

Russian-Turkish plans to build a gas hub

Adam Michalski

On 14 October, Turkish President Recep Tayyip Erdoğan unexpectedly (and despite earlier abstinence on the part of the Minister of Energy and Natural Resources) approved President Vladimir Putin's initiative to build a Turkish-Russian gas hub in Turkey. The new hub would be constructed in Thrace, where significant potential to further develop infrastructure for the transmission and storage of gas already exists. Guidance on the development of the plans were passed on to the Turkish Ministry of Energy and Natural Resources and to the CEO of Gazprom on the Russian side. At present, details regarding the preparation of agreements and the creation of the hub have not been disclosed – that is, its scope, deadlines, costs and conditions for implementation. On 19 October, a US State Department spokesperson voiced criticism of the agreement, highlighting that Turkey and other US allies would not become a “safe haven for illicit Russian assets or transactions”, concurrently adding that Washington is still willing to work with Ankara on diversify energy sources.

Commentary

- For Ankara, the proposal by Russia to build a gas hub is part of Turkey's vision to realise its long-held energy ambitions, but also an opportunity to source gas at more favourable prices, sign better contracts for this resource with Russia and cement Ankara's position as a key energy player in the region. Turkey has been investing in the development of gas pipeline networks and infrastructure for more than a decade now, with the aim of not only securing a sufficient volume of this resource, but also increasing its own role in the gas trade as a sales and transmission market broker. This strategy has so far been supported by Ankara's effort to strengthen cooperation with exporters such as Iran and Azerbaijan; Israel and Egypt (as relations continue to stabilise); and above all with Russia. Specifically concerning the latter, due to the ongoing war in Ukraine and the energy conflict between the Kremlin and the West, exports of Russian gas via traditional routes to Europe have dropped significantly. Consequently, Moscow is looking for alternative transport routes and markets, which increases its motivation to intensify cooperation with Turkey. Ankara, on the other hand, hopes to take advantage of this situation and improve its negotiating position with Moscow through a preliminary agreement on the construction of the hub, which would provide it with more gas from Russia at a lower price. Such a move would not only allow Turkey to meet its own needs but also to re-export gas surpluses to EU countries or generate savings (and potentially transit profits) for the state budget.
- The Russian proposal for a gas hub is difficult for Ankara to reject – especially given the potential financial and energy benefits stemming from the project – however, its

construction will remain a challenge. The existing export infrastructure from Russia (TurkStream and Blue Stream pipelines) is not sufficient for such a project and would need further development. Due to Turkey's lack of sufficient experience in this field, the government would need to ask for help from Western companies to lay new gas pipes on the Black Sea bed. Meanwhile, due to Russia's involvement in the project, obtaining Western support for the gas hub – at a time of war and sanctions being placed on Moscow – may prove to be impossible. In addition, even if Ankara manages to overcome all of these restrictions, it would take at least several years to develop the infrastructure itself. Meanwhile, the prospects for future European demand for Russian gas are also unknown. For now, from Ankara's point of view, cooperation with Moscow on the hub is primarily of political nature, allowing it to work towards a number of other goals in its bilateral relations with Russia. In the gas dimension, it remains crucial for Ankara to verify the feasibility of the project and its construction prospects. Only its outcome will determine whether Turkey will commit to the project in a binding manner.

- Ankara is also aware that the decision to create a hub opens up the possibility to deepen strategic energy cooperation with an increasingly and internationally isolated Russia (in addition to gas, this may include the implementation of another nuclear power plant project with Moscow); ensure further coordination of activities in disputed regions (e.g. the Caucasus, Syria or Central Asia); and to generate financial gains in the long term from this endeavour. Simultaneously, the move has the potential to become another element in Turkey's dispute with the West. Ankara may be hoping to force its Western partners to take steps to discourage it from its plan to build the hub – i.e. by having the West extend proposals for energy cooperation. Already on 13 October, the US Secretary of State presented Turkey with an offer that included the possibility of Washington cooperating with Ankara on LNG supply, construction of regasification plants and small nuclear reactors. However, Western proposals currently appear far less attractive than the ones made by Russia. Hence, Turkey's decision to enter into the gas hub project with Moscow may also be aimed at forcing new concessions from the West (e.g. return to the F-35 programme, removal of CAATSA sanctions by Washington) in return for abandoning this initiative.