



Turkey's energy politics

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Turkey, whose aspirations to become a member of the European Union are still unsatisfied after nearly half a century, is developing new leverage against the EU: energy. Particularly in the aftermath of the Russo-Ukrainian gas crises of 2006 and 2009, Europe has been putting increasing emphasis on decreasing its dependence on Russian gas. With the recent ratification of the Lisbon treaty by the Czech Constitutional Court, Europe seems closer to achieving a Common Foreign and Security Policy (CFSP), which gives very high priority to energy security. Turkey, while not a producer of gas and oil, nevertheless sits on some potentially crucial pipeline routes to Europe which could provide an alternative to Russian gas in particular.

Nonetheless, the picture is not all rosy for Ankara as it is not the only transit route for bringing in new gas to Europe. Challenged by rival projects such as the Nord Stream, the Blue Stream and the White Stream, the Turkish-supported Nabucco pipeline project is under great scrutiny for its capability as well as its efficiency. Therefore, the Turkish side still has much to do to prove its transit route to be the most beneficial one for Europe and secure its position in the larger EU-Russia energy politics as well as a future member of the Union. Moreover, Turkey has to tread carefully with Russia as it currently receives two thirds of its natural gas supply from her. Balancing Eastern and Western political intentions have always constituted an important aspect of the Turkish foreign policy and Turkey has been fairly successful in doing so. However, maintaining the equilibrium seems harder given the high stakes of energy politics.

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1 Introduction

It has become a widely accepted and anxiety-provoking theme in international relations that dependence on oil and gas imports from unstable or insecure parts of the world threatens economic, political and therefore regional stability.¹ Turkey's role as a gateway through which natural gas can enter Europe is becoming increasingly important as the European Union struggles with problems of ensuring energy security and the provision of energy supplies from multiple sources at competitive prices.

A net energy importer, Ankara itself presents a major market for regional suppliers. But Turkey's strategic importance lies in its motivation and willingness to develop major transit route projects so that hydrocarbon can enter the European market from diverse sources such as the Middle East, Central Asia (including the Caspian) and the eastern Mediterranean, providing an alternative to the current dominance of Russia.

This note sets out Turkey's importance as an alternative gas route for Europe and locates Ankara in the larger EU-Russian energy spectrum. It also analyses the degree to which this could be used as leverage by Turkey to improve its hand in its EU accession negotiations.

2 Political implications of dependence on natural resource imports

As the world's largest importer of fossil fuels, Europe is vulnerable to an oil and gas crunch. Over the past 50 years Europe's economy, once synonymous with coal and steel, has made the transition to oil and gas as the central drivers of growth. Dependence on imported natural resources can have souring effects on international relations in various different ways. First, importing nations have clearly sometimes sought to exert influence in exporting regions for the sake of their own energy security in ways that may have damaging effects (US-led policy in the Middle East both before the Second World War and also in recent decades is a much-discussed example of this in the oil context). Second, exporters have clearly sometimes used their control of energy supplies to exert unwelcome influence over importing regions (in recent years, Russia, Iran and Venezuela have all been accused, rightly or wrongly, of seeking to use their oil and gas exports as a 'political weapon' abroad). Third, tensions have sometimes developed as a result of competition between importing countries, whether for supplies from energy-exporting regions, for rights over disputed resource-rich territory (such as the Arctic floor, the South China Sea or the Caspian sea) or for control of vital supply routes (such as the Strait of Hormuz, or Turkey for East-West gas routes). Fourth and finally, when oil and gas prices fall, exporters may suffer internal economic and political instability to such a degree that this heightens regional tensions (the 2009 Russo-Ukrainian gas crisis erupted as a result of a Russian demand to increase gas prices following the global economic crisis).² Thus the likelihood that European dependence on Russian gas has serious political implications for both Europe and the larger Eurasian sphere is very high.

3 Overview of Turkish energy potential

Natural gas is believed to be a very important energy resource for the future. The global abundance of this particular resource, when compared to others, coupled with its environmental soundness and multi-dimensional usage, is likely to render natural gas a highly-demanded commodity for the future. Turkey lies adjacent to countries or regions possessing some 75% of the world's proven gas reserves (125 trillion cubic metres (tcm) out

¹ See Library Research Paper 07/42, *Energy Security*, 9 May 2007

² Daniel Litvin, "Oil, Gas and International Insecurity: Tackling a Self-fuelling Fire", *Chatham House*, March 2009

of total world proven reserves of 185 tcm) and some 70% of the world's proven oil reserves (855 billion barrels out of total world proven reserves of 1,260 bn barrels).³ However, evaluating Turkey's position in the energy market according to these figures would be greatly misleading as not all natural resource producers are eager to use Turkey as a transit route to Europe. Russia, for example, prefers to use as few transit routes as possible to deliver natural gas to the customer. It is nonetheless viable to assume that as many as ten current producers (listed below), collectively possessing 44% of global proven gas reserves, either have, or might reasonably be expected to have, "an interest in directing exports to Europe via Turkey".⁴ Those countries are presented on the table below:

Table 1 Reserve and production estimates for Turkey's gas-producing partners (in billions of cubic metres-bcm)

Country/Region	Proved Reserves	Production
Caspian/Central Asia	12,540	173.2
Azerbaijan	1,200	14.7
Kazakhstan	1,820	30.2
Turkmenistan	7,940	66.1
Uzbekistan	1,580	62.2
Middle East	66,090	-
Iran	29,610	116.3
Iraq	3,170	-
Qatar	25,460	76.6
Saudi Arabia	7,570	78.1
Syria	280	5.5
Northeast Africa	2,170	58.9
Egypt	2,170	58.9
World	185,020	3065.5

Source: BP Statistical Review of World Energy, London, June 2009.

Turkey occupies a unique position due to its geographical proximity to both supplier and consumer countries. As well as having a huge domestic consumption of gas;⁵ its new infrastructure may facilitate its role as a secure and reliable energy corridor. The gas pipelines and projects connecting Turkey with major suppliers in the region, and the connections between these projects and EU gas transmission lines, make Turkey a crucial energy player in the region. The EU looks to Turkey to play a key role in a route that has access to the Caspian, Middle Eastern and other southern and eastern resources, through which gas could be carried to the West. Another point that contributes to the significance of Turkey is its accession process to the EU. The latest Turkish energy legislation⁶ was inspired by the EU internal energy market, and Turkey ratified the Energy Charter Treaty in 2001, further contributing to its strategic position.⁷ Therefore the Turkish option may be the most secure alternative transit route for the EU.

Turkey's current or potential role in oil transportation is considerably less critical than gas transportation. According to John Roberts, "There is no doubt that oil pipelines across

³ According to the BP Statistical Review of World Energy, June 2009

⁴ John Roberts, "The Turkish Gate: Energy Transit and Security Issues", Centre for European Policy Studies, no: 11 / October 2004

⁵ Natural Gas Information", International Energy Agency, 2009

⁶ Law no 4646, 18 April 2001

⁷ Ibrahim S. Arinc, "The EU-Russian Gas Interdependence and Turkey", Insight Turkey, vol: 9, no: 4, 2007

Turkey do play, and will play, a major role in the global energy market but their role can best be defined as useful or important rather than vital.”⁸ As opposed to natural gas, oil is more flexibly and cheaply transported, notably by sea. In the oil sector, Turkey plays a transit role through its straits. According to the Turkish Ministry of Foreign Affairs, 3.7% of the world’s daily oil consumption is shipped through the Turkish straits.⁹

4 The EU energy security puzzle: is Turkey the missing piece?

4.1 The EU – Russia imbalance¹⁰

The EU as a whole

The EU is a net importer of gas. According to the Statistical Office of the European Community (Eurostat), in 2008 the EU imported 160 billion cubic meters of natural gas. The single biggest exporter is Russia, although only eleven EU countries¹¹ are currently using Russia for natural gas imports. The EU is fairly cautious about dependency on Russian natural resources for two reasons. Firstly, there is a widespread belief that Russia would not actually have enough resources to satisfy both domestic and foreign demands. As discussed in a 2009 report of Council on Foreign Relations (CFR):

Europe’s dependence on Russia for energy creates serious security concerns, in part because of uncertainty about Russia’s long-term ability to produce enough oil and gas to meet contracted demand at home and abroad. Russian energy production remains imperilled by inefficiency, underinvestment, politicization, high taxes, and falling prices.¹²

The second reason, more worrying than the first one, is a fear of giving Russia a monopoly over Europe’s supplies. This concern is aroused by Russia’s ability to use its direct control of gas, as well as the networks to distribute them, to exert pressure on its current and potential customers. This ability to gain political leverage, which is largely the result of natural resource scarcity, is the most potentially problematic aspect of Russian energy policy from the perspective of the EU, the US and their allies.¹³

⁸ *Ibid*

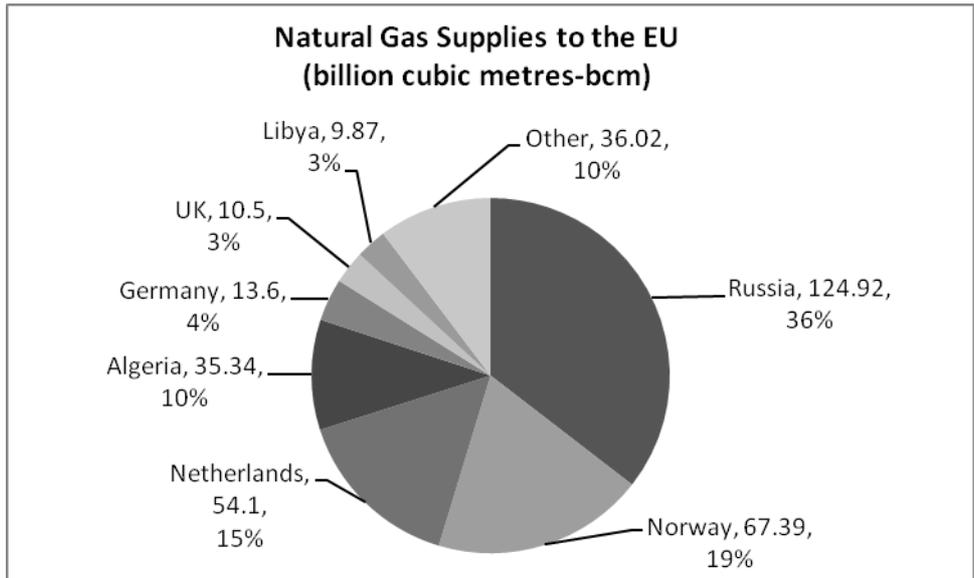
⁹ “[Turkey’s Energy Strategy](#)”, Republic of Turkey Ministry of Foreign Affairs (MFA), January 2009

¹⁰ For further details, see “European Energy Security: Facing a Future of Increasing Dependency?”, *RUSI*, Whitehall Paper 73, 2009

¹¹ Austria, Belgium, Czech Republic, Finland, France, Germany, Greece, Hungary, Italy, Poland, Slovak Republic

¹² “Eurasian Energy Security”, *Council on Foreign Relations*, Council Special Report no:43, February 2009

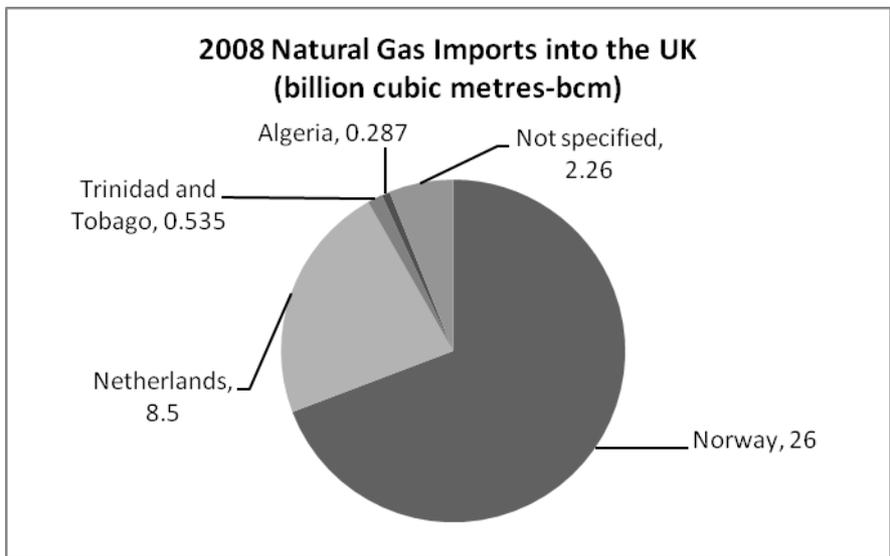
¹³ *Ibid*



Source: *Natural Gas Review 2009*, IEA

Situation for the United Kingdom¹⁴

The situation for London remains more optimistic than most of the EU countries including Germany and France. According to the International Energy Agency 2009 *Natural Gas Information* report, the UK currently does not import any gas from the Russian Federation. The report indicates that the biggest portion of the UK's gas imports come from Norway (69%), and the rest are from the Netherlands (23%), Trinidad and Tobago (1%) and Algeria (1%). The energy security of the UK, at least for natural gas, is safeguarded by this diversification of natural gas sources. Furthermore, the UK, also a producer, exports a small amount of gas to Europe, mainly to Ireland and Belgium.¹⁵



Source: *Natural Gas Review 2009*, IEA

¹⁴ For more information about the situation for the UK, see Library Standard Note [SN/SC 5261](#), *Natural gas: Demand and Supply for Europe*, 31 December 2009

¹⁵ *Natural Gas Information*, International Energy Agency, 2009

The Russian side

Based on the IEA's 2009 report, Russian natural gas exports in 2008 were approximately 196 billion cubic metres (bcm), of which some 138 billion—almost 70%—were exported to the EU.¹⁶ As the EU has been acting as a single entity, and is likely to do so even more in the wake of the Lisbon treaty, it has considerable leverage on the provider. It is very important to note that natural gas exports constitute a considerable amount of the Russian Gross Domestic Product (GDP). Therefore, while Russia is able to exert some political control on transit countries such as Ukraine, it is unlikely to try and manipulate Europe as a whole. Thus, it is safe to say that the EU-Russia natural gas relationship, although imbalanced, is strongly interconnected.

Russian aims to bypass traditional transit countries—including Turkey, Ukraine, Slovakia, Czech Republic, Belarus and Poland—are likely to give the Kremlin a crucial political advantage on these transit countries.¹⁷ By establishing direct routes from Russia to her European customers, the Kremlin's long-term plan appears to be to attempt to exert political influence on transit countries without affecting supplies to Western Europe. Moreover, Russia would be able to establish a dual price structure, different for Western and Eastern Europe. Therefore, in case of a price crisis such as the one involving Ukraine, Moscow could increase the tariffs only for these transit countries without creating an international crisis.

The interrelationship between the EU, Russia and the transit countries was shown very clearly in the Ukrainian gas crises of 2006 and 2009.¹⁸ During the 2009 crisis, which was caused by a dispute over the price of the gas supplied to Ukraine by the Russian state-controlled energy firm Gazprom, several European countries including Germany, Poland, Hungary, France and Austria experienced a 5% to 40% decrease in their gas supplies".¹⁹ As presented in the International Energy Agency 2009 Gas report:

The beginning of 2009 saw Europe's most serious gas security crisis, with nearly seven billion cubic meters (bcm) of gas not delivered to Europe and Ukraine over the first three weeks of the year. While some additional Russian gas supplies were available through Yamal and Blue Stream Pipelines, as well as some spot LNG in southern Europe, the bulk of the European response was through rapid storage drawdown. Countries lacking adequate storage (chiefly in eastern and southern Europe) suffered supply shortfalls, since the crisis again demonstrated that gas cannot flow easily across borders in Europe. This is because there is a lack of physical interconnection capacity, capable of reversing the flow of gas from west to east, or the market mechanisms that enable gas to be redirected speedily and efficiently are not present in some areas. Only one major cross border movement of gas was seen throughout the crisis, that of gas flowing out of the United Kingdom to Europe, although the United Kingdom suffered no loss of supply, since it imports no Russian gas. Encouraging progress has been made in enhancing market flexibility in Europe, such as greater hub trading and other improvements in market transparency. But clearly more needs to be done urgently to make Europe's gas market work better.²⁰

¹⁶ *Ibid*

¹⁷ "Gazprom Is Not a Market Player, but a Political Weapon", *Times Online*, 7 January 2009

¹⁸ "Russia and Ukraine's New Gas Arrangement; What Does it Mean and How Long Will It Last?" *CERA Cambridge*, 2006

¹⁹ "Europe Questions Russia Gas Reliability", *Oil and Gas Journal*, Vol. 104, Issue:2, 2006

²⁰ "Natural Gas Information", *International Energy Agency*, 2009

4.2 Major regional natural gas pipeline projects

The Eurostat figures present an idea of how much European countries are dependent on Russian gas supplies. But while the European Union is searching for new ways to divert its gas imports, the Russian Federation is trying to bring Russian gas to Europe using as few as transit routes possible. In that regard, Turkey is, so far as transit is concerned, a competitor rather than a conduit for Russia. Since 1990s, a handful of pipeline projects have been put forward, each supported by different groups of states often for political reasons. These projects are mainly consortia that aim to bring Central Asian, Middle Eastern, Caspian or Russian gas to Europe. However, the proposed ventures, as they attempt to make European gas sources as diverse as possible, are sometimes seen rival to each other, since each project gives certain political leverage to countries involved in it. As put by Ronald Smith, head of research at the Moscow-based Alfa Bank,

The thing about gas, much more so than oil, is that the economics are controlled by whoever controls the pipeline. [...] The most efficient way to transport gas is through a pipeline and whoever controls the pipeline becomes extremely important. That's the reason we've seen Ukraine and Russia arguing over transit gas going to Europe through Ukraine and arguing about the price Kiev pays for gas.²¹

The Nabucco Project

The Nabucco pipeline project is a planned natural gas consortium that will extend from Erzurum, Turkey to Baumgarten an der March gas hub in Austria via Bulgaria, Romania and Hungary. The main goal of the project is to diversify gas supplies to the European Union by transferring Caspian gas as opposed to Russian, though there had been suggestions it would also carry Russian gas to satisfy the large European demand. The project is strongly supported by EU member states as well as Turkey and the United States.

The pipeline would start either at the Georgian-Turkish border or Iranian-Turkish border. Near Erzurum (eastern Turkey) the pipeline will be linked to Erzurum-Tabriz pipeline (existing Turkey-Iran gas pipeline) and furthermore, to [the South Caucasus Pipeline](#) (see figure 4), connecting Nabucco with the proposed Trans-Caspian Gas pipeline (a proposed submarine pipeline between Turkmenistan and Azerbaijan, see figure 4). Therefore this project would Central Asian, Middle Eastern, Caspian, Eastern and Western European gas markets. According to market studies the pipeline has been designed to transport a maximum amount of 31 billion cubic meters (bcm) per year and it is estimated to cost approximately eight billion euros²². The project is expected to be online by 2014.²³

²¹ "Tymoshenko Puts New White Stream Pipeline on EU Table", *NEUropa*, 5 February 2009

²² "[Project Description/Pipeline Route: Nabucco Gas Pipeline Project](#)", *Nabucco Gas Pipeline International*, Retrieved 4 October 2009

²³ *Ibid*

Figure 1 The Proposed Nabucco Pipeline Project



Source: Project Design, Nabucco International, 2009

Arrangements for the project started in February 2002 with an initiative of the Austrian company OMV and Turkish BOTAŞ. In June 2002, five companies—OMV, BOTAŞ, Hungarian MOL, Bulgarian Bulgargaz and Romanian Transgaz—signed a protocol of intention to construct the Nabucco pipeline, followed by a Cooperation Agreement in October 2002. Following the Nabucco Summit in Budapest, an intergovernmental agreement between Turkey, Romania, Bulgaria, Austria, and Hungary was signed by five prime ministers on 23 July 2009 in Ankara.²⁴

While the Russian Federation considers that this project is driven by ‘Russophobia’, EU officials insist that Nabucco’s intention is not to pick up a fight with Moscow. However, they make no secret of the fact that Russia’s reputation as a supplier has been halted by the repeated gas disputes with Ukraine, and that finding reliable alternatives is now an EU priority.²⁵

In order to start off the annual gas need of Nabucco, EU officials are considering the Shah Deniz II gas field in Azerbaijan. Delivering Caspian gas to Europe via the Caucasus and Turkey seems like a good substitute for Russian gas, but given the mounting geopolitical risks in the Caucasus, the EU is also considering other alternatives as well. According to Brussels, should anything go wrong with the South Caucasus transit corridor, Iraq is said to be in a position to step in and supply the minimum eight bcm needed annually.²⁶

²⁴ “Europe Gas Pipeline Deal Agreed”, *BBC news*, 13 July 2009

²⁵ “Strategic Nabucco Deal Inked to Curb Dependence on Russian Gas”, *Radio Free Europe/Free Liberty*, 13 July 2009

²⁶ *Ibid*

Figure 2 South Caucasus (Baku-Tblisi-Ceyhan—BTC) Pipeline and Proposed Trans-Caspian and Nabucco Pipelines



Source: [Energy Pedia News](#), Retrieved: 09 November 2009

Whichever source—either Caspian or Middle Eastern—is preferred by the EU, Turkey will remain as the transit route in the Nabucco project. This fact is welcome by Ankara as it tries to establish itself as the energy hub for Europe. Controlling energy routes between security complexes such as the Middle East, the Caspian/Caucasus and Europe has important political implications for Turkey. Turkey aspires very much to establish itself as a regional hegemon thanks to its military capabilities, industrial output, rising political soft power, abundant young population etc. In that sense, controlling energy routes that connect different political systems with diverse aspirations is crucial for Ankara as it tries to build up leverage on all the important political players. Among these players, two are especially important, namely Iran and the EU. The possibility of connecting Nabucco with the Erzurum-Tabriz pipeline—delivering Iranian gas to Turkey—is likely to boost Iranian natural resource exports. Besides this obvious economic prospect, Iran has also the opportunity to thaw its relations with Europe and the west. Improving economic relations with the EU could be an incentive for Iran to moderate its international stance as there would be no supplier without a customer. As discussed before, the customer in this case, Europe, is trying to find as many alternatives as possible for gas in order to diversify and reduce its dependence on one entity. Turkey’s leverage emerges from this opportunity as Ankara can effectively take part in both economic and political negotiations between Iran and the West as a broker.²⁷

On the other side of the coin, Ankara is looking for further leverage with respect to the EU as well. As Ankara has been negotiating its possible membership of the EU, the Turkish Foreign Ministry perceives the Nabucco pipeline as an advantage. With the clear perception of how vulnerable Europe is in terms of gas reserves, Turkey is likely to wait for some form of compensation in return for providing uninterrupted gas transfer. Therefore, Ankara is hoping that it can significantly build leverage on the EU and therefore speed up the accession

²⁷ “Turkey’s Energy Strategy”, Republic of Turkey Ministry of Foreign Affairs (MFA), January 2009

process by controlling 'Europe's kryptonite', natural gas. Overall, the Turkish government is looking for a two-sided advantage that will boost both Turkey's reputation and its political/economic capital.²⁸

The White Stream

The White stream, or Georgia-Ukraine-EU pipeline (GUEU), is a consortium project that aims to carry Caspian gas to the EU bypassing all transit countries such as Turkey. According to blueprints, the pipeline is planned to branch out from [the South Caucasus Pipeline](#) (see figure 4) and extend to Supsa (a Georgian port) at the Black Sea. From Supsa, two possible routes have been proposed. The first route is a direct line from Georgia to Romania, with the long connection from Romania to Crimea in Ukraine taking place at later stages. The second option, on the other hand, departs from Georgia to Romania through Ukraine. If that option gets the go-ahead, a shorter pipeline will connect Supsa to Ukraine.²⁹ In Ukraine, the pipeline will be connected to Ukraine's gas transit system and therefore will allow supplies to be diverted for Poland, Lithuania and Slovakia. Although the final section of the pipeline is not decided yet, it is expected to be linked to either Trieste in north-eastern Italy or possibly to Baumgarten gas hub in Austria.³⁰

At the first stage the initial capacity of the pipeline will be eight billion cubic metres (bcm) of natural gas per year. At this stage, the pipeline would be supplied from the Shah Deniz gas field from the Azerbaijan's Caspian offshore sector. If the proposed [Trans-Caspian Pipeline](#) (a proposed submarine pipeline between Turkmenistan and Azerbaijan, see figure 5) is built, the total capacity of the pipeline will increase to 32 bcm per year with the contribution of Turkmen gas fields.³¹

The project was presented for the first time by the Ukrainian Prime Minister Yulia Tymoshenko who asked the European Union during her visit to Brussels in 2009 to consider participating in White Stream as an alternative project for supplies of Central Asian gas to Europe. The White Stream project has received large support from the European Commission, as well as from Romania, Estonia, Latvia, Lithuania, Poland, Georgia, Azerbaijan and the US. However, the Turkish government do not support the project as it would clearly challenge the Nabucco pipeline.³²

²⁸ *Ibid*

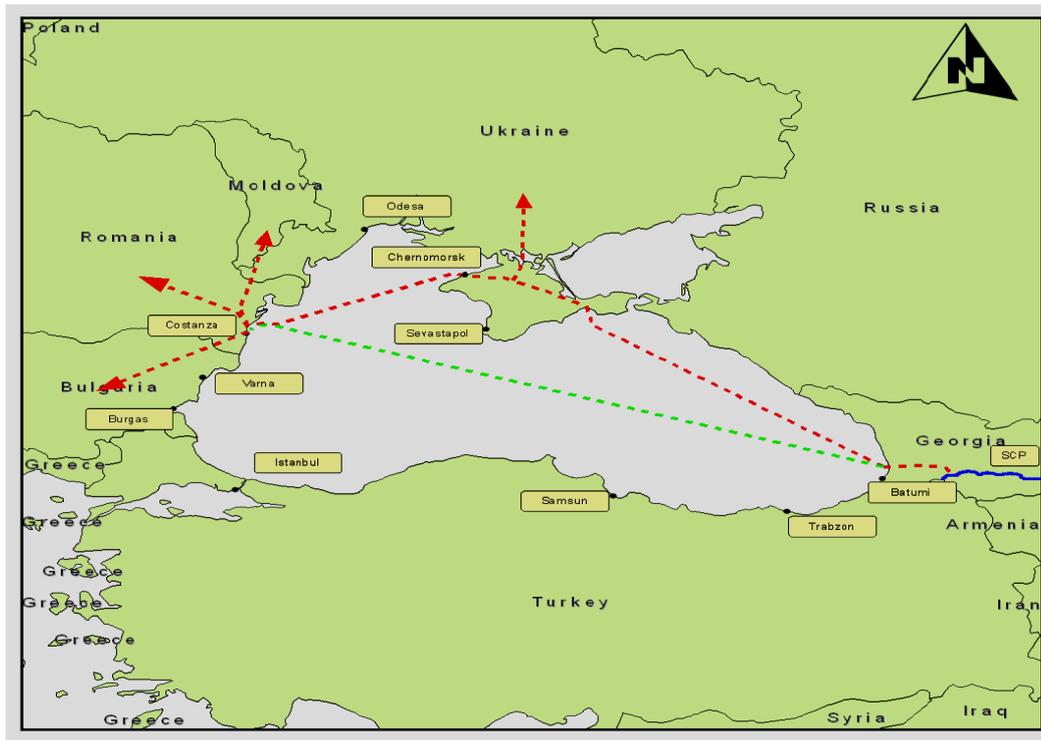
²⁹ "White Stream Pipeline", *GUEU*, 2007

³⁰ "White Stream Secures Study Funding", *International Gas Report*, 15 December 2008

³¹ "Trans-Black Sea pipeline can bring Caspian gas to Europe", *Eurasia Daily Monitor*, 2008

³² "Tymoshenko Puts New White Stream Pipeline on EU Table", *NEUropa*, 5 February 2009

Figure 3 Proposed White Stream Pipeline



Source:GUEU , White Stream Pipeline, London, 2007

The Blue Stream

The Blue Stream is the major trans-Black Sea gas pipeline that currently carries natural gas from Russia to Turkey. Russia's onshore section extends from the Izobilnoye gas plant in Stavropol Krai up to Arkhipo-Osipovka in Krasnodar Krai. The offshore section connects Arkhipo-Osipovka to the Durusu terminal located in northern Turkey.

Preparations for the project started in 1997, when Russia and Turkey signed a preliminary agreement on the construction of subsea pipeline.³³

While the Blue Stream project is currently delivering ten billion cubic meters annually, the Turkish government has in the past requested an increase on that amount, to compensate for the the disruptions in deliveries of Iranian gas to Turkey as a result of PKK sabotage.³⁴

The Blue Stream consortium was intended to be the basis of a strategic partnership between Turkey and the Russian Federation that engaged in many joint ventures in transport, energy and construction sectors. Before the Blue Stream, Russian gas was carried to Turkey through the Balkans, which made both the political and the economic cost of the gas fairly high. Moscow and Ankara aimed to get around this problem by building a subsea pipeline without interference. It is also argued that one of the political goals of the Blue Stream pipeline project for Russia was to eliminate the path of rival countries that wished to deliver gas using Turkey as a transit route. Threatened by this venture, rival countries signed a pact that would launch a competitive project—the Trans-Caspian pipeline—to challenge the Blue Stream. After successfully convincing Turkey to take part in this project, the leaders of Turkmenistan, Azerbaijan, and Georgia signed an agreement on building the Trans-Caspian

³³ "Economic Brief: The Blue Stream Gas Pipeline", *The Power and Interest News Report*, 22 November 2005

³⁴ "Gazprom Plugs Turkish Gas Gap", *Upstream Online*, 27 May 2008

pipeline in 1999.³⁵ Due to incompatibilities among the partners, this project was later cancelled, but since then it has been revived.

Figure 4 the Blue Stream



Source: [European Security and Defence Assembly](#), retrieved: 3 November 2009

In 2002, a sibling project, Blue Stream 2, was proposed to expand the Blue Stream by the Samsun-Ceylan link and by branch to South Eastern Europe. This extension proposal came after four eastern European countries— Bulgaria, Serbia, Croatia and Hungary—asked for a project which would bring more gas to Europe. However, the proposal for Blue Stream 2 was soon dismissed and instead replaced by the South Stream project that was intended to deliver natural gas directly from Russia to Bulgaria, bypassing Turkey:

Gazprom and Putin (while president) officially proposed Blue Stream Two in 2005-2006 as a direct competitor against the Western-backed Nabucco project. Blue Stream Two was to run parallel to Blue Stream One on the seabed of the Black Sea, carrying another 16 bcm of Russian gas to Turkey and continuing overland along the same route as Nabucco, ultimately to Vienna. The Turkish government, a partner in Nabucco, was delighted with the Blue Stream Two proposal. It even called for merging Nabucco with Blue Stream Two, so as to maximize the gas volume transiting Turkey; although a Nabucco with Russian gas (still being suggested by some interested parties) would negate Nabucco's strategic rationale of supply diversification. In 2007, Putin and Gazprom shelved Blue Stream Two and instead came up with the South Stream project (from Russia to Europe under the Black Sea), designed to bypass not only Ukraine, but also Turkey. The Turkish AKP government has yet to recover from that disappointment. It continued calling for Russian gas in Nabucco in the run-up and during Putin's August 6 visit.³⁶

In 2009, the Russian Prime Minister Vladimir Putin proposed a revised 'Blue Stream Two' parallel to the existing Blue Stream pipelines, but to be connected to trans-Turkey Ceylan pipeline in order to supply Syria, Lebanon, Israel and Cyprus.³⁷ If this project receives a

³⁵ *Ibid*
³⁶ "Gazprom Plugs Turkish Gas Gap", *Upstream Online*, 27 May 2008
³⁷ "Gazprom, Turkey Revive and Reconfigure Blue Stream Two", *Eurasia Daily Monitor*, 11 August 2009

positive feedback from the joining partners, it will have big political implications for Ankara. First and foremost, by holding the key to the natural gas supply to more countries, Turkey will be one step closer to its aspirations in being a regional hegemon. Having recently taken initiatives in the international arena in the Middle East context—brokering peace negotiations between Israel and Syria, actively participating in Lebanon peace missions, mediating Iran’s nuclear process etc.—Turkey will not lightly pass up on this opportunity to control energy resources flowing to northern Middle East. Secondly, it has important implications for Turkey with respect to the European Union accession. Controlling the pipeline delivering natural gas to Cyprus, if established, will increase the leverage of Ankara on both the EU and Cyprus.³⁸

The Yamal Pipeline

The Yamal pipeline, or Yamal-Europe pipeline, is being constructed to connect natural gas fields in Western Siberia with Germany via Belarus and Poland. It is predicted to carry approximately 33 billion cubic metres (bcm) of natural gas.

Notwithstanding its name, the pipeline is initially supplied by gas fields in the Nadym Pur Taz District of the Tyumen Oblast in Russia and not from the Yamal Peninsula. It will be supplied from the Bovannenkovo field of Yamal peninsula after construction of the Bovannenkovo-Ukhta pipeline, a part of the Yamal project.³⁹

Not surprisingly, the Russian section of the pipeline is owned and operated by Gazprom. The Belarusian section is also owned by Gazprom but operated by Beltransgaz. Furthermore, the Polish section is also owned and operated by EuRoPol Gaz S.A, a joint venture of the Polish PGNiG, Russian Gazprom (48% of shares) and Polish Gas-Trading S.A.⁴⁰. These figures show how much control Gazprom has over the pipeline. As Gazprom is a state-owned company, which is believed to be used to further Russia’s political aims, Russian control of the pipeline exacerbates European fears of Russian dominance of the market.

Since 2005 there have been plans to build the second leg of the pipeline. However, on 1 November 2007, the Russian minister of industry and energy Viktor Khristenko said that Russia has dropped this idea, preferring the construction of the Nord Stream pipeline (see below).⁴¹ This decision is politically very important as the Nord Stream project aims to bypass all transit countries between Russia and Germany, directly delivering natural gas through a sub-Baltic Sea pipeline.

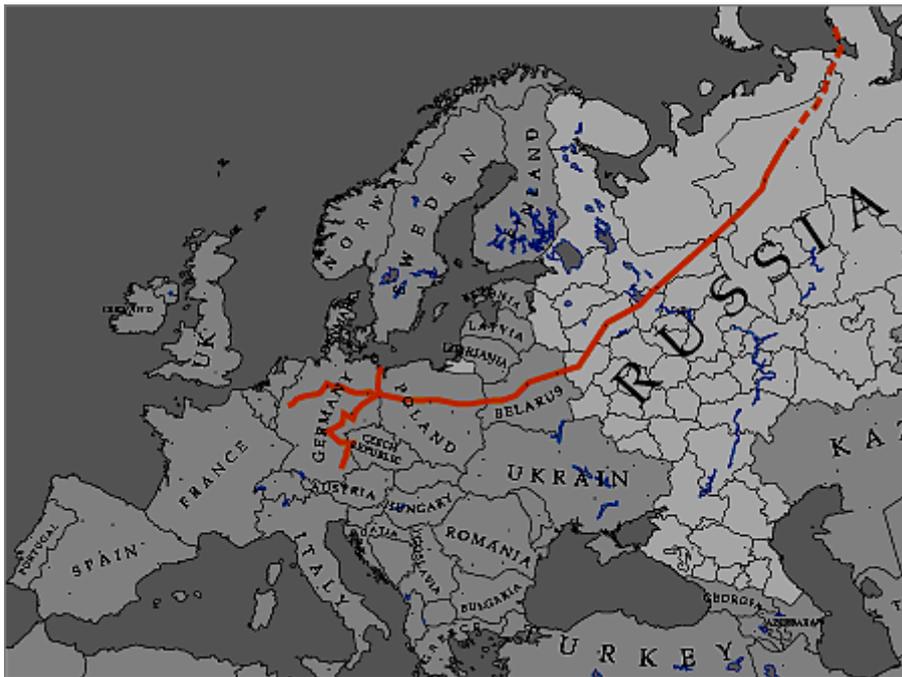
³⁸ For further details, see Library standard note SN/IA/0910-54 note “Cyprus: an Economic and Political Overview”, 28 October 2009

³⁹ “Gazprom starts developing the Yamal Gas Fields”, *East Week (The Centre for Eastern Studies)*, 17 December 2008

⁴⁰ “Origins of Europol Gaz S.A.”, *EuropolGaz*, Retrieved: 9 November 2009

⁴¹ “Russia Drops Second Leg of Gas Pipeline via Belarus”, *Ria Novosti*, 1 November 2007

Figure 5 The Yamal Pipeline Project



Source: "Gazprom Throws its Weight in Polish Joint Venture", Robert Amsterdam: Perspectives on Global Business and Politics, 17 January 2007

The Nord Stream

The Nord Stream, also known as North Transgas, North European Gas Pipeline, Russo-German Gas Pipeline or the Baltic Sea Gas Pipeline, is a planned natural gas pipeline from Russia to Germany, without involving any transit countries. The project aims to deliver gas mainly from the Yuzho-Russkoye field in Russia through the Baltic Sea to Greifswald in Northern Germany. However, Gazprom announced that the pipeline will also be fed by additional fields such as Yamal and Shtokman in order to ensure uninterrupted gas flow. According to plans of the Nord Stream AG gas company, the project will consist of two legs, each with capacity of 27.5 billion cubic metres (bcm) per year.

Important European and Russian political figures have announced their full support for the project and agree on the fact that this venture will be the basis for the future Russo-European partnership. Angela Merkel, the German Chancellor, announced during a press conference:

The Nord Stream project is of paramount importance, and Germany, as well as the Russian Federation, will campaign for the necessary permits to be granted. We have always said that we consider this project strategically important and necessary, and now is the time to implement it.⁴²

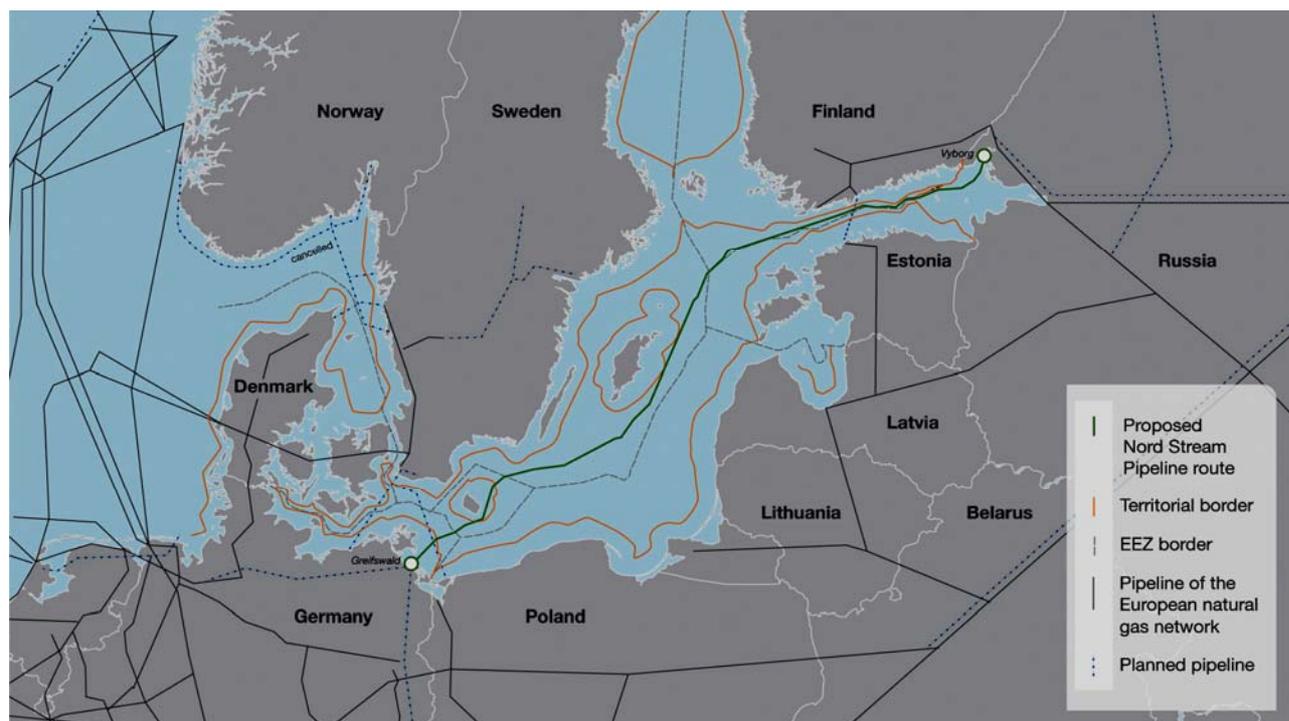
Similarly, Andris Piebalgs, the EU energy commissioner, expressed his views on the project:

The European Commission has always been favourable to Nord Stream. With the progress being made in this project, [...], the EU is taking crucial steps towards securing energy supplies for the future.⁴³

⁴² Angela Merkel, *Press Conference*, 11th German-Russian intergovernmental consultations, 16 July 2009

⁴³ Andris Piebalgs, 11th German-Russian intergovernmental consultations, 16 July 2009

Figure 6 The Nord Stream Pipeline Project



Source: [Project Design](#), Nord Stream AG International, 2009

The project officially came to life on 30 November 2005 when the North European Gas Pipeline company (later Nord Stream) was incorporated by the venture of Gazprom of Russia, E. ON Ruhrgas AG and BASF SE/Wintershall Holding AG of Germany, N.V. and Nederlandse Gasunie of the Netherlands.

As much as the project was supported, it has also received considerable criticism from Poland, the US, Estonia and Sweden on environmental, political and military grounds. Estonian officials argued that the construction of the pipeline is likely to disturb old Soviet naval graves as well as the sea bed. They fear that dislodging World War II-era naval mines and toxic materials, as well as chemical waste that has been dumped over many decades, would trigger toxic substances to surface from the seabed and would harm the Baltic's particularly sensitive ecosystem.⁴⁴ Sweden, on the other hand, expressed its reluctance to give the go-ahead for this project for security reasons concerning Russian espionage and military friction.⁴⁵ The then Swedish Minister of Defence Mikael Odenberg said that:

We get a pipeline that motivates Russian navy presence in our economic zone and the Russians can use this for military intelligence should they want to. Of course that is a problem.⁴⁶

More problems and concerns arose as the former Russian president announced that "the ecological safety of the pipeline project will be ensured by using the Baltic Fleet of the Russian Navy".⁴⁷ American and Polish concerns were along similar lines, underlining the

⁴⁴ "Tons of Mercury Found in the Baltic Sea. Europe's Underwater Chemical Dump", *Spiegel International*, 30 August 2008

⁴⁵ "Fortum sells its stake in North Transgas to Gazprom", *Fortum Press Release*, 18 May 2005

⁴⁶ "Status of the Nord Stream Pipeline route in the Baltic Sea", *Nord Stream AG*, October 2007

⁴⁷ "Schröders Pipeline. Spionagekanal in der Ostsee?" (*Schröder's pipeline. Espionage channel in the Baltic Sea?*) (in German), *Stern*, 18 May 2008

European dependence on Russian natural resources issue and its security implications for the future.⁴⁸ In April 2006, Radosław Sikorski, then Poland's Defence Minister and currently the Foreign Minister, compared the project to the infamous 1939 Nazi-Soviet Molotov-Ribbentrop treaty of non-aggression.⁴⁹ In his 2007 report for the Swedish Defence Research Agency (SDRA), Robert Larsson counted over 55 incidents (cut-offs, explicit threats, coercive price policy and take-overs) since 1991.⁵⁰ Larsson had previously concluded that:

From Europe's perspective, Russia is moving in the wrong direction, Russia has largely ignored criticism, and has been unwilling to change its behaviour. Dependence on Russian energy would not be a problem if Russia played by the same rules as other energy players or European states. In conclusion, the core problem is the combination of Russia's perception, intentions, capabilities and track record along with lack of real stability, a high degree of unpredictability and a development away from democracy, rule of law and market norms.⁵¹

The Russian response has been that the pipeline will actually improve Europe's energy security by adding one more route to many others, and that criticisms are caused by bitterness about the loss of significant transit revenues as well as the loss of political influence that stems from the transit countries' ability to hold Russian gas supplies to Western Europe hostage to their local political agendas. Moreover, Moscow argues that the Nord Stream would also decrease Russian dependence on Eastern Europe for the first time as it will be a direct link between Russia and Western Europe.⁵²

4.3 The region's pipeline politics

Overall, each project has received large support from the supplier, the customer(s) and the transit countries involved in the project. Daniel Litvin summarizes the situation as Russia looking for ways to diversify its exports with using as few transit countries as possible for a pipeline, like all other gas-suppliers including Azerbaijan. The EU as a whole aims to diversify its gas resources, preferring politically stable and democratic countries as much as possible for both supplier and transit countries. Turkey, like other transit countries, aspires to host as many pipelines as possible to build up political leverage on neighbouring regions such as the Middle East, the EU, the Caucasus and the Caspian to exert its foreign policy goals.⁵³ It is in this triangular relationship that pipeline politics take place in the larger Eurasian gas routes.

As the January 2009 crisis demonstrated, Europe remains hostage to the unpredictability of Russia-Ukraine relations, the vagaries of Ukrainian politics and the possibility of deliberate supply manipulation by Russia. Moreover, the uneven distribution of vulnerability within Europe also has foreign policy implications, insofar as it inhibits the development of an agreed strategy for dealing with Moscow.⁵⁴ It is in this context that Turkey's role in the energy sphere should be examined.

⁴⁸ "New Twists and Turns in German-Russian Gas Pipeline Saga", *Deutsche Welle*, 13 July 2007

⁴⁹ "Russia's Energy Policy: Security Dimensions and Russia's Reliability as an Energy Supplier", *Swedish Defence Research Agency*, March 2006

⁵⁰ Robert Larsson, "North Stream, Sweden and Baltic Sea Security", March 2007

⁵¹ "Russia's Energy Policy: Security Dimensions and Russia's Reliability as an Energy Supplier", *Swedish Defence Research Agency*, March 2006

⁵² "Baltic Sea Pipeline: Sweden Afraid of Russian Spooks", *Spiegel*, 15 November 2006

⁵³ "Oil, Gas and International Insecurity: Tackling a Self-fuelling Fire", *Chatham House*, March 2009

⁵⁴ "Eurasian Energy Security", *Council on Foreign Relations*, Council Special Report no:43, February 2009

4.4 Turkey's actual and future contribution

For Turkey, the picture remains complex. Turkey's strategic importance in the EU-Caspian/Central Asian or even the EU-Russian gas market is very important as a bridge. However, being heavily dependent itself on gas imports from Russia, Turkey has to be cautious about presenting the Nabucco project as a clear competitor to Russian pipelines and gas resources. Juggling eastern and western political intentions have long constituted a central part of Turkish foreign policy. Pipeline politics is no exception to this as Turkey has been trying to benefit from the transaction between the gas-needy European demands and export-oriented Eurasian suppliers. Turkey's objective is to become Europe's fourth main artery of gas supplies following Norway, Russia and Algeria through Nabucco and further upcoming projects.⁵⁵ Once this goal is reached by Ankara, the Turkish side hopes that this will increase its chances of being admitted to the EU, either through carrots or sticks.⁵⁶ Unfortunately, the picture is not that simple for a variety of reasons.

In the larger east-west spectrum, Washington's strategy centres on establishing an east-west energy corridor from the Caspian to Europe, bypassing both Russia and Iran. The EU shares this view and backs what it calls 'the Southern Gas Corridor' (this term lacks a clear definition but it is imagined to be a Eurasian energy route ranging from central Asia to Europe, bypassing Russia) as one element in its campaign to diversify supplies. The Baku-Tbilisi-Ceyhan pipeline (an oil and gas pipeline connecting Azerbaijan, Georgia and Turkey, see figure 2), which came online in 2006 and was followed shortly by the Baku-Tbilisi-Erzurum gas pipeline (or [the South Caucasus Pipeline](#), see figure 2), was a critical and very successful piece of this strategy.⁵⁷ Washington aims to take this successful start to the next level by having central Asian gas transported via a trans-Caspian pipeline to Turkey and then to Europe. Once the gas has reached Turkey, it would be sent on to Europe through Nabucco. Therefore Turkey has been seen as a gas hub for Europe by the US, which currently aims to gather alternatives to Russian gas in the Turkish stronghold. Turkey as a rational actor, with the support of the US, aspires to profit as much as it can from this clear European need for diversified natural gas resources.

Unfortunately for Ankara, the EU is not as desperate as it is sometimes portrayed to use Turkey as a transit country for its natural gas deliveries. A 2009 report from the Council on Foreign Relations (CFR) argues that, even after the crisis of January 2009, Nabucco is not practical in the near or medium term as it is too expensive politically and too complex. First and foremost, unlike its attempts to derail Baku-Tbilisi-Ceyhan pipeline in the 1990s, Russia has developed in advance its own project to counter the appeal of Nabucco to potential customers and transit states: South Stream, a project that is intended to carry the same volume of gas as Nabucco.⁵⁸

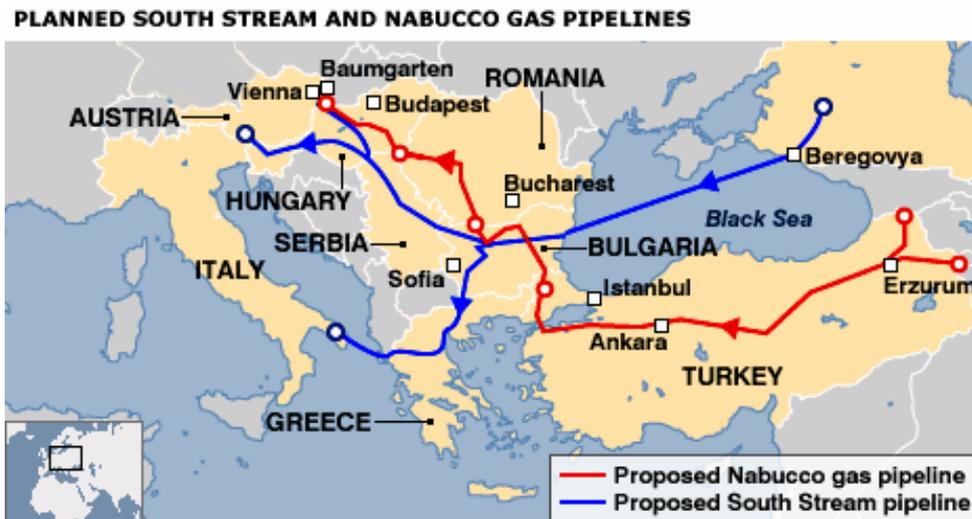
⁵⁵ "Turkey's Energy Strategy", *Republic of Turkey Ministry of Foreign Affairs (MFA)*, January 2009

⁵⁶ "New Pipelines Will Help the EU to Stay Warm", *European Voice*, 15 January 2009

⁵⁷ "Eurasian Energy Security", *Council on Foreign Relations*, Council Special Report no:43, February 2009

⁵⁸ "Eurasian Energy Security", *Council on Foreign Relations*, Council Special Report no:43, February 2009

Figure 7 Rival Projects: Nabucco and South Stream



Source: BBC, 8 May 2009, Retrieved 3 November 2009

The South Stream project is designed to bypass Turkey and deliver gas directly from Russia through the Black Sea to Bulgaria and from there to the rest of Europe. Although this project will not help Europe diversify its natural gas sources, it is likely to keep gas prices lower by enhancing economic competition. Also, although for Europe as a whole the Nabucco pipeline project appears to be a political alternative to Russian gas, Turkey's immediate neighbours as well as the Balkan countries fear increasing reliance on Ankara. Countries like Greece, Bulgaria and Hungary see South Stream as a way of diversifying their gas supplies by reducing dependence on Turkey. The only upside for Ankara in this context is that even though political costs vary for each state, economic facts show that South Stream is certain to be more expensive to build. It relies heavily on Kremlin for financing, therefore immediate profitability is less of an impediment, but the economic crisis mean that the project's financing is in jeopardy.⁵⁹

Secondly, some in the West doubt that the Nabucco project will lower the political cost of natural gas. The summer 2008 war in Georgia has given many European firms second thoughts about participating in the consortium.⁶⁰ In the larger context, the war fed the impression that Western influence along Russia's periphery—including in Georgia, Central Asia, and Azerbaijan—remains weak, making the leaders of many Caspian and Central Asian states reluctant to commit to this project. This reluctance by both sides puts yet another strain on Nabucco which is facing serious problems about locating and locking up enough supply for the project. At various times, countries including Kazakhstan, Turkmenistan, Azerbaijan, Egypt and Iraq have been suggested as possible sources of gas for Nabucco.⁶¹ Yet none of these states, apart from Azerbaijan, has shown any sustained interest in committing large volumes of gas to European markets. Many of the potential consumers worry about overreliance on a troubled hereditary dictatorship like Azerbaijan. Baku, on the other hand, though strongly behind Nabucco, remains against the idea of relying entirely on one export route and has been negotiating with Russia, as well as with outside powers like Turkey, Iran and Israel on additional possibilities.⁶²

⁵⁹ *Ibid*

⁶⁰ Bruce Pannier, "Georgia-Russia Conflict Changes the Energy Equation," RFE/RL, September 2, 2008.

⁶¹ "The Transit Troubles: Pipelines as a Source of Conflict", *Chatham House*, 2009

⁶² "Energy: Caspian Pipeline Projects Resemble Gordian Knot", RFE/RL, 5 June 2008.

If Nabucco cannot secure gas from Central Asia, the obvious alternative is the Middle East. The Bush administration believed that a little help from the northern Iraqi reserves would provide enough supply for the project. However, Turkey, a definite transit country for this route, currently remains reluctant to engage in such a venture due its domestic problems with its Kurdish minority, its recent military campaigns in northern Iraq and the current political turmoil in that area. Another alternative is Iran, which control the world's third-largest supply of natural gas, after Russia and Qatar. Yet Iran remains anathema to the West because of its nuclear program and role in fostering instability in the Middle East.⁶³

For Turkey, further imports of Azeri gas would alleviate Turkey's dependence on Russia; however "Baku is no longer prepared to provide Turkey with gas at a discounted price".⁶⁴ Given the decreasing Turkish support for Azerbaijan in Nagorno-Karabakh and the start of diplomatic relations between Ankara and Yerevan, Azerbaijan is re-considering its alliance web in the Caucasus. As Gareth Winrow points out:

Aware of the friction between Turkey and Azerbaijan, Gazprom proposed to purchase all of the gas produced in the second phase of Shah Deniz at the European market prices. Since Baku is at odds with Ankara over gas pricing and re-export issues and is concerned that Turkey may be shifting its traditional position over Nagorno-Karabakh, it may allow Gazprom to purchase a significant portion of future gas production at Shah Deniz in return for a more supportive stance from Moscow in Nagorno-Karabakh.⁶⁵

If this purchase by Gazprom is to happen, the Eurasian energy dynamics would further shift. With its future exports secured, Russia would guarantee its position as the European energy monopoly with exerting control over the deliveries of Azeri gas as well. Turkey, as well as Europe, would remain in limbo with Nabucco unable to present an alternative to Russian gas. Therefore it is important to note that Ankara and its relations with the gas-rich neighbouring countries play a predominant role in the future of European energy security even though Nabucco's potential remains to be seen.

⁶³ "Eurasian Energy Security", *Council on Foreign Relations*, Council Special Report no:43, February 2009

⁶⁴ *Gareth Winrow*, "Turkey, Russia and the Caucasus: Common and Diverging Interests", *Chatham House*, November 2009

⁶⁵ *Ibid*