

Greetings ladies and gentlemen:

It is truly a pleasure to be addressing you and such an august house this afternoon. I hope to not only inform you with my notes this afternoon but also to engender a new perspective on a very pressing issue in Turkey: energy resources. As you all are aware the quest for energy sources is never ending, exhausting and controversial for both the consumer as well as the business community. As we have seen the price of oil rise higher and higher it is clear that alternatives to this source need to be brought forward and seen to be effective solutions to our world's increasing thirst for energy. While Turkey is involved in many alternative energy projects that will help to produce clean energy, a lot of the technology as well as the energy to be produced is years away. What we need now is a comprehensive plan, especially for the next 5-10 years that will stabilize and calm markets so as to demonstrate to consumers that there is a strategy to ensure resources while cleaner and greener technologies are being developed. My speech tonight will discuss an industry that has become increasingly important to Turkey, Europe and the Middle East, the transportation of natural gas across the region.

### **Why Natural Gas?**

It cannot be denied that energy demands increase and do not generally decrease. In the quest to improve markets, economies and societies, the one constant is the need for energy for production. The energy demand of Turkey is growing by 8% annually, which is quite a highest rate, even for a developing country. Due to the dual forces of industrialization and urbanization we can see that energy consumption is at a level never before seen in Turkey. With these two powerful forces we have seen the Turkish economy gradually rise out of obscurity and into a major player regionally well as a provider of many goods internationally.

One of the reasons Turkey was able to distinguish itself from the other countries of the "developing world" logo is its use of natural gas as a resource to fuel industries. If we look at the actual natural gas production in Turkey we can see that for 2009 it was merely 25 billion cubic feet. Yet its consumption was 1238 billion cubic feet. It is clearly the fastest growing primary energy source in Turkey. While I will not go into the specifics of the economy because I want to address other issues, it is clear that as a net importer of energy, Turkey needs to find cheap resources to drive its industrialization, a major component to its economy.

### **Present Situation: Turkey the Natural Gas Transit State**

When we look at the present situation natural gas situation in Turkey we can note two important issues, lack of supply and geographic proximity. It is true that Turkey itself does not have any major natural gas reserves, as seen per the production and consumption figures. Yet in perhaps a lucky twist of fate, Turkey

is geographically located between two of the largest natural gas deposits in the world, the Caspian Sea and the Middle East.

Turkey is in a strategically advantageous position in terms of its natural gas market and can be considered, a “natural gas transit state”. It can import gas from a number of countries and diversify its sources for itself but its major role is to provide stable and reliable delivery of natural gas. Turkey holds the strategic role in natural gas because it is situated between the world’s second largest natural gas market, continental Europe, and the substantial gas reserves of the Caspian Basin and the Middle East. As we can note a variety of countries may use Turkey as an energy corridor, ranging from Egypt to Saudi Arabia and Turkmenistan or even Khazakistan. One perfect example of a multi-country project that will make Turkey a major transporter is the NABUCCO pipeline, which will be fully functional in 2017. Passing through 5 countries and involving 4 supplying countries, NABUCCO is evidence of the way in which Turkey is developing a reputation as a transit hub. In addition to NABUCCO, the TIGI pipeline is of growing significance to Europe.

### **Of Partnerships and Tariffs**

When we look at the natural gas “equation” in the region, we can say that Turkey is actually the keystone in this complex web. As aforementioned, the country has no resources of its own but in fact is the major conduit for the transportation of the resources from suppliers, in the Middle East and Caspian Sea to consumers in Europe, who are in great need of energy resources. As a distributor of the resource, Turkey should not be seen as a benefiter of the project but more as a major reason for its success. Ahmet Davutoglu, the Turkish Ministry of Foreign Affairs said it correctly when he stated that “Turkey does not act as a bridge between east and west, it is a door.” The implicit message is that Turkey, based on its own volition has the capability to open and close as it chooses. With out a significantly advantageous “carrot”, Turkey can choose to decrease its level of cooperation in any project.

What Europe and Asia *must* recognize is that Turkey is not just a party to the natural gas projects in the region but rather a major player. By accepting Turkey at this level of partnership, certain concessions must be agreed upon for the country. While many parties involved, natural gas suppliers, European politicians and others emphasize the specific advantages that Turkey will receive by this partnership, I would like to look at this idea from another perspective, which is what Turkey is helping others to accomplish as well as the extreme effort Turkey is showing to ensuring this project is realized. In basic terms, Turkey is acting as a middleman between two sides. Because of its advantageous geographic position, Turkey deserves much more recognition as well as certain concessions for its participation in natural gas projects in the region. Without Turkey the NABUCCO and TIGI project would not happen. As a demonstration for Turkish collaboration, the attitude about how Turkey benefits needs to be reevaluated.

Presently, Turkey is privy to a significant amount of revenue from the project. The Southern Gas Corridor Tariff which will result in billions USD per year and will be announced by BOTAS in October. The proceeds of this tariff will be beneficial for the country and can be used to either invest in new projects or funneled into other deserving public works projects. Yet I would posit that for all the cooperation, effort and good will Turkey is showing, there should be more of a financial benefit for the country. This should be in the form of actual revenue as well as a percentage of natural gas awarded to the country for the stable and reliable transportation of energy resources. While some may say Turkey should not use its position to acquire resources for its population, I completely reject this notion for many reasons. First of all, safety is of paramount importance for Turkey. Whenever you are dealing potentially hazardous material, such as natural gas, there is always a possibility of an environmental disaster that may harm the citizens of Turkey or their livelihood. Turkey and Turks should be compensated for this risk. Should something happen, it would be the people of Turkey who most severely feel the effects of a serious disaster. Furthermore if we consider that the EU is exerting significant pressure for the merger of ITGI as well as NABUCCO, there is the potential for greater impact on Turkish environment if the pipeline across Turkey is increased in size.

### **The Immediate Future**

While it is true that the Turkish Government needs to establish a long term and comprehensive energy policy, the short term is looking very positive for the natural gas market. As we know natural gas will continue to offer Turkey some positive and effective solutions that will allow the country to reach its goals. There are some exciting developments on the frontier of this industry in Turkey that have made it a sought-after industry. Our company, USER Corporation is on the very forefront of natural gas development and has been conducting very high level and important meetings with Iran, one of the largest suppliers of natural gas to the country. Having received the license from BOTAS we will be using the main pipeline to transport this essential resource.

### **Conclusion**

Recently, considerable attention has been focused on the energy resources and energy policies in Turkey, with due reason. Energy is one of Turkey's most important developmental priorities and natural gas consumption is the fastest growing primary energy source in Turkey. Demand for natural gas in Turkey is projected to increase dramatically in coming years and energy planning is not possible without a reasonable knowledge of past and present natural gas consumption and likely future natural gas demand. What needs to be developed is both a long term and short term strategy that will evaluate the benefits natural gas will provide for the Turkish market as well as other markets. As the natural gas market stands in Turkey, there is reason to believe that it will be a great asset to the country as a supplementary resource. If Turkey can further its reputation as a stable and reliable partner in the natural gas market then the industry and country can be seen as complementary. Yet as a final note I will mention that

while Europe and the Middle East may think of Turkey as a bridge, I would posit on the topic of natural gas distribution and transit, it is most certainly a door.