

International Energy Policies

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Edited by

Giray Saynur Derman

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INTRODUCTION

Primarily energy obtained from fossil fuels (coal, oil and natural gas), which has been stored for hundreds of millions of years, started to be used intensively with the industrial revolution. Then, nuclear and renewable energy produced add diversity to the energy resources.

Energy has become the basic principle of life today. Political transformations, wars and conflicts experienced at an unbelievable speed for the sake of owning energy resources, led mainly by oil and gas, reveal what an important role the energy factor has in the world. The fact that energy reserves are clustered in certain geographies of the world and that the need for energy increases in parallel with the ever-increasing world population emerge as the main determinant of energy policies. As it is well known that the resources are limited and the human factor is helpless at this point, all countries are putting into effect the rules of law to play the right card and are already putting into effect some measures that will ensure their future. Countries with very high consumption rates put forward many legal texts in order to establish their energy supply security. The European Union is one of them.

All kinds of political decisions taken to ensure energy security and the strategies, plans and practices developed for the realization of these decisions are called "energy policies". Energy policies can also be defined as strategies, plans and implementation objectives developed to manage the economic, diplomatic and political interaction between the actors that produce, process, distribute, consume and control/affect the global energy flow (energy regime) in line with the interests of the country. Besides, energy policies have to consider issues such as climate change and environmental security at least as much as energy security.

The concept of "energy security" refers to the situation in which the supply of energy is permanently secured at the requested place, time, in sufficient quantity, in quality (not causing environmental problems) and at reasonable prices. In other words, energy security is the continuous supply of energy from reliable, clean and diverse sources/countries at reasonable prices and in high efficiency; access to sufficient amounts of energy resources from a stable price and stable source, by means of transport that is not actually threatened (pipeline, suitable sea routes, etc.) and within the framework of fair distribution; rational and efficient use of energy in the

World. It can be defined as the continuous availability of energy services that the economy needs. By energy policies, it is meant all kinds of political decisions taken to direct the flow of energy in this sense and the strategies, plans and practices developed for the realization of these decisions. Energy policy can also be defined as the strategies, plans and implementation targets developed to manage the economic, diplomatic and political interaction between the actors that produce, process, distribute and consume energy in line with the interests of the country. “Energy” and “modern politics” have become two intertwined concepts that cannot be considered separately. Although energy creates a cooperation ground for producers through organizations such as OPEC, OAPEC and OPEC+, there are often market share struggles between producers, struggles between producers and consumers, and most importantly, the efforts of big states to control energy valves in order to establish hegemony over both producer and consumer countries. It is a major source of conflict for many reasons.

On the other hand, the main responsible for problems such as environmental pollution and climate change/global warming is the dimension of energy use in modern life. Climate change is not only a problem related to the quality of life and the environment, but has become a problem that threatens the human race and global security. In this respect, energy is one of the most important components of governance in global politics. Therefore, the energy sector, which consists of alternative sub-sectors such as nuclear and renewable as well as fossil fuels such as oil, natural gas and coal, is one of the most important factors in terms of foreign policies and the functioning of the international system, as well as the domestic policies of the countries. It is and especially one of the main determinants of the interaction between domestic and foreign policy. Fossil fuels are responsible for the emission of gases such as carbon dioxide and methane into the atmosphere that cause climate change, in short, the environmental problems experienced today. For this reason, energy security policies cannot be carried out by relying on companies that seek short-term profit and aim to survive in the sector at all costs. Market instruments are insufficient in solving problems such as resource diversification; such as production, transportation, refinery and storage, the construction of adequate infrastructure at the national level in matters and preventing the use of energy as a political weapon by the producer, hegemon and transit countries. Because more than 70% of fossil fuel resources at the global level are in the hands of the states. The share of investments made by the states in matters such as production, refinery and

distribution is quite large. Therefore, energy security must be based on long-term strategies with strong political footing.

Today, global energy policies are mainly determined by oil and natural gas. The regions that shape the basis of these policies are the Middle East, Central Asia and the Caspian regions, which have the largest share in terms of reserves. The most important region of the world in terms of Oil and Natural Gas is the Persian Gulf. Kazakhstan has also the largest oil resources in Central Asia mainly concentrated in the Caspian Sea region. Revenues from oil exports is the primary source of income for the state budget of Kazakhstan and essentially important for the entire economy of Kazakhstan. Europe is the major market for Kazakhstan's crude oil. There is an important global competition in the exploration, production and delivery of oil and natural gas to international markets. There exists many problems in marketing the resources of Russia and Iran, which are important actors in the global energy markets and despite the ongoing issues USA, EU, China, India and Turkey are trying to implement multi-dimensional policies in order to obtain the energy they need from alternative sources uninterruptedly, cheaply and safely. Turkey is a hub between the energy producers and consumers and has a strategic importance for oil and natural gas which makes it a candidate country to become an energy market in the future. For this reason, it is of great importance for Turkey to ensure resource diversity, supply security and continuity in oil and natural gas imports, and to develop energy transportation projects.

Nowadays the world energy system is at a crossroad. The current global trends in energy supply and consumption are clearly not sustainable, from an ecological, economic or social point of view. However, that can - and must - be changed. There is still time to change the course. It is no exaggeration to claim that the future well-being of humanity depends on how well we manage to overcome the two key energy challenges we face today: securing a reliable and affordable energy supply and swiftly switching to a more efficient and environmentally friendly energy system, the low-carbon one. It doesn't take anything less than an energy revolution.

In this book, international energy policies are analyzed from a general perspective with the inclusion of future consumption provisions. The energy policies of regional and global actors such as the European Union, United States of America, Russia, China, Turkey and Kazakhstan are particularly evaluated.

The International Energy Policies book is organized in three divisions. In the first part, under the title of Country Based Analysis; Mesut Hakki

Caşın analyzed the energy resources of the USA. After that Kutay Karaca and Müge Yüce evaluated China's Middle-East policy based on energy perspective. Then, Meral Balcı studied the energy problems in Turkey. Arzu Al and Hayri Kaya evaluated the energy politics of Russia. Sina Kısacık analyzed Russia's reformed energy policy during the Crimean crisis. Emrah Ceylan and Mert Gül studied energy from the perspective of Japan. The second part of the book analyzes the energy from the perspective of regional concerns. Asia Pasific's energy policy has been prepared by Deniz İstikbal. Hasan Korkut, Endris Mekonnen Faris and Hamza Preljevic figure out the relationship between energy and politics in the Western Balkans. Energy policies involving Latin America is scrutinized by Gökhan Katıtaş. After that Ferit Belder examined the Middle East's energy policy. Alaeddin Yalçınkaya has prepared the Caspian Basin's energy policy. Meanwhile the Blacksea Basin's energy policy has been prepared by Meltem İrteş Gülşen. In the third part authors contributed under the title of The Impact of Global Energy Policies on Developing Countries. Gülden Ülgen, İpek Yurttagüler and Sinem Kutlu Horvath scrutinized the effects of unstable oil prices in developing countries. After this section Giray Saynur Derman analyzed how energy affects on the Kazakhstan's foreign policy. Meral Balcı and Serkan Yavuz examined the evaluation of TurkStream Pipeline in terms of Turkey and Russia while Furkan Kaya researched the main parameters of the importance of Cyprus in the context of eastern Mediterranean energy security. Finally Bilgin Birlikseven reviewed the renewable energy. A book can hardly cover all the matters and issues about energy and policies of the whole world, however we tried to gather all the current important hot topics in this book.

All economic activities somehow interact with national and global politics, but in the modern era, the energy sector has always been one step ahead in this regard. In this book, the interaction of energy-politics and energy international relations is examined with the aim to emphasize the importance of energy policies in terms of political and economic aspects under the title of Energy / World Energy Politics. I would like to thank all the authors and their valuable contributions for their publications.

Prof. Dr. Giray Saynur Derman

PART I:
COUNTRY-BASED ANALYSIS

CHAPTER ONE

U.S. GLOBAL ENERGY'S DOMINANT LEADERSHIP ROLE AND EURASIAN ENERGY SECURITY PARAMETERS IN THE 21ST CENTURY

MESUT HAKKI CAŞIN*

Introduction

For decades, U.S. presidents have pursued energy policies aimed at reducing America's dependence on foreign oil. The first Commander-in-Chief to achieve the goal of energy independence could be President Donald Trump, with the United States expected to become a net energy exporter by 2021 next year. But in typical Trump fashion, this is not enough. The new goal: energy dominance. Spurred by America's continuing oil and natural gas boom, the Trump administration is promoting the export of U.S. energy products all over the world, and along with these, the country's values and worldview. When the White House rolled out its new energy policy in June 2017, officials reiterated America's need to become self-reliant. An energy-dominant America "means a secure nation, free from the geopolitical turmoil of other nations who seek to use energy as an economic weapon," U.S. Energy Secretary Rick Perry said in 2017. The main difference, however, is the focus on exporting energy and influence. "An energy dominant America will export to markets around the world, increasing our global leadership and our influence," Perry said (Mai, 2019). On the one hand, for hydrocarbon-holding and producing states, the security of demand is of great significance for them. On the other side of the coin, for energy-hungry states, the security of supply is a vital issue in contemporary times. The states that are situated in these two groupings need the hydrocarbon trade in order to sustain their current political, economic, security and social

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systems. Therefore, in this sense, these two groups necessitate each other, and this necessity has resulted in the complex relations between them. Especially since the fall of the Soviet Union at the beginning of the 1990s, there has been great competition between the U.S.-led and Russian-led hydrocarbon transportation projects. This competition occurs within the context of pipelines and liquefied natural gas (LNG) transportation by tankers. In this regard, an important game-changing development happened in the U.S. at the beginning of the 2010s with the advancement of shale gas and oil technologies in the world energy market. Following this development, the U.S. has become an important net energy-producing state and has been prioritizing the export of its natural gas resources to the world's markets via LNG. But there exist some problems before it.

In this context, Washington has also been attaching ever-increasing significance to the alternative natural gas transportation projects that aim to bypass the Russian Federation in the Southern Gas Corridor, namely the Trans-Anatolian and Trans-Adriatic Pipelines. Also, as part of this grand strategy, it has tried to develop multidimensional policies, including sanctions against the implementation of Russian-backed natural gas transportation projects, that is to say, the Nord Stream, in which projects are exclusively developed for European energy markets. By taking into consideration these abovementioned parameters, this paper will try to discuss the noteworthy energy security parameters put forward by the U.S. towards the Eurasia region in the 21st century. Washington's liquefied natural gas exportation in the 21st century will be elaborated in the first part of the paper. Washington's policies towards the implementation of the Southern Gas Corridor will be discussed in the second part of the paper. Washington's disapproval of Russian-backed Nord Stream II natural gas pipeline projects will be analyzed in detail in the third part of the paper.

The Liquefied Natural Gas Export Policy of the U.S. in the 21st Century: Can It Be a New Game Changer in Eurasian Energy Geopolitics?

The United States' energy policy from 1973 to the present has been a sequence of initiatives based on a strategy of "oil avoidance." The purpose of the 1973–74 Arab "oil weapon" was to force changes in the policies of states towards the Arab-Israeli conflict. This is a stance that can be traced across all administrations, starting with President Richard Nixon during the Arab oil embargo in 1973. This began with the 1973 oil crisis, when the oil to avoid was from Middle Eastern suppliers, and has lasted until today, when the prevailing electrification policies of coal and nuclear

power development – the energy options the United States has favoured – still predominate. The U.S. “National Energy Policy” report calls for greater energy efficiency, modernized energy infrastructure and increased energy supplies. The policy is a comprehensive package of proposals whose main objective seems to be to satisfy the ambitions of the energy industries either by easing environmental rules or by opening public lands for exploration. The policy makes, however, no reference to the Kyoto Protocol. The U.S. electricity sector is in the midst of a major change as power producers shift from coal to natural gas as their primary fuel. From 2007 to 2013, coal’s share of the U.S. electricity mix declined from about half to just 39%, while natural gas generation’s share grew from 22% to 27%. Higher coal prices, standards aimed at limiting harmful pollution from coal-fired power plants, and sharp declines in natural gas prices driven primarily by U.S. shale gas production are leading utilities to choose natural gas over coal to meet electricity demands. The choices being made in the power sector today to replace retiring coal power and meet our growing electricity needs merit further examination because they will have major consequences for the country’s economy, health and climate for decades to come (Deyette et al., 2015, pp. 1-5).

In 2007 and 2008, there was a fast upturn in the internal production of the United States’ natural gas. It might be asked if the energy industry had predicted the solemn decline in terms of its domestic production within the United States and if LNG had been seen as the only response to this problematic. Nonetheless, subsequently, there were some effective technological advancements. The energy industry began to comprehend that an original improvement was happening in which numerous energy companies were focusing on prodigious international LNG projects that were thought to be essential to counterweight the strong reduction in the natural gas reserves of the U.S. After this development, shale gas production would withstand the upsurge, which was entitled the “Shale Gale”. Because of the escalation in supply and the further progression of capacity, expenses would drop. In that manner, shale gas has established itself to stand cheaper than conventional natural gas resources. For instance, in 2000, shale gas formed merely 2% of the gas supply. Since 2012, it has constituted 37%, and within twenty years, it may perhaps attain 65%. Shale gas has helped out the conversion of the U.S. natural gas market. It has similarly started to become effective in climate change and energy security considerations. On account of the swift and widespread growth of shale gas and its effects on the markets, in the 2010s, it was assessed as the most central innovation in the energy field since the start of the 21st century. So, with the shale gas revolution, North America’s natural

gas basin, now estimated at 3,400 trillion cubic metres (tcm), will possibly be supplying the remaining consumption phases for over a hundred years. Besides, President Barack Obama underlined that *“Recent innovations have given us the opportunity to tap larger reserves – perhaps a century’s worth – in the shale under our feet. The potential here is enormous”*. When observed within the context of natural gas, the United States ensures an encouraging state of affairs. For the statistics issued by BP in 2016, the natural gas reserves of the United States were 10.4 tcm as of the end of 2014, which is equivalent to 5.2% of the world’s recoverable natural gas reserves. Likewise, natural gas production in that year equated to 728.3 bcm and consumption was measured at 759.4 bcm. Between 2013 and 2040, a 45% upsurge is estimated in natural gas production, owing to the anticipated production to be attained from the fields currently possessing low penetrability (Kısacık, 2017, pp. 233-236).

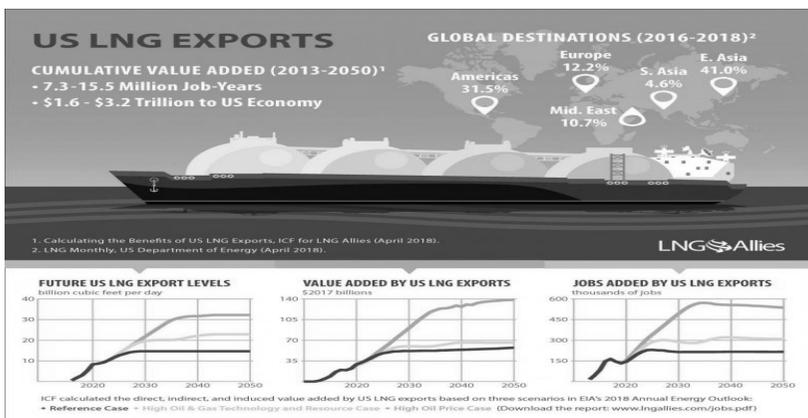


Figure 1: US LNG Exports. Source: USEA, n.d.

It should also be considered that the values and the volumes of natural gas are related in the spot market. In today’s world, most LNG trades connect the natural gas price to the oil price. Nonetheless, in the U.S., as a result of the shale gas revolution, this association has been wrecked, and the common 7:1 ratio between natural gas and oil prices has augmented to more than 20:1. This condition aids the affordability of the United States’ LNG exports when compared with LNG exports from Qatar and Russia, breaking the linkage between oil and natural gas pricing. Along with this, LNG contracts are typically secured to particular routes which disallow trading. In that sense, LNG exports from the U.S. will not encounter anti-

trust commercial procedures and, for that reason, one can straightforwardly indicate the appearance of a spot market. As a final point, the potential LNG exports from the U.S. are supposed to disconcert Gazprom's pricing policy in Europe, which is also causing the lowering of natural gas prices all over the world. Kristīne Bērziņa from the Latvian Institute of International Affairs put forward the following considerations on this issue in 2013:

The shale gas revolution may possibly have some impacts on Europe. Firstly, the Qatar LNG that was reserved for the American market has shifted its route to Europe, which means an extra gas source for the continent. Secondly, the spot market in the United States has clearly put forward that the natural gas price is not obliged to be determined by oil prices, which has permitted European gas importers to renegotiate their long-term deals' terms with current suppliers. In that sense, for instance, ENI, PGNiG and EON would get more suitable terms with Gazprom. Thirdly, Washington possibly will export its less expensive gas to Europe as of 2018. Within that context, it should be mentioned that the shipping of gas bonanza to foreign countries can be realized after the approval of two LNG exportation projects by the US Department of Energy. Even though much gas is anticipated to go to more lucrative Asian markets, the European buyers have already contracted for American supplies. (Caşın & Kısacık, 2018, pp. 339-340)

As said in the European Parliament's detailed analysis of possible oil and gas exports from the U.S. to Europe that circulated in February 2016, LNG terminals positioned in Europe undermine the efforts to branch out natural gas sources not only from the U.S. but also from Australia, Iran, Qatar, Tanzania, Angola and Mozambique. On the other side of the coin, the construction of new LNG plants in the E.U. is favourable for long-term forecasts of Washington's natural gas exports to the Union. On the other hand, two commercial terms have got to be fulfilled for the burgeoning of the United States' LNG trade with the E.U., which are that the prices paid by European buyers for the United States' natural gas are required to remain modest with regard to the lower prices of Russian natural gas and the prices that U.S. firms obtain in order to trade in natural gas in the E.U. should be similarly parallel with the higher prices in Asia. However, when the present energy prices are taken into consideration, it is most likely to be commercially impracticable for Europe to import U.S. LNG in the short run, for it must contend with other gas resources conveyed through European pipelines and LNG. The potential race between the current LNG market and new Russian gas pipeline projects might further reduce natural gas prices. In that sense, the European LNG demand may either surge or

drop. Nevertheless, strategic circumstances are specifically reducing the dependence of the E.U. on Russian natural gas supplies and, likewise, the need to differentiate suppliers could assist in comprehending the energy investments outside market conditions (Kıscak, 2017, pp. 238-240). Furthermore, the forecasts on LNG demand remain undefined. Within that framework, two scenarios can be set forth as follows:

- A scenario grounded on high demand anticipates that the demand for LNG will sharply increase by 42% within the next 10 years and reach 113 bcm as a result of decreasing coal use within the European Union. Of this increase, 90% of the demand will be met by Australia and the United States, however Russian gas consumption will not decrease in a significant manner.
- A scenario grounded on low demand envisions a minor rise in terms of gas importations due to uncertainties and truncated economic growth (Caşın & Kıscak, 2018, pp. 341-342).

Consequently, the U.S. cannot be a substitute natural gas supplier for Europe in adjacent terms owing to the non-appearance of its LNG export plants and reduced prices of its LNG. When the long-term situation is deliberated, it is much more favourable despite the fact that the LNG capacities are anticipated to upsurge in a significant manner within the coming decades. Nevertheless, the percentage of U.S. LNG that might be held in reserve for meeting European demand is not adequate for playing a game changer role within the framework of the E.U.'s energy security. For instance, in June 2016, Paris announced that it was in search of a ban on LNG imports from the U.S. due to environmental and electoral factors. In this context, the contracts taken out by EDF and ENGIE with LNG companies from the U.S. could be annulled. When we come to Berlin, considered the prime natural gas market of Europe, it has at no time thought of acquiring U.S. natural gas. It has not built an LNG import facility. Berlin remains more focused on its efforts to grow natural gas imports from Moscow through the prolongation of the Nord Stream pipeline's connection with the Eastern hydrocarbons supplier in an original project termed Nord Stream 2. The situation in Poland, which contains the major market of Central and Eastern Europe, is interesting in that sense. On the one hand, due to the energy security considerations, an expensive LNG facility at Świnoujście on the Baltic coast was built by Warsaw in order to bring in profitable Qatari natural gas. On the other hand, as a result of pressures within domestic politics, Poland has been encouraging the use of CO₂-belching coal for electricity production and

Moreover, Ukraine and Georgia have declared their intentions within the context of the construction of regasification terminals. On the other hand, the Russian Federation, now the prominent natural gas exporter through pipelines, does have targets for the expansion of its LNG export capacity with four more plants. At the moment, Moscow's sole LNG liquefaction facility is positioned on Sakhalin Island in the Far East (Grigas, 2017, p. 80).

According to the well-known rating agency Moody's report entitled "Global Liquefied Natural Gas Industry: Market Imbalance Will Continue Beyond 2020, Keeping a Lid on Prices", it is projected that global LNG prices will remain low in the post-2020 period on account of the arrival of a fresh supply while the demand coming from the world's top exporters will continue declining. In that sense, the global oversupply will stand to reach virtually 55 million tonnes annually in 2019. It is likewise specified that imports to Japan will shrink to 80 million tonnes per year, and for South Korea, the demand will intensify. Additionally, the fresh gas supply will upsurge by 44% from 2020, which translates to 455 million tonnes/year, in common with the implementation of LNG projects in Australia, the United States and Russia that will cost a total of \$750 billion. These projects have been the consequence of a growing demand from Tokyo after the tsunami and nuclear shutdowns in 2011 and similarly enormous shale gas supplies from Washington. Furthermore, it is indicated in this report that the global supply capability is much more than demand, but the LNG offtakers of Washington will continue to determine their offtake volume and trading price decisions by taking into consideration the negligible cost of production. This cost will remain effective on the global LNG costs in the post-2020 period (Caşın & Kısacık, 2018, pp. 346-347).

Within this context, in the early 2010s, the energy expert Daniel Yergin discussed the importance of the U.S. shale gas revolution and pointed out that it may upset the appearance of an oil-centred market, because U.S. shale gas decreased North America's natural gas prices in an important manner compared to oil prices within the rest of the world. For Yergin, thanks to unconventional natural gas, "the appearance of this new resource in North America represents fundamentally to hold a worldwide effect which shows that the natural gas market turns out to be a global one from now on". But as of 2015, numerous early proponents of U.S. LNG exportations, namely the Atlantic Council, highlighted their worldwide energy security considerations, which were anticipated for the provision of increased differentiation, competition and energy security for global and regional markets via the enlargement of the volume of worldwide LNG supply. It is important to mention that in order to gain open access to U.S.

natural gas and oil markets, hard work will have to be done on the depoliticization of the energy trade and on augmenting the energy security policies of Washington's allies throughout the world, as most of them are still largely dependent on foreign energy suppliers in terms of hydrocarbons importation to meet their energy needs. But in this sense, of all the institutions, the Brookings Institution has been operating in a more cautious manner. They emphasize that as Washington's sponsorship for exportation is constrained primarily to not imposing any fundamental limitations via the regulatory process, the success of future exports is largely dependent on the global market. For Brookings, while Washington remains determined to be a central worldwide LNG supplier, it will encounter both LNG and pipeline competition from countries with geographic advantages and also from the internal output and new energy resources that are suppressing the LNG demand within the significant energy markets in Asia. Moreover, Gal Luft underscores that the surplus occurring in the worldwide market and decreasing energy prices since 2014 contribute to the unpopularity of U.S. LNG exportation. Here, it is significant to point out that the response to North America-centred natural gas remains not to construct multibillion-dollar LNG plants down the coasts of the United States with an expectation of selling natural gas to far-away markets where it is no longer desired. Luft and other experts underscore this in order to support the usage of internally produced natural gas and LNG within the context of the U.S. transportation sector; to exemplify this, as of 2015, just 1% of internally produced natural gas was used as automotive fuel. The economic slowdown in China, the recession experienced in Europe, the probable eventual reopening of Japanese nuclear facilities and the increase in LNG exportation from Australia remain the major concerns for the LNG industry in the U.S.A. Despite these short-period difficulties, the creation of export infrastructure will help the U.S.A. to better determine its condition within the market when demand begins to overhaul supply (Grigas, 2017, pp. 90-91).



Figure 3: The European LNG Infrastructure. Source: CEEP, 2019.

According to the projections made by the International Energy Agency (IEA), it is expected that the LNG exports of the U.S. will reach 100 bcm in 2024 and that Australia and Qatar, the existing market leaders, will be replaced by the U.S. At the same time, it is projected that the largest LNG importer, Japan, will be replaced by China with an import rate of more than 100 bcm. The global LNG demand reached a record level of 432 bcm in 2018 with a 10% increase primarily due to China's rapid development in recent years. According to the IEA, the 18% increase in terms of China's natural gas demand in 2018 was the result of Beijing's environmental policies that have been transforming most industrial and residence consumers from coal to natural gas in order to decrease pollution. The IEA anticipates that due to the economic slowdown in China, the speed of natural gas consumption in this country will decrease by 8% by 2024. According to the projections of the IEA, the production of the U.S. as the greatest natural gas producer in the world will rise to over 1 tcm, and therefore its share of global production will increase to 23% (Küçükayya, 2019).

The Prominence of the Southern Gas Corridor in the U.S.A.'s Eurasian Energy Strategy

Ambassador Richard Morningstar, Special Envoy for Eurasian Energy, U.S. Department of State, commented that the first element of Washington's Eurasia Energy Strategy is to embolden the development of

new oil and gas resources while similarly stimulating efficiency and preservation in the use of all energy resources and new technologies. When the White House discusses fresh natural gas production in Azerbaijan or Turkmenistan, this is not for the benefit of the White House, but then again it is important because it can make a contribution to the global natural gas supply, which helps to increase global energy security. This policy correspondingly embraces Washington's intention to sponsor European energy security. Washington's ambition to support Caucasian and Central Asian producer countries in search of alternative transportation for marketing their vast hydrocarbon resources is the final pillar of this policy. After the disintegration of the Soviet Union and away from the boundaries of the former Ottoman Empire, the newly independent Central Asia, mainly Turkic in terms of cultural heritage, is now calling. The lively commercial and cultural outreach of Ankara is a promising source of strength for the modernization, secularization and ultimately democratization of this energy-rich albeit geopolitically unsettled region. It remains very important to discuss that, in the meantime, Moscow is searching to establish a monopoly on direct foreign access to Central Asian energy exports; consequently, Ankara's expanding regional role can play a catalyst role – in mutual collaboration with Baku and Tbilisi – in securing Europe's unrestricted access across the Caspian Sea to Central Asia's hydrocarbon resources (Kısacık & Avcı, 2015, p. 467).

In the shifting energy geography, Turkey, as the newest, dynamic and proactive actor possessing structural features, plays a fundamental role in the providing of regional security for the transference of clean and reliable energy resources. Ankara's contiguity to such a geography, where more than 70% of proven hydrocarbon resources in the world are present, has produced the definition of this region as the "Silk Road of the 21st Century", which includes many of the world's most noticeable energy producers, that is to say, Russia, the Caspian Basin and the Middle East, and European consumer markets. Turkey is a significant country situated between fast-growing energy markets and the world's prominent energy producers. Turkey imports roughly 70% of its energy resources from foreign suppliers, which annually cost about \$60 billion. As a result, it can simply be termed as an "energy-dependent" country. Within the context of prevailing energy security demands, Ankara has to develop all-inclusive strategies in order to meet its energy needs from trustworthy and environmentally friendly resources at a reasonable cost with a continuous supply (Kısacık & Kaya, 2017, pp. 110-111).

Baku's 7 bcm of recoverable oil and 1.3 tcm of gas reserves remain noteworthy for both itself and for the global energy supply. Other South

Caucasus countries, namely Georgia and Armenia, are critically important in their transit standing for the transference of these resources to world markets. Within this process, Moscow has attempted to direct the demanding interests of Western energy firms to principally Baku's hydrocarbons. The \$8 Billion Production-Sharing Agreement of Azerbaijan's oil resources was contracted on September 20, 1994 between the State Oil Company of the Azerbaijan Republic (SOCAR) and international energy companies. Furthermore, the creation of the Azerbaijan International Oil Company (AIOC) to oversee the exploration, production and partaking in Azeri-Çirak-Güneşli (ACG) oil fields in the Caspian Sea has had a central role in the operationalization of the Baku-Tbilisi-Ceyhan (BTC) project. Washington and Ankara, aiming for resource variation, lessening the dependence on Moscow and underlining the independence of Azerbaijan, introduced the implementation of the Baku-Supsa line together with a Moscow-offered pipeline. The intergovernmental framework contract granting official status to BTC was contracted between the Presidents of Azerbaijan, Georgia and Turkey during the OSCE Summit on November 19, 1999 under the sponsorship of the then-US President Bill Clinton. The ground-breaking ceremony of BTC occurred on September 26, 2002. On account of this, Azerbaijan's political and economic independence has been strengthened. In this way, Ankara and Tbilisi have also augmented their strategic impacts (Erhan & Gürbüz, 2013, pp. 308-314; Grigas, 2017, pp. 208-209).

Ukraine signifies an analytically imperative transit country not only for Russia but also for Europe's energy security, in that more or less 70% of the Kremlin's gas resources are conveyed to Europe through Kyiv. Russia followed a discounted price policy for Ukraine, which was \$50 for 1,000 cubic metres of gas, until 2004. But then the Orange Revolution in 2004 wholly transformed the Russian attitude towards Ukraine. When Viktor Yushchenko came to power in Ukraine, he began to pursue pro-Western foreign policies, highlighting his country's intended membership of NATO and the E.U. Moscow powerfully condemned Ukraine for that and, in response, professed the authentication of market rules in energy associations with Ukraine. The Kremlin similarly stopped funding Ukraine's energy and pressed for Ukraine to pay its gas debts earlier, which was vetoed by Kyiv. Moscow reacted to this by cutting off natural gas supplies to Ukraine in 2006 and 2009, which had an extreme impact on the European continent as well. After the incidence of these energy crises, both Moscow and Brussels initiated moves for the development of substitute gas pipelines, aiming to bypass Ukraine, in the post-2009 period (Kısacık, 2017, pp. 167-184).

In consequence of increasing gas consumption volume in Europe and the increasing dependence of European countries on Russian gas, Azerbaijani gas has arisen as a fresh alternative in terms of resource variety. The aforementioned Russian-Ukrainian crisis further amplified the prominence of Baku's gas volumes. The Shah Sea Basin remains relevant due to possessing significant reserves of roughly 1.2 tcm of gas. Even though production in the Shah Sea II field was foreseen to commence in 2014, its date of being active was put off to 2018 owing to the conflict between Ankara and Baku on gas prices in the Shah Sea I field following Turkey's inconsistent policies during its "Armenian Opening" process. The additional natural gas to be drilled from the Shah Sea II field would initially be conveyed to Turkey through the Trans-Anatolian Natural Gas Pipeline (TANAP), crossing the whole country, and then with the Trans-Adriatic Pipeline (TAP) to Europe (Sürmelioglu-Parlar, 2018, pp. 35-51; Grigas, 2017, pp. 209-211). After the discussions between Ankara and Baku in the framework of the High-Level Strategic Cooperation Council on October 25, 2011, the TANAP agreement was contracted. Turkey aims for the transference of Turkmen gas to European markets via TANAP. For this purpose, Turkey and Turkmenistan developed a memorandum on gas exports to Europe in Turkish President Recep Tayyip Erdoğan's official visit to Ashgabat at the beginning of November 2014. In this way, Turkey will likewise propose a different transportation route for Caspian natural gas into the energy-hungry markets of Europe. TANAP will respectively assist in Turkey's goal to turn out to be one of the principal energy hubs for Europe (Caşın & Kısacık, 2018, pp. 202-203).

On June 12, 2018, the TANAP project was officially instated with the involvement of Erdoğan, İlham Aliyev, the President of the Republic of Azerbaijan, Aleksandr Vučić, the President of Serbia, Petro Poroshenko, the President of Ukraine, Mustafa Akıncı, the President of the Turkish Republic of Northern Cyprus, and the related officials in Eskişehir, the pipeline's domestic exit point in Turkey. This pipeline remains intensely supported by the U.S. in terms of providing its European allies with energy security, which was also underlined by Sandra Oudkirk, Deputy Assistant Secretary in the U.S. Bureau of Energy Resources, as follows:

Oudkirk told journalists ... that TANAP would bring diversification of supply and energy security to European countries and to Turkey. "TANAP is a strong additional element for energy security for Turkey and Europe," she said and added, "The U.S. government supports the project on a policy basis. We are supporting it even though there is no direct investment in it." [...] "The launching of TANAP on Tuesday is really good news. There are lots of bad, challenging and difficult news around the world, but TANAP is

universally good. As the U.S., we consider energy security for ourselves and our allies as very important.” [...] Oudkirk also said that two criteria are central when the U.S. considers support for a European gas project, the first being the effect of the project on Ukraine and the second related to energy security. “Turkey is a big country and economically diversified,” the official said, adding that Turkey with its many energy resources is very different to that of other European countries like Bulgaria that is 100 percent reliant on Russian gas. “When we look at the projects such as the Nord Stream 2, TurkStream’s second line and the former South Stream, we consider two things. First, we look at the effect on Ukraine as the Russian government no longer wants to transit gas through Ukraine. That would be very bad news for Ukraine,” she said. She added “the second thing we look at is energy security for countries in Europe. We fully support diversification of energy supplies.” (Temizer & Erdoğan, 2018)

The prominence of TANAP and Ankara-Baku relations was articulated by President Erdoğan as follows:

Azerbaijan have adapted to the changing geopolitical landscape and rapidly become the shining light in its region. The projects we jointly have conducted such as the Baku-Tbilisi-Ceyhan Oil Pipeline, the Baku-Tbilisi-Erzurum Natural Gas Pipeline, the Baku-Tbilisi-Kars Railway and TANAP are leaving their mark on the entire region. Turkey is one of the biggest investors in Azerbaijan. Hopefully, Azerbaijan will soon become one of the biggest investors in Turkey as well. (Presidency of the Republic of Turkey, 2018)

The importance of TANAP was also voiced by President Aliyev as follows:

Baku-Tbilisi-Ceyhan, Baku-Tbilisi-Erzurum oil and gas pipelines, the inauguration of TANAP this year are historic projects. By implementing joint projects, Azerbaijan and Turkey redraw [the] energy and transport map of Eurasia. [...] The importance of our countries is growing. (Trend News Agency, 2018)

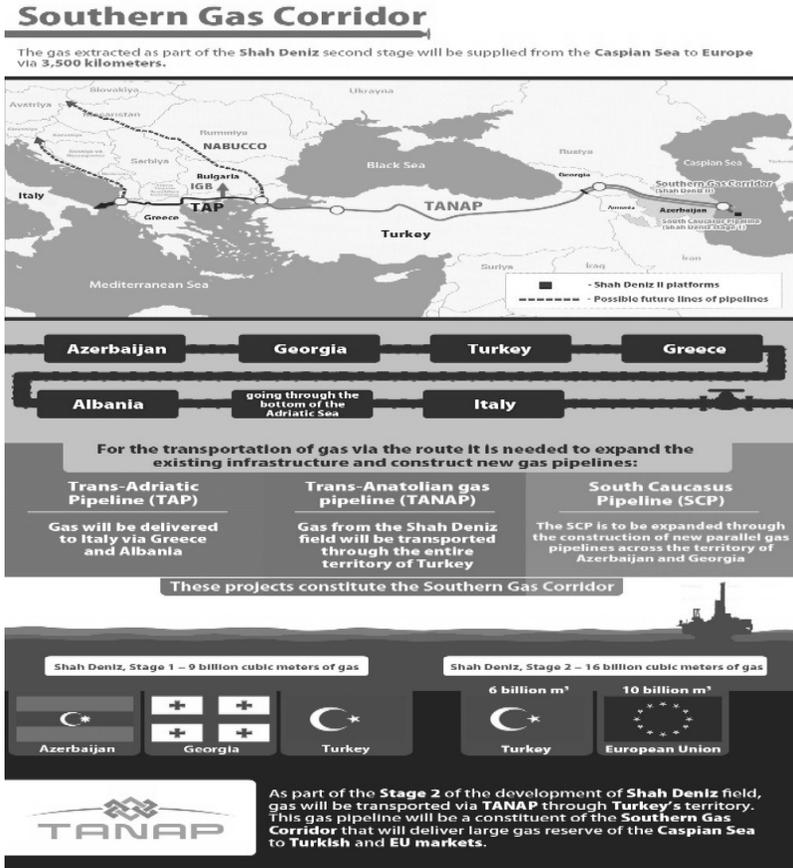


Figure 4: Southern Gas Corridor. Source: Trend News Agency, n.d.

The American Opposition towards the Russian-German Nord Stream 2 Natural Gas Project

Nord Stream is a project that will transport natural gas through a pipeline assembled underneath the Baltic Sea between Russia’s Vyborg province and Germany’s Lubmin province (Nord Stream AG, 2016). When the twin pipelines, each of them 1,224 kilometres long, are completely operative, a gas flow will be realized between Germany and Russia, depriving them of

the necessity for any transit country. This makes the project a *sui generis* one. This project is foreseen to carry 55 bcm of gas annually. While Gazprom stands as the principal shareholder in this project with 51%, the German BASF Wintershall and E.ON Ruhrgas possess 15.5% shares each. Of the remaining shares, 9% belong to the Dutch N.V. Nederlandse Gasunie, and another partner in the project, specifically the French company GDF Suez, holds 9% shares as well. In this way, the Russian-German control in the project is equivalent to 82%. The Baltic countries and Poland have countered this project with plausible reasons (Kamalov, 2008, pp. 288-291). Gazprom selected the former German Chancellor Gerhard Schroeder as the head of the project with the expectation of breaking Northern European countries' opposition. It was planned that when the project would become functional in the last quarter of 2015, these two pipelines would be capable of providing 55 bcm of Russian gas to the E.U. for at least 50 years.

The first line of Nord Stream became operative in November 2011 and stretched to its project volume of 27.5 bcm. The second line, planned to have the same capacity as the first line, was finished in April 2012 and turned out to be functional as of October 2012. Studies on the realization of third and fourth lines continued. Subsequently, Gazprom, E.ON, Shell and OMV reached an MoU/Good Will Protocol for Nord Stream 3 and 4, adding another 55 bcm to the total capacity on top of the previous 55 bcm, on June 18, 2015. After this signing ceremony, the top executives of Gazprom, BASF, E.ON, ENGIE, OMV and Royal Dutch Shell reached a deal on a Shareholding Agreement for the enactment of the Nord Stream 2 project, which planned to upturn gas supply to the E.U. market, at the Eastern Economic Forum held in Vladivostok on September 4, 2015. The project would be advanced by a new project company entitled New European Pipeline AG. For the contracted document, Gazprom would possess 51% shares in the project company. E.ON, Shell, OMV and BASF/Wintershall would have 10% shares each. The remaining 9% of shares would be controlled by ENGIE. The extension of one of these pipelines to England remains under discussion. With this line, it is aimed to convey gas to England, the Netherlands, France, Denmark and other E.U. members (Örmeci & Kısacık, 2018, p. 324).

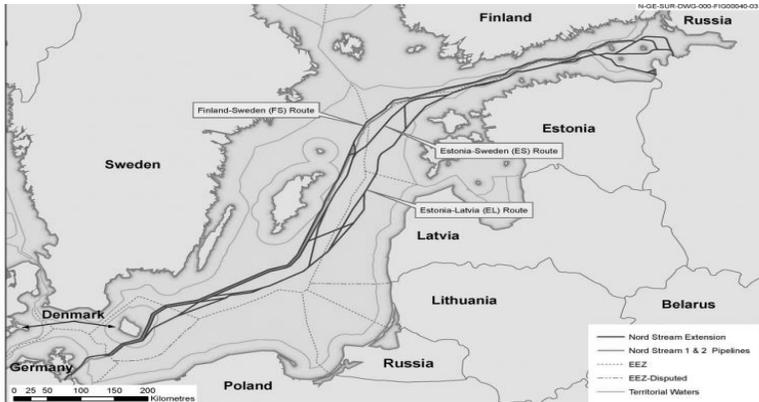


Figure 5: Planned Extensions to Nord Stream 1 and 2. Source: Michalopoulos, 2015.

It is clear that this project is certainly a very significant one within the framework of the Kremlin's economic and strategic interests. One noteworthy fact has to be revealed in that regard. When the E.C. approves countless decisions in the dynamic topics explicitly lessening the reliance on Russia, differentiating resources and ensuring security of supply, the project which will upsurge the dependency of Europe on Moscow in natural gas is being implemented under Berlin's leadership. When the E.C. recommends to the European Parliament that, in terms of energy resources' importation, a non-E.U. member country ought not to possess above 30% shares in view of the security of energy supply and resource diversification goals, it must be underscored that the prioritizing of this project over these recommendations remains a meaningful issue to be deliberated over. Principally Berlin, but other capitals as well, stand firm in considering only their interests after the determination of their particular circumstances. In such conditions, the interests of countries or companies far outweigh the Union's interests and policies (Pamir, 2017, p. 301).