

# The EU-Turkey Energy Relations After the Ukraine Crisis

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# The EU energy response to the Ukraine crisis

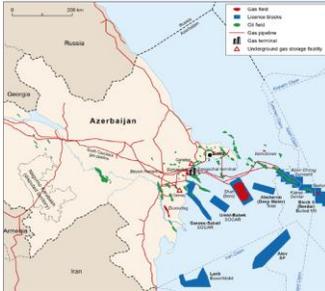
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- Serious reconsideration of the EU-Russia energy partnership
  - New momentum for EU gas supply diversification, with a focus on the SGC
- March 2014: Conclusions of the **EU Council**:
    - «Need to accelerate further diversification of gas supplies»
    - «Further action should be taken to support the development of the **SGC**»
  - May 2014: European Energy Security Strategy of the **EU Commission**:
    - «Need to diversify external supplies and related infrastructure»
    - «Need to pursue an active agenda in the **SGC** region»
  - October 2014: Conclusions of the **EU Council**:
    - «The Council agreed to implement critical projects of common interest in the gas sector, such as the **SGC** and the promotion of a new gas hub in Southern Europe»

# The renewed emphasis on the SGC: a realistic prospect?

## A look at the “traditional” potential suppliers

### Azerbaijan



### Operative option

- 1.3 tcm of gas reserves
- Currently the only operative option of the SGC
- It will supply 10 bcm/y to the EU by 2019
- Infrastructure: TANAP + TAP

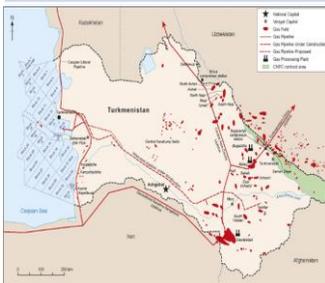
### Iran



### Unlikely option

- 34 tcm of gas reserves
- Massive untapped potential
- Key barriers: international sanctions + oil&gas legal framework
- Future export prospects: LNG, Pakistan-India pipeline

### Turkmenistan



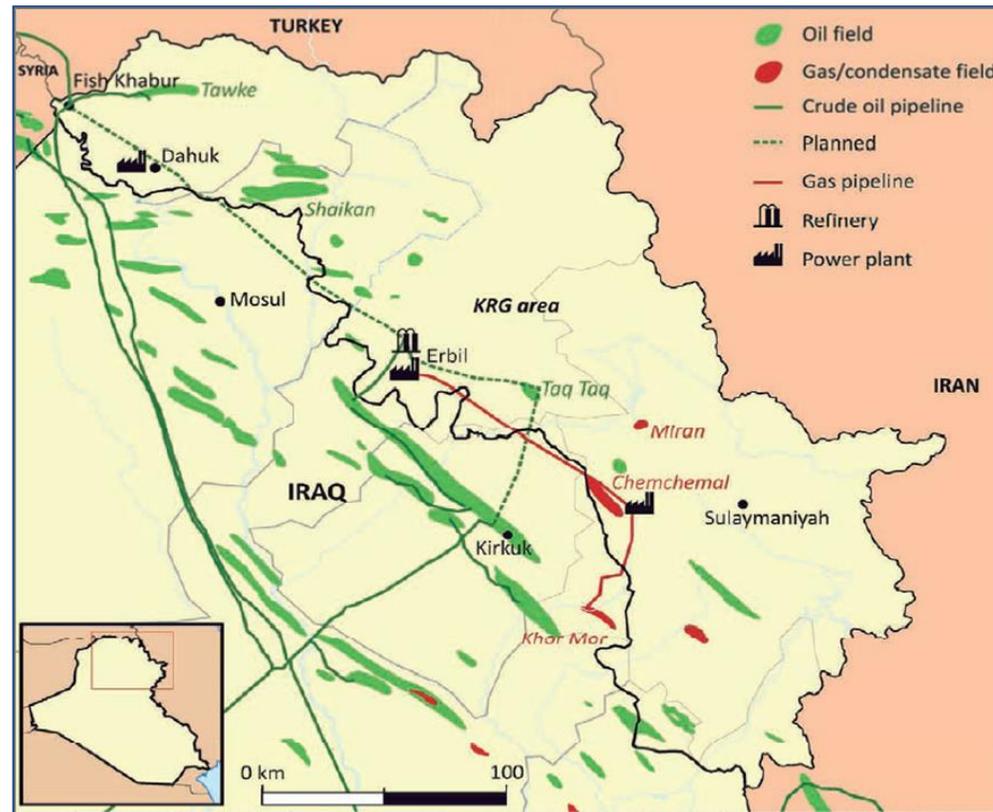
### Unlikely option

- 10-19 tcm of gas reserves
- Key barrier to EU exports: legal status of the Caspian Sea
- 2009: Turkmenistan-China pipeline inaugurated (30 bcm/y)
- Future export prospects: 65 bcm/y to China by 2020

*However, since the time of Nabucco new suppliers emerged in the region...*

# The new potential suppliers (i): The Kurdistan Region of Iraq

- The big news: 3-6 tcm of estimated gas reserves
- 2013: Turkey & KRG signed a Gas Sales Agreement (10 bcm/y by 2020)



- Barriers: current situation + Erbil-Baghdad dispute over hydrocarbon law

## The new potential suppliers (ii): Israel

- 1 tcm of gas reserves, of which 40% can be exported



- Israel-Turkey 10 bcm/y pipeline most commercially viable option but temporarily out of talks for political reasons after the 2014 Gaza war
- Export deal made with the Palestinian Authority (4.75 bcm/y x 20 y)
- Negotiations with Egypt and Jordan, but many pol/comm barriers
- Due to the potentially high interdependence on gas, Israel-Turkey talks over the pipeline project might well resume in the near future

## Translating potential into reality:

### The need for a strong EU-Turkey cooperation on the SGC

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- The gas reserves of KRI and Israel represent, in addition to Azerbaijan, the only feasible options for the SGC in the medium-term
- Due to the negative legacy of Nabucco, a cooperative approach from Turkey on the SGC should now not be taken for granted by the EU
- Turkey might well prefer to secure its own supplies on a bilateral basis
- Current risk: further fragmentation of the SGC
  - > *This might potentially generate rivalries between the EU and Turkey*
  - > *This would be detrimental for the interests of both the players*
- What is needed? A new EU-Turkey Gas Initiative

# Key axes of a new EU-Turkey Gas Initiative

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1. Market reforms to facilitate energy infrastructure investments in Turkey
2. Joint energy diplomacy to unlock the KRI's supplies
3. Joint energy diplomacy to unlock Israel's gas supplies

## Potential benefits of a new EU-Turkey Gas Initiative

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### ***For the EU:***

To scale-up the SGC by 2025 to a level around 30 bcm/year

### ***For Turkey:***

To enhance its security of gas supply (reinforced grid + new supplies)

To enhance its energy hub vision

### ***For the overall EU-Turkey relations:***

To re-build trust between the two players after years of impasse

**Thank you for your attention!**