



Centre for Turkey Studies

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# Turkey's energy (in)security and energy ambitions:

## A review of energy issues in Turkish foreign policy

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# **Turkey's energy insecurity and energy ambitions: A review of energy issues in Turkish foreign policy**

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*For more analysis on Turkey and regional international energy relations or for related market insights please contact [info@ceftus.org](mailto:info@ceftus.org)*

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## **1) Turkey, energy and the region**

Turkey's ambitions and concerns regarding energy hold huge significance for the country, its region and the world. In this report we are hoping to provide an overview of Turkey's energy situation and its ambitions to become an energy hub or transit. In doing so, we wish to help piece together the puzzle that Turkey is faced with in seeking to find sustainable solutions to its energy dilemmas, in particular with respect to foreign policy and Turkey's relations with its neighbours.

\*

### **Key points:**

***Energy insecurity is one of the main driving factors behind Turkish foreign policy.*** From rapprochements with Israel, to deals with Iran, securing its energy needs is massively important for Turkey and a source of serious vulnerability.

***Turkey's reliance on energy imports is a huge vulnerability.*** Of Turkey's primary energy demands, 35% are met by natural gas, 28.5% by coal and 27% by oil. To put this in perspective, Turkey produces 13% of the oil and 1% of the natural gas it consumes, making it heavily reliant on imports. Turkey has bad pricing agreements with its largest suppliers, something it wants to change. Turkey is situated in a complex region geo-politically, where energy is used as a means of leverage, which is why its reliance on imports is such a vulnerability. Maintaining affordable energy prices domestically is crucial for stability in Turkey.

***A reliance on pipeline delivery is an additional vulnerability.*** Of Turkey's natural gas imports, 84.2% enter the country via pipeline and four major crude oil pipelines cross Turkey's territory. This delivery mechanism is vulnerable to militant activity, especially in the complicated security environment of Turkey's region.

***Turkey's neighbours exploit its vulnerabilities and Turkey in turn exploits its neighbours' reliance on energy export revenues.*** For example, Turkey is eager for the Kurdistan Regional Government of Northern Iraq to have its only option be to export through Turkish territory, motivating Turkish actions regionally.

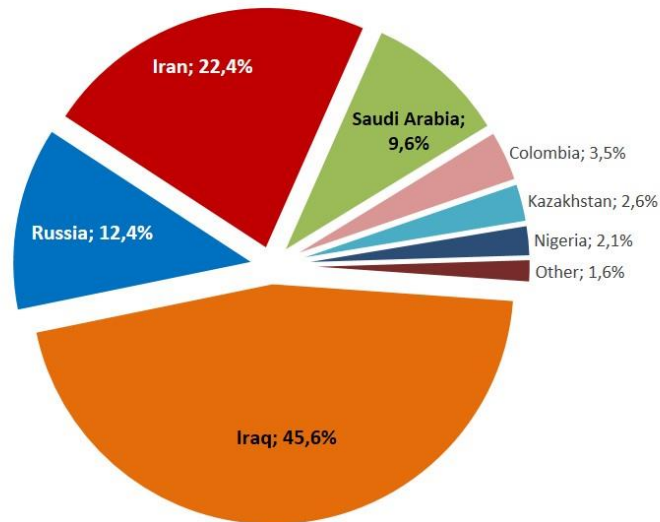
***Turkey is ever exploring new ways to solve its energy insecurity and aims to become an international energy hub.*** It aims not only to solve its insecurity but by doing so to become a major international energy hub and transit country by 2025, giving it leverage over other countries. There will be considerable room for growth in the oil and gas sector in Turkey over the next 10 years. The path Turkey takes to securing its energy interests will have impacts on regional and global international relations.

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## 2 )Turkey's existing energy breakdown

### Oil

Turkey's Crude Oil Imports by Source (2015)



*Source, Turkish Ministry of Energy*

Turkey produced approximately 13% of the crude oil it consumes in 2015, up from 9% in 2014, importing the rest.

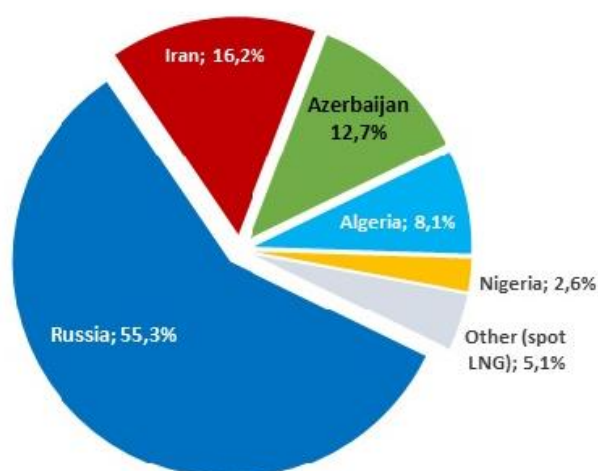
Turkey's proved oil reserves are estimated at 296million barrels. These reserves are located in the provinces of Batman and Adiyaman in the restive South East of the country. Turkey's Kurdish issue is naturally a concern for the domestic oil sector. In 2014, Turkey's total liquid fuels consumption averaged 712,000 b/d.

By some accounts, Turkey's crude oil imports are expected to double over the next decade. Turkey's state-owned Petroleum Pipeline Corporation (BOTAŞ) predicts that Turkey is unlikely to be able meet its own energy demands with its domestic resources.

The state-owned Türkiye Petrolleri Anonim Ortaklığı (TPAO) dominates Turkey's exploration and production activities, accounting for 73% of the country's total crude oil production.

## Natural gas

Turkey's Natural Gas Imports by Source (2015)



*Source, Turkish Ministry of Energy*

Turkey produces approximately 1% of the natural gas it consumes, thus relying almost entirely on imports.

Turkey's natural gas reserves are estimated at 218 Billion cubic ft.

The state-owned Petroleum Pipeline Corporation (BOTAS) dominates the natural gas sector, although most of the market is open to competition

BOTAS accounts for about 80% of natural gas imports; it builds and operates natural gas pipelines in Turkey

Turkey began liberalising its gas market in 2001 to limit BOTAS's dominance. BOTAS was broken up into separate legal entities: natural gas transport, operating liquefied natural gas (LNG) terminals and storage facilities, and trading and marketing. This legislation has however had several extensions and alterations.

BOTAS is required to limit its imports to 20% of Turkey's total annual consumption. Thus, it has had to sell import contracts to other companies.

Russia's Gazprom has sought to acquire these other companies: it owns a 71% stake in Bosphorus Gaz (which holds import contracts for 5% of total Turkish annual consumption), and sought to buy a controlling share of Akfel Gaz (representing 4.5% of Turkish annual consumption).

## Significant existing oil and gas pipelines



Source, Turkish Ministry of Energy

### Trans Balkan Natural Gas Pipeline or Western Line (Gas)

Brings gas from Russia to Turkey via Ukraine, Romania and Bulgaria

### Blue Stream (Gas)

Brings gas across the Black Sea from Russia to Turkey

### South Caucasus Pipeline, aka Baku-Tblisi-Erzurum (BTE)(Gas)

Brings gas from Azerbaijan, via Georgia to Erzurum in northern Turkey

### Interconnector Turkey-Greece (Gas)

Brings gas from Turkey to Greece

### Baku-Tblisi-Ceyhan (BTC) (Oil)

Brings oil from Azerbaijan, via Georgia to Ceyhan port in southern Turkey

### Tabriz-Dogubayazit (Gas)

Brings gas from Iran to Dogubayazit in eastern Turkey

### Several - Iraq-Turkey (Oil)

Several pipelines bring oil from Iraq to Turkey but they all cross at the KRG's controlled crossing

### LNG

Turkey receives Gas via ship in the form of Liquefied Natural Gas from Algeria, Nigeria and others

## **Significant proposed and under construction**

### **TANAP and TAP (Gas)**

The Trans Anatolian Gas Pipeline (TANAP) and the Trans Adriatic Pipeline (TAP) (also known as the Southern Corridor Pipeline) are projects to extend to Europe the existing gas pipeline that runs from Azerbaijan to Turkey. Currently the South Caucasus Pipeline, aka the Baku-Tbilisi-Erzurum (BTE) pipeline, carries gas from Azerbaijan into north eastern Turkey. TANAP would extend this to Turkey's European border, from where TAP would take it on through Albania and into Italy. Turkmenistan and Iran have both shown interest in connecting their supply to TANAP as well. This would make Turkey a significant transit to Europe, and would reduce Europe's reliance on Russian gas.

### **Turkish Stream (Gas)**

The Turkish Stream is a project between Turkey and Russia. It would expand the existing Blue Stream pipeline, which takes Russian gas to Turkey across the Black Sea, and take it onwards into Europe. This would give Russia another access to Europe that would bypass Ukraine, unlike its existing pipeline, Trans-Balkan Pipeline. It would make Turkey a significant transit for Russia.

### **Arab Gas Pipeline (Gas)**

The Arab Gas Pipeline exports gas from Egypt to surrounding countries and is frequently the target of sabotage. Plans to extend the pipeline from Syria into Turkey were put on hold with the outbreak of the Syrian war.

\*

### **3) Turkey Energy Resource Sources: Country Profiles**

In this section, we present a breakdown of countries that are Turkey's most significant energy suppliers and/or whose political situation could impact the development of Turkey's energy structure and plans to become a transit or hub. All statistics are from 2015 unless mentioned otherwise.

\*

#### **Azerbaijan:**

|   |   |
|---|---|
| <p><b><u>Stats</u></b></p> <p><b><u>Oil</u></b><br/>Crude oil reserves estimated at 7 billion barrels<br/>Production 850,000 b/d</p> <p>75% oil production from Caspian basin, the Azeri-Chirag-Gunashli Field</p> <p><b><u>Gas</u></b><br/>Proved reserves from January 2016 of natural gas are 35 Tcf</p> <p>Most from Shah Deniz Field</p> | <p><b><u>Notable Pipelines:</u></b></p> <p><b><u>Oil</u></b><br/>Baku-Tblisi-Ceyhan (BTC) Pipeline</p> <p><b><u>Gas</u></b><br/>Baku-Tblisi-Ezurum (BTE). Plans to expand this with the Trans Anatolian Gas Pipeline (TANAP) and the Trans Adriatic Pipeline (TAP) to carry on from Turkish border, through Greece to Southern Italy (under construction)</p> |
|---|---|

Azerbaijan provides 10% of Turkey's gas, while it exports approximately 720,000 b/d of oil (the majority of its production) over Turkish territory via the BTC pipeline to continue by sea from Ceyhan port. Relations between Turkey and Azerbaijan have been historically good. They are both Turkic peoples and share military treaties.

Azerbaijan is considering expanding the Caspian Corridor, with expansion plans for the BTC and BTE pipelines. Two pipelines, The Trans Anatolian Gas Pipeline (TANAP) and the Trans Adriatic Pipeline (TAP), connecting Turkey to Southern Italy via Greece and Albania, are under construction. The TANAP would take Azeri gas across Turkish territory, while the TAP would take them onwards into Europe. This would give Turkey leverage.

However, there is doubt over whether Azeri reserves will be sufficient to supply Europe as a market. There are talks of further expanding the TANAP pipeline to include gas from Turkmenistan and Iran, which would guarantee sufficient supply to Europe. Azerbaijan has good relations with these countries, but all three dispute the others' claims over Caspian Sea Gas. Nevertheless, such a move would put them all in a precarious position vis-à-vis Russia, placing them in direct competition with each other for the European market.



Azerbaijan's frozen conflict with Armenia presents a potential disruption to construction and future energy supply to Europe. The existing BTC and BTE pipelines are in an extremely vulnerable position, situated a mere 40km from the current frontline. Supply was cut during this year's 4 day war with Azeri-Armenia. Due to the fall in oil revenues Azerbaijan is falling behind in its arms race with Armenia. This will affect its ability to maintain energy supply should the expansion projects go ahead.

\*

## Cyprus:

### **Stats**

#### **Gas**

Aphrodite Field in block 12 of the Levantine Basin, estimated around 4Tcf of gas reserves

### **Notable Pipelines:**

#### **Gas**

Proposed and signed Gas pipeline deal with Egypt

The discovery of natural gas deposits in Cyprus' territorial waters and energy companies' growing interest in exploration and exploitation there have made the island a potential energy exporter and piece in Turkey's energy puzzle.

The island's division and tensions around Turkish and Greek interests may jeopardise energy exploitation if unresolved. Turkey does not recognise

The Republic of Cyprus (the larger, southern portion of the island), while Cyprus will veto any attempt by Turkey to enter the EU. The Republic of Cyprus, Greece and Israel have reached agreements for the full development and exploration of these fields. This has caused further friction with Turkey. Turkey wanted to delay drilling to resolve the crisis on the island. However, local actors are optimistic that the discoveries may actually resolve the issues on the island, adding impetus to and funding the peace deal.

A pipeline is planned which would provide natural gas to Egypt, from where it could be re-exported to other markets. Currently, Cyprus has no LNG facilities but an agreement has been signed to allow construction.

However, given the price of the construction of LNG terminals and with the Cypriot gas industry being so nascent, it is unlikely that Cyprus will become the next natural gas power player of the region any time soon.

Of more immediate significance is the need to use Cyprus' territorial waters for a natural gas pipeline from Israel to the Turkish mainland. Turkey does not recognise the Republic of Cyprus, nor its right to its own Exclusive Economic Zone. Without a resolution to Cyprus' conflict, constructing a pipeline will be difficult

\*

## Georgia:

### Stats

#### Notable Pipelines:

##### Oil

The BTC pipeline crosses Georgia

##### Gas

The BTE pipeline crosses Georgia

Georgia is a transit state for Turkey's energy supply Turkey from Azerbaijan. Georgia has no significant energy reserves but has considered developing its renewable energy sector. Georgia is dependent on Turkey for trade and is very eager to maintain warm relations. PM Kvirikashvili was the first head of state to meet with PM

Yildirim and President Erdogan to show support after the failed coup of the summer. The two cooperate on security and energy. However, as Turkey looks to pivot its relations eastwards, Georgia faces firmly west. Russia's territorial disputes mean that Turkey may hesitate before placing too much importance on Georgia militarily. In this sense, it has the potential to present a weak point in Turkey's energy import structure.

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## Iran:

### Stats

#### Oil

158 Billion barrels of crude oil reserves and 10% of the world's oil and 13% of OPEC's reserves

2014 were producing 2.8million b/d crude oil

#### Gas

Proved natural gas reserves 1,201 Tcf

Holds 17% of world's natural gas reserves and over 1/3 of OPEC's

### Stats

#### Gas

#### Notable Potential Pipelines:

- Iran-Iraq Pipeline
- Iran-Oman Pipeline
- Iran-Pakistan Pipeline
- Iran-UAE Gas Contract
- TANAP, *see above*

Turkey receives 26% of its crude oil from Iran and 20% of its natural gas, accounting for 90% of Iran's gas exports, making Turkey a crucial customer.

This is especially true following the 2011-12 US/EU sanctions which dented Iran's energy exploration and exportation efforts, decreasing O&G revenues from \$118Billion in 2012 to \$56Billion in 2014. Iran does not have infrastructure to export natural gas via LNG, increasing the significance of its pipeline exports.

Iran has shown interest in joining the TANAP pipeline deal between Turkey and Azerbaijan, which would give it access to European markets. The end of international sanctions and crashing oil prices could be a new opening for Iranian energy toward these markets. Similarly, Turkey's trade with Iran is predicted to increase to as much as \$30billion a year within the next two years.

Iran is engaged in a territorial dispute with Azerbaijan delaying further excavation in the Caspian. The resolution of this could lead to access to more reserves, of benefit to Turkey.

Iran's exploration and technological advancements in this area have been greatly hindered by years of sanctions and lack of foreign direct investment. This will delay further their pipeline construction plans and diversifying markets to which they supply. However, with its large reserves, Iran has the potential to be a significant player.

There is a pricing dispute over gas with Turkey. Turkey wants to pay 25% less to match Russian gas prices, who have announced a further 6% discount to remain competitive. These issues need to be ironed out before further negotiations can proceed.

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### **Iraq and KRG:**

|   |  |
|---|--|
| <p><b><u>Stats</u></b></p> <p><b><u>Oil</u></b><br/>2<sup>nd</sup> largest crude oil producer in OPEC, 5<sup>th</sup> in the world</p> <p>Production 4.1million b/d, include estimates from KRG region</p> <p><b><u>Gas</u></b><br/>12<sup>th</sup> largest gas reserve in the world</p> <p>112 Tcf proved natural gas reserves</p> | <p><b><u>Notable Pipelines:</u></b></p> <p><b><u>Gas</u></b><br/>Iraq-Turkey Pipeline, Fishkhabur (the crossing from Iraq to Turkey is KRG-controlled) to Ceyhan in Turkey</p> <p>KRG-Turkey Pipeline, Khurmala Dome to Fishkhabur</p> <p>DNO-KRG, Tawke field to Fishkhabur</p> |
|---|--|

Turkey receives 45.6% of its crude oil supply from Iraq and none of its natural gas. The war with Islamic State has hampered supply.

### **Erbil**

The only pipeline route for oil from Iraq to Turkey runs through KRG territory. In 2011, Turkey bypassed Baghdad to reach separate agreements with the Kurdistan Regional Government (KRG) on the sale of oil and the construction of a new pipeline going through KRG territory to Turkey. This led to tensions between Erbil and Baghdad.

The KRG is dependent on Turkey for it to be an independent oil exporter. The KRG currently has no other viable export route for its oil, other than through Turkey, giving Turkey leverage. The KRG considers its energy deal with Ankara to be unbalanced. The KRG is seeking other export avenues, such as Iran, to shake off its dependence on Turkey. Nonetheless, the KRG is to start exporting gas to Turkey and will construct a pipeline, first to Turkey and then to Europe to allow it access to more markets and independence from Baghdad.

Instability is set to increase in the KRG over the next few years, complicating investments. KRG pipelines are vulnerable to militant attacks by Kurdish separatists and Islamists. Political, security and economic crises will disrupt the investment environment and energy sector for likely at least the next two to three years.

Erbil seeks independence from Baghdad. The extent to which the KRG can acquire this and to which Baghdad pushes back will influence the KRG's ability to negotiate pricing with Turkey in the future.

### Baghdad

Relations have been stagnant since 2011 when Turkey bypassed Bagdad to reach separate agreements with the KRG on the sale of oil and the construction of a new pipeline going through KRG territory to Turkey. These relations reached an impasse when in 2012 a Turkish plane carrying the natural resources minister, Taner Yildiz, was denied landing and was forced to return to Turkey. Full relations were restored with the change of government, headed by Haider al-Abadi and with US involvement. All non-KRG oil still flows through the KRG-controlled pipeline into Turkey but payment and other disputes between Erbil and Baghdad make lead to interruptions in supply. Like Erbil, Baghdad is also considering Iran as an alternative export route if talks with the KRG fail.

Baghdad needs its natural gas supply for its power plants, hence plans to construct pipelines are controversial. Iraq has not exported gas since 1990. There are currently no plans to re-open its natural gas pipelines to Kuwait or Europe.

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### **Israel:**

#### **Stats**

##### **Oil**

January 2016 estimated proved oil reserves of 14million barrels

Drilling sites near the Dead Sea planned for November 2017

##### **Gas**

Proved natural gas reserves of 7Tcf

Leviathan Field estimations of 22Tcf of natural gas

#### **Notable Pipelines**

##### **Gas**

Construction to start on pipeline to exploit Leviathan gas field

Turkish-Israeli relations have recently begun returning to their historic harmony after souring following the 2010 Gaza Flotilla incident. The discovery of significant gas deposits offshore in the Eastern Mediterranean partly motivates this. A pipeline to exploit the gas, called Leviathan, is

being planned, providing a route for Israeli gas toward European markets. However, the construction has been complicated by domestic disputes and the Israeli government may still need USD 4 billion in investment for Leviathan to go ahead. Reserves recently found off the coast of Egypt are predicted to be double those of Leviathan, creating competition for European markets. The first phase of

Leviathan will not supply Turkey but the second phase, beginning in 2020, may well, offering Turkey more preferably priced gas. One significant obstacle to this, as mentioned above, is the frozen Cypriot conflict, blocking the construction of a pipeline from Israel to Turkey.

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### **Liquefied Natural Gas – Algeria and Nigeria**

Roughly 13% of Turkey’s gas imports come via ship from Algeria, Nigeria and elsewhere. To be transported in this way, natural gas must first be liquefied, a complicated process requiring sophisticated infrastructure. Turkey possesses this but not all of its neighbours do. Pipelines are a more efficient delivery mechanism.

Turkey is investing in expanding its LNG facilities, including using floating platforms, to reduce the cost of and increase its capacity to receive LNG imports. A large development is planned for the coast of Yalova province in western Turkey. Having an alternative route of supply will give Turkey more leverage in negotiations with its neighbours.

\*

### **Russia:**

#### Stats:

|   |   |
|---|---|
| <p><b><u>Stats</u></b><br/> <b><u>Oil</u></b><br/>         Highs of 11 million barrels a day<br/><br/>         Estimates of reserves vary as high as 256 billion barrels<br/><br/> <b><u>Gas</u></b><br/>         1,688 Tcf, accounts for ¼ world’s proved reserves</p> | <p><b><u>Notable Gas Pipelines:</u></b><br/>         Blue Stream - crossing the Black Sea.<br/><br/>         Turkish Stream – talks under way to extend Blue Stream’s route into Europe via Turkey.<br/><br/>         Western Line – crosses Ukraine to supply European markets; supply famously turned off for several weeks in 2009</p> |
|---|---|

Turkey receives over half of its natural gas from Russia, the world’s largest energy exporter. Turkey is dependent on Russian gas, denying it leverage in pricing disputes. Turkey and Russia are currently discussing the construction of a Turkish Stream Pipeline, to extend the existing Blue Stream pipeline across the Black Sea, to allow Russia to access European markets while bypassing Ukraine. This would make Turkey a key node in Russia’s energy export nexus. The resulting leverage would provide Turkey with greater energy security and further its aim of becoming the main energy hub or energy transit state to Europe.

Turco-Russian relations soured in 2015 over tensions in Syria and the downing of a Russian fighter jet over Turkish airspace, leading to Russian sanctions.

However, in summer of 2016, relations warmed; the two countries' cooperation on energy is a priority for both. Turkey and Russia are involved in a number of power plays across the region, meaning deepening cooperation could impact Turkey's relations with other countries, including the West.

\*

**Stats**

**Oil**

2.5 billion barrels crude reserves,  
largest in Eastern Mediterranean

385,000 barrels per day production  
in 2010

**Gas**

8.7bn cu metres per year in 2011  
before

**Syria:**

Syria contains the largest oil reserves in the Eastern Mediterranean and notable gas reserves. Prior to its ongoing conflict, Syria exported oil to European markets. However, its reserves are not sizeable enough to impact Turkey. Syria's significance for Turkey is as a transit country. It represents both opportunities for different routes into Turkey but also potential dangers as it offers

alternative routes for Turkey for other countries. The Arab Gas Pipeline proposed before the war would have brought Egyptian gas into Turkey and potentially onwards into Europe. However, it could also be an alternative route for Iranian and Iraqi oil and gas, denying Turkey leverage. A lot will depend on the configuration of the state after the conflict is eventually resolved.

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#### **4) Turkey's energy (in)security puzzle**

**Turkey would like more preferable gas prices**, and is seeking alternative sources to achieve this.

**Turkey wants to break its dependency on Russia**, or at least acquire more leverage in that relationship, to acquire more preferable gas prices.

**Turkey would like to become a transit country** for its neighbours to access European markets, giving it leverage over pricing of energy from these countries. Pipelines are far more efficient than shipping, for gas in particular, and Turkey can profit from this.

- **The planned Turkish Stream pipeline** would give Russia access to European markets via Turkey, increasing Turkey's leverage.
- **Turkey sees the KRG as a good alternative source**; Ankara has leverage over Erbil as it provides the KRG's only route to the sea, a situation Ankara would like to maintain and Erbil would like to change.
- **Warming relations between Iran and the West** represent new opportunities and Turkey can provide Tehran access to European markets.
- **Azerbaijan and Central Asian countries** would also like to use Turkey as a transit but Russian opposition, insecurity and the extent of reserves present potential obstacles.
- **Turkey's rapprochement with Israel** heralds a new source of energy for Turkey in the form of Israel's recently-discovered off-shore gas deposits; the Leviathan pipeline one day potentially running through Turkey would boost Turkey's energy hub plans.

**The eventual resolution of the Syrian and Iraqi conflicts** will change the dynamic of energy exports in the region, offering new avenues, depending on the configuration of the emergent states.

**These plans will take time** and ultimately Turkey will likely remain dependent on Russia for the near future.

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Turkey is heavily reliant on oil and gas, accounting for 57% of its primary energy needs. Affordably priced energy is vital to the Turkish government in order to maintain political support and stability domestically. These products come to Turkey from and across countries with which it and many of its allies have complicated relations. Some of these countries face their own domestic security challenges. Turkey seeks more stable and secure access to resources. Many of Turkey's foreign policy actions in its region are motivated by this search.

Most importantly, Turkey would like to break its dependency on Russia, or at least acquire more leverage in that relationship. To the south, Turkey would like



a more certain supply from Iraq and prevent Iraq from expanding its export options. Iran to the East is a more reliable option, even though the two countries find themselves on opposite sides of regional power dynamics and Turkey has an unfavourable pricing deal with its south eastern neighbour. Azerbaijan and Central Asia are options, but Russia may likely work to prevent this expansion. To the West, Israel, more on Turkey's page in terms of regional power dynamics, presents a potential new, more certain source. However, it will take a while before this can be fully exploited. Almost all of these draw Turkey away from the West in its foreign policy focus.

Turkey's long-term plan is to become an international energy hub or transit country. It could potentially provide access to European markets to Russia, Iran, the KRG, Syria (one day) and Central Asian countries. It would provide a sure route, free of conflict. This would provide Turkey with significant leverage over these countries and give it a more advantageous position in pricing negotiations. However, Turkey's neighbours all have their own plans and are likely wary of allowing Ankara to become indispensable and thus powerful in this regard.

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In *Iraq*, which supplies 45.6% of its oil, Turkey has established ties with the Kurdistan Regional Government (KRG) of northern Iraq. Turkey provides the KRG with its only way of exporting oil that bypasses the rest of Iraq. In this way, the KRG is as dependent on Turkey as Turkey on it. However, instability abounds in the KRG and Turkey's restive south east, the entry route for oil pipelines. An uncertain political future, as well as militant activity, makes the Iraq and KRG at times an unreliable source. While Turkey is keen to maintain good ties and leverage with the KRG, it is also looking to diversify its supply. The KRG as well, seeks other paths to export oil and gas, such as Iran, to shake its dependency on Ankara. The KRG needs a sure access to the sea; Ankara would like the KRG to have only one option.

The future of Turkey's energy import structure will be affected by the future of Iraq as a state. The disputes over who will participate in the current battle to capture Mosul from IS reflect the competition of differing interests in Iraq (see Ceftus' [briefing on Turkey and Mosul](#)). The configuration of the states in both Iraq and *Syria*, which also holds some oil reserves, which emerge from the current conflicts in these countries will determine Turkey's access to their resources. The emergent configurations will also determine which countries can profit from Iraq and Syria's strategic locations as potential transit countries. Syria could one day be a route to Turkey for *Egypt's* gas.

Turkey's next biggest supplier of oil is *Iran* and its second biggest supplier of natural gas as well. As ties improve between Iran and the West, it would like to increase its hydrocarbon exports there, potentially via Turkey and the TANAP project. This is a very exciting opportunity for Turkey in gaining more leverage. It is currently involved in pricing disputes with Iran; the gas it receives from Iran being considerably more expensive than from other sources. This prevents Turkey from shifting its supply more to Iran. This may ease as Iran's economy improves but Iran's range of options may also allow it to be more demanding.



Moreover, tensions remain between the two countries, as they find themselves on different sides of regional power struggles. Turkey's energy relations with Iran significantly influence the development of its foreign policy.

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Natural gas is even more important to Turkey's energy breakdown than crude oil and is used for heating in many parts of the country. Consequently, natural gas prices have a serious impact on electricity and heating costs for ordinary Turkish citizens.

Turkey's largest supplier of gas is **Russia**. This makes Turkey-Russia energy relations highly sensitive for Turkey: any fluctuation having major consequences for Turkey's domestic energy prices. Earlier this year, Russia's Gazprom cut gas supplies to Turkey after Turkey refused to agree to a price increase; eventually, Turkey caved. That said, Russia seeks to keep prices lower than other competitors to keep Turkey dependent and maintain the political leverage this affords Russia.

Turkey, a NATO member, has traditionally been West-focused in its international relations. This has changed under the AKP government, in power since 2002. Turkey has shown an interest in exploring ties beyond its traditional Western focus (see Ceftus' [briefing on Turkey's pivot towards a multi-polar world](#)). This has included a warming towards Russia, which has peaked again recently. Greater energy cooperation would be one such route. Turkey would like its relationship with Russia to be less volatile. This will affect Turkey's actions within NATO, for example making Turkey hesitant to support NATO expansion in the Black Sea region. Notably, Russia is generally unwilling to use its energy pricing as a weapon, other than in pricing disputes, choosing rather sanctions and boycotting to punish Turkey. Nonetheless, ultimately, Turkey would like to have more leverage in its relations with Russia, but this is still a fairly distant prospect.

Turkey would like to expand its access to resources in **Central Asia**. Pipelines crossing the Caspian Sea would make this a possibility. Turkmenistan has expressed interest in the TANAP project. However, the countries in this region come strongly under Russian influence and Russia would likely seek to block any move in this area that would allow Turkey and Central Asian countries to bypass their dependence on Russia. Influence over Central Asian countries is the focus of a low-intensity cultural cold war between Russia and other powers, including Turkey.

**Azerbaijan** has the potential to supply Turkey with more resources and has ambitions to supply European markets, but its resources may be insufficient and certainly not enough for Turkey to break Russia's hold. Security problems surrounding its lukewarm conflict with Armenia complicate this and threaten supply.

\*

Natural gas reserves found in *Israel* and *Cyprus* are other options. The unresolved dormant conflict in Cyprus represents an obstacle to the exploitation of that country's resources. Turkey is currently developing nuclear and renewable energy as one way to shake its reliance on foreign gas. It is doing so with Russian support. It will take several years before the first plant can come on line. Ultimately, neither Israel, Cyprus and Iran's gas resources, nor nuclear energy, will be able to replace Turkey's reliance on Russia in the immediate future. However, over the longer term, there is clearly political will in Turkey to explore different avenues for energy production.

In light of these energy considerations, and the AKP's slight ideological antipathy to the West, a pivot to the East is not inconceivable for Turkey. At the very least, Turkey's foreign policy clearly shows Ankara recognises it exists in a multi-polar world. Turkey's plan to become a regional energy hub or transit country will have serious consequences on which way it chooses to align and the confidence it feels engaging regionally. These in turn will have far-reaching consequences, including for the UK and the US. It is also conceivable that having become an energy hub serving European markets, we will see a warming of Turkey-EU ties. The timeline of the construction of pipelines and the actions of Turkey's neighbours will impact these developments.

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Turkey's energy policy considerations dynamically impact and are impacted by those of its neighbours. Further in-depth analysis of Turkey's energy policy considerations, its attempts to diversify its import sources, and its domestic production, including nuclear and renewable, will shed more light on the calculations of its neighbours. These calculations and actions of its neighbours in turn will also influence Turkey's considerations moving forward.

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