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IS TURKISH STREAM ABLE TO CHANGE THE ENERGY DEVELOPMENTS IN EUROPE? *

Background

Following the Russian-Turkish “reconciliation” after the downing of a Russian SU-24 military aircraft by a Turkish military jet on the border between Turkey and Syria, Moscow is now seeking to revive the Turkish Stream gas pipeline. This became apparent during bilateral meetings between the Greek Prime Minister Alexis Tsipras and the Russian Deputy Prime Minister Arkady Dvorkovich as well as between the Greek Minister of Environment and Energy Panagiotis Skourletis and his Russian counterpart Alexander Novak. The meetings took place on September 10 in Thessaloniki, during the 81st International HELEXPO (Hellenic Exposition), where Russia was the guest of honor, as 2016 is the Year of Greek-Russian Friendship.

The two sides reaffirmed that the project should go ahead, and that there would be joint consortia established with the participation of the Greek national gas company DEPA, a pre-condition the Greek side had put forth when Turkish Stream was first discussed in 2015. A month later, on October 10, in Istanbul, at the sidelines of the 23rd World Energy Council, a bilateral agreement was signed between Russia and Turkey on the rapid implementation of Turkish Stream.

It is to be noted that while Russian-Turkish relations were frozen, the officials responsible for bilateral energy relations and joint projects were careful not to close the communication channels regarding two major projects: Turkish Stream and Akkuyu nuclear power plant.

Analysis

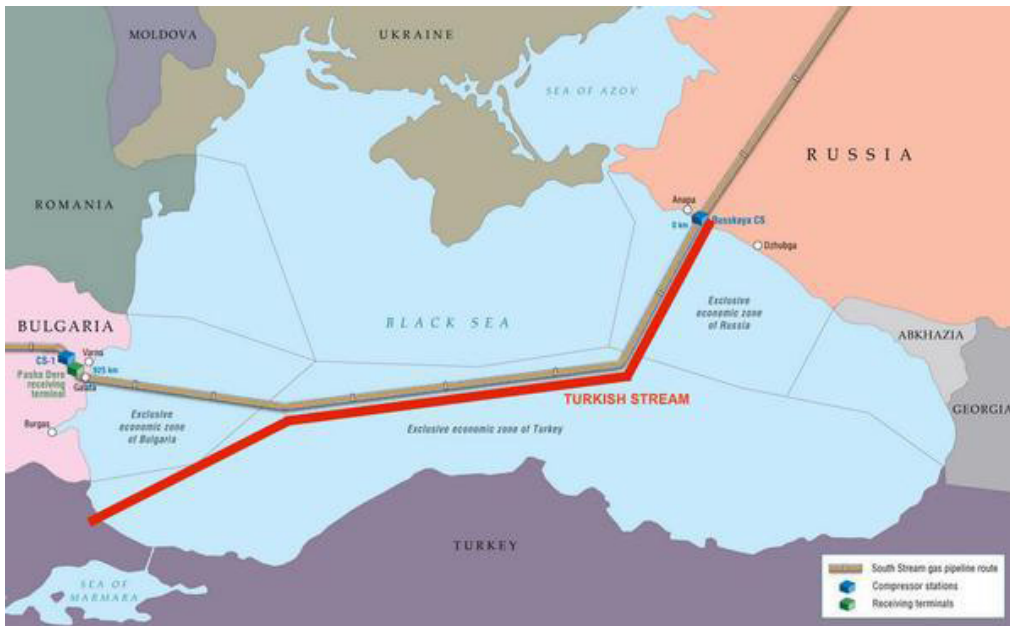
In December 2014, Russian Gazprom and Turkish Petroleum Pipeline Corporation (BOTAS) signed a memorandum of understanding on the construction of Turkish Stream. The pipeline will follow 660 km of the old South Stream corridor through the Black Sea, and then strike out in a new direction for 250 km towards the European part of Turkey. In the initial stage the pipeline will carry 15.75 bcm per year of Russian gas to Turkey for its domestic energy needs. In the second stage, the capacity will double, transporting greater volumes of natural gas through Turkey to south-eastern Europe and Italy.

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The recent bilateral document between Russia and Turkey signed on October 2016 in Istanbul provides for the construction of two strings from Russia to Turkey across the Black Sea, as well as an onshore string for gas transit to Turkey's borders.



“The Agreement has been prepared in an unprecedentedly short period of time, which shows the strong commitment of both sides to deliver the project as soon as possible. This is entirely understandable because the Turk Stream gas pipeline will substantially enhance the reliability of gas supply to Turkey, as well as southern and south-eastern Europe,” said Alexey Miller, Chairman of the Gazprom Management Committee.

In September 2016, Gazprom received permits for the project from the Turkish authorities, including the first construction permit for the offshore section and the survey permit for the two strings of the offshore gas pipeline in Turkey's exclusive economic zone and territorial waters. Actual construction is due to start in 2018.

According to the construction plan, the pipeline will run across the Black Sea to Kiyikoy, west of Istanbul, and from there continue onto the Turkish-Greek border in Ipsala. There, Russia proposes to establish a hub to transport the natural gas north to Bulgaria and west to Greece.

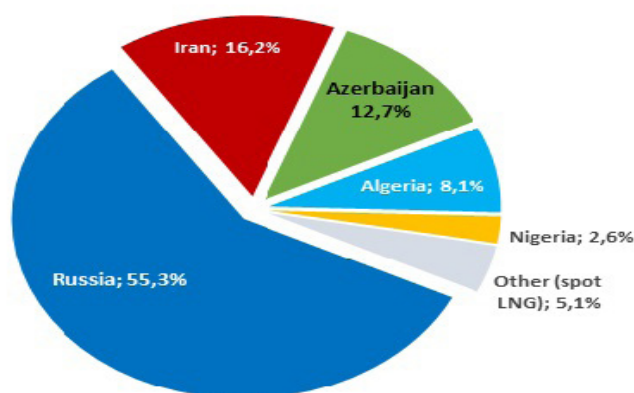
There are currently two variables under consideration: first, to supply Greece and Bulgaria through the existing Interconnector Turkey-Greece (ITG), a small but valuable interconnector; inaugurated on July 2005 at the bridge of Evros river, the natural river frontier between Greece and Turkey. Currently the ITG is being used to its full capacity, carrying only 0.6- 0.7 bcm/ year of Azerbaijani natural gas from Shah Deniz I. At full capacity, ITG can carry up to 5 bcm annually.



The second variable foresees the parallel use of ITG with the old Trans Balkan pipeline in a reverse flow, in order to supply Russian - and potentially other - natural gas to Bulgaria and Romania, via the “Vertical Corridor”. The final end-user of Turkish Stream would be Italy, through the construction of the Interconnector Greece-Italy pipeline (IGI) is already included in the list of PCIs of the European Commission. Greek DEPA and the Italian Edison S.p.A are intensively promoting the latter as the southern route of the Russian natural gas linking Greece and Italy. A Working Group has been established by the two companies, with the participation of Gazprom, in order to study and promote the project.

Turkey’s enthusiasm for Turkish Stream is easy to explain. Russia is the main gas supplier and the only one able to cover the exploding domestic energy consumption in Turkey. Buying Azerbaijani gas is the first serious attempt made by Turkey to diversify away from Russia, given also the traditional close bilateral relations between the two nations, however Shah Deniz will only be able to send a maximum of 6 bcm per year for the Turkish market, the rest going to Greece and Albania through the TAP pipeline. Furthermore, currently there is no infrastructure in Turkey available to import alternative LNG from Qatar, not to mention the fact that LNG is an expensive diversification option.

Turkey’s Natural Gas Imports by Source (2015)



Conclusion

At present, Russia supplies one-third of the European energy demand and the 50% of the total natural gas imports of the EU. In essence, Turkish Stream represents the southern flank of Kremlin's strategy for supplying South Eastern Europe with Russian natural gas, the northern flank being Nord Stream I and II. As a result, the deal for the realization of the pipeline should be considered in relation to Nord Stream II, whereby Russian gas will be transported through a subsea string in the Baltic Sea to Germany and the rest of Northern Europe. Thus, the ultimate goal of circumventing Ukraine and covering the gas supply of the whole European continent will be served by those two mega pipelines.

Furthermore, Turkish Stream's construction will not likely face the fierce opposition from the European Commission that South Stream did, as the route will not cross European territory and its construction, at least to date, does not require EU funding. Furthermore, pipeline construction will end at the Turkish border, either with Greece or with Bulgaria, according to the future route selection. There will be no additional pipeline construction on EU territory; Russian gas will enter the existing Greek or Bulgarian gas grid, as it already does, under the gas supply contracts in force with Gazprom. This is why no additional EU funding will be required. Gazprom has announced that it will cover funding for the Russian subsea part in the Black Sea, while BOTAS will fund the onshore Turkish route. As a result, there has not been no strong reaction from either the EU or the US.

Caspian Center for Energy and Environment of ADA University welcomes submission of policy briefs by researchers and practitioners working on Caspian energy and environment issues. Policy Briefs are relatively short analytical papers (usually not exceeding 1400 words) focusing on causes and implications of energy and environment related trends in the wider Caspian region. Research should cover one of the hot topics on energy sector, mainly on the major technological, economic, social, political and regulatory trends influencing the energy and environmental issues in the Caspian basin and address a clear question with the pragmatic focus on current developments and prospects of the issue. Policy briefs are expected to provide well-explained and evidence-based arguments. Researcher should stay focus on the problem, and its important dimensions, and offer viable recommendations together with justifications.

By sticking to its primary goal on generating research-based information in the field of energy and environment, CCEE expects policy briefs to contribute to the process of advancing the understanding of readers in the field. Ethical and objective approach of the researcher is highly appreciated by CCEE.



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