

NOTE: GEOPOLITICS OF ENERGY

Background Paper

Institut du Bosphore, Annual Seminar, 11 – 12 June, Istanbul

“Turkey and the world: New Players, New Visions”

Necdet Pamir, *Board Member, World Energy Council Turkish National Committee*

Introduction

Starting with the history of the mankind, supplying energy had always been a vital concern. Sun was the primary energy source, while wood was the initial material after the invention of fire with which the human race protected himself against the wild animals, cooked the food necessary to keep alive and also satisfied its basic need of illumination.

Then came coal and for long decades it had been the primary source of energy after being recognised that it was a significant fuel by the Han Dynasty in China. Not only the basic energy needs of the human race was supplied by coal but it also began to be widely used to fuel the merchantile ships and warships.

“On the eve of World War I, First Lord of the Admiralty Winston Churchill made a historic decision: to shift the power source of the British navy’s ships from coal to oil. He intended to make the fleet faster than its German counterpart. But the switch also meant that the Royal Navy would rely not on coal from Wales but on insecure oil supplies from what was then Persia. Energy security thus became a question of national strategy.” Churchill’s answer to this dilemma was as follows: “Safety and certainty in oil,” he said, “lie in variety and variety alone.”¹ Thus the concept of diversification rose as one of the most significant prerequisites of energy security since early 1900’s.

Then natural gas was added to the fuel mix and its stake rapidly grew since it was a cleaner and more efficient fuel.

Due to the ongoing high prices of oil and gas, their abundance in instable regions like the M. East and finally due to their negative impact on global warming; renewables and other emerging fuels like biofuels, hydrogen, fuel cells, coal-to-liquids and gas-to-liquids also started to increase their percentages in the primary fuel mix. However, as it is today, it seems that the fossil fuels will continue to dominate the primary energy fuel mix in the coming decades and their geographical distribution (mainly for oil and gas) will always be a decisive factor. Therefore, the interactive nature of energy policies and geopolitics should always be taken into consideration.

As Carlos Pasqual of Brookings Institute rightly claims: “Since the industrial revolution the geopolitics of energy – who supplies it, and securing reliable access to those supplies – have

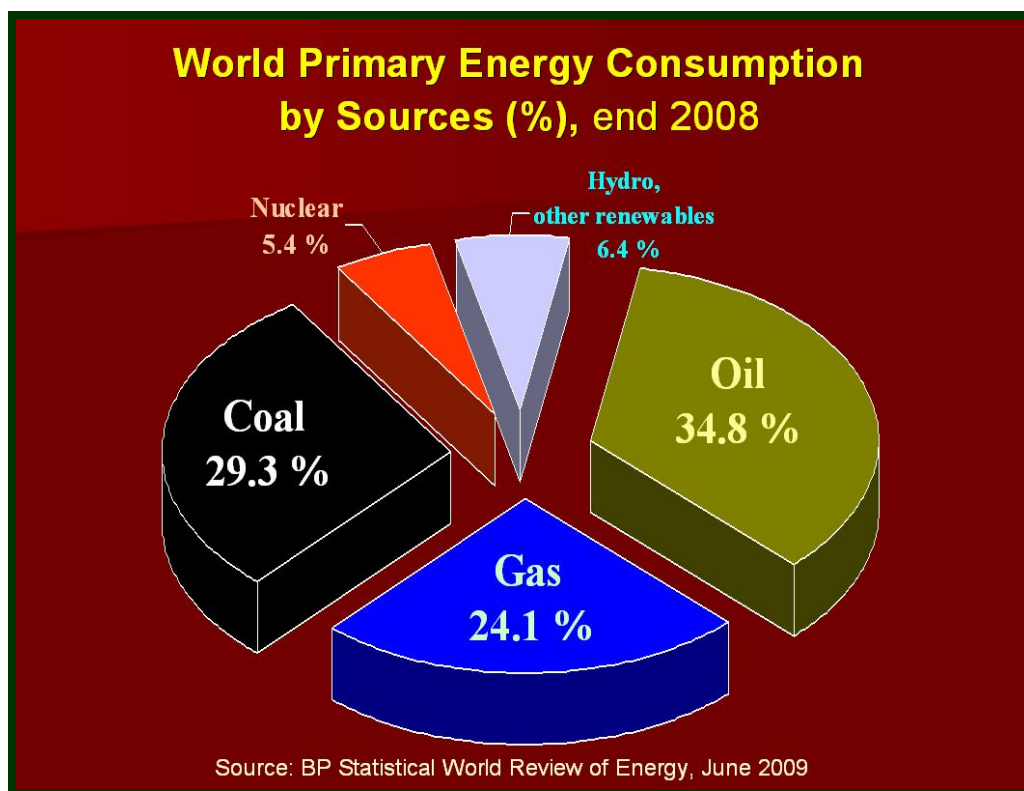
¹ “Ensuring Energy Security”, Daniel Yergin, Foreign Affairs, <http://www.jstor.org/pss/20031912>

been a driving factor in global prosperity and security. Over the coming decades, energy politics will determine the survival of the planet”².

Basic Global Energy Facts and Outlook

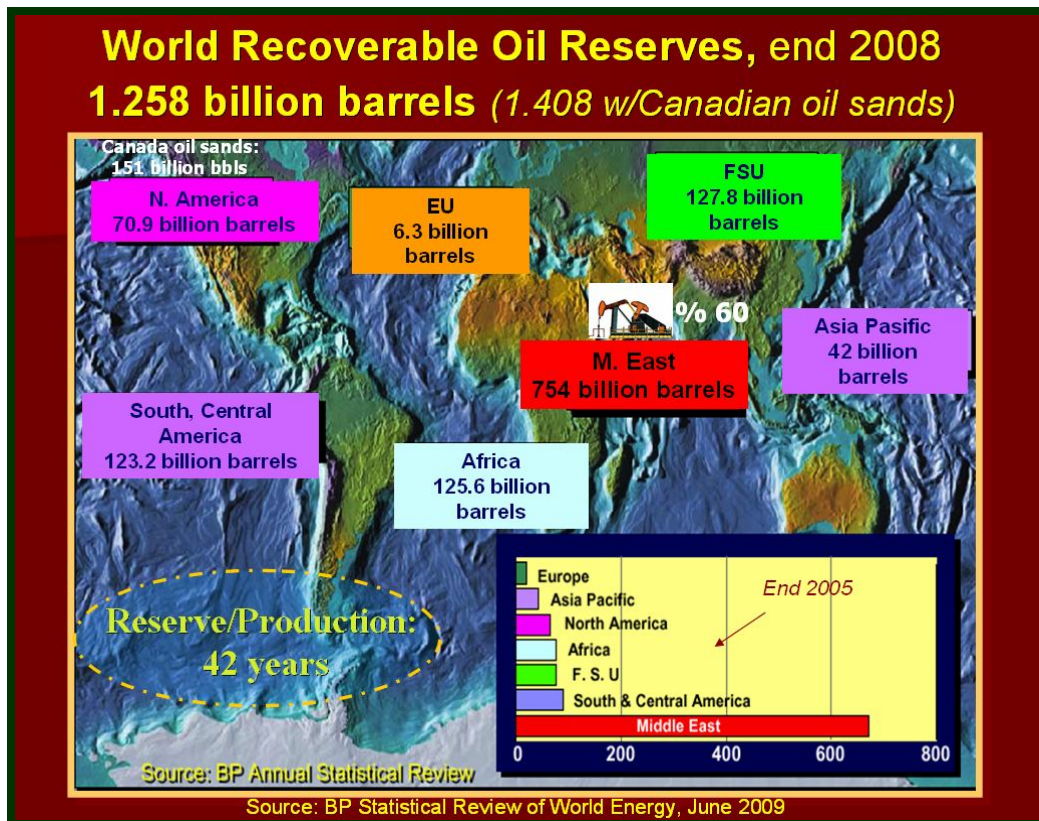
Today, the world is consuming around 12 billion tons oil equivalent of primary energy. As seen from the below given diagram (Figure -1), fossil fuels are dominating the fuel mix with a total of 88,2 percent of the total consumption. The geographical distribution of these reserves is one of the most important factors giving rise to conflicts and big power struggles to include wars and invasions. As seen from the maps (Map - 1) below, 60 percent of the world recoverable oil reserves are located in the Middle East while the CIS region and Africa are the only significant alternative regions. However, they are neither comparable in reserve volumes nor in exploration and production costs with the M. East.

Figure – 1: World Primary Energy Consumption by Sources



² The Geopolitics of Energy: From Security to Survival, Carlos Pascual, Vice President and Director for Foreign Policy, Brookings Institution

Map – 1: Geographical Distribution of World Recoverable Oil Reserves



For natural gas which is becoming more and more significant as a cleaner and more efficient source of energy and specifically for electricity generation, again the M. East is the most important region holding 41 percent of the world recoverable gas reserves (Map – 2). Lead by Russia (holding 23.4 % of the reserves) the CIS is the second most significant region for proven gas reserves. Proven gas reserves at the end of 2008 totalled more than 180 tcm globally — equal to about 60 years of production at current rates. Over half of these reserves are located in just three countries: Russia, Iran and Qatar.³ These facts are more than enough to explain the geopolitical importance of the M. East and ever growing role of Russia in the global gas supply.

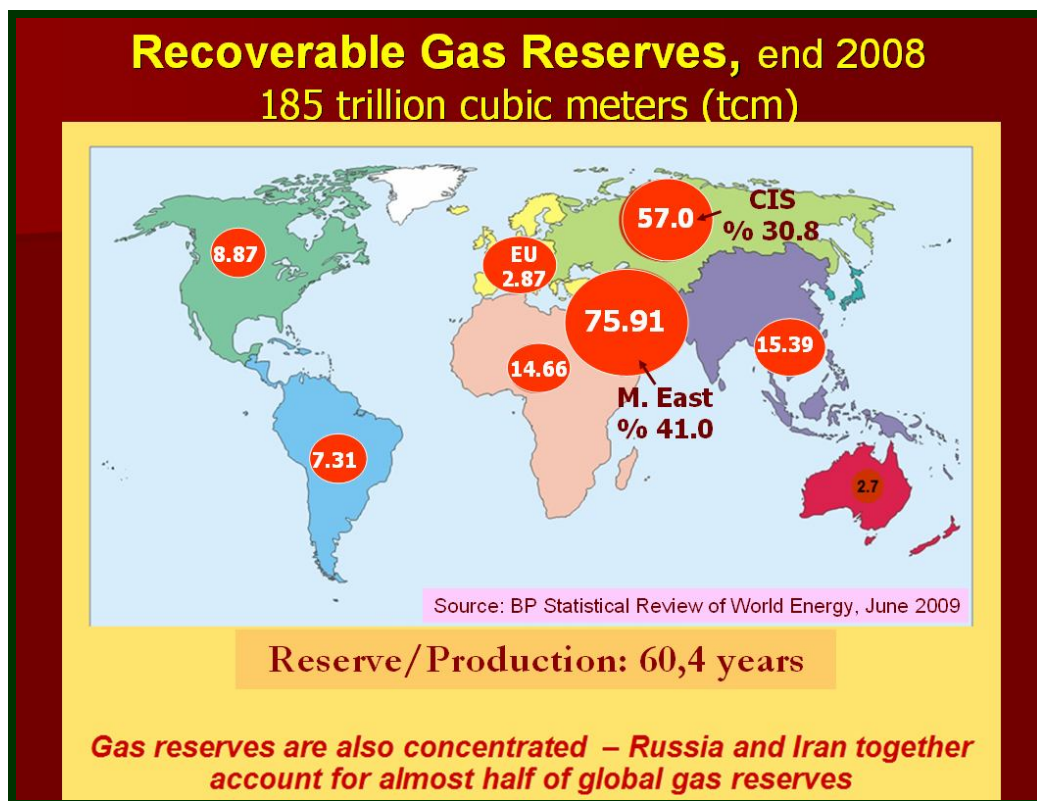
Russia is playing the energy card very effectively since the alternatives are limited. Long term “take or pay” agreements enable Russia to act as almost as a monopoly dictating favourable terms not only economically but also for it’s foreign policy aspirations. Natural gas being the cleanest and most efficient source among fossil fuels seems to be the most attractive source as well. On the one side, it’s high price limited the rapidly growing global demand to a certain extent in recent years. However, the most recent developments in the U.S. which reduced the cost of producing shale gas made this source attractive once again. In addition more than

³ World Energy Outlook 2009, International Energy Agency, Executive Summary (page 49)

expected production rises in gas producing countries of Africa and M. Eastern countries like Qatar, further increased the global gas production which resulted in an excess capacity in the world spot LNG markets. Thus, such developments already urged the long term agreements to be reviewed in favour of the consuming countries which in turn weakens Russia's dominant and dictating role in the market.

EU is another energy dependent entity and their vulnerability is rapidly growing. Their over-dependency to a single source (Russia) is an important problem which could only be solved through diversification efforts. However, existing dependencies have a greater tendency to shape up their energy profiles for the coming decades rather than efforts to access alternative sources.

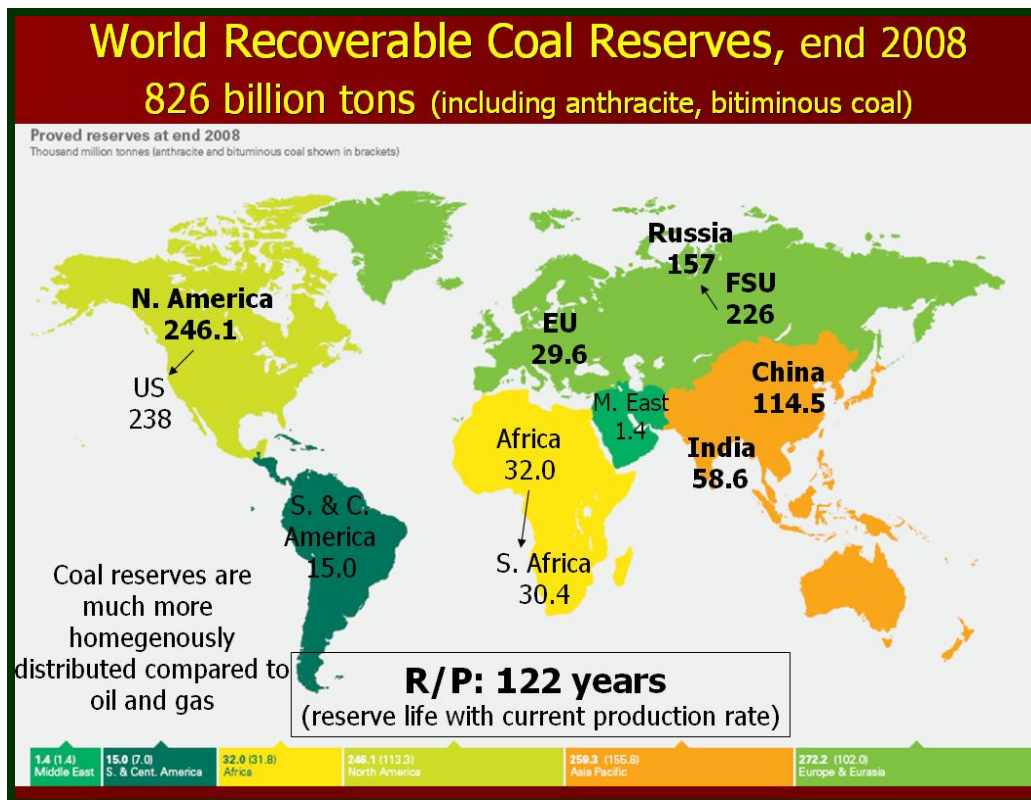
Map – 2: Geographical Distribution of World Recoverable Gas Reserves



Coal reserves are much more homogenously distributed and they have a longer reserve life (Reserve to production ratio is 122 years) when compared to oil and gas reserves (Map – 3). Since the oil and gas prices had long been experiencing a high trend, with its more homogenous distribution and lower price, the reference scenario of the International Energy Agency foresees that “coal demand grows more strongly than all other energy sources except modern non-hydro renewables — at an average annual rate of 1.9% — from a level of 4 548 million tonnes of coal (Mtce) equivalent in 2007 to 6 980 Mtce in 2030.”⁴ China and India, which in 1980 consumed one-fifth of world coal, now account for nearly half of the global demand and their share is set to rise to nearly two-thirds in 2030.

⁴ World Energy Outlook 2009, International Energy Agency, Coal Market Outlook (page 89)

Map – 3: Geographical Distribution of World Recoverable Coal Reserves

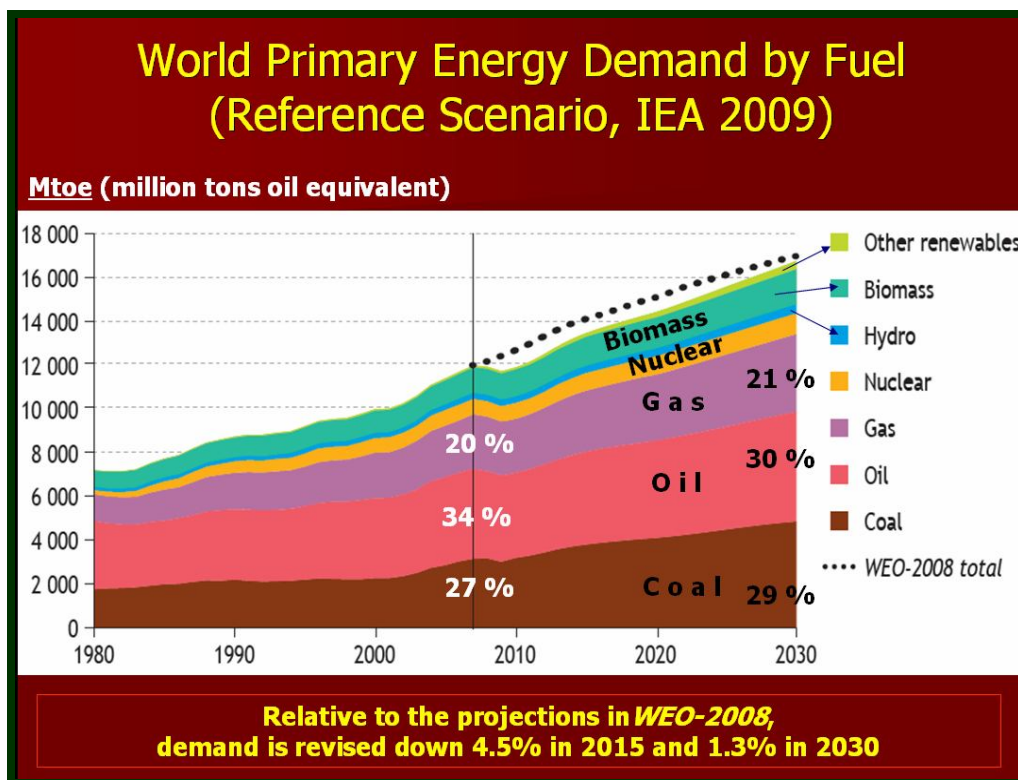


In the reference scenario by IEA (Figure - 2), the global primary energy demand is projected to increase by 1.5% per year between 2007 and 2030, reaching 16.8 billion tonnes of oil equivalent (toe) — which corresponds to an overall increase of 40%.

According to the same scenario, fossil fuels (will) remain the dominant sources of primary energy worldwide, accounting for almost 77% of the overall increase in energy demand between 2007 and 2030⁵. Therefore the significance of the fossil fuels to supply our energy requirements do not seem to be decreasing and the struggle to own, to control the transportation routes and their trade will not be less stronger in the coming decades.

⁵ World Energy Outlook 2009, International Energy Agency, Coal Market Outlook (page 74)

Figure - 2: World Energy Demand Outlook to 2030



Energy Security and the Geopolitical Dimension

Achieving a secure (adequate, affordable, reliable, timely, clean and uninterrupted) supply of energy had always been a vital problem for consumers. However, for the suppliers, there is also a concern which can be called as “demand security”. They need long term commitments from the demanding countries to justify their costly investments to develop hydrocarbon fields and thus enable long term supplies. Therefore the equation of energy security has more than a single parameter. We also have to consider the transit countries and their expectations to complete the picture.

Energy security does not stop at national borders and goes all the way to the final consumer (from the supplier, through transit countries to the consumer). The external (geopolitics), internal (operations and investment) and temporal (short and long term) components of energy security calls for a multidimensional (and international) policy approach to protect against energy system disruptions⁶.

⁶ Energy Security, IEA, 2003

The struggle to achieve a secure energy supply and demand inevitably creates a wide range of problems and competition since the most dominant sources of energy (fossil fuels) are non-renewable of nature. They have limited reserve lives and especially oil and gas reserves are concentrated in certain geographies like the M. East and Russia as previously mentioned.

Today, the U.S. is consuming more than 20 percent of the world primary energy, 22,5 percent of world crude oil and 45 percent of gasoline. It's dependency to crude oil imports is 58 percent while for gas 15 percent. The struggle to secure the energy need for this superpower had therefore always been as ambitious and vital as it's enormous thirst for the sources.

"In 1973 and '74, and again in 1979, political upheavals in the Middle East led to huge spikes in oil prices, which rose fifteen-fold over the decade and focused new attention on the Persian Gulf. In January 1980, President Carter effectively declared the Gulf a zone of U.S. influence, especially against encroachment from the Soviet Union. "Let our position be absolutely clear," he said, announcing what came to be known as the Carter Doctrine. "An attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force." To back up this doctrine, Carter created the Rapid Deployment Force (RDF), an "over-the-horizon" military unit capable of rushing several thousand U.S. troops to the Gulf in a crisis."⁷ In 1980's the RDF was transformed into the Central Command, a new U.S. military command authority with responsibility for the Gulf and the surrounding region from eastern Africa to Afghanistan. It is not surprising to note that these are the areas where almost 75 % of the oil reserves are located and more than 30 % of the world oil trade is realised most of which is directed to Asia.

Likewise, the US conflict with Iraq and Iran has largely been shaped by the fundamental tenet of the Carter Doctrine: that the United States will not permit the emergence of a hostile power that might gain control over the flow of Persian Gulf oil and thus--in Vice President Cheney's words--"be able to dictate the future of worldwide energy policy."⁸

It is therefore not rational to analyze any global or regional energy project without considering the policies, strategies and interests of the U.S. Inevitably, the efforts to develop Iran's gas fields or developing and exporting Iraq's oil and gas fields has a direct relation with the U.S. interests which is not affecting such developments in a positive direction. This in return negatively affects the global energy security and limiting the alternatives of diversification.

Russia is another very important actor of the energy geopolitics. Its significance however has completely a different nature in the global market. Unlike the U.S. the E.U. and China, Russia is one of the most significant oil exporters and the greatest gas exporter. It strongly dominates the global gas market not only with its giant reserves (23,4 % of the world total)⁹ but with its very efficient policies enabling the RF to control some major gas producers (like

⁷ "The Thirty Year Itch", Robert Dreyfuss, March/April 2003 Issue, Mother Jones, <http://motherjones.com/politics/2003/03/thirty-year-itch>

⁸ "The New Geopolitics of Energy", Michael T. Klare, May 1, 2008, The Nation

⁹ BP Statistical Review of World Energy 2009, page 22

Turkmenistan, Uzbekistan and Kazakhstan) and successfully choking down their potential competing roles. As Prof. Michael Klare states “This has alarmed senior White House officials, who resent restoration of Russia's great-power status and fear that its growing control over the distribution of oil and gas in Eurasia will undercut America's influence in the region.” The Bush Administration appointed a special energy coordinator who could especially spend time on the Central Asian and Caspian region. The then Secretary of State Condoleezza Rice while addressing to the Senate Foreign Relations Committee in February 2008 said "It is a really important part of diplomacy." A key job of the coordinator would be to encourage the establishment of oil and gas pipelines that bypass Russia, thereby diminishing its control over the regional flow of energy.¹⁰

The Baku Tblisi Ceyhan (BTC) Oil Pipeline was constructed as result of this debate. It enabled to transport and export the crude oil of the newly born Azerbaijan Republic through Georgia and Turkey. Before then, the only means of exporting the hydrocarbon sources of the newly independent ex-Soviet states had to be via the Russian Federation (RF) territory. BTC was the first and meaningful opening of the regional sources through a route which bypassed the RF. Today BTC uninterruptedly transports 1 million barrels a day from the Azeri Chirag Guneshli joint fields of Azerbaijan and the Azerbaijani oil is sold to the international markets from the Ceyhan (Mediterranean) port of Turkey. Efforts to expand the capacity to 1,2 – 1,4 million barrels/day are progressing.

BTC was followed by a natural gas pipeline running parallel to it: The South Caucasus Gas Pipeline. The line is operational since July 2007 transporting Azerbaijan's Shah Deniz Phase 1 gas to Turkey. The pipeline joins the Turkish Gas Pipeline network and supplies both Turkey and Greece. Turkey – Greece connection is the first step to integrate Turkey with the EU through the energy and geopolitics dimension. Efforts are on the way to extend the Turkey – Greece Interconnector to Italy.

Another ambitious gas pipeline project is also worth mentioning not only for its economical significance but also due to its geopolitical dimension. 31 billion cubic meters (bcm) capacity NABUCCO Gas Pipeline was proposed in early 2000's to transport Caspian, M. Eastern and C. Asian gas via Turkey to several countries of the E.U. (Bulgaria, Romania, Hungary, Austria and Germany). Although not openly declared, NABUCCO Project had been proposed to diminish the over-dependence of both Turkey and the EU to Russian gas.

In October 2005, the NABUCCO Company announced that the alternative sources were Azerbaijan, Iran, Iraq and Egypt. The construction was due to start in 2008. However in late 2008, the Company released their new presentations in which there was a new source appearing in the picture: Russia. And the initiation of the construction was already delayed for 3 years to 2011. Without understanding the geopolitical dimension behind such a radical change and delay, it would be difficult to make a realistic and rational analysis.

Azerbaijan seemed to be the most realistic alternative at least for the short term since for Iran and Iraq there still exist significant obstacles. Shah Deniz gas field of Azerbaijan is the targeted source to supply the proposed NABUCCO Pipeline. Shah Deniz Phase 1 which is expected to produce 8,5 bcm a year is operational and the production is already committed to

¹⁰ “The New Geopolitics of Energy”, Michael T. Klare, May 1, 2008, The Nation

Turkey (6,6 bcm/year), Georgia, BTC (for the fuel needs of the pipeline system) and some modest volumes for local use. The gas supplied to Greece (since 2007) via Turkey's pipeline network is also produced from Shah Deniz.

For Shah Deniz Phase 2 which is planned to be developed starting from 2016, both NABUCCO, ITGI (Interconnector Turkey – Greece – Italy) and TAP (Trans Adriatic Pipeline) are some of the demanding and competing parties. Greece looks for 3,6 bcm while Italy demands 8 bcm a year which totals 11,6 bcm. Turkey demands (from SD Phase 2) an additional 7-8 bcm for diversification purposes to diminish its over-dependency in gas to Russia (64 percent). Shah Deniz reserves and its production capacity is not adequate to satisfy all of these demand.

To add to such limitations, Turkey's diplomatic "opening" towards Armenia resulted in Azerbaijan's adverse reaction to the rapprochement between Ankara and Yerevan. To that end, Aliyev signed an agreement with his counterpart Medvedev to send Azerbaijani gas to Russia starting with some symbolic volumes with an open ended commitment for possible extra volumes in the future. Azerbaijan also signed MOU's and agreements with Iran and Romania (in the form of LNG or CNG) to show their frustration and determination to find alternative markets to Turkey. However, the rapprochement between Ankara and Yerevan was futile and Ankara was further frustrated with the U.S. Congressional Committee approving the resolution on the so-called "Armenian genocide".

These developments calmed down the reactions of Azerbaijan to a certain extent and on 7th of June 2010, Azerbaijan and Turkey sealed a deal to supply the Turkish gas network with some additional volumes (up to 6 bcm/year) of Shah Deniz gas. Turkey's and Azerbaijan's Energy Ministers both said that Turkey will have the right to re-export the gas it purchases from Azerbaijan. This will help Turkey to balance its over estimated gas demand and decrease the risk for take-or-pay penalties. The price dispute for Shah Deniz Phase – 1 gas was also settled and Turkey will compensate for the volumes purchased between April 2008 and today. Moreover, the transit fee issue also was announced to be solved. Through this agreement, now Turkey has an upper hand for negotiating the re-export of Azerbaijani gas.

However, the recent restless and fluctuating relations between Ankara and Baku showed how fragile can the "one-nation two-state" motto, which frequently was used to describe the brotherly relations between the two capitals could be. These developments can also be taken as a case study to demonstrate how the energy projects are strongly dependent to geopolitical realities.

Another important regional player and the second alternative source shown for NABUCCO is **Iran**. The country holds 16 percent (29,61 trillion cubic meters) of the world recoverable gas reserves and is the second biggest reserve holder state after the RF. In 2008 Iran produced 116,3 bcm/y while consuming 117,6 bcm/y leaving no volumes for export¹¹. The country exported 5,80 bcm to Turkey thanks to imports available from Turkmenistan. In short, if new fields like South Pars could not be developed in cooperation with foreign oil companies, Iran has no volumes to supply either for Nabucco or any other demanding party. However, "several U.S. laws and Executive Orders extend sanctions to foreign companies that do

¹¹ BP Statistical Review of World Energy 2009, page 22

business with Iran, as part of an effort to persuade foreign firms to choose between the Iranian market and the much larger U.S. market¹². A formal U.S. effort to curb international energy investment in Iran began in 1996 with the Iran Sanctions Act (ISA)¹³.

Through such laws and Presidential Orders, the U.S. Administration prohibits companies that intend to invest more than 20 million dollars in the Iranian oil and gas industry. “Iran’s nuclear ambitions” and the threat perception are the main reasons behind the application of such measures. It had not been easy to fully apply these restrictions since Iranian oil and gas, as well as the Iranian market are attractive for many European, Japanese, Russian and Chinese companies. However, recently all the companies interested in investing in the Iranian energy industry, at least officially seem to be back-stepping from their investment plans. For example, “European banks – including Deutsche Bank, HSBC, and BNP Paribas – have largely stopped doing business with Iran. New German export credit guarantees to Iran have fallen from \$3.3 billion in 2004 to \$1.2 billion in 2006, and German exports to Iran fell by 18 percent in the first half of 2007.

Major investments in the Iranian energy sector – such as those planned by France’s Total, Spain’s Repsol, and the Anglo-Dutch group Royal Dutch Shell – have been delayed repeatedly. These new constraints are having an effect on Iran’s already troubled economy and particularly on its ability to make badly needed investment in its energy sector. In case the Security Council is unwilling to follow up on its threats to impose further sanctions for Iran’s lack of compliance, the EU leadership will do so at the EU level.¹⁴ Thus, although Iran holds the second biggest proven gas reserves of the world, there seems to be no chance of developing Iranian hydrocarbon fields until the current nuclear controversy is solved. Hoping for a short-term solution to the problem is only wishful thinking. Under these circumstances the Iranian alternative as a source of supply for Nabucco is indeed not feasible.¹⁵

Iraq is another alternative sought after by the Nabucco stakeholders. It holds 3.17 trillion cubic meters¹⁶ of proven gas reserves (1.7 % of the world total) 70 percent of which is

¹² “Which one would you like to listen to? Verdi’s ‘NABUCCO’ or Paul Simon’s ‘Bridge Over Troubled Waters’, Necdet Pamir, Private View, Winter 2009, No. 14, page 36 – 43.

¹³ Iran Sanctions, July 09, 2009, <http://opencrs.com/document/RS20871>

¹⁴ “Iran Sanctions And Regional Security”, Testimony by Philip H. Gordon, Senior Fellow For U.S. Foreign Policy, Foreign Policy, House Committee On Foreign Affairs, Subcommittee On The Middle East And South Asia, Published on website of Brookings Institute, Friday August 14, 2009, <http://www.brookings.edu/testimony/2007/1023iran.aspx>

¹⁵ “Which one would you like to listen to? Verdi’s ‘NABUCCO’ or Paul Simon’s ‘Bridge Over Troubled Waters’, Necdet Pamir, Private View, Winter 2009, No. 14, page 36 – 43.

¹⁶ BP Statistical Review of World Energy, June 2009

estimated to lie in the Basra governorate in the south¹⁷. Iraq's current gas production is very limited (approximately 3 bcm/y in 2006) and nearly 60 percent of associated natural gas production is flared due to a lack of appropriate infrastructure to supply it for consumption and export. Shell has been awarded a contract to explore this underutilized capacity. Significant volumes are injected into oil reservoirs to maintain the oil production in existing levels. The non-associated gas fields reportedly slated for priority development are mostly in the northern governorates near Kirkuk¹⁸. However, the instability in Iraq is the most important obstacle for the development of the gas potential of the country.

The Turkish Petroleum Corporation (TPAO, The State Oil Company of Turkey) has so far been unsuccessful in winning any bid to develop Iraqi oil and gas fields although it has been trying since 1994. It targeted the Gharaff (oil) and Mansuriya (gas and condensate) fields in particular. One must note therefore that talks of opening a "new page" in Iraq ignore such long-term efforts. The company also failed to win any of the tenders offered in July 2009 by the Central Government of Iraq.

Iraq is an unstable country and before expecting significant investment and a safe mode for field operations we need a long period of gestation and enormous efforts by the international community. Before anyone invests billions of dollars in that country to increase its gas production, the government has to ensure the security of the existing energy infrastructure. Lack of security caused the Kirkuk-Yumurtalık Oil Pipeline to remain idle for years after 2003.

It is worth remembering some observations concerning Iraq's stability. While he was still the chief advisor to the Prime Minister, Ahmet Davutoglu, Turkey's Minister of Foreign Affairs, said in September 2008 that "he fears "recent optimism on Iraq in the United States overlooks significant, dangerous problems that remain unresolved." In a meeting in Ankara with representatives from the Council on Foreign Relations and visiting American journalists, Davutoğlu drew attention to the fact that "ethnic and religious differences among Iraq's leadership are bound to flare up again¹⁹".

It is not only Davutoğlu but also the Iraqi Kurdish leaders who remain pessimistic about the current and near-future status of the country. In separate interviews, Nechirvan Barzani and

¹⁷ Iraq Country Analysis Brief, Energy Information Administration, Department of Energy of the U.S.; last updated in June 2009; <http://www.eia.doe.gov/emeu/cabs/Iraq/Background.html>

¹⁸ Iraq Country Analysis Brief, Energy Information Administration, Department of Energy of the U.S.; last updated in June 2009; <http://www.eia.doe.gov/emeu/cabs/Iraq/Background.html>

¹⁹ "Turkey's Top Foreign Policy Aide Worries about False Optimism in Iraq", September 19, 2008; <http://www.cfr.org/publication/17291/>



Massoud Barzani, the Prime Minister and President of Kurdistan Regional Government respectively, “described a stalemate in attempts to resolve long-standing disputes with Iraqi Prime Minister Nouri al-Maliki's emboldened government. Had it not been for the presence of the U.S. military in northern Iraq, Nechirvan Barzani said, fighting might have started in the most volatile regions.²⁰” Iraqi PM Maliki voiced similar concerns when he gave a lecture at USIP, a prominent think tank in the U.S. the day after his get-together with President Barack Obama. He said: “Tensions between Iraq’s autonomous Kurdish region and Iraq’s central government represent one of the most potentially dangerous challenges facing Baghdad.²¹”

Unless the deep conflicts like revenue sharing of the hydrocarbon wealth, the status of the current and future Production Sharing agreements, the fate of Kirkuk, etc. are resolved, expectations of stability and therefore a secure development of the oil and gas reserves reflect nothing more than wishful thinking.²²

Turkey as an Emerging Power and Energy Bridge

As seen, not only technical and economical feasibilities but also geopolitics shapes up the future of vital energy projects which are designed and proposed to increase the regional and global energy security.

It is true that Turkey is an emerging regional power thanks to its unique geographical location, vibrant economy and developed market functioning under the rule of law. Turkey is frequently defined as a natural energy bridge located between the rich hydrocarbon producing countries of the Middle East, North Africa, the Caspian, Russia and thirsty energy markets in the West and South. Turkey itself is a significant energy importer and transit country as well, which offers an excellent gateway primarily to Europe. Europe’s growing import dependency and its attempts to diversify both the routes and sources of supply have increased the strategic importance of Turkey.

However, diverging interests of the global and regional powers is one of the most important problems hindering means of cooperation which is not easy to come over with unilateral efforts. To be more concrete; EU is trying to limit Turkey’s expectations to become a “hub” rather than a transit country, its natural demand for purchasing cheaper gas and receiving meaningful volumes from alternative sources (like Azerbaijan and Iran) to decrease its over-dependency to a single source.

²⁰ “**Kurdish Leaders Warn Of Strains With Maliki**; Military Conflict a Possibility, One Says” by Anthony Shadid, Washington Post Foreign Service, Irbil, Iraq, July 17, 2009; http://www.washingtonpost.com/wp-dyn/content/article/2009/07/16/AR2009071604369_pf.html

²¹ “Tensions with Iraqi Kurds dangerous, says Maliki”, The Peninsula, Qatar’s English Daily, Web posted at 7/24/2009, Source: AFP, http://www.thepeninsulaqatar.com/Display_news.asp?section=world_news&month=july2009&file=world_news200907243247.xml

²² “Which one would you like to listen to? Verdi’s ‘NABUCCO’ or Paul Simon’s ‘Bridge Over Troubled Waters’”, Necdet Pamir, Private View, Winter 2009, No. 14, page 36 – 43.

The U.S. interests in the region also limit Turkey's alternatives for diversification. The invasion in Iraq, sanctions against Iran and urging Turkey's "opening to Armenia" which in turn damages Turkey's relations with Azerbaijan are obvious examples.

Our European and American friends should understand that Turkey is not a Central European country surrounded with stable neighbors and settled conflicts. It is at the frontiers of the stirred-up Middle East, has serious problems with Armenia that in turn effects its relations with Azerbaijan. For energy imports it is over-dependent on Russia which has serious and unsettled problems with Georgia (a country through which BTC and South Caucasus Gas Pipeline transport oil and gas supplies) Turkey is a neighbor of Iran whose nuclear ambitions has led to UN sanctions and nearly 20 % of Turkey's gas supplies and 37 % of its oil supplies are from this country. The list can easily be extended.

Turkey's over-dependency to Russia is another dilemma. The trade volume between these two countries reached to \$ 38 billion in 2008. However there is a strong imbalance due to Turkey's over-dependency in energy imports. The breakdown of the total trade volume (\$ 38 billion) is striking: Turkey's exports to Russia is only \$ 6,5 billion compared to Russia's exports reaching to \$ 31,5 billion. For gas Turkey is 64% and for oil 33% dependent to Russia. Such over-dependency, no need to say, adversely affects Turkey's foreign policies and limits its policy options. It is worth remembering Ahmet Davutoğlu's interview given to Council on Foreign Relations after the Russia – Georgia clash in August 2008: "...But you can't say that Turkish-Russian relations can be like Danish-Russian relations, or Norwegian-Russian relations, or Canada-Russian relations. ... Any other European country can follow certain isolationist policies against Russia. Can Turkey do this? I ask you to understand the geographical conditions of Turkey. ... If you isolate Russia, economically, can Turkey afford this? ... Unfortunately, we have to admit this fact. Turkey is almost 75-80 percent dependent on Russia [for energy].* We don't want to see a Russian-American or Russian-NATO confrontation. ... We don't want to pay the bill of strategic mistakes or miscalculation by Russia, or by Georgia."²³

However with the recent developments and agreements signed between Turkey and Russia, Turkey is becoming more dependent despite the rhetoric being contrary. Giving the first nuclear plant construction to Russia (without an international bidding process) and letting Gazprom to control the gas distribution sector through a merger with a private Turkish company, dependency to Russia is further increasing.

²³ "Turkey's Top Foreign Policy Aide Worries about False Optimism in Iraq", September 19, 2008; <http://www.cfr.org/publication/17291/>



To Conclude

Between rich energy sources and thirsty markets, Turkey is a natural bridge. But, we hope that our friends can see that, it is “A Bridge Over Troubled Waters”...

The International Energy Agency states that “energy security does not stop at national borders and goes all the way to the final consumer (from the supplier, through transiter(s) to the consumer). If we want to live in a secure world with a sustainable energy future, we have to keep in our minds that we are not alone in this planet. “Others” may also have legitimate concerns and naturally diverging interests.