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Turkey is filling the gap being left by the West in the Southern Corridor

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An agreement was signed on 30 May in Ankara under which Turkey's gas holding BOTAS increased its share in the planned Trans-Anatolian gas pipeline (TANAP) from 20% to 30%. This means that TANAP's shareholders at present are: Azerbaijan's SOCAR – 58%, Britain's BP – 12% and Turkey's BOTAS – 30%. France's Total and Norway's Statoil withdrew from this project last year.

Furthermore, Total has decided to leave the Shah Deniz project and to sell its 10% stake to the Turkish oil company, TPAO, for US$1.45 billion. Total was the next Western company (after Statoil in December 2013) to scale back its engagement in the Shah Deniz field, which is the main source of natural gas for the planned TANAP pipeline (running from Turkey to Europe). After this deal, the Shah Deniz consortium will consist of: BP – 29%, SOCAR – 17%, TPAO – 19%, Statoil – 15.5%, LUKoil – 10% and Iran's NICO – 10%.

In turn, a representative of SOCAR announced on 3 June that E.ON and Total were intending to withdraw from participation in the Trans-Adriatic gas pipeline (TAP), running from Turkey to Greece.

Both TANAP and TAP and the Shah Deniz field are key elements of the Southern Gas Corridor, a concept fostered by the European Union. This concept envisages building infrastructure which will allow natural gas to be imported from the Caspian Sea region and the Middle East. It is planned that Azerbaijan will supply 10 billion m3 starting from 2019 at the initial stage of the Southern Corridor's operation.

Commentary

- Western firms are withdrawing from projects linked to the Southern Corridor probably due to the declining commercial attractiveness of these projects. The most commonly stated reason for their withdrawal is a revision of the investment strategy. It cannot be ruled out that these firms will also have been influenced in their decision-making by the growing political risk. The recent actions taken by Russia with regard to Ukraine have given rise to concern about its possible reaction to attempts at implementing the Southern Corridor, a concept the Kremlin has resisted for years. This is more the case since the Russian pressure on Baku is increasing; one sign of it is how Russia is urging Azerbaijan to join the Eurasian Union, a project Russia has been recently pushing through. One tangible consequence of the Western firms withdrawing from the Southern

Corridor could be that it will be more difficult to obtain funds for the implementation of the projects (their estimated total cost being US$45 billion).

- Turkey will benefit most from the withdrawals of Western investors, since it has successfully increased its stakes in TANAP and Shah Deniz. This is in line with the Turkish strategy of gaining new sources of raw material supplies through foreign expansion and plans to develop infrastructure at home. Turkey wants to build a gas trade hub, which will sell gas to Europe. To achieve this goal, it needs co-operation with Azerbaijan, which is currently the only dependable supplier of natural gas and is Ankara's strategic ally. Turkey's increasing role in the Southern Corridor will reinforce its position in relations with Brussels, which – given the Russian-Ukrainian conflict – is more interested in gas supplies from new sources and routes.
- Turkey's more intensive presence in energy projects creates a greater mutual dependence and reinforces Ankara's position in the Turkey-Azerbaijan tandem. Initially, Baku did not want Turkey to play a greater role in these projects. However, in the end, it had to accept it, possibly due to its dependence on transit via Turkey and the lack of better alternatives.