

Turkey as an Energy Hub in the Mediterranean Region

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Abstract

The new international situation after the cold war made Turkey a far more active and pragmatic player. Nowadays, energy security is a growing concern in the Turkish foreign policy. Turkey is one of the world's fastest growing energy markets and importer of energy resources. The country's geographic location made it play a special role in international relations. It is a natural bridge connecting Europe and the Caspian and Middle Eastern energy producing states. Turkey's aim is to participate in the EU's energy policy as a center of transit and distribution of oil and gas. It will make possible for the European Union to avoid the energy transmission through Russia. It is anticipated that 6 to 7% of global oil supply will be transported via Turkey by 2012 and that Ceyhan will become a major energy hub and the largest oil outlet terminal in the Eastern Mediterranean. In this way Turkey wants to speed up its integration with the European Union. EU will probably systematically include Turkey in developing its energy strategy.

Keywords: *Energy, Mediterranean Region, Security, Strategy*

Introduction

Nowadays energy security is a paramount issue in the foreign policy of Turkey. Turkish territories appear a very suitable solution for energy pipeline infrastructure in the Mediterranean Region. The geographical position of Turkey, between European and Asian continents, enables to play a specific role as the transit country for the oil and gas from the Central Asia, the Caucasus and the Middle East to Europe. Thereby, Turkey is a very important economic partner for countries rich in oil and gas and for those, who need such resources. There is a high requirement on energy in the European Union. EU economies need to increase the diversification of their energy sources. Turkey is a challenge for the European energy security. Probably, future Turkish accession to the EU will ensure reliable delivery of oil and gas. Thereby, Europe can become a more economically competitive player in international relations.

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There are many projects of energy infrastructure to transport oil and gas through the Turkish territory. We should mention about the Nabucco pipeline, which will carry Caspian and Middle Eastern gas to Europe via Turkey. Another interesting conception is the possibility of Turkish participation in the South Stream pipeline project. As far as the existing oil pipeline infrastructure, the most important is the Baku – Tbilisi – Ceyhan pipeline. Ceyhan city will probably become a major energy hub and oil outlet terminal in the Eastern Mediterranean Region. Being a main energy corridor in the Mediterranean, makes Turkey a key player on international scene not only in Europe, but also in Central Asia, the Caucasus and the Middle East. Turkey can connect those regions in accord with the idea of the European Neighborhood Policy.

The energy security of the EU

Energy security is a growing concern in the state foreign policy. With energy prices rising, major consuming states are struggling to formulate effective long – term energy policies². Nowadays, there is an increasing dependence on the energy resources in European Union. This is a very dangerous phenomenon because of the risk of becoming dependent on only one supplier. That is why it is necessary to diversify the energy resources deliveries. The energy security becomes a very important issue for the EU especially after winter 2006, when Russia briefly suspended natural gas exports to Ukraine. This move had a knock – on effect on the rest of Europe because substantial amounts of Russian gas are transported to Europe via Ukraine and because of the fact, that European Union is dependent on Russia for 26 % of its gas demand³. Nowadays, the energy security issue is a key determinant of EU activity on the international scene. The economies of the member states of the European Union need energy resources and seek to improve relations with oil and gas rich states.

Until recently, no significant common policy had emerged in the energy security issue and energy imports in the EU. In November 2000, European Commission published a Green Paper which underlined the necessity to security supplies and initiated a serious debate about this problem⁴. Next, in 2006, European Commission issued an Annex to the

² Ali Tekin and Paul A. Williams, "Turkey and EU energy security: the pipeline connection", *East European Quarterly* (Vol. 42, No.4, 2008), p. 419.

³ Gareth Winrow, "Possible consequences of a new geopolitical game in Eurasia on Turkey as an emerging energy transport hub", *Turkish Policy Quarterly* (Vol. 5, No. 2, Summer 2006), p. 50.

⁴ Tekin, Williams, op.cit. in note 2, p. 420.

Green Paper which stressed the strategic importance of Turkey for gas and oil delivering to the EU⁵.

European Union is one of the world's fastest growing energy markets and the biggest importer of energy resources⁶. According to the forecasts, by 2030 the energy resources requirement in EU will grow 26,3 % comparing with 2000 especially as far as natural gas⁷. Facing the shortage of energy, Europe is dependent on import and the EU member states need the diversification of the energy supplies.

In November 2008, European Commission introduced the Second Energy Strategy Review as a communique about the energy security for the European Council and the European Parliament⁸. Taking under consideration the growing uncertainty of the security of energy resources supplies, the most important aim of this plan is encouraging the EU member states to act commonly on behalf of the energy security⁹. Presenting the Commission's Second Strategic Energy Review package, The Chairman of the European Commission, José Manuel Barroso said, that "energy prices have risen by an average of 15% in the European Union in the last year. 54% of Europe's energy is imported at a cost of 700 € for every EU citizen. We have to address this urgently, by taking measures to increase our energy efficiency and reduce our dependence on imports. We have to invest and diversify"¹⁰.

In achieving the aims of the energy policy it is important to focus on energy issues in the context of EU's external relations¹¹. European Commission pointed out that more attention should also be paid to solidarity

⁵ Annex to the Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy: What is at Stake – Background Document, COM (2006)105 Final, XXX, Brussels – SEC 317/2(2006), p. 37.

⁶ Tekin, Williams, op.cit. in note 2, p. 421.

⁷ Piotr Frączek, Próba oceny bezpieczeństwa energetycznego krajów UE", Accessed on 2 January 2010, http://www.univ.rzeszow.pl/nauka/konferencje/rl_most/40-Fraczek.pdf.

⁸ Edmund Wyciszkievicz, 'Drugi strategiczny przegląd energetyczny – nowe propozycje KE w dziedzinie bezpieczeństwa', *Biuletyn PISM*, no. 59 (527) (2008), Accessed on 2 January 2010, <http://www.pism.pl/biuletyny/files/358.pdf>

⁹ Zabezpieczenie przyszłości energetycznej Europy: Komisja przedstawia propozycje dotyczące bezpieczeństwa energetycznego, mechanizmu solidarności oraz racjonalizacji zużycia energii, Brussels, 13 November, 2008, Accessed on 2 January 2010, <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1696&format=HTML&aged=0&language=PL&guiLanguage=en>

¹⁰ Securing your energy future: Commission presents energy security, solidarity and efficiency proposals, Accessed on 2 January 2010, <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1696&format=HTML&aged=0&language=EN&guiLanguage=en>

¹¹ Ibid.

among member states in their foreign relations¹². EU needs some regulations to coordinate member states energy investments plans¹³.

Energy Commissioner Andris Piebalgs pointed out the opportunities for new investment, cost savings and jobs: "The EU has come together as never before to deal with high energy prices and energy security. But we have to do more, be more ambitious, and be even bolder to avoid the risk of energy disruption in the future. This means investment. Investing in energy, including energy efficiency, means giving our economy the push it needs at this uncertain time"¹⁴.

Nevertheless, EU member states have so far failed to launch an efficient coordination and a comprehensive energy security policy. European Union with 27 member states are gradually becoming one of the greatest energy consumer in the world. That is why, the security of energy resources and routes or the creation of a common energy policy must be discussed much more when ever before¹⁵. The dependency on a single supplier makes the possibility that energy can be used as a political weapon by the states that can control the energy resources and the transport lines¹⁶. In such circumstances, Turkey will make possible for the European Union to avoid the energy transmission through Russia. EU should systematically include Turkey in developing its energy strategy, not only on diversification but also on energy in foreign policy in general. The process of evolving of the EU's energy policy gives Turkey a great opportunity to make sure that its own energy policy contributes to Europe's energy security¹⁷.

The energy strategy of Turkey

Turkey is a very important player in energy game because of the intersection of Europe, the Caucasus, Central Asia and the Middle East. We can anticipate that in the future, Turkey as a member of the European Union, will ensure energy deliveries which make Europe a much more active and reliable economical player. The relations between European Union and Turkey are based on institutional dimensions. The EU is now trying to persuade Turkey to align itself with the energy *acquis* through joining the Energy Community Treaty (ECT). The ECT, signed in October 2005 and in

¹² Ibid.

¹³ Plan bezpieczeństwa energetycznego dla UE, Accessed on 13 November 2008, 2010, <http://www.wprost.pl/ar/144349/Plan-bezpieczenstwa-energetycznego-dla-UE/>

¹⁴ Securing your energy future, op.cit. in note 10.

¹⁵ Dumitru Rogojanu, "The role of Turkey in the energy security Environment of the European Union", *Philobiblon* (Vol. 14, 2009), p. 622.

¹⁶ Ibid., p. 622.

¹⁷ Katinka Barysch, "Turkey's role in European energy security", Accessed on 12 May 2010, http://www.cer.org.uk/pdf/essay_turkey_energy_12dec07.pdf.

force since June 2006, is aimed to create an integrated energy market and potential accession of the new member states on the basis of the *acquis*¹⁸. Since 2009 Turkey has been in the process of negotiating a membership in the Energy Community Treaty¹⁹.

The key field of cooperation between Turkey and the European Union is the common pipeline projects. Turkey is a very absorbent market for the energy resources (Image 1, 2) and its geographical position enables it to play a transit state role for oil and gas to Europe. Hence, it is an important economical partner for oil and gas rich states and for consumer states in the same breath. Turkey is a challenge and a chance for the European energy security. That has been its bargaining power in the process of accession negotiations with the European Union since 2005. Turkey and the EU could benefit a lot from cooperating in the energy field. The European Union would gain a reliable alternative supply route. Turkey would gain transit fees and other energy - related incomes, but more importantly, the opportunity to prove that it is an indispensable partner for, and eventually member of, the European Union²⁰.

Emre Engür, the deputy head of the business department of the Petroleum Pipeline Corporation (BOTAŞ), underlined that Turkey has a unique geostrategic location given that about 73 % of the world's energy reserves are situated in areas surrounding Turkey²¹. He estimated that by 2020, 15 % of the gas import in EU will be transported via Turkey²². Hence, the main aim of Turkey is to be a corridor for the energy resources to Europe. This policy is a consequence of the fact, that Turkish neighbors are rich in oil and gas (Table 1, Table 2) and Europe needs those resources much more then ever before. From the other hand, the European Union is looking for the new transport routes to diversify deliveries²³.

Turkey is a very fast growing energy market. It has been experiencing a rapid demand growth in all segments of the energy sector for decades²⁴. Because of the shortage of oil and gas, Turkey is a huge importer of those resources. The Caspian Region countries, Kazakhstan, Turkmenistan and Azerbaijan, are the most important exporters of energy resources for

¹⁸ Accessed on 13 May 2010, <http://www.energy-community.org/>

¹⁹ Adam Balcer, W stronę strategicznego partnerstwa Unii Europejskiej i Turcji w polityce zagranicznej", *Demos Europa* (2010), p. 17.

²⁰ Barysch, op.cit. in note 17.

²¹ Winrow, op.cit. in note 3, p. 50.

²² Ibid., p. 50.

²³ Agata Łoskot, Turcja – korytarz tranzytowy dla surowców energetycznych do UE?", *Prace OSW* (No. 17, 2005), p. 6.

²⁴ Turkey's Energy Strategy, Accessed on 12 April 2010, http://ec.europa.eu/enlargement/pdf/european_energy_policy/turkeys_energy_strategy_en.pdf (12.04.2010).

Turkey. Kazakhstan has the largest oil reserves in the Caspian region. Potentially, it also has substantial gas reserves. Turkmenistan is the Caspian gas potentate. Azerbaijan has smaller energy reserves than its neighbors, but it is situated closer to the European markets²⁵. It is an important energy supplier for Russia and Europe.

Turkey also cooperates with its Middle Eastern neighbors on energy field. Iran has the world's second largest gas reserves (after Russia)²⁶. Iraq becomes an important source of oil for Western consumers. One of the largest Iraqi export pipelines runs across Turkish territory (Kirkuk – Ceyhan). Iraq also has substantial potential gas reserves²⁷.

While Turkey gets oil from a variety of sources, 60% of its gas needs are met by Russia's Gazprom²⁸. Russia is the world's largest producer of natural gas. So Turkey is keen on maintaining good relations with this state. The Blue Stream pipeline is a main source of gas for Turkey. More than 35% of Russian oil exports and substantial quantities of its petroleum products are also transported via Turkey²⁹. On the other hand, Turkey tries to prevent Russian incisive energy policy.

The important element of the Turkish energy policy is to engage the state companies in getting out energy resources in oil and gas rich regions. Turkish Petroleum Corporation (TPAO) participated in searching oil and gas stratum in Caspian Region³⁰. The Turkish Petroleum Corporation's investments abroad grew from 55 million USD in 2001 to 519 million USD in 2004³¹. TPAO's main ventures abroad are in Azerbaijan. For instance, TPAO holds a 6.75 % share in the Azerbaijan International Operating Company (AIOC). TPAO has also invested in Libya and Kazakhstan and is exploring ventures in Turkmenistan, Iraq, and Syria³². TPAO and the Geology Ministry of Kazakhstan initiated the joint venture company Kazakturkmunay (KTM). The share of TPAO in this international cooperation project was 49 %³³. KTM

²⁵ Łoskot, op.cit. in note 23, p. 22.

²⁶ Ibid., p. 22.

²⁷ Ibid., p. 23.

²⁸ Igor Torbakov, "Making sense of the current phase of Turkish-Russian relations", *Jamestown Foundation Occasional Papers*, (October 2007).

²⁹ Łoskot, op. cit. in note 23, p.23.

³⁰ Turkish Petroleum Corporation, Accessed on 12 September 2008

<http://www.tpao.gov.tr/v1.4/index.php?lng=en>

³¹ Brenda Shaffer, "Turkey's Energy Policies in a Tight Global Energy Market", *Insight Turkey* (Vol. 8, No. 2, 2006), p. 100.

³² Ibid., p. 100.

³³ Turkish Petroleum Corporation, Accessed on 15 March 2010,

http://www.tpao.gov.tr/v1.4/index.php?option=com_section&task=view&id=15&itemid=73&subid=91

has worked in Kazakhstan since 1993, especially in such oil rich regions, as Aktubinsk i Aktau³⁴.

During the 1990s, Turkey and the United States cooperated to develop an East - West energy corridor that would transport oil and gas exclusively to Western markets without passing through Russian and Iranian territory. The aim was to meet Turkey's booming need for energy, develop Central Asian export options, and counter a possible Russian monopoly on transport of the continent's resources³⁵.

The economic crisis in 2001 caused the decrease of the energy demand in Turkey. That is why it tried to renegotiate some contracts and use effectively overage surplus of the already bought energy resources³⁶. In this context the most important aim was realizing the concept of Turkey as the transit corridor state. It will enable to sell the surplus of the energy resources to Europe.

Nowadays, the foundations of the Turkish energy strategy come from external and internal conditions. The key external factor is the geographical position between the energy rich regions and regions with high requirement of energy resources. The most significant internal factor is the economic transformation in Turkey which is connected with the growth of energy demand and the process of its integration with the European Union. Turkey's ambition is to be a main transit state for oil and gas in Eurasia. Moreover, Turkey would like to play an active role in redistribution of the energy resources flowed through its territory. The transition and sale of oil and gas are the significant sources of income for Turkey and the instrument in the process of building its international position not only in Europe, but also in Central Asia, the Caucasus and the Middle East. Such Turkey's position will ensure its energy security. As a key transit area, Turkey has a chance to become a co-author of the European Union energy security strategy³⁷.

One of the significant creators of the Turkish foreign policy in XXI century, the present Minister of Foreign Affairs, Ahmet Davutoğlu, perceived Turkey's role in the neighboring regions and international politics as a "strategic depth"³⁸. In this concept it is underlined, that Turkey has historic and cultural foundations to play such a role. He said, that Turkey's security interests lie in successfully balancing its role as an energy transit country

³⁴ Ibid.

³⁵ Turkey at an Energy Crossroads, Accessed on 12 Jun 2010, <http://www.cfr.org/publication/17821/>

³⁶ Loskot, op.cit. in note 23, p. 7.

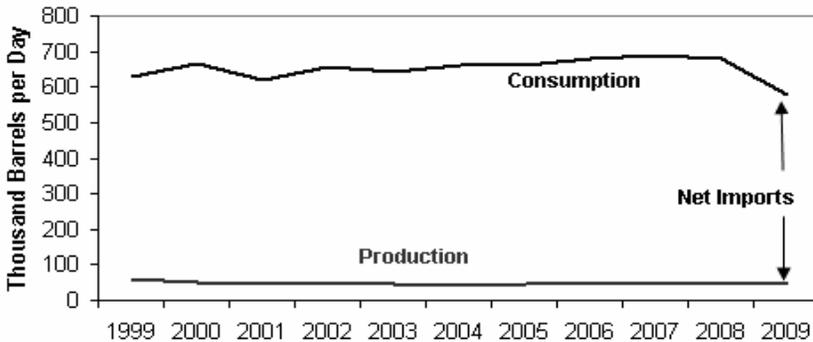
³⁷ Ibid., p. 7.

³⁸ Bulent Aras, "Davutoğlu Era in Turkish Foreign Policy", *SETA Policy Brief* (No. 32, 2009), p. 4.

between producers and consumers: “thanks to the geographical position Turkey enjoys, part of its national strategy involves facilitating the transit of energy across its territory”³⁹. Turkish Prime Minister Recep Tayyip Erdoğan stated, that “one of the main factors of Turkey’s energy strategy is making use of its geography and geostrategic location by creating a corridor between countries with rich energy resources and energy consuming countries”⁴⁰.

Image 1.

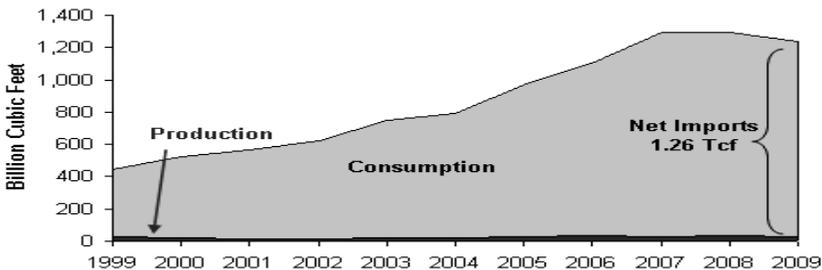
Turkey's Oil Consumption and Production, 1999-2009



Source: U.S. Energy Information Administration

Image 2.

Turkey's Natural Gas Production and Consumption, 1999-2009



Source: Energy Information Administration

³⁹ Turkey at an Energy Crossroads, op.cit. in note 35.

⁴⁰ Shaffer, op.cit., in note 31, p. 97.

Table 1. Gas potentials of Turkey's neighbors,

billion cubic metres	proven reserves	potential reserves	eksports 2002	exports 2010
Kazakhstan	1 910,3	2 498,9	6,1	36,0
Turkmenistan	2 009,3	7 496,9	38,8	93,4
Azerbaijan	849,0	990,5	0,0	14,2
Russia	47 544,0		182,4	
Iran	26 602,0		1,3	10,0
Iraq	3 113,0	4 245,0	0,0	10,0

Source: Agata Łoskot, "Turcja – korytarz tranzytowy dla surowców energetycznych do UE?", *Prace OSW* (no. 17, 2005), s. 6.

Table 2. Oil potentials of Turkey's neighbors,

Million tones	proven reserves	potential reserves	exports 2002	exports 2010
Kazakhstan	4 000,0	12 551,2	40,0	85,0
Turkmenistan	150,1	5 184,2	2,8	7,5
Azerbaijan	1 364,3	4 365,6	10,4	50,0
Russia	9 549,8	20 463,8	188,4	
Iran	17 162,3		94,6	249,0
Iraq	15 688,9	21 828,1	71,3	298,8

Source: Agata Łoskot, "Turcja – korytarz tranzytowy dla surowców energetycznych do UE?", *Prace OSW* (no. 17, 2005), s. 6.

Main pipeline projects

Major pipeline projects realized and others under construction will inevitably contribute to EU's energy security. They are enhancing Turkey's role as an important transit country and energy hub in the Eurasia⁴¹. Turkey has concentrated its efforts on the transportation of Caspian oil and gas reserves to Western markets, which was often referred to as the "*Silk Road of the 21st Century*"⁴². Transit routes via today's Turkey were an important part of the historical Silk Road. Nowadays, the idea to restore the Silk Road connecting Eastern Asia with Western Europe via the post-Soviet republics in the Caucasus and Central Asia has been gaining importance⁴³. In this context, very significant and perspective was the Eurasian Energy Corridor

⁴¹ Turkey's Energy Strategy, op. cit. in note 24.

⁴² Ibid.

⁴³ Łoskot, op.cit. in note 23, p. 19

Project which concerned the transportation of Caspian oil and gas. According to the Baku Declaration, which was signed in September 1998, there was a plan to create an international transport system: Transcaucasus – Europe – Central Asia (TRACECA) as a resurrection of the historic Silk Road⁴⁴. This project provided an opportunity for Turkey to be a transit state for the energy resources from Central Asia and the Caucasus to the European markets⁴⁵.

Turkey has several sea terminals. The most important one is the Mediterranean city, Ceyhan. It receives Iraqi and the Caspian oil. The Turkish Straits of Bosphorus and Dardanelles that connect the Black Sea with the Mediterranean, serve as one of the most important transit routes in Eurasia⁴⁶. Every year, some 10,000 tankers pass through the Bosphorus Strait. Traffic keeps growing rapidly there⁴⁷. Because of the weak capacity of the Turkish Straits, shipping of energy resources is very difficult and problematic not only technically but also taking the ecological issues into consideration. That is why there is a need of alternative solutions. The key project is the 1768 kilometers long Baku – Tbilisi – Ceyhan (BTC) pipeline (Figure 1). It is a very valuable venture not only economically but also politically for Turkey, European Union, United States and Caspian states rich in oil and gas. The BTC pipeline project and the issue connected with the role of Turkey as a key corridor state for Caspian energy resources was discussed in 1992 during the meeting of Turkish President, T. Özal and A. Elchibey, the President of Azerbaijan⁴⁸. The construction of BTC was the priority for Turkey for three reasons. First of all, the participation in extracting and transporting the Caspian energy resources reflected in the power of the state in the region in economic and political sense. Secondly, Turkey wanted to establish good relations with Turkic World, and common pipeline is a good instrument of this ambitious plan. Thirdly, the pipeline is an important economical impulse for Turkish private and state sector. The transport of the energy resources is an important source of income for Turkey and the access to the oil and gas is necessary in fast growing Turkish economy⁴⁹.

In April 1998, Presidents of Turkey, Georgia and Azerbaijan declared the official support for the BTC project. Next, in October 1998, during the

⁴⁴ İsmail Soysal and Sevsen Aslantepeli, *Turkish Views on Eurasia* (Istanbul: ISIS, 2001), p. 47.

⁴⁵ *Ibid.*, p. 47.

⁴⁶ Łoskot, *op.cit.* in note 23, p. 26.

⁴⁷ John Daly, "EU missing opportunity to use Turkey as reliable energy corridor", *Jamestown Foundation Eurasia Daily Monitor*, (Vol.4, March 26th, 2007).

⁴⁸ Temel İskit, "Turkey. A New Actor In the Field of Energy?", *Perceptions* (Vol. 1, No. 1, 1996), p. 11.

⁴⁹ Laurent Ruseckas, "Turkey and Eurasia: Opportunities and Risks in the Caspian Pipeline Derby", *Journal of International Affairs* (Vol. 54, No. 1, 2000), pp. 218 – 236.

75th anniversary of founding the Republic of Turkey, the Presidents of Azerbaijan, Kazakhstan, Turkmenistan, Georgia and Turkey signed the declaration supporting the common pipeline project⁵⁰. Moreover, Turkey signed the agreement with Turkmenistan about the transportation of gas simultaneously to the BTC. The proposition of building the BTC pipeline was also introduced during the 1999 summit of the Organization for Security and Cooperation in Europe (OSCE) in Istanbul⁵¹. The construction of this pipeline started in 2002, the cost of this venture was about 4 billion USD⁵². The official opening of the BTC in Azerbaijan was in May 2005 and in Georgia in October 2005⁵³. Officially, the pipeline has operated since 13 July 2006⁵⁴. The pipeline can transport up to 1 million barrels per day (approximately 1.5% of the world's oil supply), and it is the second longest pipeline in the world⁵⁵. On 16 June 2006, Kazakhstan has officially joined the BTC oil pipeline project. According to the agreement between Presidents of Azerbaijan and Kazakhstan, Kazakh crude oil will be shipped to Baku across the Caspian Sea, and then pumped through the BTC pipeline to Ceyhan (Aktau – BTC Project)⁵⁶.

The BTC pipeline is located in a very unstable environment: between the Caucasus and the south - eastern part of Turkey. In August 2008, Kurdish militants in Turkey bombed the pipeline, forcing to halt shipments briefly. Fighting between Russia and Georgia days later cast further doubt on the security of the pipeline. Turkey stands to lose millions of dollars in transit fees if crude flows stop⁵⁷.

The BTC was launched as a result of joint efforts by businesses with a stake in the Baku-Tbilisi-Ceyhan Pipeline Company (BTC Co.). These included BP of Britain; SOCAR of Azerbaijan; TPAO of Turkey; Statoil of Norway; Unocal of the United States; Itochu of Japan; INPEX of Japan; and ConocoPhillips of the United States. BTC Co. received support from the International Finance Corporation (IFC) and the **European Bank for Reconstruction and Development (EBRD)**⁵⁸.

⁵⁰ Brent Sasley, "Turkey's energy politics In the post - cold war era", *Middle East Review of International Affairs* (Vol. 2, No. 4, 1998), p. 4.

⁵¹ Idris Bal, *Turkey's relations with the West and The Turkic Republics: the rise and fall of the 'Turkish model'* (Hampshire: Aghate Publishing Limited, 2000), p.85.

⁵² Daniel Fink, "Assessing Turkey's Future as an Energy Transit Country", *Research Notes*, (No. 11, 2006), p. 1.

⁵³ Łoskot, op.cit. in note 23, p. 2.

⁵⁴ Turkish Daily News, 14 July, 2006.

⁵⁵ Turkey's Energy Strategy, op. cit. in note 24.

⁵⁶ Ibid.

⁵⁷ Turkey at an Energy Crossroads, op. cit. in note 35.

⁵⁸ Baku-Tbilisi-Ceyhan (BTC) Pipeline Project, Accessed on 12 April 2010, <http://www.bicusa.org/en/Project.3.aspx>

Turkey is also interested in the development of Iraqi natural oil reserves which are mostly located in Northern Iraq. There is a common pipeline between Iraq and Turkey: the Kirkuk – Ceyhan Oil Pipeline. The pipeline which carries oil from Kirkuk, north Iraq, to the Turkish Mediterranean port of Ceyhan, is the largest pipeline crossing Turkey. It has been functional since 1977 as Iraq's largest crude export line. In 1987, a second pipeline was added, running parallel to the first. The twin pipelines currently have a combined capacity of 1.5 million barrels per day of crude oil⁵⁹. The pipeline has also been a major target for Iraqi insurgents since 2003⁶⁰. During the current war in Iraq, the use of the pipeline has fluctuated⁶¹.

It is anticipated that 6 to 7 % of global oil supply will be transported via Turkey by 2012 and that Ceyhan will become a major energy hub and the largest oil outlet terminal in the Eastern Mediterranean. The Ceyhan terminal has already been designed to receive the crude oil reaching from Kirkuk, Baku and Samsun⁶².

Turkey has the most dynamic gas market in south – eastern Asia (Figure 2). In 1996, Turkey signed a 23 billion USD contract with Iran about the purchase of gas. In 1997 Turkey, Turkmenistan and Iran signed the agreement about the extension of the Turkish – Iran pipeline to Turkmenistan⁶³. Another important venture is Transcaspian Turkmenistan – Turkey – Europe Natural Gas Pipeline Project. Its aim is to transport gas from Turkmenistan via Caspian Sea to Turkey and Europe. In accordance with the agreement signed on 29th of October 1998, 30 billion cubic meters of gas should be transported to Turkey, 16 billion cubic meters Turkey can use domestically and the rest will go to Europe⁶⁴. In May 1999 Turkey and Turkmenistan decided to build the Trans – Caspian Gas Pipeline to transport Turkmen gas via Turkey to Europe. This project has not been realized because of the problematic status of the Caspian Sea⁶⁵ and the misunderstandings between Azerbaijan and Turkmenistan relating to the right to the Caspian energy resources⁶⁶.

⁵⁹ [Debts and Doubts Delay Kirkuk-Ceyhan Oil Pipeline Renewal](http://oilprice.com/Geo-Politics/Middle-East/Debts-and-Doubts-Delay-Kirkuk-Ceyhan-Oil-Pipeline-Renewal.html), Accessed on 12 April 2010 <http://oilprice.com/Geo-Politics/Middle-East/Debts-and-Doubts-Delay-Kirkuk-Ceyhan-Oil-Pipeline-Renewal.html>

⁶⁰ Fink, op.cit. in note 52, p. 2.

⁶¹ Ibid., p. 2.

⁶² Turkey's Energy Strategy, op.cit. in note 24.

⁶³ Sasley, op.cit. in note 50, s. 4.

⁶⁴ BOTAS, Petroleum Pipeline Corporation, Accessed on 12 April 2010 <http://www.botap.gov.tr/index.asp>

⁶⁵ It is not clear if the Caspian Sea is a sea or a Lake and how to divide its energy resources between the coastal states.

⁶⁶ Winrow, op.cit. in note 3, p. 58.

The most controversial agreement Turkey signed with Russia about the building of the Blue Stream pipeline⁶⁷. It runs from Isobilnoye in southern Russia, to Dzhugba on the Black Sea, then on to the Turkish port of Samsun⁶⁸. The pipeline was officially opened in November 2005 during the official ceremony attended by the Prime Ministers of Turkey, Italy and Russia. The most important shareholders of this project are Calik Energy Company (Turkey), Gazprom (Russia) and Eni (Italy)⁶⁹. It is the world's deepest gas pipeline. The Blue Stream pipeline is planned to transport about 40 billion cubic meters annually to 2010⁷⁰. The project was often criticized in Turkey because of the venture's high price and the risk of being dependent on Russian gas. The extension of the Blue Stream Gas Pipeline to Ceyhan and then to Ashkelon with a view to supplying Israel with Russian natural gas is under consideration.

Another project was the Baku – Tbilisi - Erzurum (BTE) pipeline from Shah Deniz gas fields in Azerbaijan. It was built in parallel to BTC. According to the Turkish Petroleum Pipeline Corporation, after the immanent completion of the 20 billion cubic meters capacity of BTE pipeline, Turkmen gas deliveries to Turkey and to Europe would most probably follow⁷¹.

Other important gas pipeline project is Turkey – Greece – Italy Interconnector. The construction of such a gas pipeline to connect the Caucasus and Europe was begun in July 2005 and inaugurated on 18th on December 2007⁷². The gas is extracted from the Shah Deniz field in Azerbaijan. The pipeline is crossing the Turkish territory, reaching Greece, and from there it is to be extended toward Italy via underground pipeline crossing the Adriatic Sea. The future extension opening is scheduled for 2012⁷³. The pipeline has a significant value for the Turkish – Greek relations. Turkish Prime Minister, Recep Tayyip Erdoğan called the project a "bridge that can lead to a further rapprochement between our two peoples on environmental issues and other matters"⁷⁴. The capacity of the pipeline is approximately 250 million cubic meters per year⁷⁵.

⁶⁷ US Energy Information Administration, Accessed on 22 July 2009 2008
<http://www.eia.doe.gov/emeu/cabs/turkey.html>

⁶⁸ Fink, op.cit. in note 52, p. 5.

⁶⁹ Ibid., p. 5.

⁷⁰ Duygu Bazoglu Sezer, "Russia: The Challenges of Reconciling Geopolitical Competition with Economic Partnership", in Kemal Kirisci and Barry Rubin (ed.), *Turkey in World Politics: An Emerging Multiregional Power* (London: Lynne Rinner, 2001), p. 163.

⁷¹ Winrow, op.cit. in note 3, p. 50.

⁷² Rogojanu, op.cit in note 1, p. 629.

⁷³ Ibid., p. 629.

⁷⁴ "Karamanlis, Erdogan Inaugurate Work for Vital Natural Gas Pipeline Project", *Athens News Agency* (July 3, 2005), Foreign Broadcast Information Service, July 4, 2006.

⁷⁵ Rogojanu, op.cit in note 1, p. 629.

The European Union has been exploring various options for accessing Central Asian and Caspian energy without relying on Russia. The Turkey – Greece – Italy Interconnector is the first step. But the project that could make a bigger significance to Europe's energy security, and to Turkey's role as an energy hub, is Nabucco (Figure 3). The Presidents of Turkey, Austria, Bulgaria, Hungary and Romania signed an agreement about the construction of the Nabucco gas pipeline on 13th July 2009. According to this decision, the gas from Central Asia, the Caucasus and the Middle East will be transported to Europe via Turkey. The main aim of the pipeline is to secure the gas deliveries to European Union without the Russian participation. The 3300 kilometers long, Nabucco pipeline will go from Azerbaijan (Shah Deniz field), Egypt, Iraq and Turkmenistan through Turkey, Bulgaria, Romania and Hungary to Austria. The project got the support from the United States and the European Union⁷⁶. There are many companies which are also interested in building the pipeline, for example: BOTAŞ (Turkey), BulgarGas (Bulgaria), Transgas (Romania), MOL (Hungary), OMV (Austria) and RWE (Germany)⁷⁷. The intergovernmental agreement assumed that the construction of Nabucco will be realized between 2011 and 2014 and its cost is estimated on about 8 billion euros⁷⁸. This project is also very important for the Turkish energy security⁷⁹.

During the EU summit on 19 – 20th of March 2009, member states decided to give 200 million euros to the Nabucco pipeline project within the economic anti – crisis package of 5 billion euros⁸⁰. It was an important political symbol of support for the Nabucco, but in the face of high costs of the pipeline construction and the necessity to build it until 2014 it is definitely not enough⁸¹.

The main planned gas source for Nabucco pipeline is Shah Deniz field in Azerbaijan. It will produce enough gas to feed the new Turkey – Greece – Italy Interconnector. Some experts say that Nabucco will have to wait until Shah Deniz goes into its second phase of development, expected in 2013⁸². The companies involved in the Nabucco project are confident that Azerbaijan will produce enough gas to make Nabucco viable. But some independent energy analysts warn that other sources would be needed to fill Nabucco in the long term⁸³. There was a plan to include the Iran to the Nabucco pipeline, because it has the world second largest gas resources (estimated

⁷⁶ *Best OSW* (No. 25, 2009), p. 2.

⁷⁷ Necdet Pamir, "Energy Issues", *Foreign Policy* (No. 3-4, 2008), p. 105.

⁷⁸ *Best OSW* (No. 25, 2009), p. 2.

⁷⁹ *Hurriyet*, 12 July, 2009.

⁸⁰ *Best OSW* (No. 12, 2009), p. 2.

⁸¹ *Ibid.*, p. 3.

⁸² Barysch, *op.cit.* in note 17.

⁸³ *Ibid.*

for 16% of world's resources). Iran was also interested to participate in the project, but nowadays it is impossible because the strong US opposition caused by the Iranian nuclear program⁸⁴. In such circumstances, Turkmenistan becomes much more important player with its 4, 3 % world gas resources⁸⁵.

Turkey is a key transit state for the Nabucco pipeline. 60 % of it will go through Turkish territory. From the Turkish perspective, Nabucco has not only economical dimension but it is also a significant political move. According to the Turkish elites, if Turkey becomes the main energy bridge between East and West, it will speed up its process of integration with the EU and increase its regional position⁸⁶. Eager to secure its own energy needs, Turkey wants to divert 15 % of Nabucco's gas for a cheap domestic use⁸⁷.

The support of Washington for the pipeline project is very important. "*Nabucco is the best commercial option for both Europe and the Caspian suppliers, but the participants need to conclude the necessary agreements if they want to stay competitive*"⁸⁸ said C. Boyden Gray, U.S. special envoy for Eurasian Energy Affairs. "*Nabucco pipeline will be built, because it has commercial sense*"⁸⁹ said Mathew Bryza from the US State Department. He added, that US diplomacy will support this project, just like it was in the case of the BTC oil pipeline.

The diversification of the gas deliveries is a priority for the European Union, especially after the crisis in energy relations between Russia and Ukraine, which has serious consequences for the European energy security⁹⁰. "*Nabucco is a demonstration project of Turkey's intent to join the European Union...By delivering on this project, Turkey would clearly underline its importance to the EU*"⁹¹ said Brendan Devlin, assistant to *Jozias van Aartsen*, the EU's Nabucco negotiator. "*The Nabucco pipeline is a clear economic and political necessity*" said EU Energy Commissioner Andris Piebalgs in a March 2006 interview⁹². He also said that "it is the most

⁸⁴ *Best OSW* (No. 25, 2009), p. 2.

⁸⁵ *Gazeta Wyborcza*, 8 May, 2007.

⁸⁶ *Best OSW* (No. 25, 2009), p. 3.

⁸⁷ Barcin Yinanc, "Turkey in the unfolding new chapter of the big energy game", *Turkish Policy Quarterly* (Vol. 7, No. 3), p. 50.

⁸⁸ *Bloomberg News*, 22 April, 2008.

⁸⁹ *Gazeta Wyborcza*, 22 February 2008.

⁹⁰ *The New Anatolian*, 28 May 2008.

⁹¹ *Bloomberg News*, 22 April 2008.

⁹² *Ibid.*

important gas project for Europe⁹³. Andris Piebalgs underlined the notability of the pipeline for the EU – Turkey relations, saying that “the most positive aspect of Nabucco is the fact that Turkey and the EU not only negotiating problematic issues, but also can create common strategic project. This improves relations between Turkey and European Union⁹⁴. Emma Bonino, Italian Minister of International Trade and European Affairs expressed that “Turkey is an important energy corridor⁹⁵.

Russia is the most significant Turkey’s rival in the Caspian Region. Both states compete in the issue of energy policy. The Central Asian states have been providing Russia with cheap gas which has enabled Gasprom to export Russian gas to Europe at a much higher price. That is why, Russia is against the attempts of the Central Asians to transport and sell their gas to European markets. The Russian Prime Minister, W. Putin administration is trying to increase its control on Central Asian energy. The instrument of this policy was the project of a Eurasian Alliance of Gas Producers which would have included Kazakhstan, Turkmenistan and Uzbekistan. However this idea failed to materialize⁹⁶. Thereby, the serious challenge for the realization the Nabucco pipeline is the antagonistic Russian attitude. Russia tries to convince the EU members and the potential suppliers to give up the Nabucco project. From the other side, Moscow refused to participate in this project⁹⁷. In 15th of May 2009 in Sochi, Gasprom and its counterparts from Serbia, Bulgaria, Greece and Italy signed series of agreements regarded the realization of South Stream gas pipeline project (Figure 3). It is an element of the gas pipeline competition in Europe and bipolar energy policy in EU. Some of the European states supported both Russian and Nabucco projects⁹⁸.

The realization of the Nabucco pipeline project could effectively make EU member states not dependent on the Russian gas. It can also increase the role of Europe in Central Asia, the Caucasus and the Middle East. The huge energetic potential of those regions and their geopolitical significance are also the challenge for the European Neighborhood Policy.

Conclusions

Energy has emerged as an important factor influencing Turkish policy in the contemporary international system. In the last decade, Turkey has

⁹³ Vladimir Socor, “Pipeline Project can diversify Europe’s gas supplies”, *Eurasia Daily Monitor*, (30 June 2006), Accessed on 12 March 2010, http://www.jamestown.org/edm/article.php?article_id=2371236.

⁹⁴ *The New Anatolian*, 28 May 2008.

⁹⁵ Tekin, Williams, op.cit. in note 2, p. 419.

⁹⁶ Winrow, op.cit. in note 3, p. 51.

⁹⁷ *Best OSW* (No. 25, 2009), p. 2.

⁹⁸ *Best OSW* (No. 19, 2009), p. 4.

undertaken a number of infrastructure projects in order to meet rising domestic energy demand and to place itself as an energy hub for export to additional markets. Turkey is situated in a special position on the map between Europe and Asia on the way of the biggest world trade route⁹⁹. The growing energy needs have given Turkey a strong interest in developing ties with energy - producing states in the Middle East and the Caspian region and with the transnational corporations which can invest their capital to build necessary pipeline infrastructure.

The new post – Cold War situation in Central Asia and the Caucasus was a serious challenge for Turkey and for Europe. In the second half of 1990s, the international society realized the energy potential of the former Soviet Republics. The newly – independent states calculated, that their richness in oil and gas resources will cause the growth in the economy and will secure their political independence. The priority of the foreign policy of Turkey is to play a role of the corridor state for oil and gas from those regions¹⁰⁰. It is situated near the 70% of world's energy resources¹⁰¹. Turkey aims at building pipelines infrastructure on its territory and guarantee the diversification of energy resources deliveries to improve the energy security¹⁰². Pipelines from Central Asia and the Caucasus to Europe are very important elements in improving relations between those regions¹⁰³.

The Caucasus and the Central Asia regions are perceived as a great market and source of energy resources for the European Union member states. It seems, that the most important field of cooperation between Turkey and the Caucasus and Central Asian states is energy. Turkey's aim is to participate in the energy policy of the EU¹⁰⁴. Turkey in such a way wants to accelerate the process of integration with the European Union.

⁹⁹ Soysal, Aslantepi, op.cit. in note 24, p. 71.

¹⁰⁰ Ertan Efeğil, "In the 21st Century New World Order and Turkey", in Mehmet Tahiroglu and Tareq Y. Ismael (ed.), *Turkey in the 21st Century: Changing Role In World Politics?* (Famagusta: Ashgate, 2000), p. 58.

¹⁰¹ Synopsis of the Turkish Foreign Policy, Republic of Turkey Ministry of Foreign Affairs, Accessed on 5 April 2007,

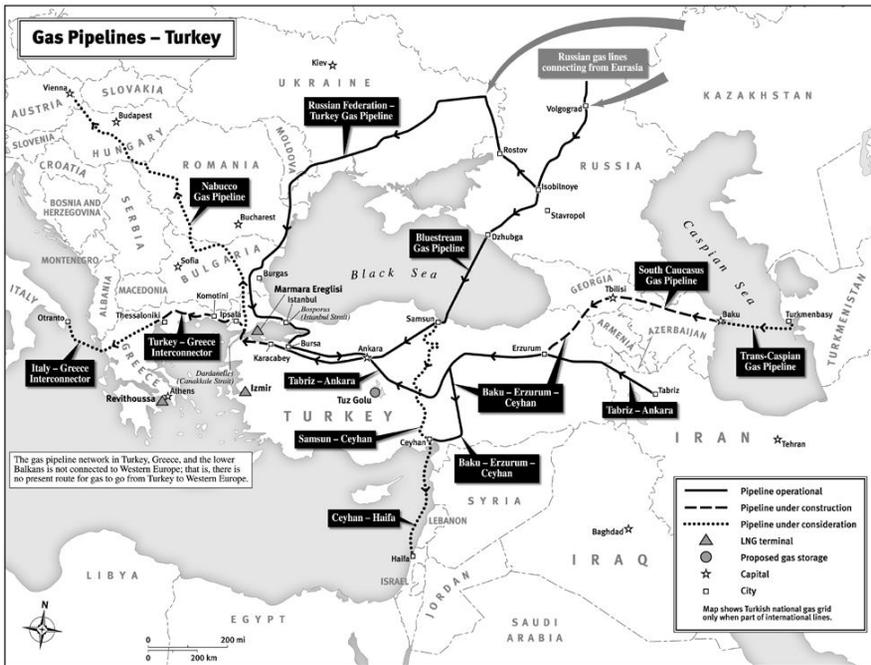
<http://www.mfa.gov.tr/MFA/ForeignPolicy/Synopsis/SYNOPSISIP.htm>

¹⁰² *Best OSW* (No. 25, 2009), p. 3.

¹⁰³ Synopsis of the Turkish Foreign Policy, op.cit. in note 101.

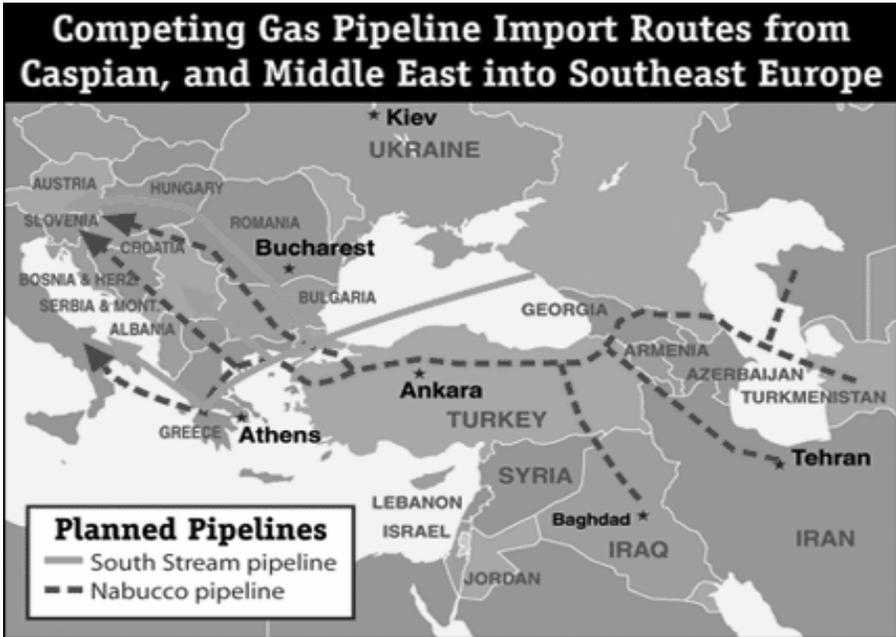
¹⁰⁴ Ibid.

Figure 2.



Source: David Fink, "Assessing Turkey's Future as an Energy Transit Country", *Research Notes* (No. 11, 2006), p. 4.

Figure 3.



Source: Accessed on 12 April 2009,

http://www.energytribune.com/live_images/dW_GAS_MAP.gif

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