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The start of a process? Turkey and Turkmenistan are planning gas cooperation

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On 20 March, Turkey's minister of energy and natural resources, Alparslan Bayraktar, announced that the country was set to receive up to 2 bcm of Turkmen gas "in the initial stage" under a memorandum of understanding signed at the beginning of the month. However, no timeframe for either the start or the completion of deliveries has been provided. Bayraktar added that three options for transporting natural gas onto the Turkish market are currently being considered. The first and most likely option involves transporting the gas via Iran under a swap agreement. The second solution entails the Caucasian route, which runs through Iran and Azerbaijan, also via swap. Transport using the Trans-Caspian Pipeline (TCP) via the Caspian Sea and South Caucasus infrastructure, a plan which has been under consideration for almost 25 years, was mentioned as the third option.

Bayraktar's statement revealed some of the deals that were struck on 1 March during the Diplomatic Forum in Antalya, when Turkey and Turkmenistan concluded a memorandum of understanding (MoU) concerning their cooperation in the field of natural gas and its transportation. The document was signed during a meeting between the two countries' leaders, Recep Tayyip Erdoğan and Gurbanguly Berdimuhamedov, and envisages cooperation in this area between the Ministry of Energy and Natural Resources of Turkey and Turkmenistan's state-owned company Turkmengaz.

Commentary

- Turkey is primarily interested in Turkmen gas because it has to diversify its sources of gas imports. For Ankara this is particularly important as the ability to procure gas from various suppliers, coupled with reducing its own gas consumption, would bring the country closer to its goal of establishing a hub for trading this resource. In consequence, this would also position Turkey as an intermediary in dealings and transactions between suppliers from Eurasia and recipients in the EU. Finally, commencing imports from Turkmenistan would in particular strengthen Ankara's influence in this country, and offer it more opportunities to co-decide on Turkmenistan's policy on exports to Western destinations. Turkey's demonstration of new ways to import gas from countries such as Turkmenistan may also be important for it in the context of upcoming talks on extending its existing gas contracts or signing new ones. This potentially includes the contract with Russia which expires in December 2025 (concerning deliveries via the Blue Stream route, up to 16 bcm annually), and/or the one with Iran which ends in July 2026 (along the Tebriz–Doğubayazıt route, up to 11.2 bcm annually). Data from 2023 indicates that

Ankara imported 21.1 bcm of gas from Russia and 5.4 bcm from Iran, accounting for 51.5% of its total gas imports in the previous year. The option of importing certain quantities of Turkmen gas may at least temporarily reduce the demand for gas from these sources and serve as an argument for negotiating more favourable delivery terms.

- Turkmenistan views the deal with Turkey as a part of the efforts it has been making since last year to diversify the directions of gas exports (for more details, see '*Turkmenistan is looking for new export destinations as its contract with Russia ends*'). Turkmenistan remains heavily reliant on revenues from gas sales. In 2023, its gas production reached 80.6 bcm; over 40 bcm was exported, including around 32–33 bcm to China. This year, there is an additional risk that Ashgabat may lose some of its other markets, which will further deepen its unilateral dependence on Beijing. Specifically, its five-year contract for gas exports to Russia (c. 5 bcm annually) is set to expire by the end of June. As Russia has recently lost a key European market for its own gas and is actively seeking new markets, the chances that it will want to continue importing gas from Turkmenistan are slim. In January this year Turkmenistan suspended its exports of gas to Azerbaijan (which stood at around 1.5 bcm in 2023). Supplies to this country had been realised for two years on a swap basis in collaboration with Iran, but they were cut due to an unresolved dispute over pricing. It is also uncertain whether Turkmenistan will continue its cooperation with Uzbekistan, which is presently based on a yearly contract signed last August (covering supplies of 2 bcm of gas). Securing new markets and partners is essential for Turkmenistan, considering the moves and plans which its competitor Russia is making on the regional gas market. As a consequence of its invasion of Ukraine and gas conflicts with Europe, Russia has been exporting more and more gas to countries that are major markets for Turkmenistan, primarily China. Last year, Russia also commenced gas sales to Uzbekistan while making it clear that it intended to gradually increase the volume of sales, which would effectively make it impossible for Ashgabat to expand its own exports into this destination. Cooperation with Turkey could partially mitigate the loss of markets to Russia, and on a broader scale, could bolster Turkmenistan's position in the face of Russia's revisionist and aggressive moves in the post-Soviet area.
- The Turkish-Turkmen memorandum of understanding is another signal from Ashgabat that it is willing to sell gas to Western destinations, specifically to Turkey, and potentially also to the European Union in the future. Turkmenistan's constructive gas cooperation with Ankara and its developing gas supply plans and delivery routes could lend credibility to its export ambitions in its contacts with European customers and Brussels. Since 2023 Turkmenistan has been making efforts to persuade the EU to revive the idea of the Trans-Caspian Pipeline (TCP); it has also raised this issue in its talks with Russia, which has so far systemically opposed the project. However – since the situation on the European and global gas markets has stabilised, alternative supply sources have been secured, gas demand within the EU has fallen to an unprecedented degree over the past two years and the formal, political and technical challenges linked to the TCP have not yet been resolved – Brussels is currently not really interested in reactivating the costly Trans-Caspian project.

- In addition to the aforementioned problems, the main obstacle concerning exports of Turkmen gas onto the Turkish market, and potentially in the future to Europe, is the lack of a sufficiently developed infrastructure. Given the lack of serious interest from the EU and/or European companies, as well as constant opposition from Russia and Iran, it is highly unlikely that a gas transport route via the Caspian Sea will be built in the coming years. Furthermore, Turkmenistan's complicated relations with Baku, especially regarding energy cooperation, is another serious challenge. Meanwhile, cooperation with Azerbaijan and access to the South Caucasus Pipeline and/or TANAP pipelines would appear to be essential if Turkmenistan wants to expand its gas exports to the West. Apart from disagreements over the commercial terms for continuing Turkmen gas deliveries onto the Azerbaijani market, another current challenge stems from Azerbaijan's perception of Turkmenistan as a potential competitor in Europe. Baku may also be unwilling to take on the political risk linked to supporting Turkmen ambitions to export gas to the West, and consequently expose itself to retaliation from Russia. However, if Azerbaijan and Turkmenistan worked out acceptable terms for their mutual gas cooperation, this could benefit both countries. Azerbaijan, which has been struggling for years to increase its domestic gas production, could use gas supplies from Turkmenistan to supplement its resources, so it could satisfy domestic demand and meet its export commitments, including those to the EU, as it has pledged to increase sales to 20 bcm by 2027. In this way Azerbaijan could use its existing export infrastructure (and potentially expand it), and as a result generate additional transit revenues. Furthermore, in case cooperation with Turkmenistan proves successful, Turkey could also become interested in improving Azerbaijani-Turkmen relations.
- Export via Iran currently seems to be the most viable option for transporting Turkmen gas to Turkey at the moment. Turkmenistan could supply specified volumes of gas to the Iranian market under a swap agreement (using one of the two existing connections with a total annual capacity of around 20 bcm), and Iran would send an equivalent amount westward via the connector to Turkey. This route has an annual capacity of around 14 bcm, while the maximum level of Iranian gas imports contracted by Turkey is around 9.6 bcm (according to media reports they stood at 5.4 bcm in 2023). Moreover, Ankara and Tehran are reportedly planning to build a new cross-border gas pipeline, which – assuming that the infrastructure in Turkey is developed to an adequate extent – could create opportunities for a future potential increase in gas exports from Turkmenistan as well. Ashgabat and Tehran have a history of bilateral gas cooperation: a decade ago, Iran itself imported Turkmen gas, and in recent years, it has facilitated transit from Turkmenistan to Azerbaijan, including through swap transactions. However, Iran can be a challenging partner, as evidenced by instances of unannounced restrictions or interruptions in Iranian gas deliveries to Turkey. Therefore, the commencement of transmission and delivery of the agreed 2 bcm of Turkmen gas onto the Turkish market could serve as an important test for Ashgabat's more ambitious future plans.