

# **Turkey's Contribution to Energy Security and Stability in the Caspian and the Black Sea Region**

by

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Turkish Foreign Policy dictates good political, economic and commercial relations with all neighboring countries. In fact, during the last decade relations with all neighbors have improved substantially. Cooperation in the energy sector has always been an important aspect of its relations with its neighbors and other major partners which are the USA, the EU, Russia and the neighboring countries.

We consider all these relations as complementary. We believe that the opportunities that Turkey's geographic position offers to it would be best used in this way. The projects which have been realized so far and those that are presently on the table are intended to connect all the countries of the region with each other and Europe. This wide ranging web of pipelines will be realized with the establishment of the so called East-West Energy corridor.

In fact there are two such corridors. One is the corridor that connects the Central Asian and Caspian energy resources to Europe through the Russian Federation and the other one is the one that connects them through Turkey. The policies the Russian Federation adopted during the last few years gave reason for many to believe that Russia really intends to use its dominance in this sector as a political tool to achieve its ends and strengthened the conviction for the need to diversify energy routes feeding Europe. These developments of course made Turkey's role as an energy bridge between East and West even more significant.

Relations between Turkey and Russia have always been excellent. Turkey relies heavily on Russian gas for its domestic needs. It imports Russian gas through Romania and Bulgaria and through the Blue Stream. And as far as Turkey is concerned Russia has been a reliable supplier. But in general on the energy front Russia regards Turkey as a competitor and does every thing possible to prevent the realization of an East-West and North-South corridor outside Russian territory. It has opposed the BTC and the BTE. It is against the Trans Caspian and it is against the Samsun-Ceyhan oil pipelines. The calls to cooperate on some of these projects were left without a response from Russia. Of course the real objective is to maintain a monopoly on the Caspian and Central Asian resources and the routes that will transport them to Europe.

Today we see two other major players in the game. China and India. These two countries, with their increasing thirst for oil and natural gas, are in competition with the West and Russia for the resources of Central Asia and the Caspian.

Of course this so called new Great Game has implications on the politics and the stability of the region.

Returning to the East-West Corridor passing through Turkey, it would be safe to say that a lot still needs to be done to establish stability to the East and the South of Turkey and to utilize the full potential of the resources of the region around Turkey.

To my mind East-West corridor should not solely transport Caspian gas. It should also include Iranian and Iraqi gas.

Iraq, with its vast reserves, would be an important supplier for Turkey and Europe, contributing to our diversification needs. In fact a Turkish-American-Iraqi working Group has already been established for this purpose. As soon as the conditions allow, work can start to bring Iraqi gas to Turkey with a pipeline running parallel to the Kirkuk-Ceyhan oil pipeline or with a pipeline connecting Iraq to the Arabian pipeline that will bring Egyptian gas to Turkey through Syria.

The other country is Iran. Our relations with Iran are very good. This includes the energy sector. However for Iran's inclusion in these projects there is a need to wait for the solution of its problems with the West. Present Turkish Iranian dialogue, I think, will allow Iran to immediately participate in the project when the time comes.

Coming to the Caspian, stability and peace are the essential ingredients for big and long term projects like oil and natural gas projects to attract capital. However, the BTC and the BTE have shown that such projects can bring stability in parallel with their realization or at least can have significant contributions to the work towards this end. Because such projects are not merely transport projects. They are also projects which have wide ranging political, social and economic implications.

The work on these two projects started in an environment in the Caspian when the situation was much worse than today. The confidence in the countries of the region was not very high. The legislations of the newly born countries were not sufficient to attract foreign capital. Many believed the cost of the project was too high. It was said that oil prices could not support such a gigantic project and that there was not enough oil for BTC to transport.

But thanks to Turkish-American cooperation together with Azerbaijan and Georgia, this project was realized. Today BTC is the first oil pipeline that connects the Caspian to the West bypassing Russia. BTE does the same for natural gas. It was also thanks to the dedication and hard work of the oil companies, businessmen, engineers and the thousands of workers that these two projects were finished. During the negotiations and the construction of the pipelines, the involved governments, the oil companies, NGO's and the peoples of the region came to a much better understanding of each other. They came to appreciate the benefits of further regional cooperation. The BTC has also

established new and much higher standards, including environmental standards, for similar projects in the region.

One of my friends used to call the BTC the umbilical cord connecting Caspian and Central Asia to Europe. I think this is true in a very wide sense. The completion of these two projects encouraged the three governments to begin work on others. Now the work on the Kars-Tbilisi-Baku Railroad which will connect Europe with the Caspian and beyond has started. The Batumi Airport serving both Turkey and Georgia is in operation. The expressway running along the Black Sea coast of Turkey is finished. With the connections to Georgia and Azerbaijan, the road traffic in the region will be greatly enhanced. All these projects will connect the countries of the region with each other and Europe. They will enhance interdependence and together with the improving business friendly environment, they will contribute to the achievement of greater stability and to the prosperity of the people living there, enabling them to shape their destiny themselves. Such developments in Turkey's relations with the Caspian and its status as a candidate country to the European Union will enhance EU's neighborhood policy towards this region and accelerate the improvements there.

Of course there are countries in the region being left out of this process. Armenia for one. However it needs to come to terms with Azerbaijan and end its occupation of the lands belonging to that country. There are also so called 'frozen conflicts' (not so frozen these days) that threaten the stability of the region. I am referring to the problems of Abkhazia and South Ossetia. More than 200 thousand refugees are presently living in Georgia. Turkey, being a neighbor to the Caucasus with very close ties to Azerbaijan and Georgia and with a great number of Turkish citizens of Abkhaz and Georgian origin, is closely interested in the developments there. We are hoping that the emerging cooperation environment and the dynamic economic development process and democratization in the region will encourage all the peoples of that region to join this process.

BTC proved that the building of an East-West corridor linking Europe to the Caucasus and beyond to Central Asia is possible. With the completion of the BTE and the connection to Greece through Turkey a very important first step has been taken in this direction. Work on the Greek-Italian connection continues. Now because of the bottlenecks being created by Russia on the flow of Kazak oil to the Black Sea and the impossible tanker traffic through the Turkish Straits there is an increasing interest of Kazak Government and the oil companies working in Kazakhstan to join the BTC. This connection will start by establishing tanker links between Kazakhstan and Azerbaijan. Important progress has been made in this respect. Talks are also in progress to increase the capacity of BTC.

The President of Turkmenistan passed away last year. The new Turkmen President, Mr. Berdimuhamedov seems to be more open to cooperation with the western oil companies and leaves his options open as far as the Trans Caspian gas pipeline is concerned. One of the major obstacles before the Trans Caspian was also the disagreements between the former presidents of Azerbaijan and Turkmenistan. Both new

presidents seem willing to overcome their differences and start talks towards this end. Turkey has been doing its utmost to help in this respect. Turkmen President apparently promised EU that it can commit 10 billion cubic meters per year to Nabucco. But it has other commitments to Russia, China and Iran as well. Questions are being asked whether it can meet all these commitments. On the other hand there is the Russian and Iranian opposition to the Trans Caspian. They say the status of the Caspian needs to be resolved first and they emphasize environmental concerns. In passing, it is interesting to note Russian concerns for the Caspian, whereas it has no qualms for the Black Sea where it has the Blue Stream and is now working on the South Stream. These two pipelines together are designed to transport approximately billions of cubic meters of natural gas through the Black Sea. One should also keep in mind the Nord Stream that will transport more than 30 billion cubic meters across the Baltic Sea to Germany. To surmount these challenges before the Trans Caspian, it is important for Turkey, the US and the EU to work together and to go to Turkmenistan with solutions that would encourage that country to come forward in this project.

Now that I have mentioned the Black Sea, I would be amiss if I did not touch upon the Turkish Straits. In 1996, 4000 tankers passed through the Straits with 60 million tons of oil or its derivatives. In 2005 these numbers increased to 10 thousand tankers and 145 million tons. In the next decade with increased production from Kashagan and other fields in Kazakhstan, the situation for Istanbul is bound to become unbearable. The Black Sea is really becoming petrol black. The biggest accident in the Black Sea is waiting to happen.

Today everybody accepts the need for by-pass routes to alleviate the burden on the Straits. So now there is strong competition on the by pass routes. On the part of Russia, there is also the desire to control these routes. Because more than 40 percent of Russian oil exports flow to the Black Sea. Kazak oil will also come there in greatly increasing volumes. It is important for Russia to have priority for its own oil to pass to the Mediterranean. That is one of the reasons why Russia is refusing and delaying the expansion of the CPC pipeline connecting Kazakhstan to the Black Sea and why it has insisted on the 51 percent ownership of the Burgaz-Alexandropolis pipeline. And as I mentioned earlier, the growing interest in the BTC by Kazaks and the oil companies can also be explained by this stand of Russia. On the other hand the Samsun-Ceyhan oil pipeline will be independently operated and will pass through only one country, which is Turkey, connecting the Black Sea to the Mediterranean at one of the best deep sea ports of the Mediterranean and avoid Thrace and the Aegean where environmental concerns are much more valid.

With all the countries surrounding Turkey with rich energy resources, and Turkey's excellent relations with all of them, Turkey is bound to have a balanced and diversified supply of natural gas in some point in time. But Turkey also considers its geostrategic position as an asset for the EU enabling it to have a fourth artery for its gas requirements. Turkey views its energy relations with the EU within the perspective of its accession to the EU.

The EU has been working for some time to shape a common domestic and external energy policy. When you look at the European Scene, you see a very active EU Commission which understands the importance of the East-West Energy Corridor which is mainly the Nabucco pipeline, and works actively to realize it. It has signed MOU's with Azerbaijan, Kazakhstan and lastly with Turkmenistan. It has obtained a commitment from Iraq for 5 billion cubic meters, and during a recent Mashreq-Turkey-EU meeting, 2 billion cubic meters were promised by Egypt for Nabucco. However, when you look at the member countries, you see a different picture. It was Italian ENI that signed the South Stream Agreement with Gazprom with the blessings of Bulgaria, and later Austria and Greece and Hungary thereby giving indirect support to South Stream over Nabucco. I understand also that Bulgaria and Greece have agreed to give 51 percent of the Burgaz-Alexandropolis oil pipeline to Russia. The lack of such a unified energy policy and different signals coming from the EU member governments and the European oil companies are causes for concern for the countries of the region.

The countries of the region need political as well as economic support to commit themselves to such big projects with wide ranging repercussions. It is also important for Russia to understand that all players in this game regard that country as an important partner and that the objective is not to exclude one country at the expense of another, but to respect the interests of all concerned in a fair manner.

BTC was the result of a common vision, commitment and close cooperation between Turkey, United States, Azerbaijan and Georgia. Such a framework was sufficient to realize the BTC Project. The realization of the BTC facilitated the construction of the BTE. These projects constitute the basis for the new projects already on the table. They have shown the direction the oil and gas can flow from the Caspian and Central Asia. They have also made significant contributions to the economic development and stability of the region. With the pipelines and air, rail and road connections, the economy of the region is starting to open new horizons for businessmen. Turkey is a candidate to be a point of cooperation and convergence in all these areas. But this is only the first phase of a much bigger and wider vision.

BTC was an oil project. In the next stage, consumers, of natural gas, namely the EU, also need to be more actively involved to make this vision a possibility. No one country can achieve this objective alone. A common EU Energy Policy, an effective US-EU energy dialogue with Turkish participation and the forging of a cooperative platform among them is, to my mind, essential to assure the countries of the region that there is political and economic commitment to stand by them.