Analyses OSW

CENTRE FOR EASTERN STUDIES 12.10.2011 www.osw.waw.pl

Turkey plays the South Corridor

Aleksandra Jarosiewicz

On 1 October, the consortia representing three competing projects within the Southern Gas Corridor (the Turkey-Greece-Italy pipeline, the Trans-Adriatic, and the Nabucco, which would allow the transmission of gas from Azerbaijan via Turkey to the EU) made their final offers on conditions to transport gas from the Shah-Deniz deposit from 2016. At the last minute, the BP consortium (the most important investor in Azerbaijan) made its own proposal to build a new pipeline through Turkey to Bulgaria and Romania. But at the same time, contrary to previous announcements, the comprehensive agreement between Turkey and Azerbaijan (which had been negotiated for three years) concerning transit of gas from Azerbaijan via Turkey, the amount of the supplies, and the price of raw material to Turkey after 2016, has still not been signed. On 1 October, Turkey also announced that it would not extend its contract to import 6 billion m³ of gas annually from Russia, which expires this year, declaring that gas from Russia can be replaced by gas from Iran or Azerbaijan.

Commentary

- The submission of bids by these consortia means that the competition over the form of the Southern Gas Corridor, which is of strategic importance with regard to the EU's energy security, is entering a decisive phase. At this point, it is very unlikely that either the EU or the consortia involved in the project can put pressure on both Azerbaijan and Turkey. The Southern Corridor has primarily become part of the strategic manoeuvring between Ankara and Baku, and it is mainly these two countries which will decide on the corridor's final form.

- The lack of agreement on transit shows how dependent Azerbaijan is on Turkey. Until now, Baku had been trying to obtain the best conditions for transmission of gas from the consortia representing the competing projects (and this process was formally completed on 1 October, along with the submissions of the tenders). But without agreement with Turkey, it will be impossible to implement any of the Southern Corridor projects. By not resolving the transit issue, Turkey has retained an instrument for putting pressure on Azerbaijan. At the same time, Baku's declarations that it will choose between the different projects by the end of the year depend on the final form of the agreement with Turkey.

- Turkey's policy and ambitions (no agreement on transit) are currently the main obstacle to implementing the Southern Corridor project. Ankara is seeking to sign a comprehensive gas agreement with Azerbaijan, in which it will receive attractive conditions for transit, but above all, for purchasing gas from the second phase of development of the Shah-Deniz deposit. Turkey is also playing Azerbaijan off against Russia, aiming to increase the diversity of its gas imports (60% of which currently come from Russia), and to obtain lower prices for raw materials imported from other sources. Ankara's attitude is proof of its growing ambitions to play a key role in the Caucasus and the Middle East, which means that the EU must increasingly consider Turkey’s interests in its policy towards the region.