Enerji Piyasaları ve Politikaları Enstitüsü
Institute for Energy Markets and Policies

TANAP-TAP-IAP System: Western Balkans as the Target

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ENERGY SECURITY

The provision of reliable, clean, diverse and ample supplies of energy at affordable prices and adequate infrastructure to deliver these supplies to the market.

THREE PILLARS of the Concept

1. Security of Supply (for importers)

2. Security of Demand (for exporters)

GEOPOLITICS OF PIPELINES

3. Transit Security (for all actors!)

Geopolitics of Pipelines: Selection of route of transportation confers political muscle on those who have them. Thus, decision-makers observe strategic interests even when commercial criteria would dictate otherwise. Geopolitics of pipeline is the most important part of the concept. Because;

Whoever controls the lifeline of transportation in fact controls the *energy* resources!

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PIPELINES/PIPELANDS or PIPE-DREAMS! TANAP-TAP SYSTEM & NEXT?

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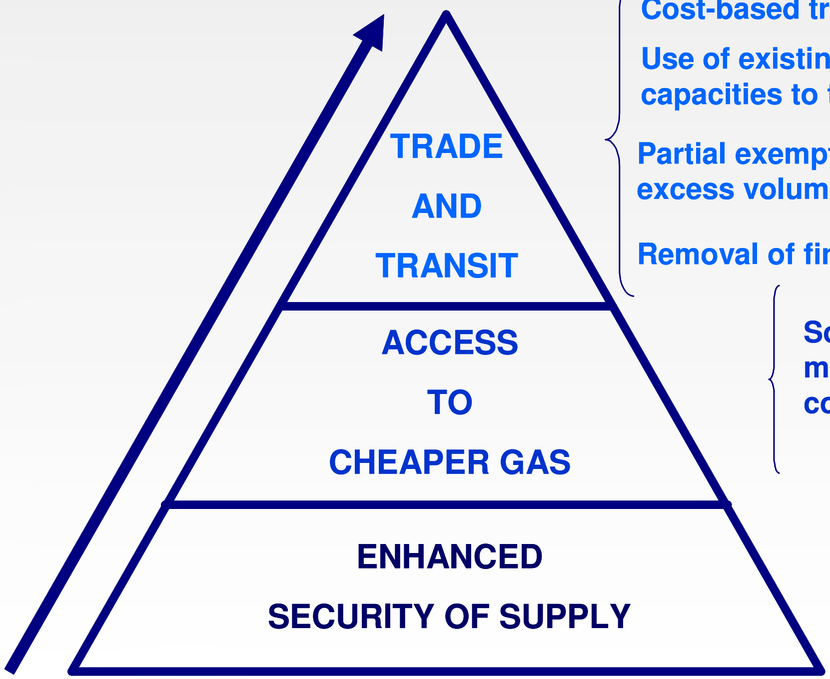
TURKEY & GAS BUSINESS

Consumption 50 bcm/a - Transport Cap.200 mcm/d



Cost-based transmission tariffs

Use of existing infrastructure and idle capacities to the extent possible

Partial exemption from TPA for trading of excess volumes

Removal of final destination clauses

Some kind of netback price mechanism for domestic consumption

Balanced diversification of supplies

Underground storage capacities to serve both domestic market and end consumers in Euope

GAS MARKETS IN THE BALKANS

- Balkans: Over 30 bcm gas consumption combined excluding Turkey
- Eastern Balkans: EU members---Russia main supplier, gas market is mature
- Western Balkans: Ex-Yugoslavia + Albania ---Gas consumption is not high
- Albania-Montenegro-Kosovo are new comers to the business.
- Gas demand increase: 10 bcm for near future Croatia has LNG alternative

INTERESTS OF THE INVOLVED ACTORS ON BALKAN ENERGY MARKETS

- **EU:** Diversification of Supply --- Diminishing Overdependence on Russia: "Southern Gas Corridor" European Energy Community 2005
- **Russia:** Diversification of Route ---- Avoiding transit risks and Consolidation of Gazprom's position in Balkans: "South Gas Ring" IGAs
- **Turkey:** Diversification of Supply--- Geographical Position Seeking Influence with new Allies: Participation into East-West Energy Corridor projects

ENERGY TRIANGLE IN THE BALKANS: EU-RUSSIA-TURKEY

- There is limited Turco-Russian energy cooperation: Blue Stream! But Turkey has always had an ambivalent position both against the European Union and Russia.
- **Turkey**, did not fully support Nabucco although it was partner and both Turkey and European countries have common problems like Russian energy dependence and import diversification. Turkey does not want to position itself a solely energy transit country for EU.
- On the other hand, in its energy relations with Turkey, **the EU is not eager to have another Gazprom in its immediate neighborhood and Russia'd not want to see a second Ukraine in its gas transit to European markets.**

GAS PIPELINES, TARGETING THE REGION

- **Southern Corridor:**
  Azerbaijan-Georgia-Turkey-Greece 6.6 bcm
  SCP and **TANAP**: 16+15 = 31 bcm
  Nabucco West 10+13 = 23 bcm
  Trans-Adriatic Pipeline **(TAP)** 10+10 = 20 bcm
  Ionian-Adriatic Pipeline **(IAP)** 5 bcm

- **South Stream 63 bcm**

WHY IS NABUCCO ONLY AN OPERA NAME NOW?

- Nabucco West (OMV-RWE) lost competition to TAP (BP-SOCAR-STATOIL) for bringing Azeri Gas to South Europe
- TANAP (BP-SOCAR-BOTAŞ) signed in 2012
- Strategic Alliance between BP and Rosneft in 2013
- Acquisition of DESFA by SOCAR in 2013
- Decision by Shah Deniz Consortium-(BP-SOCAR-STATOIL) June 2013. Surprise?

Less competition/Russia is not strong enough to block flow of Azeri gas to Europe but TAP (Southern Europe) was favorable than Nabucco West (Eastern Europe)

TANAP-TAP SYSTEM

- **TANAP:** SOCAR 58 %, BOTAŞ 30 %, BP 12 %
- 12 bil. $ of investment for 1800 km pipeline. International-not cross border
- Construction in 2015 and to be financed by shareholder equity
- **TAP:** STATOIL 20% SOCAR 20% BP 20% FLUXYS 19% ENEGAS 16% AXPO 5%
- International funding for 870 km pipeline. International and cross border
- Exemption from EU 3rd Party Access, Construction in 2015/6

TANAP-TAP / GAS CORRIDOR OR GAS HUB?

BEYOND THE TANAP-TAP?

- 45 billion dollars of investment is required for bringing Azeri gas to Turkey and beyond to Adriatic. (25 billion for upstream + 3 billion for SCP expansion + 12 billion for TANAP + 5 billion for TAP) Turkey increased its share from 9 to 19 % in the SDC through its state oil company TPAO and from 20 to 30 % in the TANAP through its state gas company BOTAŞ. Turkey is now under huge financial burden! For what reason, just to be a gas corridor? This is Not Sustainable!

- New sources of supply and Excess capacity of TANAP/TAP should be allocated to feed the **IAP**

- By participating into TAP and Promotion of Ionian-Adriatic Pipeline, (Albania, Montenegro, Bosnia and Croatia) Turkey could contribute to Western Balkan diversification plans in return for geopolitical gains.

TANAP-TAP-IAP SYSTEM: NOW REALITY?

- **After the Crimea Crisis between Russia/Ukraine**
- Realization of related energy projects has been revitalized
- Southern Gas Corridor of EU is now highly dependent on success of Azeri-Turkish investment commitments thus Turkish interests should be observed
- Future of these projects both in terms of economics (supply & demand) and politics will depend on the political situation in the wider Black Sea&Balkans
- **Now there is window of opportunity for the realization of IAP!**

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The more we cooperate the more we achieve IAP
HVALA VAM PUNO!