Russia vs Turkey

The Geopolitics of the South and the Turk Stream Pipelines

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Introduction

In December 2014 the Russian President, Vladimir Putin, announced the cancellation of the South Stream pipeline, and its replacement by the Turk Stream pipeline. Before examining the geopolitical consequences of the cancellation of the South Stream and its replacement by the Turk Stream one needs to examine the geopolitical framework of the Russian-Turkish relations. This basically means to examine Russia's and Turkey's main geopolitical objectives, and to examine how the objectives of one country affect the objectives of the other.

Picture 1

Russia's most important geopolitical objective is to maintain her dominant role in the European oil and natural gas markets. Russia is the largest exporter of natural gas in the world, and one of the largest exporters of oil. Approximately one third of Europe's oil and natural gas imports come from Russia.

Turkey's most important geopolitical objective is to ensure the country's energy security, because Turkey is very poor in oil and natural

gas reserves. In addition Turkey wants to become the absolute energy hub between the Middle East and Europe, in order to generate huge revenues in transit fees, and to be able to bargain for better prices with the rich in oil and natural gas countries, which will depend on Turkey for their sales. By doing that Turkey will also increase her geopolitical might, because Europe will increase her dependence on Turkey.

Which are the main threats for Russia and Turkey? Which are the main obstacles to their geopolitical objectives? **For Russia the main danger** is the construction of a pipeline network that will connect Europe with the Caspian Sea and the Middle East through Turkey. This pipeline network would send to Europe the natural gas and oil of Iran, Iraq, Turkmenistan, Qatar, Saudi Arabia and Azerbaijan, which are all very rich countries in oil and natural gas. This would mean lower prices and lower market share for Russia's oil and natural gas industry, which account for approximately 70% of the Russian government's revenues.

Picture 2

For Turkey the main danger is the connection of Europe with the Middle East and the Caspian Sea with a pipeline network that will bypass Turkey as an energy hub. This would reduce Turkey's ability to bargain vis a vis the rich in oil and natural gas countries, and it would also reduce Turkey's geopolitical significance, because it would reduce Europe's dependence on Turkey.

Picture 3

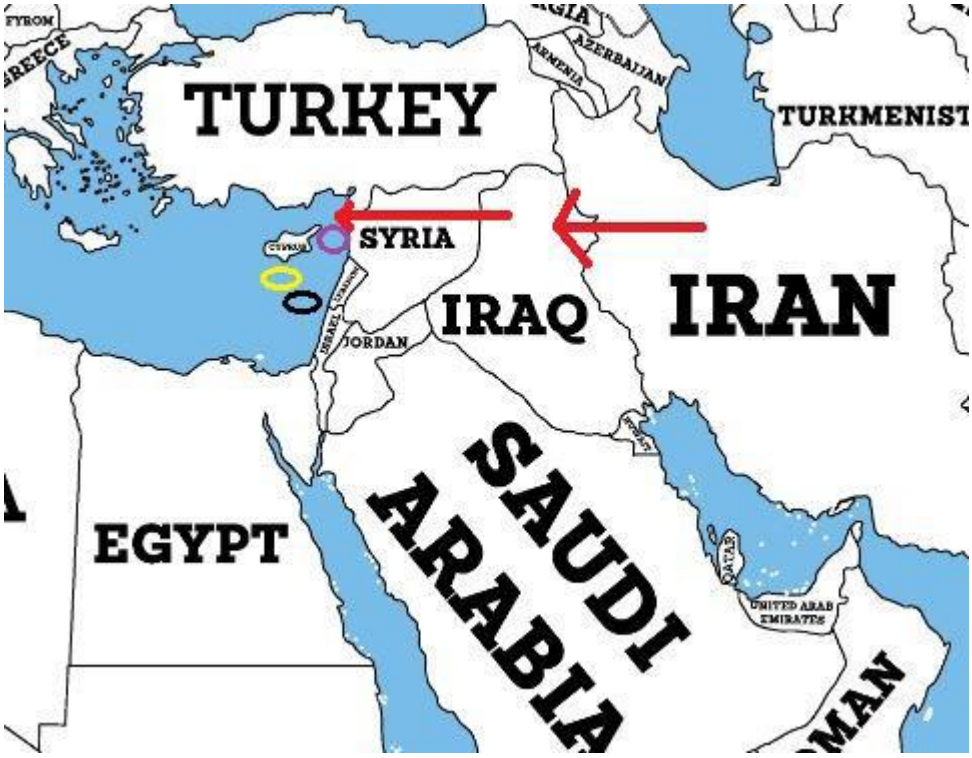
In the past there have been two main efforts to bypass Turkey as the absolute energy connection between Europe and the Middle East. The first one was the Iran-Iraq-Syria pipeline, see the red line on the above map, and the other was the East Med pipeline (Israel-Cyprus-Greece), see the yellow line on the above map. Turkey attacked both Israel and Syria. Turkey attacked Syria with the help of Saudi Arabia, Qatar and UAE, and Turkey attacked Israel with the help of Qatar and Iran. Turkey and Qatar support Hamas, the Muslim Brotherhood affiliate that runs Gaza, and Iran supports Hezbollah, the shite military organization that operates at the borders of Israel and Lebanon. For more information see "USA Russia & China in the Middle East: Alliances & Conflicts".

The above represent the main geopolitical objectives of Russia and Turkey, and the main threats to their geopolitical objectives. What is very important is that Turkey is the main threat for Russia's geopolitical objectives, and Russia is the main threat for Turkey's main geopolitical objectives. It is mainly through Turkey that a competing to Russia pipeline network can be constructed, in order to send Iranian, Iraqi, Qatari, Azerbaijani and Turkmen natural gas to Europe. At least that's the best option, because the other options require the construction of long underwater pipeline networks, which are much harder to construct and they also cost a lot more.

Russia is behind the Iran-Iraq-Syria and the East Med pipelines. Gazprom agreed to construct and manage the Iran-Iraq-Syria pipeline, which would bypass Turkey (red line at the following map). An LNG plant would be built in Syria or Lebanon, which would liquefy the natural gas and send it to Europe or Africa with LNG carriers (ships). The pipeline would carry Iranian and Iraqi natural gas. In addition Russia agreed with Syria to

exploit Syria's off-shore natural gas fields in the Mediterranean Sea (purple circle at the following map).

Picture 4



Moreover Russia formed an alliance with Cyprus and Israel in the East Mediterranean Sea. Both Israel and Cyprus have found natural gas reserves in the Mediterranean Sea (see black and yellow circles on the above map). Cyprus and Israel would be very happy to sell their natural gas to Europe through the East Med Pipeline (Israel-Cyprus-Greece), or by liquefying their natural gas at an LNG plant, which would be built in Cyprus, and then ship it to Europe.

With the plans for the Iran-Iraq-Syria pipelines, and the alliance with Cyprus and Israel, Russia managed to become for Turkey what Turkey was for Russia i.e. a geopolitical headache. Russia managed to become a geopolitical headache at the south of Turkey, in the same way that Turkey was a geopolitical headache at the south of Russia. In the same way that Turkey bypasses Russia from the south, with the TANAP and TAP

pipelines (purple lines), Russia can bypass Turkey from the south with the Iran-Iraq-Syria and the East Med pipelines (red and yellow lines).

Picture 5

It must be mentioned that the East Med pipeline is not completely controlled by Russia, as it would have been the case with the Iran-Iraq-Syria pipeline, but Russia's alliance with Cyprus and Israel makes life for Turkey much harder.

The last factor that must be taken into account when examining the Russian-Turkish relations is the large trade in the energy sector between the two countries. Turkey is the second largest importer of Russian natural gas, with Germany being the largest, as you can see at the following table from the site of Gazprom.

Picture 6

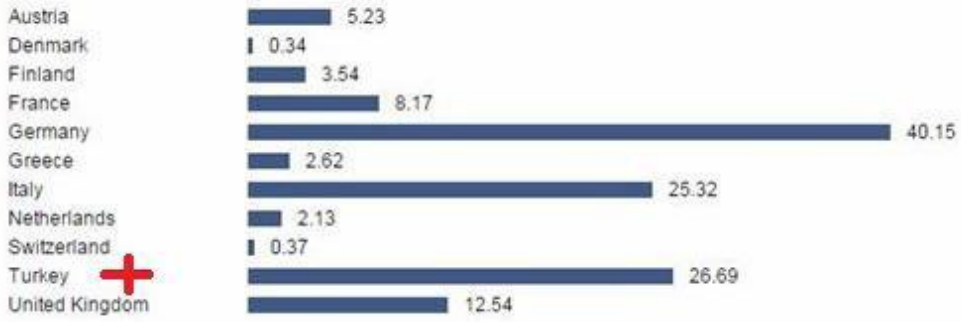
Gas supplies to Europe

Natural gas exports made to countries outside the former Soviet Union by Gazprom Export (billion cubic meters)

Year	1973	1975	1980	1985	1990	1995	2000	2005	2010	2011	2012	2013
Total	6.8	19.3	54.8	69.4	110.0	117.4	130.3	154.3	138.6	150.0	138.8	161,5

In 2013, Gazprom Export supplied 161.5 billion cubic meters of gas to European countries. Western European countries accounted for approximately 79% of the company's exports from Russia, while Central European states took 21%.

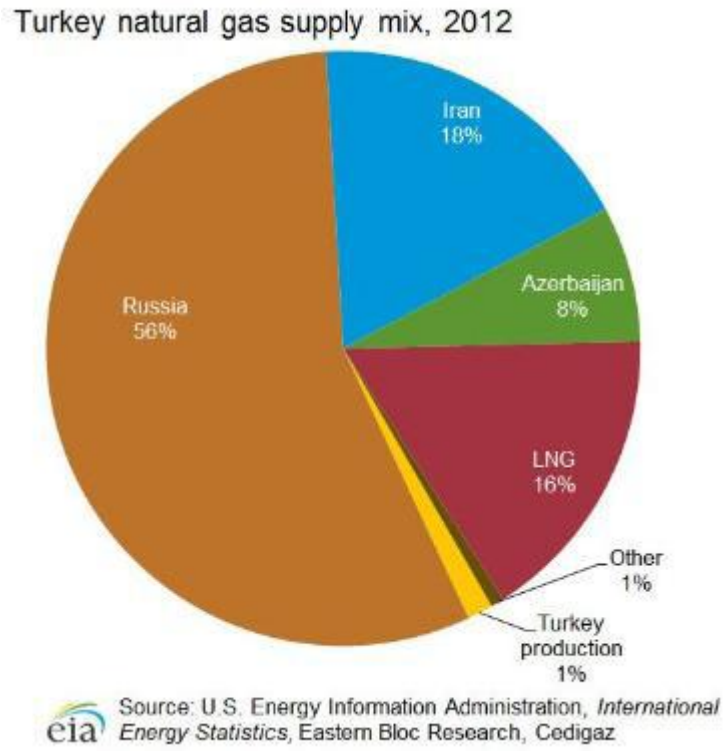
The Western European market (including Turkey) consumes the bulk of Russian exports.
In 2013, Gazprom Export delivered **127.1** billion cubic meters of gas to markets in the region:



Πηγή:: Gazprom http://www.gazpromexport.ru/en/statistics/

Russian natural gas accounts for 56% of the Turkish imports, as you can see at the following pie chart of the Energy Information Administration.

Picture 7



http://www.eia.gov/countries/cab.cfm?fips=tu

The above 5 points are the main elements of the geopolitical framework that should be used in order to analyse the Russian-Turkish relations. The first one is the energy corridor Turkey-Europe i.e. (TANAP-TAP). The second one is the energy corridor Middle East-East Mediterranean Sea-Europe (Iran-Iraq-Syria and East Med Pipelines). The third one is Turkey's energy dependence on Russia. The fourth one is that Turkey is Gazprom's second largest customer. The fifth one is that most of Russia's income comes from her oil and natural gas sales in the European markets.

The 21st Century Conflicts Between Russia & Turkey

In this section I will describe in more detail the conflicts between Russia and Turkey. As you can see at the following map, both Russia and

Turkey are of strategic importance for the energy security of Eastern European countries.

Picture 8

The countries of Western and Southern Europe have alternatives to the Russian natural gas and oil. They can import oil and natural gas from Algeria and Libya, through pipelines, but also with the use of ships from Saudi Arabia, Qatar, Iraq, Iran, Kuwait and the United Arab Emirates, which are among the largest producers and exporters of oil and natural gas in the world.

On the contrary it is very difficult for the countries of Eastern Europe to find alternatives to the Russian natural gas and oil. Therefore they have to pay higher prices and they are vulnerable to Putin's political manipulations. Their main alternative is Norway, which has 2 trillion cubic meters of natural gas reserves, but Norway is facing a falling

production due to overexploitation of her reserves and due to the aging of her gas fields. Their other alternatives are the UK, which already imports more natural gas than it exports, and has become a net importer, and the Netherlands, which have small reserves and also face a falling natural gas production.

For the natural gas production of the European Union see page 8 of the following table from an article of the American Congress, titled "Europe's Energy Security: Options and Challenges to Natural Gas Supply Diversification", August 2013. Figures are given in cubic feet, and they must be divided by 35 in order to be converted to cubic meters. As you can see it is only England and the Netherlands which have satisfactory production levels, but it is only the Netherlands which produces more than it consumes, making the Netherlands the only net exporter of natural gas in the European Union.

Picture 9

Units equal billion cubic feet per year (bcf)

	Natural Gas Consumption	Natural Gas Production	Natural Gas Imports[a]
Austria	318	64	268
Belgium	597	0	1,084
Bulgaria	95	14	95
Croatia	100	57	48
Cyprus	0	0	0
Czech Republic	290	5	353
Denmark	138	226	0
Estonia	20	0	22
Finland	109	0	109
France	1,501	22	1,600
Germany	2,656	318	3,065
Greece	148	0	102
Hungary	343	109	208
Ireland	159	7	187
Italy	2,426	275	2,359
Latvia	51	0	55
Lithuania	117	0	192
Luxembourg	39	0	34
Malta	0	0	0
Netherlands	1,285	2,257	512
Poland	586	148	385
Portugal	166	0	73
Romania	477	385	115
Slovakia	212	4	145
Slovenia	31	0	26
Spain	1,109	6	1,225
Sweden	39	0	39
United Kingdom	2,765	1,448	1,734
TOTAL	**15,776**	**5,402**	**14,038**

Sources: BP Statistical Review of World Energy 2013 and Eurogas.

Notes: Imports plus internal production does not equal consumption because some countries export imported

https://www.fas.org/sgp/crs/row/R42405.pdf

The article was written in 2013, and it refers to 2012, and it gives the Dutch production at 65 billion cubic meters (2.257 billion cubic feet). However the Dutch production has fallen, as you can read at the following Reuters article, titled "Dutch to cut output from huge Groningen gas field", January 2014. The reason for the fallen production is that the Dutch are wary about the earth tremors that are taking place near their largest gas field, Groningen, which is also the largest gas field of Western Europe.

1st Paragraph

The Netherlands will cut gas production at Groningen, the largest gas field in western Europe, by about a quarter over the next three years, the Economics Ministry said on Friday, bowing to public concerns over earth tremors in the area.

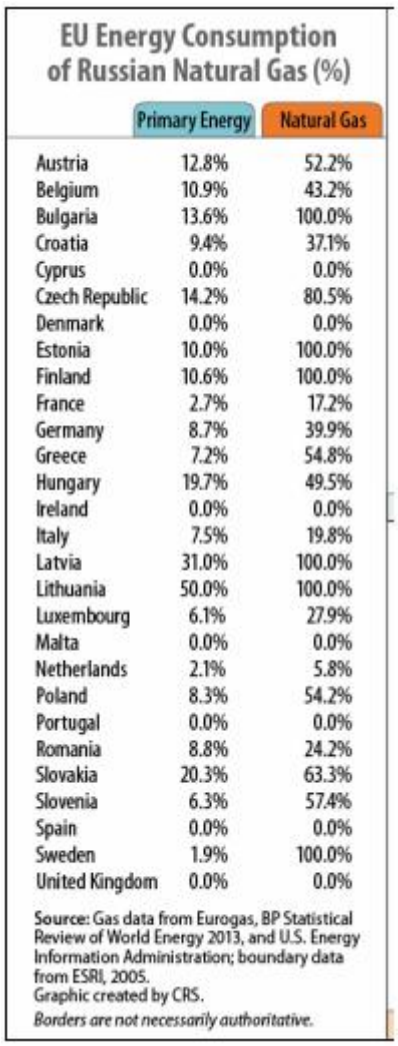
8th Paragraph

The ministry said production would be cut in 2014 and 2015 to 42.5 bcm and in 2016 to 40 bcm, adding that it was technically possible to reduce Groningen's output to 30 bcm a year and still meet domestic demand.

http://www.reuters.com/article/2014/01/17/netherlands-gas-idUSL5N0KR1C820140117

At the 10th page of the Congress article I just mentioned, you can see a table with the dependence of the individual countries of the European Union on Russian natural gas. There are 6 countries of the EU which import 100% of their natural gas from Russia i.e. Estonia, Latvia, Lithuania, Sweden, Finland and Bulgaria. Please note that Lithuania recently built a floating LNG terminal in the Baltic Sea and now has a minor alternative.

Picture 10



EU Energy Consumption of Russian Natural Gas (%)

	Primary Energy	Natural Gas
Austria	12.8%	52.2%
Belgium	10.9%	43.2%
Bulgaria	13.6%	100.0%
Croatia	9.4%	37.1%
Cyprus	0.0%	0.0%
Czech Republic	14.2%	80.5%
Denmark	0.0%	0.0%
Estonia	10.0%	100.0%
Finland	10.6%	100.0%
France	2.7%	17.2%
Germany	8.7%	39.9%
Greece	7.2%	54.8%
Hungary	19.7%	49.5%
Ireland	0.0%	0.0%
Italy	7.5%	19.8%
Latvia	31.0%	100.0%
Lithuania	50.0%	100.0%
Luxembourg	6.1%	27.9%
Malta	0.0%	0.0%
Netherlands	2.1%	5.8%
Poland	8.3%	54.2%
Portugal	0.0%	0.0%
Romania	8.8%	24.2%
Slovakia	20.3%	63.3%
Slovenia	6.3%	57.4%
Spain	0.0%	0.0%
Sweden	1.9%	100.0%
United Kingdom	0.0%	0.0%

Source: Gas data from Eurogas, BP Statistical Review of World Energy 2013, and U.S. Energy Information Administration; boundary data from ESRI, 2005.
Graphic created by CRS.
Borders are not necessarily authoritative.

https://www.fas.org/sgp/crs/row/R42405.pdf

Norway, which is not a member of the European Union, also faces a falling oil and natural gas production, due to the aging of her oil and natural gas fields, as you can read at the following International Resource Journal, titled "Norwegian Oil and Gas: Managing Decline of a Sunset Industry".

1st, 2nd , 3rd Paragraphs

With Norwegian production now passed its peak, oil and gas output is expected to drop rapidly within relatively few years, combined with the absence of major discoveries over the last decade, this will present a considerable challenge for

maintaining value creation and a sustainable level of activity on the Norwegian Continental Shelf.

The remaining resource potential is large but will this decline be adequately met by the commercialisation of many smaller finds in mature areas of exploration? Opportunities for future output growth rest primarily on large new discoveries but this is an unlikely prospect at best. In light of this reality how is the Norwegian oil industry seeking to manage its decline?

http://www.internationalresourcejournal.com/features/june_09_features/norwegian_oil_and_gas.html

At the following Financial Times article, titled "UK warned over dependence on Qatar gas", January 2012, you can read about the problems that England is facing due to the falling production of natural gas in Norway, England and the Netherlands. You can also read that England has to find alternatives, either in Russia or Qatar, and England is currently over dependent on Qatar for natural gas. The article says that so much dependence on Qatar is very risky for England, because Qatar can find better prices in Asia, but also because Qatar would cut supplies if a war in the Persian Gulf was to break out.

1st, 2nd , 3rd, 4th, 5th, 6th , 7th, 8th Paragraphs

Britain's dependence on Qatari liquefied natural gas has grown so stark that, last year, all but two cargoes of the product shipped into the UK came from the small Persian Gulf state.

The situation is about to get worse, analysts say, raising profound questions over UK energy security.

Not only is Iran threatening to cut off all Qatar's LNG exports by blocking the critical Strait of Hormuz waterway, but even if that does not happen, the UK will be unable to rely so heavily on Qatar in the coming years.

Unlike other European nations, Britain has not guaranteed its LNG cargoes with long-term fixed contracts. Deutsche Bank calculates that only 24 per cent of the UK's

LNG coming from Qatar is secured under fixed contracts, meaning the rest can be diverted to the highest international bidder.
The Qatari gas the UK relies on has in part taken the place of more reliable gas from the UK's own North Sea, whose production is quickly declining because of the age of the fields and dwindling investment.
In fact, Qatar's supply to the UK grew 67 per cent from 2010 to 2011, according to the Department of Energy and Climate Change.
In contrast, the UK's indigenous production has fallen at an average annual rate of 6.2 per cent since 2005.
Imports from Norway, Britain's second-biggest foreign supplier after Qatar, fell 17 per cent from 2010 to 2011, and LNG from suppliers other than Qatar all but dried up amid increasing competition from rival customers, such as Argentina and South Korea.
http://www.ft.com/intl/cms/s/0/c403bec6-3f63-11e1-ad6a-00144feab49a.html

I must say that England's energy dependence on Qatar is one of the reasons that England supports the Hamas, the terrorist organization that runs Gaza and attacks Israel. Hamas is funded by Qatar, and therefore England has to support Hamas, at least partially, in her conflicts with Israel. Another factor that explains the English support to Hamas is the billions of dollars that the Qataris have invested in England. You can read about the Qatari investments in England at the following Guardian article, titled "How much of London is owned by Qatar's royal family?", December 2014
http://www.theguardian.com/world/shortcuts/2014/dec/09/london-qatar-royal-family-regents-park-200m-palace-harrods

You can also read about Britain's problems in finding energy sources at the following Oil Price article, titled "Britain Faces Difficult Winter Due to Tight Norwegian Natural Gas Supplies", September 2013.