

The Turkish Stream Project in the EU-Russia-Turkey Triangle

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ABSTRACT *The cancellation of the South Stream Project and the announcement of a new pipeline project in its stead, recently promoted and called the Turkish Stream, to connect Russia and Europe via Turkey has added a new dimension to Turkey-Russia relations. With its stable economic indicators and geopolitical position, Turkey has gained a critical position in shaping the global energy map by means of similar projects. The Turkish Stream, which was launched in an atmosphere of souring relations between Russia and the European Union (EU), represents a project that could play a critical role in improving Turkey-EU relations.*

Introduction

The civil war that broke out in Ukraine in 2013 and the Russian invasion of Crimea that followed opened a new page in relations between Russia and the Western world. Cold War tensions have re-emerged through the Ukrainian crisis. The United States of America (USA) and the EU responded immediately by implementing sanctions against Russia. When Russia retaliated by using the energy card because Continental Europe depends on a large scale of Russian energy, it became clear that this type of crisis would continue.

Following the launch of trade barriers against Russia, Russian President Vladimir Putin's visit to Ankara in December 2014 gained importance. After the meeting, Putin announced the cancellation of the South Stream Project, which was planned to carry Russian gas to Europe under the Black Sea, and the start of works for a new pipeline in replacement. Although not a single feasibility report have been done on it so far, the new project, the Turkish Stream, is being closely followed by many, particularly European countries. The connection of the South Stream's new path to Europe via Turkey will set off a new period in Turkey-EU relations as well as

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Insight Turkey
Vol. 17 / No. 2 /
2015, pp. 57-65

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Turkey-Russia relations, by virtue of energy-politics.

Transition from the South Stream to the Turkish Stream

When in November 2013, the Ukrainian government did not sign the EU Partnership Agreement and maintained its pro-Russian policies, protests erupted. Demonstrations rapidly spread from the capital Kiev to the rest of the country and climaxed with the overthrow of the government in Ukraine. The incidents afterwards evolved into a civil war between pro-Russian and pro-European groups.¹ A popular vote held in the meantime formalized the military Russian annexation of Crimea and this met with condemnations by countries led by the U.S. and the EU. However, the U.S. and the EU went further and established a series of political and economic sanctions against Russia. These sanctions had immediate repercussions on the Russian economy; the Russian currency, the Ruble, lost value against the American dollar, falling to the lowest level in its record. The Bank of Russia called a radical increase in interest rate, raising interest rates

from 10,5 percent to 17 percent in order to ease the impact of the crisis.² Companies that are the backbone of the Russian economy took a nose-dive because of the sanctions. The Russian energy giant, Gazprom, financially suffered. The \$21 billion profit announced by the company in 2013 dropped to a meager \$3 billion in 2014 (86 percent decrease). These numbers are illustrative of the serious impact the sanctions had on the Russian economy.³

Russia, hit by heavy financial losses and seeing its indicators slump, tried to retaliate through its energy policies –the most important economic weapon it has at its disposal. The cancellation of the South Stream project to carry Russian gas to Europe across the Black Sea is the first move Russia made against the Western sanctions. As it was expected, on December 2014 during his visit to Ankara, President Putin announced the initiative for the Turkish Stream to transfer an equal amount of natural gas instead of the South Stream Project. The Western media paid a great deal of attention to Putin's announcement regarding the Turkish Stream. The reasons behind the cancellation of the South Stream, 931 kilometers of which were to pass through the Black Sea and 1455 kilometers of which through Continental Europe, and the initiation of the Turkish Stream, which is to consist of four pipelines, have become an issue of concern. Currently, the Blue Stream and the West Pipeline, the two pipelines carrying Russian gas to Turkey, are in use. Although no clarification has

been made about the project route in this direction, it was announced that the annual 14-billion cubic meters of the gas for the West Pipeline would be transferred to the Turkish Stream.

Because of the U.S. and the EU sanctions, Russia has begun to change its energy policy in an effort to develop alternatives. Still, although the EU's dependency on Russian gas has given Russia the upper hand, the EU has subsequently diversified its energy sources (renewable energy, shale gas), and this has become a threat for Russia. In addition, Bulgaria has lined itself up with the EU against Russia on the application of sanctions, which is one of the factors that caused the cancellation of the South Stream Project. The end of the South Stream Project has contributed to the deterioration of Russia's relations with the U.S. and EU.

Therefore, Russia has been incentivized to look for new energy routes. To this end, as of 2019, Russia's an-

nouncement to stop natural gas delivery to European markets, via Ukraine has been one of its most important moves. On the flip side, the Turkish Stream project by forming a new energy route between Russia and Turkey could positively affect bilateral relations between these two countries. This project is perceived as a mark of trust between the two leaderships. In addition, a Russian company is in charge of the construction of Turkey's Akkuyu Nuclear Plant, the first ever in Turkey, which also adds a new dimension to Russian-Turkish relations (Fig. 1).

Aside using energy agreements as a strategic weapon, the main reason behind them is the potential for financial returns for the participating countries. This is another justification why the Turkish Stream Project is a better option than the higher cost South Stream Project. Moreover, the Turkish Stream also provides a "short-cut" for the pipeline, as it goes under the Black Sea, which is another

Fig.1. Possible Transit Route of the Turkish Stream Project



Source: Gazprom



The groundbreaking ceremony of South Caucasus Pipeline in Azerbaijan on March 17, 2015.

AA PHOTO /
RESUL REHIMOV

er money saver. Since Russia is facing economic hardship, a financially advantageous project represents a key economic opportunity for it.

According to the Memorandum of Understanding signed between GazProm and BOTAŞ, the Turkish Stream is expected to create a transfer of a total 63 billion cubic meters of gas. Of this total, 15 billion cubic meters will be stored in Turkey and 48 billion cubic meters in Greece. Currently, Russia delivers a total of 16 billion cubic meters of gas to Turkey via the Blue Stream pipeline. There-

fore, this will bring the project to a critical point of energy demand security for Russia, Turkey, and the EU countries.⁴

The Turkish Stream Part of Turkey's New Energy Vision

Turkey meets its energy needs mostly through import. Turkey is looking to reduce its energy dependency on outside sources and in recent years, Turkey has been taking remarkable steps to achieve this goal. In this context, Turkey has become a regional actor

in energy for the sake of diversifying its energy sources, reducing its dependency on natural gas and oil, and developing energy-based bilateral relations in the region. For a long time, Turkey failed to take advantage of its geostrategical position in proximity to energy-rich countries; however, it has recently started to play a critical

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role in the regional energy equation with the launch of the Trans-Anatolian Natural Gas Pipeline (TANAP) Project.⁵

Turkey has turned its economic stability into an advantage in energy policy. Through TANAP-like projects, it has gained an upperhand in the global energy market. The cancellation of the South Stream Project and delivery of Russian gas to Europe through a new pipeline transitting through Turkey and Greece added a new dimension to Turkey's new position in the energy equation. The fact that the Turkish Stream is a fully

Russian project means that the development of it will be dependent on the Russian Federation's decisions. It would be strategically important for Turkey to participate in this project as a shareholder. Similar to other energy projects, Turkey's engagement may deter the negative fall-out of an All-Russian project.⁶ Turkey expects to improve its energy security situation through this project. Furthermore, finding alternative energy routes to Europe would add a new dimension to Turkey-EU relations.

Turkey's number one energy priority is to have secure energy at a reasonable price. The second priority is to become a commercial hub and an energy center in the transfer of energy. Turkey's third priority in energy, as a natural result of its position, is to turn into a safe post, meaning a distribution center in the transfer of energy sources to other markets. As part of the Turkish Stream project, the delivery of 15 billion cubic meters of gas to Turkey will be critical to meet Turkey's recently increasing energy needs. Turkey's natural gas consumption has been 48.6 billion cubic meters in 2014,⁷ demonstrating how important the contribution of the Turkish Stream to the country's use of natural gas will be.

Lately, involved in energy projects on a global scale, Turkey has made a great leap towards becoming an energy center thanks to energy projects. In the context of EU-Russian tensions, Turkey will claim a critical position in the global energy world, as a middleman in the transfer of energy

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via the Turkish Stream, TANAP and the Trans-Adriatic Pipeline (TAP), which are component of the South Gas Corridor (SGC). Considering the significance of energy in global markets, the steps Turkey is taking to become an energy center will play a key role in Turkey's transformation into a global energy player.⁸ Although it seems unclear how long EU-Russia tensions will continue, Turkey can actually benefit from this ongoing conflict. Turkey's dependency on external sources of energy because of its own lack of energy sources has led to astronomical energy bills, which has hindered its full economic development potential. To achieve its goal of energy independence and higher economic growth, Turkey should pursue similar energy projects.

The Importance of the Turkish Stream for Third-Party Countries

Although Russia and Turkey are the main partners in the Turkish Stream project, it will obviously not be limited to only a few countries directly or indirectly involved with it. Along with

Russia and Turkey, Greece, Macedonia and Serbia are likely to join this project.⁹ Without a doubt, Greece will be the country most affected by the Turkish Stream. With the cancellation of the South Stream, Bulgaria has been left out; and Greece, instead, will be on the new route. As part of the inclusion of Greece in this project, Russian President Putin met with Greek Prime Minister Alexis Tsipras on April 8, 2015 to discuss the details of the Turkish Stream Project. This energy project will boost Greece economically and place it in a better position in the energy world. When the EU and the Western media harshly criticized the Putin-Tsipras meeting in a period of EU sanctions against Russian, in an attempt to reduce tensions with the EU, Tsipras said, "Greece, as an EU member, has no wish to follow a policy in contradiction with the EU."

The reason why the Western media reacted so strongly against the Russia-Greece meeting was that Greece was among the EU countries, which have not recovered from the 2008 global economic crisis. The Turkish Stream presents Greece with a good opportunity to pay its exorbitant debt if it agrees with Russia to transfer natural gas to the EU through Greece. However, it is still not clear to what degree Russia's Turkish Stream will affect Greece, considering that Russia-EU relations are likely to evolve and change over time. It is not a static relationship. More concretely, the potential contributions of the Turkish Stream to the Greek economy would be an increase in investment, addi-

tional financial sources, and job creation. Basically it would be a golden opportunity for Greece at a time when it woefully needs an injection to bolster its weak economy. Another plus would be that Greece would become a key energy transit actor in the region, as about 48 billion cubic meters of natural gas of the Turkish Stream is planned to be stored in Greece.

Although the country, from which EU imports natural gas will not change, the route will. This is expected to improve EU's energy security. For now because of Greece's slugging economy, the 3.6 billion cubic meters annual natural gas consumption of Greece in 2013 dropped to 2.7 billion cubic meters in 2014.¹⁰ Since the 48 billion cubic meters of natural gas to be delivered to Greece via the Turkish Stream is way above the country's annual natural gas consumption, most of this will probably be exported to other EU countries.

The main country of transit for this project is Turkey and the four sub-lines of the Turkish Stream will go through it. After a visit by Gazprom officials to Turkey on May 7, 2015, it was announced that offshore construction of the project would begin soon. The parties agreed to start the initial delivery as of December 2016. As mentioned previously, a total of 5.4 billion cubic meters of natural gas will be delivered from Russia to Turkey via the Blue Stream in the first four months of 2015 (a 4 percent increase compared to the same period of 2014). There is a positive dynamic

between Turkey's transformation into a big energy market and the progress in the Turkish Stream.

The Energy Security Summit in the Hungarian capital Budapest on April 7, 2015, convened to discuss diversification of energy sources and supply in the region. The potential advantage of the Turkish Stream was among the hot topics discussed. To this end, it is very likely that the pipeline will also transit through other Balkan countries, besides Greece, for the distribution of Russian natural gas to Europe.¹¹ After the meeting, Macedonia, Hungary, and Serbia, together with Turkey and Greece, issued a declaration in support of the project, underlining the importance of the progress made in the project.¹² Despite the declaration, however, the European-leg of the Turkish Stream's route has yet to be finalized. Furthermore, in a statement issued by the Hungarian Minister of Foreign Affairs and Trade, Peter Szijjarto, Hungary supports the construction of a high-capacity Strategic Natural Gas Pipeline via Turkey.¹³

The benefits of the Turkish Stream for the Balkan countries, as potential partners, would help the speedier accession of non-member countries to the EU by meeting their increasing energy needs.¹⁴ To achieve this goal, talks continue over the Tesla Gas Pipeline project among Greece, Macedonia, Serbia, Hungary, and Austria although the project is still being considered. At the Budapest meeting on April 7, 2015, how the 48 billion cubic meters of Russian gas to

be stored in Greece will be distributed to EU countries through the Turkish Stream was discussed.¹⁵

During the bilateral talks on June 13, 2015, Turkish President Recep Tayyip Erdoğan and his Russian counterpart Putin had an exchange of opinions about the future of the project. Russian officials requested a guarantee for the project in case of a government change in Turkey after the June 7 general elections. The outcome of the election has generated concern over the realization of the project, as the ruling governmental party was unable to obtain a majority of the seats in Parliament and new elections are being called for November 1st, 2015. However, bilateral talks continue.¹⁶ The latest announcements revealed that relevant coordinates for the Turkish Stream Project were offered by Gazprom and the company is waiting for approval to launch feasibility studies.¹⁷

Furthering the progress in the implementation of the Turkish Stream, Greece has reached an agreement with its creditors, which is a critical step for the future of the project. However, ambiguities regarding the course of the process still exist. Before the talks with its creditors, Greece was very willing to join the Turkish Stream. As proof, during the St. Petersburg International Economic Forum on June 18-20, Russian and Greek delegations signed a governmental agreement to carry out the Turkish Stream in Europe. In addition, Russia sent Turkey the agreement document of the first pipeline

to be built in Turkey. This is also a critical development for the future of the project.¹⁸ If the referred steps are taken in earnest, rapid progress will be made.

Conclusion and Recommendations

The global energy market is determined by both categories of countries that have and do not have energy sources. Thus, the energy transfer among them forms one of the most important components of the energy market. The natural gas market has been the second most important one after oil in terms of area of usage among fossil fuels, and a significant agenda item for on-going civil wars and international agreements. The Russia-Ukraine conflict since November 2013 has deeply affected Russia-EU relations and mutual economic embargos remain in effect. With the annexation of Crimea by Russia, the EU has launched sanctions against Russia. In turn, Russia stopped the South Stream Project, which was to transfer Russian gas to Europe via Bulgaria. Russia retaliated by announcing a new pipeline project, the Turkish Stream, through Turkey and Greece.

Turkey has recently taken major steps in the energy field to become an energy corridor and an energy hub. Within this scope, the key point, as stated by experts, is that Turkey is a serious candidate to play the role of an energy hub. TANAP and the Turkish Stream are examples of Turkey's en-

ergy policy. Among Turkey's energy policy priorities are: lowering energy costs, energy security, and becoming a commercial center for the energy sector.

In the upcoming years, Turkey should go beyond being an energy bridge and follow more pro-active policies regarding transit routes of energy lines. In this sense, Turkey should take the necessary steps to be a shareholder in this project. Turkey should look to a future where it will become an energy hub; an indispensable energy route between the East and the West, the North and the South. ■

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