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# Turkey's Gas Ambitions

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# Turkey's Gas Ambitions

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Recent developments in natural gas endeavors may lead Turkey into dangerous waters. On one end, the often described 'biggest global discovery in 2020,' Sakarya gas field in the Black Sea represent a dash of hope for the future development of Turkey's natural gas diversification strategy that would lead to less reliance on imported natural gas. On the other end, Turkey's exploratory and drilling activities caused numerous tensions in the Eastern Mediterranean which erupted upon the signing of the maritime agreement with Libya. The current situation calls upon several questions. Will Turkey be able to effectively use the Sakarya gas fields and if so, what would be the consequences in international relations towards the European Union and the Russian Federation? Will the Turkey-Libya maritime agreement stand strong despite the heavy pressure from the European Union and despite the possibility to cause further destabilization in the region? The answers to these questions lay in Turkey's gas ambitions.

The aim of this policy paper is to delve into the complex natural gas network in Turkey founded under the pretext of a diversification strategy and examine its consequences in international relations. Following the current energy conflict in the East Mediterranean which threatens to destabilize the region, this policy paper focuses on the ever-fragile relations between Turkey and the European Union in their endeavor to diversify natural gas imports from Russia.

## Turkey's natural gas diversification strategy

According to Sami Andoura, from Istituto Affari Internazionali, a clear terminological distinction must be provided between a 'transit country' and an 'energy hub' in order to understand the way in which Turkey is effectively using its geopolitical positioning to impact the natural gas market. With this in mind, Andoura defines a transit country as "a country connecting supplier and consumer regions/countries/markets through a network of pipelines or other (LNG, tankers, etc.) infrastructures" stating that it can "act as a mediator/honest broker between suppliers and consumer countries/operators or be a source of tensions between the two".<sup>1</sup> The idea of making a bridge between the East and the West poses on itself, and with this goal in mind, a regulatory framework supported by strong infrastructure has enabled Turkey to reap the lucrative benefits of acting as a transit country in terms of natural gas. However, Turkey's gas ambitions did not stop with merely charging transitional fees, but further progressed towards becoming an energy hub, defined by Andoura as "a market location where important amounts of resources (natural gas in this case) are going through a network of available (gas) infrastructures" thus allowing "multiple energy carriers [to] meet at the hub, which plays a role of interface where the energy can be sold, and/or converted, conditioned, and stored."<sup>2</sup>

The main idea behind this natural gas endeavor is the possibility of Turkey reaping the transit benefits as well as influencing prices for natural gas on the so-called "spot markets"; however, rising domestic demands for natural gas, limited infrastructural, and storage capacity posed an obstacle. The solution was found in infrastructural development corresponding with additional gas flows, which laid the foundations known as 'Turkey's natural gas diversification strategy'.

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<sup>1</sup> Andoura, Sami. *What Potential for Cooperation between the EU and Turkey on Diversification of Gas Supply*. Istituto Affari Internazionali. 2015, 7.

<sup>2</sup> *Ibid*, 7.

In terms of natural gas, Turkey had been importing more than 99% of its total gas usage in 2016, with 52.94% coming from Russia.<sup>3</sup> Hence, the main objective of the diversification strategy is thus to dilute the energy dependency from foreign sources and liberate Turkey from import shackles. Comparing the import share given in Turkish Natural Gas Market Report 2016, with the report from 2019 allows us to determine the effectiveness of implementing the diversification strategy. We can deduce an important conclusion on the progressive success of Turkey's diversification strategy by noting the decrease on import from Russia (52,94% in 2016 to 34% in 2019)<sup>4</sup> and an increase from other countries, significantly Azerbaijan (16,62% in 2016 to 21% in 2019)<sup>5</sup> thus loosening the grip on absolute dependence on a major single gas supplier. Furthermore, Turkey is making progress on its storage capacity in an attempt to increase the excess in natural gas and become a natural gas trading center. It was declared that "the Tuz Golu underground storage expansion was billed as "the largest storage project... currently under construction in the world" and "together with floating storage regasification units (FSRUs) and other expansion efforts, Turkey's storage capacity could total as much as 10bcm in the next few years."<sup>6</sup>

## Turkey's pipeline diplomacy

Defined here as a geo-strategic concept with strong implications in the country's foreign trade policy based on effective infrastructural use of natural resources, pipeline diplomacy allows us to further understand the geopolitical significance of Turkey and compare it with its effective use in international relations. Even if the country itself faces severe scarcity in terms of its own hydrocarbon resources, its proximity to energy-rich Russia, the Eastern Mediterranean, the Middle East, the Caspian, and Central Asia makes it a geo-strategically important entity on the regional energy map.<sup>7</sup>

In terms of natural gas and despite the scarcity, Turkey managed over the years to reap the benefits of its strong geopolitical position acting as an 'energy bridge' between the East and the West. With this in mind, six natural gas pipelines outline Turkey's gas ambitions: Baku – Tbilisi – Erzurum Natural Gas Pipeline (BTE); Turkey – Greece Interconnector (ITG); Blue Stream Natural Gas Pipeline; Iran – Turkey Natural Gas Pipeline; Trans – Anatolian Natural Gas pipeline Project (TANAP); and Turk Stream Natural Gas Pipeline.

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<sup>3</sup> *Turkish Natural Gas Market: Report 2016*. Republic of Turkey Energy Market Regulatory Authority, Strategy Development Department. 2017, 21.

<sup>4</sup> *Turkish Natural Gas Market: Report 2016*. Republic of Turkey Energy Market Regulatory Authority, Strategy Development Department. Ankara, 2017, 21 <https://www.epdk.gov.tr/Detay/Icerik/1-1275/natural-gasreports> & *Turkish Natural Gas Market: Report 2019*. Republic of Turkey Energy Market Regulatory Authority, Strategy Development Department. Ankara, 2020, 26 <https://www.epdk.gov.tr/Detay/Icerik/1-1275/natural-gasreports>.

<sup>5</sup> *Ibid.*

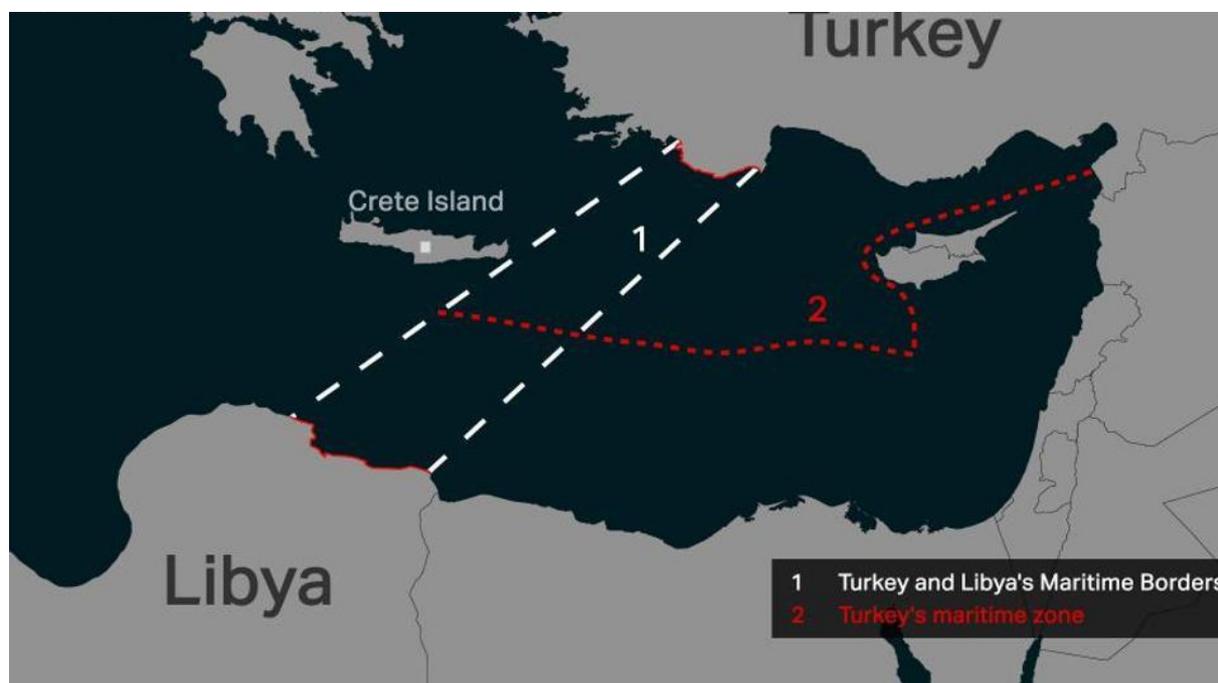
<sup>6</sup> Kraemer, Richard. Diversify and expand: Turkey's drive towards natural gas security. Middle East Institute. 2020. <https://www.mei.edu/publications/diversify-and-expand-turkeys-drive-towards-natural-gas-security>.

<sup>7</sup> Kozma, Tamas. *Diversification Dilemmas in Turkey's Natural Gas Imports*. Asian Journal of Middle Eastern and Islamic Studies. 2017, 91.

## Avenging the exclusion: Eastern Mediterranean energy conflict

Turkey's natural gas diversification strategy is, however, not being implemented without repercussions, especially in international relations with neighboring countries. In its endeavor to expand its reach on natural gas, Turkey carried out seismic surveys and exploratory drilling off the north coast of Cyprus, leading into strong political tensions with Greece and Cyprus supported by the EU. Cyprus and the EU consider the north to be part of the Republic of Cyprus and the waters surrounding it to be part of the EEZ, which means EU nations have the exclusive right to fish, drill, and carry out other economic activities. However, Turkey recognizes Northern Cyprus as independent, with its own EEZ, with Ankara saying it is within its rights to drill there.<sup>8</sup> Upon the new natural gas discovery in the Black Sea, it is likely that Mitsotakis' Greece will put more pressure on Turkey to give up its exploratory activities in Cyprus; however, with Turkey's natural gas ambitions progressing in a 'neo-ottoman fashion' and its leverage on the EU with its migration policy, it is unlikely that Turkey will back down so easily.

**Picture 1:** Turkey-Libya maritime deal



**Source:** TRT World<sup>9</sup>

A controversial maritime deal has been made between Turkey and the interim government of Libya establishing a new exclusive economic zone in the Mediterranean Sea. The context behind such a maritime deal stems from an attempt of Greece, Egypt, Israel, and the Greek Cypriot Administration to respectively create their own Exclusive Economic Zones in the Eastern Mediterranean and, by excluding Turkey, work on the EastMed pipeline project.<sup>10</sup> In such a development, Recep Tayyip Erdogan saw an opportunity to further progress relations

<sup>8</sup> Walsh, David. Turkey-Greece relations: Why are the two countries locked in a dispute over drilling rights? Euronews, 2020. <https://www.euronews.com/2020/08/26/turkey-greece-relations-why-are-the-two-countries-locked-in-a-dispute-over-drilling-rights>.

<sup>9</sup> *Why did Turkey sign a maritime deal with Libya.* TRT World. 2019. <https://www.trtworld.com/turkey/why-did-turkey-sign-a-maritime-deal-with-libya-32064>.

<sup>10</sup> *Why is turkey taking up its Libya deal with the UN?.* TRT World. 2020. <https://www.trtworld.com/turkey/why-is-turkey-taking-up-its-libya-deal-with-the-un-32667>.

with Libya's al-Sarraj by providing diplomatic support to "protect Libya's Tripoli-based UN-backed Government of National Accord (GNA) from being exploited by foreign states"<sup>11</sup> and by signing a maritime deal allowing Turkey to put the EastMed pipeline project in question to get access to Libya's territorial waters for further natural gas exploration.

The deal has sent shock waves across the region, as Ankara sends a clear message to other coastal states that resources in the Mediterranean will not be exploited without its consent.<sup>12</sup> Turkey's actions in the region have been called inconsistent with international law by Greece, Cyprus, and Israel, while the European Union condemned Turkey's demarcation memorandum.<sup>13</sup> Despite the response, it is highly unlikely that the EU would be able to pressure Turkey or Libya into giving up the maritime deal. On one end, Libya is politically indebted to Turkey, while on the other end, Turkey could quite easily open the flood gates of another migrant crisis towards the EU. Turkey stands to have a significant leverage against the EU, using it to further progress its energy goals in the region while the EU lacks in determination to find a solution for its undermined position. Ankara resumed its search of the Mediterranean waters after German-mediated negotiations with Greece collapsed when Athens announced a maritime delimitation agreement with Egypt - in retaliation for a similar deal between Turkey and Libya.<sup>14</sup> It would seem that Turkey aspirations for imposing itself as a dominant force inevitably led to the destabilization in Eastern Mediterranean relations, which created a ripple effect towards the European Union and further destabilization of Northern Africa.

## Polishing fragile Turkey – EU relations

In the case of EU-Turkey relations, Turkey is an almost unavoidable transit country for importing resources from the Caspian and Middle East regions, through the Southern Corridor as a central piece of its strategy of diversification.<sup>15</sup> The Southern Gas Corridor (SGC) is a term used to describe planned infrastructure projects aimed at improving the security and diversity of the EU's energy supply by bringing natural gas from the Caspian region to Europe.<sup>16</sup> Stretching over 3,500km, the Southern Corridor is made from three pipelines: South Caucasus Pipeline (SCPX) – Azerbaijan, Georgia; Trans Anatolian Pipeline (TANAP) – Turkey; and Trans Adriatic Pipeline (TAP) – Greece, Albania, Italy. With this in mind, the role Turkey is given in this project is that of a transit country. Noted by Andoura, EU and Turkey's energy profiles, market, and systems are progressively converging. Such a line of thought is a consequence of both EU and Turkey implementing a diversification strategy on natural gas

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<sup>11</sup> *Ibid.*

<sup>12</sup> *Why is turkey taking up its Libya deal with the UN?*. TRT World. 2020. <https://www.trtworld.com/turkey/why-is-turkey-taking-up-its-libya-deal-with-the-un-32667>.

<sup>13</sup> Cohen, Ariel. *Turkey – Libya Maritime Deal Upsets Mediterranean Energy Plan*. Forbes. 2020. <https://www.forbes.com/sites/arielcohen/2020/01/08/turkey-libya-maritime-deal-upsets-mediterranean-energy-plan/#b20eb746bee4>.

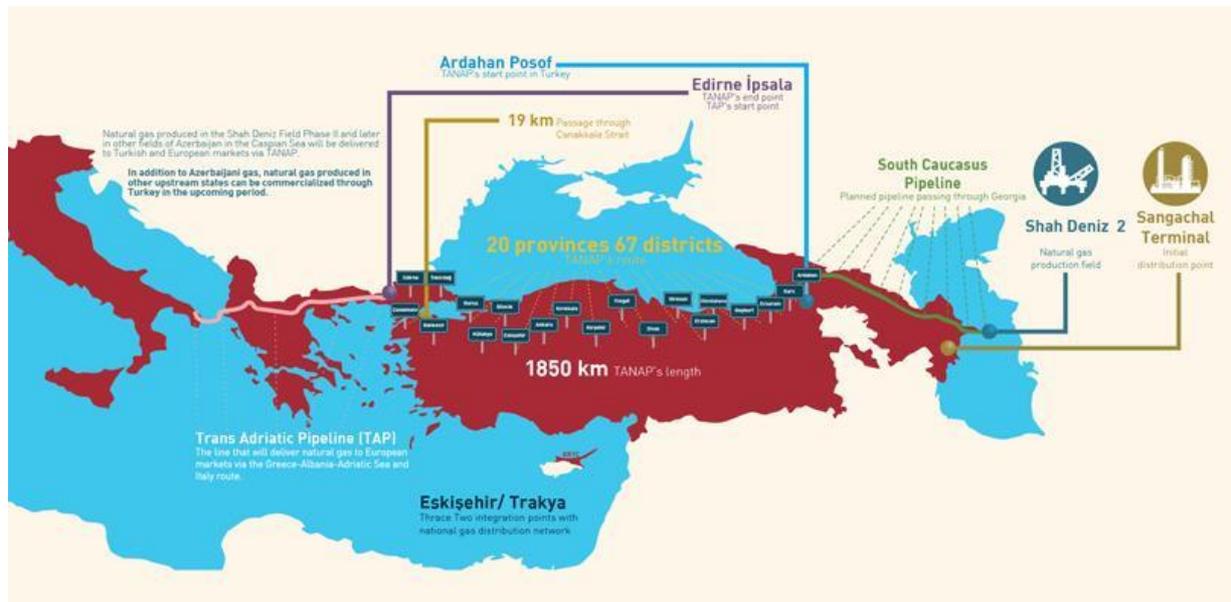
<sup>14</sup> Koc, Cagan. Hacaoglu, Selcan. Kandemir, Asli. *Turkey Finds Energy in Black Sea as Erdogan Vows a New Era*. Bloomberg. 2020. <https://www.bloomberg.com/news/articles/2020-08-19/turkey-discovers-energy-in-black-sea-as-erdogan-vows-new-era>.

<sup>15</sup> Andoura, Sami. *What Potential for Cooperation between the EU and Turkey on Diversification of Gas Supply*. Istituto Affari Internazionali. 2015, 8.

<sup>16</sup> Trans Adriatic Pipeline. *Southern Gas Corridor*. <https://www.tap-ag.com/the-pipeline/the-big-picture/southern-gas-corridor>.

imports, both with a goal to lower the energy dependency on Russia, thus highlighting the importance of the Southern Corridor.

**Picture 2:** TANAP connecting the East and the West through Turkey



**Source:** TANAP<sup>17</sup>

However, it seems clear that closer ties with Europe in the field of energy – and European interests over diversification - will not pave the way for reopening negotiations on a new spirit leading to full membership for Turkey.<sup>18</sup> The progress made in converging energy policies and interests, political discordances derived from the enlargement process remain unsolved and still pose a significant obstacle to the further development in EU-Turkey relations. Turkey should understand that the first priority, from the EU’s perspective, is to bring “Europe” to Turkey, rather than Turkey to the EU.<sup>19</sup>

Another important aspect of the Turkey-EU relations in terms of natural gas lies with the possibility of expanding the TurkStream pipeline through Bulgaria and Serbia. The context of this development lies with the idea of constructing a pipeline that would connect Russia and the EU through the Balkans. However, following the 2014 Crimea crisis, the project was canceled and replaced with the TurkStream project connecting Russia and Turkey through the Black Sea. Now having an important outlet of Russian gas on its territory, Turkey has significant influence over the further development of this project with a common goal of connecting it to the European natural gas network. If such an expansion of the TurkStream pipeline were to happen, Turkey would gain another access point towards the EU and impact the regional stability of the Balkans; however, constant project proposals and their cancellations, as well as the European Union’s need to diversify its import on natural gas from Russia, make such an endeavor slow moving. However, even further development of the TurkStream with the new Sakarya Gas Field expansion is debated by putting into question if Turkey even needs gas from Russia.

<sup>17</sup> Trans Anatolian Natural Gas Pipeline Project <https://www.tanap.com/tanap-project/why-tanap/>.

<sup>18</sup> Andoura, Sami. *What Potential for Cooperation between the EU and Turkey on Diversification of Gas Supply*. Istituto Affari Internazionali. 2015, 13.

<sup>19</sup> *Ibid*, 18.

## Sakarya Gas Field: A new expansion

Following a decade long diversification agenda, Turkey invested in drilling for gas in new potential locations within its territorial waters in the Black Sea and the eastern Mediterranean. To serve this purpose, Turkey acquired one seismic ship, the Oruc Reis, and three drillships; Fatih, Yavuz, and Kanuni.<sup>20</sup> Fatih, named after the great Ottoman Emperor Mehmet II who conquered Istanbul, has been drilling in the Black Sea region since July 20<sup>th</sup> and on its ninth deep drilling operation, the vessel hit jackpot.<sup>21</sup>

**Picture 3:** Fatih drilling ship location



**Source:** TRT World and agencies<sup>22</sup>

On August 21<sup>st</sup>, President Recep Tayyip Erdogan announced the discovery of 320 billion cubic meters of natural gas reserves in the Tuna-1 well at the Sakarya Gas Field, located around 170 kilometers offshore in the Black Sea.<sup>23</sup> Thomas Purdie, an analyst on Wood Mackenzie's upstream research team, said: "Even if the official 320 billion cubic metre figure given by President Tayyip Erdogan when he announced the discovery is treated as an estimate of gas

<sup>20</sup> Turkey to gain gas trade leverage from new discovery: Report. Hurriyet Daily News. 2020.

<https://www.hurriyetdailynews.com/turkey-to-gain-gas-trade-leverage-from-new-discovery-report-157818>.

<sup>21</sup> Alhas, Ali Murat. Turkey's gas discovery to have positive impact on foreign policy. Anadolu Agency. 2020. <https://www.aa.com.tr/en/economy/turkey-s-gas-discovery-to-have-positive-impact-on-foreign-policy/1949855>.

<sup>22</sup> Turkey finds natural gas reserve of 320 billion cubic meters off Black Sea. TRT World and agencies. 2020. <https://www.trtworld.com/turkey/turkey-finds-natural-gas-reserve-of-320-billion-cubic-metres-off-black-sea-39078>.

<sup>23</sup> Turkey to gain gas trade leverage from new discovery: Report. Hurriyet Daily News. 2020. <https://www.hurriyetdailynews.com/turkey-to-gain-gas-trade-leverage-from-new-discovery-report-157818>.

*in place, this is Turkey's biggest-ever find – by a wide margin – and one of the largest global discoveries of 2020.*"<sup>24</sup>

Diverging from projections and assumptions, the possibility to effectively excavate and process 320 billion cubic meters of natural gas will have direct consequences on Turkey's gas ambitions and the future of natural gas policy development. The problem will no longer entail the question of where, but rather the question of how. With this aim in mind, the technical and infrastructural capabilities of BOTAS as the state owned Petroleum Pipeline Company, will determine the development of Turkey's gas policy in the next couple of years - the main problem being the fact that this is a new endeavor with significant infrastructural costs undertaken by an operator without any previous experience in the field of excavation. However, with its goal of becoming a strong regional energy hub, Turkey will likely try to face this challenge alone and thus reap all the benefits.

Considering this idea, the true importance and impact of Sakarya gas field will become evident in the next three years based on the excavation results. Until then, it is highly unlikely that the new find will have a significant impact on relations with the EU and Russia, but it should be noted that the potential truly exists.

## Conclusion

Turkey will not stop in trying to further strengthen its position as a 'geopolitical pivot' in terms of natural gas by searching for new gas fields in the Black Sea and the Mediterranean, and in the name of 'diversification', willingly risk endangering foreign relations. With this in mind, it seems that a hidden agenda of Turkey's diversification strategy is to dominate the regional energy security complex by forcefully, and almost as if in neo-Ottoman fashion, shift the dependency status in its favor, thus making itself an irreplaceable key actor. Such a strategy would rest on the ability of Turkey becoming an exporting country in the near future – an endeavor crucially progressed by the new Sakarya field.

The question that poses itself is how much Turkey stands to gain from the new gas fields – a bargaining chip to use in natural gas contract negotiations and pricing mechanisms if used domestically, or the whole pot of gold to build upon the foundations of Turkey's first natural gas export, as well as influencing contract negotiations and pricing mechanisms. In case of Turkey, it is highly likely that an attempt to do the latter will be made.

## Recommendations

- Continuous work on finding new and meaningful natural gas locations susceptible for exploration and potential excavation working towards further diversification in import.
- Conduct an analysis on infrastructural and logistical expenses needed for TUNA-1 well excavation – using resources to enable an effective excavation as well as continuously searching for new locations without endangering the currency value.
- Effectively use the new Sakarya gas field as a bargaining chip in upcoming natural gas contract negotiations.

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<sup>24</sup> Lepic, Bojan. Woodmac: Turkey's Tuna-1 discovery could be transformational. Offshore Energy. 2020. <https://www.offshore-energy.biz/woodmac-turkeys-tuna-1-discovery-could-be-transformational/>.



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