

Turkey and Azerbaijan sign gas transit deals

Aleksandra Jarosiewicz

On 26 October, Turkey and Azerbaijan signed a number of complex agreements determining the rules for the transit, supply volumes and prices of gas which Azerbaijan exports to Turkey (these documents had been undergoing negotiation for around three years, and their finalisation had been postponed several times due to conflicts of interests). According to information revealed, Turkey has agreed to transit 10 billion m³ of Azeri gas annually to the borders with Greece and Bulgaria (it is unclear whether this will commence at the moment of signing the agreements or from the moment when the second-phase production is launched at Shah-Deniz field). The parties have announced that gas can be transported with the use of existing infrastructure, the planned Nabucco gas pipeline, or with a new gas pipeline which the parties will build with the aid from foreign investors. Additionally, Azerbaijan has undertaken to sell Turkey up to 6 billion m³ of gas from the second phase of Shah-Deniz by 2018. The parties have also agreed that the price of the Azeri gas currently imported via Turkey (approximately 6 billion m³) will not be revised until 2018. Neither the price of the gas currently imported nor the future supplies have been revealed. The Turkish energy minister said the price was the lowest among those offered by the present suppliers.

Commentary

- The signing of the agreements opens up possibilities for the realisation of the Southern Gas Corridor, a concept of key significance for the EU which envisages imports of Caspian gas (from Azerbaijan or Turkmenistan) to Europe and thus a diversification of the sources, routes and suppliers of gas. However, it should be noted that consent for the transit of only 10 billion m³ of Azeri gas does not mean a full realisation of the Southern Corridor. The most ambitious version of this concept provides for the import of approximately 60 billion m³ of gas, which requires consent from Baku and Ankara for the transit of Asian gas.
- The agreements do not decide which of the three competitive transport projects (the partly completed ITGI gas pipeline or the planned trans-Adriatic and Nabucco pipelines) will be used for the transit of Azeri gas. Nevertheless, if the idea of building their own gas pipeline in Turkish territory by Azerbaijan and Turkey is put into practice, this will strongly reduce the chance of implementing the Nabucco gas pipeline, a strategic project from the EU's point of view (this is the only project to envisage infrastructure being built in Turkey).

- The form which the agreements have taken confirms that Turkey is playing a key and decisive role in the opening up of the 'fourth way' of gas supplies to the EU. The fact that Turkey has obtained guarantees of gas supplies at a good price proves that it has a strong position in its dealing with Azerbaijan, which has no other choice but to be in an alliance with Turkey because of strategic interests in the field of energy and politics (Turkey is also its ally in the conflict with Armenia over Nagorno-Karabakh). Moreover, since Turkey has obtained guarantees of gas supplies at the level of 12 billion m³ starting from 2018, it will become a competitor for the EU as an importer of Azeri gas in the future (the EU is likely to receive 10 billion m³ of gas). The possible construction of a new gas pipeline in Turkish territory to be used for gas transit will allow Ankara to significantly influence the shape of the Southern Corridor and also to maximise the profits it will draw from gas transit to the EU.