmental Agreement on the Turkey-Greece Interconnector on February 23, 2003. The realization of this project will become a crucial component of the broader INOGATE project, namely, the South-European Gas Ring that will allow the linkage of various gas sources in the Caspian Basin and the other international sources with the European region and the Balkan area, via Turkey and Greece. The Interconnector Turkey-Greece Project will likely turn out to be Interconnector Turkey-Greece-Italy in the near future. Its possible extension from Greece to Adriatic Countries and Europe is also under consideration. BOTAS is also engaged in close cooperation with its counterparts concerning another route, which is supposed to pass through Bulgaria, Romania, and Hungary to reach Austria. The EU commission has decided to financially support the feasibility studies of both the Turkey-Greece Gas Interconnector and the Balkan route.

Turkey will, in the long term, become a junction for the natural gas pipelines originating from all neighboring countries. Turkey is also buying gas from Russia and Iran. Projects from Iraq and Egypt are also under consideration. Turkish companies are ready to realize gas projects in Iraq, which will substantially help reconstruction efforts in this country. Iraqi gas has the potential to play an important role in the European gas market. Turkey will, in the near future, constitute a fourth artery of Europe’s energy supply security after Russia, Algeria and Norway.

It should also be emphasized that the liberalization of the Turkish energy market will have a positive impact in Turkey’s transit role. The Natural Gas Market and Electricity Market Laws enacted in 2001 have not only been important milestones in harmonizing Turkish energy legislation with that of the EU but also served to establish a transparent, efficient, competitive, sustainable and secure energy market. The ongoing deregulation process of the Turkish energy market will give Turkey a pivotal role in the energy field, particularly in the gas sector, and make her a major consumer and transit country in the region.

In conclusion, the goal of becoming Europe's fourth largest source of energy supply after Norway, Russia and Algeria overlaps with the EU's energy security policy and opens new horizons in Turkey-EU relations.