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TPQ ROUNDTABLE “Turkey and the Regional Energy Power Play”

The main question the roundtable explored was whether the declared ambition of the current Turkish government to make Turkey an energy “hub” is feasible and if so, how it can be achieved.

According to the critical perspective, Turkey is more likely to be an energy transport “corridor” rather than a hub. Moreover, to the degree that Turkey could maximize its role in the energy power-play, the way it seeks to do so –based on a privileged relationship with Russia– is not feasible. Turkey is already over-dependent on Russia in terms of natural gas. For healthy market dynamics and to consolidate their independence, countries in the neighborhood with resources, like Turkmenistan and Azerbaijan, need to reach Western markets via energy transport routes that do not cross Russia. Most European countries are also seeking such opportunities for diversification.

The Blue Stream pipeline running from Russia to Turkey under the Black Sea, which was the result of a non-transparent deal by the Turkish government of the time – favored certain contractors and in terms of pricing, trapped Turkey at a disadvantage. Moreover, it was a strategic defeat, striking a blow to both Turkey's energy security and its strategic ambitions in Turkic states. Today, Turkey seems to be making similar mistakes – signing agreements with Russia that do not serve the country's interests, and benefitting selected Turkish commercial actors.

The South Stream pipeline project of Russia, widely seen as a rival of the planned Nabucco pipeline, is “a bluff” according to one of the speakers, because “Russia does not have the earmarked reserves or the financing to realize it.” According to this perspective, Russia would need to buy and re-sell gas from Central Asia to fill the South Stream. Meanwhile, Turkmenistan no longer finds Russia a reliable partner and has been pursuing alternatives such as sale of gas to China and Iran.

Russia knows South Stream is not feasible, however by keeping the South Stream debate on the agenda, Russia is able to raise questions about the feasibility of the Nabucco pipeline, hoping in this way to create a self-fulfilling prophecy while preserving effective pressure tactics against countries like Ukraine. Turkey has aided Russia in playing this game both by going along with the South Stream “façade” and by being difficult to deal with in regard to Nabucco.

The construction of the Samsun-Ceyhan pipeline is also a questionable strategic decision as it will transport offshore Kazakh oil brought to Samsun from the Russian port of Novorosisk, whereas it would be more beneficial to use the existing Baku-Ceyhan route to transport that same Kazakh oil to Turkey.

The critical approach was wrapped up with the assessment that Turkey should focus on providing affordable energy to its citizens and ensure that it does not compromise its long term strategic interests with package deals that entrench dependency on Russia.

The counterargument put forth was that Russia has so far been a reliable partner to Turkey and there is no reason to think Russia will use the same pressure tactics it has applied to other countries also towards Turkey. In defense of the Samsun-Ceyhan pipeline, it will reduce the number of oil tankers passing through the Bosphorous straits. Furthermore, other potential gas suppliers to Turkey –such as Turkmenistan and Iran– are also not reliable; whether intentionally or not, they both carry risks. Turkmenistan was difficult to deal with at past critical junctures, and Russia still has ways to co-opt leaders in the post-Soviet space. What will be of Iran is another big question mark. By default, Russia is more reliable than some of its alternatives. To the extent that U.S. or EU interests are not served by the growing energy cooperation between Turkey and Russia, they are also to blame, as they have failed to substantiate their rhetoric and have lost credibility in the region.

Nabucco itself, this line of argument held, is neither a feasible project, nor advantageous for Turkey in the shape it has taken in the intergovernmental agreement signed in July 2009. Skepticism about the feasibility of Nabucco was based on the argument that there is no supply-guarantee since only Azerbaijani gas currently seems available to the pipeline, whereas Azerbaijan has already committed a significant portion of its gas to Turkey, Georgia and Russia in other bilateral agreements. This would not be a problem if Iranian, Turkmen, Iraqi or other (Egypt etc) natural gas were set to join Nabucco. U.S. policy towards Iran rules out this country's participation and Iraq is too unstable and unreliable. "Turkey should press for the lifting of sanctions against Iran", one participant accordingly argued. It was acknowledged though that one year ago Turkey's pressing for lifting of the sanctions would have been much more likely to yield results. Today, with gas prices low, investments in Iranian infrastructure would no longer pay off. Moreover, the "sanctions debate" has by now moved to a more politically charged environment. In any case, clearly U.S. and Turkish interests do not coincide when it comes to Iran.

Finally it was recognized that making predictions about the dynamics of the natural gas market in the future is increasingly difficult now that shale gas is in the mix.

Besides the pipeline debate, the following dimensions of Turkish energy policies were taken up critically:

- intentional overestimation of gas demand to justify granting pipeline licenses and investment in power plants. 55 billion cubic meters was apparently the estimate of Turkey's gas need for 2009. The reality consumed was 32-33 billion cubic meters.

- lack of storage capacity to deal with this oversupply of natural gas, coupled with take-or-pay agreements with no re-sale clauses, may cause Turkey to pay for gas it does not consume. (The example put forth was that Turkey will owe Iran financial compensation because of the gas it agreed to buy but did not need). An exception to such disadvantageous agreements, is the recent agreement with Azerbaijan.

- The lack of concentration in Turkey to developing its own energy potential – including not only drilling but also solar, hydro, thermal and wind energy was pointed out. Turkey should

develop a renewables program, it was argued. Moreover, it was pointed out that the inefficient use of energy is not being addressed.

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