

Designing a New EU-Turkey Strategic Gas Partnership

Talk at Bruegel, 2nd July 2015 at 12:30pm

Participants:

Simone Tagliapietra, Visiting Fellow, Bruegel

Mehmet Ögütçü, chairman, Global Resources Partnership

Patrick Paquet, acting Head of Turkey Unit, DG NEAR

Chair: **Aura Sabadus**, editor, ICIS Turkish Energy Hub Daily

Notes:

As stated in the plans for Energy Union, Europe has a need for better energy security - diversification of supply is one way to achieve this. With reserves in the Central Asian region estimated at 55 trillion cubic metres, there is much promise in the so-called Southern Gas Corridor (SGC), which would connect these reserves with Europe. Incorporating this into the EU's gas supply architecture will require cooperation with Turkey as it is the inevitable transit country. But EU-Turkey discussions about the SGC are not new and the failure of the former Nabucco project negatively impacted the EU-Turkey gas partnership.

Assessing the potential of Azerbaijan, Turkmenistan, Iran and Kurdistan, the authors stated that that EU and Turkey should strengthen their current cooperation and secure future expansion. The two partners also have complementary political leverages in this region that can be useful. The report's recommendation is to test this cooperation on limited gas volumes to lay the foundations for a potential expansion in the medium-term.

This partnership would require cooperation in attracting private and institutional investors to finance the infrastructure development. This energy security will come at a certain price versus the cost of Russian imports, but the premium required will likely be accepted as can be shown by the well-diversified portfolios of gas companies.

The proposal is that the discussion should be set up as a 4 Energy Diplomacy Taskforces: EU-Turkey-Azerbaijan, EU-Turkey-Turkmenistan, EU-Turkey-Iran and EU-Turkey-Kurdistan, choosing the most appropriate representative to start the debate. All this being supported by a common EU-Turkey Gas Infrastructure Financing Initiative.

In the discussion following the presentation, M. Ögütçü expressed that the recommendations in this paper surely find their place amongst the possible scenarios for better EU-Turkey cooperation. Even if this specific partnership form does not materialise, he emphasised that energy issues are a priority for both sides and can be a starter to renew the discussions. Also the increasing negotiating power of the demand side can also support the renewed discussion.

The Turkish practicality and the struggle for the EU to manage large-scale projects will require breaking policy into small and easily manageable policies. The past – with the

Nabucco failure – has taught us to not forget to bring the appropriate stakeholders (firms, etc.) to the table, instead of a more unilateral top-down approach from Europe. And building a solid and long-lasting trust between actors will be all the elements needed to achieve success in implementing such partnership.

Event notes by Augustin Lagarde, Research Intern