

# Chapter 7

## Turkey's Path Towards an Energy Market

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### ABSTRACT

*This chapter discusses the possibility of developing an energy market in Turkey. Turkey currently serves as an energy transit corridor, with the Baku-Tbilisi-Ceyhan (BTC) and Kirkuk-Ceyhan pipelines and with its seaborne oil trade, where large volumes are carried by tankers through its straits. Turkey also has the potential to become an energy market with new projects connecting producers in Central Asia, the Middle East, and the Caucasus, and major consumers of oil and natural gas in Europe and other regions of the world. Two recent megaprojects, The Trans Anatolian Natural Gas Pipeline Project (TANAP) and Turkish Stream will move Turkey closer to fulfilling this dream. Turkey, however, needs to meet some requirements to be considered a mature energy market. These are related, among others, to factors such as its infrastructure, storage capacity, market reforms, and easy market access for private firms to actively participate in the energy market.*

### INTRODUCTION

Energy has become an important factor affecting international relations and the economic, political and social developments of many countries. Energy trade is being used as an economic means for countries to achieve their geo-political goals as well. The main goal for many countries with insufficient energy resources, including Turkey, is to access energy resources at a low cost in an uninterrupted and reliable way to ensure sustainable economic development.

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Economic conditions, energy prices and weather conditions impact energy demand and fuel type selection in the short run. In estimating the long run demand, however, population growth, and economic development projections are taken into consideration.

The world's primary energy demand was 13,559 Million tons of petroleum equivalent (Mtpe) in 2013; It is expected to increase approximately 11% to reach 15,041 Mtpe in 2020, and increase approximately 45% to reach 19,453 Mtpe in 2040 (BOTAŞ, 2016). The oil and gas fields in the region around Turkey are expected to meet this increased demand.

Venezuela and Saudi Arabia have the largest proven oil reserves. Russia, Iran, and Iraq are among the top ten countries with the largest proven oil reserves. Turkey and some of her neighboring countries, Russia, Iraq and Iran, hold the key for the energy future of Europe and the World as a whole. These countries have the richest oil and gas reserves and are also the major producers in the world. The Caspian Basin, the Middle East, and the Russian Federation account for about 65% of world oil reserves and 71% of natural gas reserves (T.C. ETKB, 2016).

Turkey is located between Europe and Asia and connects the World to Europe, Asia, the Middle East, Northern Africa and Continental Africa. Turkey aims for the full integration of the Turkish economy into the global economy by constructing the infrastructure, achieving the development goals, increasing social welfare, and creating a competitive manufacturing industry. Turkey's economy has been one of the fastest growing economies in the world. The country experienced steady growth between 2002 and 2015, averaging a growth rate of 4.9% per year. Turkey's Gross Domestic Product (GDP) was 717 billion USD and per capita income was 9,221 USD in 2015. Turkey had a total population of 77.7 million in 2015 (Focus Economics, 2016). The consumer market and energy demand grow as the population of the country grows and its industrial base expands.

Turkey may play an important role in global energy geopolitics. Turkey is a natural geographical bridge between the world's leading energy suppliers and large consumers. Turkey has been serving as a passage for seaborne oil trade through its straits (the Bosphorus and the Dardanelles), originating from countries along the Black Sea, mainly from Russia and Caspian region (Caucasus) to Western markets. In 2013, about 2.9 million b/d of petroleum liquids flowed through the Turkish Straits. About 70% of this volume was crude oil, and the remaining 30% was petroleum products (U.S. Energy Information Agency, 2017).

Oil pipelines from Northern Iraq and Azerbaijan, and natural gas pipelines from Azerbaijan merge at the south eastern port of Ceyhan. Tankers are then used to ship the crude oil and natural gas to its end consumers. There are several pipeline project proposals that might give Turkey an important role as a natural gas transit route.

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