CHAPTER 9

# The Role of Energy Security in Turkish Foreign Policy (2004–2016)

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Although pipeline projects and Turkey's geostrategic location between energy-rich countries in the Caspian and Middle East regions have been underlined in Turkish foreign policy for more than two decades, few studies have focused on the role of energy security in Turkey's foreign policy. This chapter examines how the role of energy security in Turkish foreign policy has been constructed since 2004—when the *Strategy Paper Concerning Electricity Market Reform and Privatization* was issued (HPC 2004). It argues that the role of energy security in Turkish foreign policy was constructed both by the foreign policy elite's normative principles about regional economic interdependence—which defined the social purpose of energy security based on their beliefs about Turkey's cultural and historical ties in its neighbourhood—and by the material interests shared within the alliance between the Justice and Development Party (*Adalet ve Kalkınma Partisi*, JDP) government and business in conjunction with neo-liberal regulatory reform in the Turkish energy sector.

The chapter is divided into three sections. The first section 'Turkey's energy security and its asymmetric interdependence with gas suppliers' defines Turkey's energy-import dependency and highlights its puzzling asymmetric interdependence with gas suppliers. It also reviews early pipeline

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projects, to understand Turkey's initial priorities and the related role of energy security in its foreign policy. Accordingly, the section emphasises the challenges arising from supplier reliability and demonstrates two cases—namely Turkey's increasing energy relations with the Kurdistan Regional Government (KRG) in Iraq and gas discoveries in the Eastern Mediterranean—in order to explain how the role of energy security has been constructed both as a goal and an instrument in Turkey's foreign policy. The second section 'Regional economic interdependence and Turkey's energy security: ideational forces and material interests' reveals the interaction between ideational forces defining the social purpose of regional interdependence and material interests, which mutually constructed the role of energy security. Lastly, the chapter concludes with an overview of the findings.

## Turkey's Energy Security and Its Asymmetric Interdependence with Gas Suppliers

The International Energy Agency defines energy security as 'the uninterrupted availability of energy sources at an affordable price' (IEA 2016b). In addition to the accessibility (in terms of infrastructure) and affordability of energy resources, two other criteria, namely energy supplier reliability and energy resource sustainability (in terms of an environmentally friendly energy supply), are crucial. Over the last decade, Turkey experienced the fastest energy demand growth among the Organisation for Economic Co-operation and Development countries and the second-highest demand growth after China. Moreover, Turkey's energy-import dependency increased from 67 per cent in 2002 to 75 per cent by 2014 (MENR 2010, p. 13, 2016).

Turkey imports about 75 per cent of its primary energy supply. Of this, 60 per cent is oil and gas, and the country's oil and gas consumption is expected to double over the next decade (MENR 2016). Despite the need for diversification of energy suppliers and Turkey's high dependence on imported fossil resources, there was hardly any change between 2004 and 2014, whereby the same countries preserved their large share in Turkey's total oil and gas imports.

In 2005, Turkey imported gas mostly from Russia (66 per cent) and Iran (16 per cent), while it consumed liquefied natural gas (LNG) at the rate of 18 per cent. However, the first gas crisis between Russia and

Ukraine, as well as increasing domestic consumption and technical problems Iran faced, resulted in cuts to Turkey's gas imports during winter 2006. In subsequent years, Russia dominated Turkey's gas imports through the Blue Stream pipeline, although its share in the West pipeline and LNG imports declined between 2005 and 2009. In 2014, Turkey's largest gas suppliers were still Russia (55 per cent) and Iran (18 per cent), and 86 per cent of total imports were delivered via pipelines (EMRA 2010, pp. 32, 34, 2015a, p. 10). Meanwhile, oil imports from Iraq (with an increase from 20 per cent in 2012 to 31 per cent by 2014) replaced a large share of Iran (with a decrease from 55 per cent in 2011 to 30 per cent in 2014) due to the international sanctions imposed on the latter (EMRA 2015b, p. 6).

Although the Ministry of Energy and Natural Resources highlighted Turkey's energy-import dependency as a concern in its *Strategy Plan 2010–2014* (MENR 2010, pp. 9, 12, 16), it planned to diversify energy supplies primarily by increasing Turkey's domestic energy resources—mostly through lignite production—and then, by working on renewable energy resources. While the share of renewables in electricity production was targeted to be 30 per cent in 2023, given the current low share of renewables in energy supplies and consumption, efforts to increase energy resource sustainability have been very limited. For instance, in 2012, fossil (oil and gas) and solid (coal, lignite and other solids) fuels had the largest share in Turkey's primary energy supply, with 59 per cent and 34 per cent, respectively, while hydro (4 per cent) and renewables (3 per cent) had lower shares (MENR 2016). Similarly, in 2014, the share of renewables (3 per cent, wind) in electricity production remained insignificant, whereas natural gas (48 per cent), solids (30 per cent, including 14 per cent coal imports) and hydro (16 per cent) had larger shares (EMRA 2015a, p. 5).

In summary, while more than 90 per cent of Turkey's oil and gas supplies are imported, not only its primary energy supply excessively depends on fossil and solid fuels but also its electricity production faces the risk of disruption, given the high share of gas supplies in electricity production and gas imports via pipelines mainly from few suppliers. In 2014, Turkey imported 73 per cent of its gas supplies only from Russia and Iran, and the same rate of oil imports was predominantly from three Middle Eastern countries. Turkey's exit cost in its energy relations with these large suppliers is significantly high in the short- and mid-terms, especially for pipeline-bounded gas imports. Therefore, the asymmetric interdependence between Turkey and its gas suppliers is puzzling.

### *Turkey's Pipeline Priorities*

This section outlines the pipeline priorities in Turkey's conception of energy security since the inauguration of the Baku-Tbilisi-Ceyhan (BTC) oil pipeline in 2006. A review of early and late pipeline projects illustrates how ideational forces and material interests prioritised accessibility to and affordability of energy supplies but neglected supplier reliability and energy resource sustainability. *Turkey's Energy Policy* defined the country as a 'natural bridge' between energy importing and exporting countries, and an important country due to its potential to provide energy security by allowing diversification of resources and transportation routes for Europe's energy imports (MFA 2006). Turkey has been taking steps to achieve its long-time aspiration to be an energy hub, underscoring its geostrategic location next to the world's largest oil and gas reserves. However, the role of energy security has been facilitated both as a goal and an instrument in Ankara's foreign policy.

Following the dissolution of the Soviet Union in 1991, markets opening in the post-Soviet Republics of Azerbaijan, Kazakhstan and Turkmenistan allowed access to non-OPEC oil and gas supplies. The major challenge for multinational oil companies was to transport the resources from these landlocked countries to Western markets. The East-West energy corridor, bypassing the Russian-controlled pipeline system, emerged as a strategic priority. The importance of the BTC oil pipeline for the foreign policies of Turkey, Azerbaijan, Georgia and the USA was demonstrated by the fact that it was completed despite changes in these countries' governments between 1991 and 2006.[1] The Azerbaijan government favoured the BTC pipeline because the route converged with the country's strategic goals to strengthen its economic and political independence (İpek 2009). The inauguration of the BTC pipeline in July 2006 was a major milestone in Turkey's efforts to access Caspian energy resources and to foster regional interdependency.

The next projects in the East-West energy corridor were targeted at transporting alternative gas resources to the European Union (EU) energy market. Plans for a trans-Caspian gas pipeline were underway; however, due to problems with accessing Turkmen gas (İpek 2006),[2] Azerbaijan became the primary supplier for the Baku-Tbilisi-Erzurum (BTE) pipeline, which became operational in March 2007. In November 2007, the Turkey-Greece Interconnector was completed, enabling the first export of Azerbaijani gas to Europe. Therefore, the early pipeline projects of BTC and BTE essentially focused on accessibility to build the necessary infrastructure connecting the Caspian oil and gas resources to Turkey's energy market. Further, energy security has been facilitated as an instrument in Turkish foreign policy by underlying Turkey's geostrategic location to diversify suppliers and transportation routes for Europe's gas imports (MFA 2006).

The BTE pipeline, however, does not have the capacity to satisfy the EU's increasing gas demand. The Nabucco project had been planned as the major pipeline to carry gas resources from the Caspian and Middle East regions to decrease the EU's dependency on Russian gas. Turkey's state pipeline company, BOTAŞ, initiated the project in February 2002 and with the Austrian energy firm OMV's support, a declaration of intent was signed in June 2002 (Former BOTAŞ official, personal communication, 20 July 2012). As transit countries, Turkey, Bulgaria, Romania, Austria and Hungary signed an agreement in October 2002, and the project officially began. The major challenge was to access additional gas resources from Turkmenistan and/or potentially from Iraq, Egypt and Iran. Following two Russian-Ukrainian gas crises in the winters of 2006 and 2009, and the Russian-Georgian war of August 2008, the Nabucco pipeline was considered the flagship project of the EU's 'Southern gas corridor', proposed by the EU Commission to acquire gas from Caspian and Middle East resources (EC 2008, pp. 4–5). Under such circumstances, the intergovernmental agreement for the Nabucco pipeline project was signed in July 2009.

Turkish foreign policy elite also prioritised the project as Ankara began EU accession negotiations in 2005 (Yıldız 2010, pp. 33–38). The *Turkish Energy Strategy* (MFA 2009) reflects the normative principles of regional interdependence by explicitly stating potential opportunities for deepening regional cooperation, fostering economic and social development of the Caspian countries, liberalising the domestic energy market in line with harmonising Turkish legislation with the EU acquis, and ensuring energy supply diversity for Turkey and the EU. However, the JDP government's frustration with the accession negotiations has contributed to using energy security as leverage to lessen political concerns of some EU member states and promote the economic benefits of Turkey's EU membership (Kardaş 2011, p. 62).

Meanwhile, the Energy Community Treaty was concluded between nine countries in southeastern Europe and the EU in May 2006 (EU 2006). Although Turkey participated in the entire treaty process, Ankara opted for an observer status instead of becoming a party. Such abstention revealed that Turkey would not further integrate into European energy markets before it became an EU member state (Senior diplomat in the Directorate for Multilateral Economic Affairs at the Ministry of Foreign Affairs, personal communication, 6 July 2012). Thus, Turkey's decision not to participate in the Energy Community Treaty, and the later cancellation of the Nabucco project, were plausibly the result of the foreign policy elite's ideas and shared material interests in the domestic energy market, as well as its increasing exports to energy-rich neighbour countries.

In December 2011, the Trans Anatolian Natural Gas Pipeline (TANAP) agreement between Azerbaijan and Turkey replaced Nabucco. Difficulties in securing Turkmen gas, Russian competition with the South Stream project, the turmoil in Iraq and concerns about a nuclear crisis in Iran increased scepticism about Nabucco, whereas Azerbaijan's commitment remained the only positive factor (Hays 2008; Freifeld 2009). Despite the political will and initial optimism of the participant governments, the global financial crises of 2008 and 2009 further undermined the investment prospects for the expensive Nabucco project. Thus, since the completion of the BTC and BTE pipelines, Turkey has gradually shifted its pipeline priorities and focused more on energy security as a goal in its foreign policy.

Turkey signed a series of energy deals between 2011 and 2014, first with Azerbaijan, for the TANAP pipeline transporting Caspian gas directly to European energy markets; second with Russia, by which Turkey approved the South Stream gas pipeline's transit through the Turkish exclusive economic zone (EEZ) in the Black Sea right after the TANAP deal ('Turkey approves Russian gas plan', 2011); and then, with the KRG to build a new oil pipeline between northern Iraq and the Ceyhan terminal in March 2013, and a new gas pipeline route towards the northern Iraq border to import gas from this region (Peker 2013a; Çamlıbel 2014). Russia and Turkey signed a memorandum of understanding in December 2014 to build the so-called Turkish Stream, which abolished the South Stream project and redirected the gas pipeline to Turkey (Roth 2014). These deals mostly prioritised Turkey's energy security given its growing energy needs. However, the policy elite promoted projects that favoured a particular conception of energy security based on accessibility and affordability at the expense of reliability and sustainability.

### *Challenges Regarding Energy Supplier Reliability*

Major events in the Middle East since 2014 have highlighted Turkey's asymmetric interdependence in energy imports and the resulting risks, generating unease about its energy security. Especially after Turkey's downing of a Russian fighter jet at the Turkish-Syrian border in November 2015, policymakers have begun reconsidering diversification of gas supplies. Similarly, since the fall of Mosul to the Islamic State of Iraq and Syria (ISIS) in June 2014, Turkey's increasing oil imports from Iraq have raised questions about the implications of interstate and intrastate conflicts for regional energy security. Moreover, by January 2016 the lowest oil prices in 12 years also signalled possible energy security risks. Because lower oil prices affect economic and fiscal activity, as well as political stability in the Middle East. Such prices also undermine oil production and investments in other regions since their costs are not competitive with the lowest cost of oil production in the Middle East region (IEA 2016a).

Within this framework, Turkey's increasing energy relations with the KRG in Iraq and the recent gas discoveries in the Eastern Mediterranean are important cases to explain the role of energy security in foreign policy. The JDP government's decision to increase cooperation with the KRG aimed to strengthen regional interdependence by creating economic incentives to lessen the risk of Kurdish secessionist aspirations in Iraq and to solve Turkey's Kurdish problem. As Ankara downplayed the power struggle between Erbil and Baghdad over the ownership and distribution of Iraqi oil revenues,[3] and increased cooperation with the KRG, the tension with Baghdad continued between April 2012 and August 2014, until Iraqi Prime Minister Maliki resigned.

Ankara corresponded with Baghdad about extending the Kerkuk-Ceyhan pipeline to Basra in July 2012 ('Turkey, Iraq work on Basra oil exports', 2012). In December 2012, a small amount of oil extracted in the Kurdish region was trucked to Turkey's Ceyhan terminal. However, the Iraqi Oil Ministry responded swiftly and suspended payments for the 17 per cent of its federal budget allocated to the KRG for its share of national oil production (Payne and Mackey 2013). Not only Iraq but also the USA opposed oil exports from any part of the country without the approval of the federal Iraqi government (DOS 2012). In May 2013, Turkish Prime Minister Recep Tayyip Erdoğan announced a deal between Exxon Mobil and a Turkish state-run oil firm to develop projects in the

Kurdish region. Although Iraq's Deputy Prime Minister of Energy declared that 'the deal is illegal and is not in line with the Iraqi constitution', Erdoğan emphasised the importance of energy cooperation with the KRG (Peker 2013a), while Turkey and KRG made other deals. When the construction of an independent pipeline to carry oil from the Kurdish region to the Ceyhan terminal reached its final phase in August 2013 (Peker 2013b; Çamlıbel 2014),[4] BOTAŞ started building a new gas pipeline route towards the northern Iraq border to import gas (O'Bryne 2013).

Despite Ankara's efforts to create regional interdependence with the KRG, rising violence in Iraq, and Syria's collapse into a failed state have created challenges against Turkey's energy security and its foreign policy in the Middle East. For example, Prime Minister Maliki's authoritarian rule and nepotism reignited ethnic and sectarian violence in Iraq, where May 2013 saw the most violent politically related attacks in the previous five years, before the expansion of ISIS into Iraq (ICG 2013, pp. 1–3). Therefore, regional economic interdependence in the Middle East comes with considerable risks about the reliability of energy suppliers given the high potential for international/intrastate conflict in the region.[5]

On the other hand, the case of gas discoveries in the Eastern Mediterranean was portrayed in November 2013 as a window of opportunity by then Turkish President Abdullah Gül. He stated that these resources could 'make the region a basin of stability, prosperity and cooperation' ('President Gul Delivers Speech', 2013). Although the estimated volume of gas reserves is reported differently, these reserves are important for the diversification of Turkey's asymmetric gas imports. While the main export routes and potential buyers of this gas are still being negotiated, outstanding issues—such as the delimitation practices of the Greek Cypriot Administration of Southern Cyprus[6] (GCA) on continental shelf and EEZ areas in the Eastern Mediterranean[7] besides the Cyprus question—complicate the realisation of investment projects. The deterioration of Israeli-Turkish relations in recent years, and the Israeli-Palestinian conflict also add to the complications.

Accordingly, there is a need to resolve these disputes. However, due to the unresolved Cyprus question, Ankara has so far refrained from concluding delimitation agreements with its neighbours in the Eastern Mediterranean. Nevertheless, the GCA had signed EEZ delimitation agreements with Egypt in 2003,[8] Lebanon in 2007 (İnan and

Gözen 2009, pp. 201, 204) and Israel in 2012. Turkey explicitly objected to these agreements at various platforms, including the United Nations (Başeren 2010).

The GCA's agreement with Israel is of special significance because early drilling activities in the offshore fields around the island of Cyprus discovered only small gas reserves. So, without the larger amounts of gas discovered in Israel's offshore fields, the gas reserves around Cyprus turned out to be insufficient to finalise the export routes and convince potential buyers (Günaydın 2014, p. 5). Although Greek Cypriot authorities describe the region's gas resources as an option for Europe's energy supply (Gürel and Le Cornu 2014, p. 20), there have been mixed reports on the monetisation of the projects to produce gas there and transport it to European markets via a pipeline or from an LNG terminal (Günaydın 2014, p. 10; Darbouche et al. 2012, pp. 29–30).

Within this framework, Turkey has presented itself as the most economical transport route to export the East Mediterranean gas resources. Further, Turkish companies, such as Zorlu Energy and Turcas Energy, have offered pipeline projects to Israel's Leviathan offshore field partners (Günaydın 2014, p. 11). During his visit to Israel in March 2013, US President Barack Obama expressed support for the rapprochement between Turkey and Israel (Rudoren and Landler 2013). In February 2014, Minister of Foreign Affairs Ahmet Davutoğlu stated that Turkish-Israeli relations were in the process of normalisation after the 2009 Davos and 2010 *Mavi Marmara* crises (Gurel and Le Cornu, 2014, pp. 21–22). While Turkey expressed its willingness to be the primary user of the gas from Cyprus on various occasions, then Prime Minister Erdoğan's insistence on the removal of Israel's Gaza blockade as a precondition temporarily stalled progress (Peker and Mitnick 2014). Despite this setback, diplomatic talks, increasing exports to Israel,[9] and the opportunities of the Eastern Mediterranean gas fields retained the rapprochement momentum.

Turkey's stance towards the region's core conflicts and its relations with Israel demonstrate how energy security has been used as a tool and a goal in foreign policy. As the Cyprus question and Turkey's strained relations with Israel constitute the most significant sources of regional contention over the development of gas reserves and their export routes, in November 2014, Prime Minister Davutoğlu expressed the importance of facilitating Cyprus's natural resources to relaunch negotiations for a durable solution and underlined: 'when it [/energy] is used as a tool for conflict, there will be no winners in the long-term' ('Turkey will be the primary user of Cyprus gas', 2014). Similarly, President Erdoğan later stated that 'Israel needs a country like Turkey in this region. We, too, should admit that we need a country like Israel' (Ravid 2016). Such comment underscores how ideational forces and material interests shape the role of energy security in foreign policy. It should be noted that Erdoğan made this statement after Turkey shot down the Russian fighter jet. This corresponded to a time when rising insecurity about ISIS attacks in Turkey's urban areas and military measures against the PKK in Turkey and in northern Iraq since July 2015 altered the government's position to operate against ISIS with US-led forces, as well as its relations with Kurdish sub-state actors in Syria and Iraq.

In short, Turkey's continuing dependency on Middle Eastern fossil fuels; increasing energy and trade relations with the KRG despite considerable risks of conflict in the region; growing trade relations with Israel despite recent political tensions; and opportunities to access new gas resources, emphasise the importance of the interaction between ideational forces and material interests.

## Regional Economic Interdependence and Turkey's Energy Security: Ideational Forces and Material Interests

A closer examination of Turkey's foreign policy actions reveals that foreign policy elite's normative principles and beliefs about regional economic interdependence and shared material interests between the JDP government and business in Middle Eastern energy and export markets have constructed the role of energy security. Although Turkey's trade relations have been a factor in regional economic relations since the end of its import substitution policy and the beginning of its export-led growth model in the 1980s, the turning point for the influence of ideas and material interests in Turkey's energy security occurred under the JDP government.

### *The Foreign Policy Elite's Ideas*

Many studies reveal the importance of the policy elite's ideas in a domestic social context (see Checkel 1997; Flibbert 2006). Foreign policy elite are important for combining ideational forces into materially constrained causal mechanisms to shape the role of energy security in foreign policy. They define social purpose, evaluate the structural environment and frame material interests according to normative principles or values, which in turn converge with causal beliefs to prescribe instruments in implementing a policy (İpek 2015).

The JDP foreign policy elite's ideas about regional interdependence are explicitly stated in their writings. For instance, Davutoğlu's (2008) conceptualisations of Turkey's 'historical and geographic depth' summarise the core of his normative ideas (pp. 78–79), which he pursued during his terms as chief advisor on foreign affairs to the prime minister (2003–2009), minister of foreign affairs (2009–2014) and prime minister (2014–2016). Other members of the foreign policy elite[10] also supported his ideas. For example, the importance of regional interdependence framed in Turkey's historical and geographical influence zones was underlined as the 'reconstruction of the previous geographic imagination in policy-making circles' (Aras and Fidan 2009, p. 197), and increasing relations with the Middle East were labelled as part of the new geographic imagination and 'a profound mental transformation', praising Davutoğlu's foreign policy as a narrative effort to see the world from a non-Eurocentric perspective (Kalın 2011, pp. 6–7).

Within this framework, although Turkey's energy-import dependency has increased, different energy strategy documents between 2006 and 2010 stressed regional economic interdependence (MFA 2006, 2009). Davutoğlu (2008) explicitly emphasised the importance of Iraq, Iran and Russia in the role of energy security and stated that 'Turkey's national interests lie in the proper utilization of its geography. Here, what disappoints and surprises us is the EU's inability to grasp this vision. Some Europeans seem to have this thought in mind: The Turkish state and its people are not European but Turkey's geography is freely open to European use' (pp. 79–84). He further noted:

> Turkey is patiently waiting for the EU to appreciate its indispensable position with regard to *energy security, cultural politics and transit routes* [ . . . ] Turkey shares common interests with Russia, Iran and the United States for the successful operation of natural gas and oil pipelines . . . . This is a rational calculation, not an ideological account. Turkey's relation with Iran will continue, and efforts will be made to preserve its understanding with Russia, based on mutual interest (Davutoğlu 2008, pp. 91–92, emphasis added).

Despite Davutoğlu's claim that Turkey's relations around energy security are a 'rational calculation, not an ideological account', there are underlying normative principles together with considerations of material interests. Davutoğlu (2012) explicitly states in his policy briefs: '[ . . . ] our foreign policy will be based on, among other things, such principles as [a] value-based approach to international problems' (p. 11). Similarly, Taner Yıldız (2010), then Minister of Energy and Natural Resources, underlined Turkey's role 'at the centre of energy geopolitics' for several reasons (p. 37).

Such ideas of a core group of decision makers have constituted Turkey's energy security as a foreign policy instrument and as a goal for domestic energy market by advancing normative values and material interests in a social context. Accordingly, shared material interests in the domestic energy market and booming goods exports to energy-rich neighbours were framed as supporting regional economic interdependence in Turkey's foreign policy, which also defined the social purpose of energy security through the foreign policy elite's ideas.

While Turkey's primary energy supply depends excessively on imported fossil fuels, the challenge of energy supplier reliability was not prioritised in energy security. In 2014, Turkey imported 73 per cent of its gas supplies from Russia and Iran, and 73 per cent of its oil supplies from Iraq, Iran and Saudi Arabia. This amount is so large that an explanation based solely on material interests is insufficient. Thus, the role of ideational forces and material interests brings a more plausible explanation for Turkey's asymmetric interdependence in energy security.

### *Shared Material Interests in the Domestic Energy Market*

Turkey's growing energy demand, integration into regional markets, fiscal problems in the mid-1990s and the accession process to the EU influenced the liberalisation of the country's energy market, starting with the Electricity Market Law in 2001. Since 2004, the JDP government has continued the liberalisation process through political interventions. This process is illustrative for observing particular historical material conditions that have mutually constituted ideational forces and material interests in the domestic energy sector. In 1993, the state-owned energy company TEK split into two separate state-owned enterprises. However, the Constitutional Court issued several rulings in 1994 and 1995 that made privatisation in the energy sector very difficult (Erdoğdu 2007, p. 985). A new Electricity Market Law came into force in 2001, resulting in the

Turkish Electricity Generation Transmission Company's (TEAŞ) unbundling into EÜAŞ (generation), TETAŞ (wholesale trading and contracting) and TEİAŞ (transmission and market operator) (*TOG* 2001a).

When a new independent energy market regulating authority (EMRA) was established in 2001, conflicts between the Ministry of Energy and Natural Resources (MENR) and EMRA emerged, but MENR had lost its power in an institutional context to govern the energy market. In March 2004, the Higher Planning Council issued the *Strategy Paper Concerning Electricity Market Reform and Privatisation*. The paper emphasised the importance of domestic capital investments in the electricity sector and gave authority over investment issues to MENR and the State Planning Organization (HPC 2004). Since then, JDP governments have changed the institutional content of the 2001 economic reforms considerably (*TOG* 2005, 2013). TEİAŞ remained under state ownership, and Turkey was divided into 21 regions for electricity distribution by the private sector. Further, the number of Turkey's hydroelectric power stations (HPS) increased substantially; there were more than 2000 applications for such stations, and as of 2013 there were 400 HPSs built or in the project phase ('HES yapılmayan akarsuyu kalmayacak', 2013).

Meanwhile, Turkey's oil and gas imports were growing. The new gas legislation required unbundling the vertically integrated BOTAŞ after 2009 and set up the legal grounds for privatisation (*TOG* 2001b).[11] After 2003, the number of tenders in the natural gas market increased considerably. In 2005, there was another change in natural gas legislation, which brought pre-conditionality and gave the right to foreign gas exporters to choose their local partners for gas distribution. Deals between Russia's Gazprom and new business groups in Turkey were claimed to have been concluded after the government's political intervention, which changed the legal content of liberalisation in the energy market and apparently favoured particular business groups (Yılmaz 2005).[12] BOTAŞ's prevailing monopoly does not restrict private companies from distributing gas in the cities; but they have to buy their gas mostly from BOTAŞ.[13] In fact, the control on gas imports became increasingly important for Turkey's energy security because of risks in electricity disruption, given the considerably high share of gas supplies in electricity production, which was 48 per cent in 2014.

When the 2001 Electricity Market Law was introduced, EÜAŞ was number two on Turkey's 500 largest industrial firms list (ISO 2016). In 2005, the state's remaining 51 per cent share in Tüpraş—Turkey's number one industrial firm and its largest petroleum refining company—was also privatised (Tüpraş 2016). In 2008, the privatisation of electricity distribution networks began and was followed by privatisation in electricity production in 2013 (TETAŞ 2014, p. 5). In 2012, EÜAŞ ranked number five on İstanbul Chambers of Industry's (ISO) list, while there were ten private firms in the electricity sector on the same list. The state share in power generation capacity decreased from 64 per cent in 2003 to 37 per cent in 2013, while the private sector share in electricity production increased to 67 per cent in 2013 from 57 per cent in 2003. Further, all the 21 distribution companies in the electricity sector were privatised in 2013, which increased the private sector share in electricity distribution to 100 per cent (MENR 2014, p. 71).

Accordingly, total revenues in the energy sector have been steadily rising. In 2008, there were four companies in the top 10, and overall, 23 firms ranked by revenues on the ISO list, while in 2009 the number of energy firms increased to 25 firms with 17 per cent of total revenues. In 2011, when oil prices increased, the top three companies were in the petroleum refining and distribution sectors of the energy market, the fourth was in electricity distribution and three more companies in these sectors made the top 10 list ('Fortune 500 Türkiye', 2012, pp. 18, 182; 'Capital 500 Araştırması', 2009, p. 102, 2010, p. 98).

In summary, energy sector privatisation and consequent infrastructure investments in transmission systems, electricity and gas distribution networks, and HPS projects constituted a particular alliance between the JDP government and newly emerging business groups. The executive branch's political interventions with new mechanisms, namely privatisation and the Public Procurement Law[14] rather than competition in liberal electricity and gas markets, shaped Turkey's domestic energy market (Buğra and Savaşkan 2014, pp. 79, 88).[15] Therefore, increasing shared material interests in domestic politics influenced the role of energy security in Turkey's foreign policy, in which the foreign policy elite promote projects that favoured a particular conception of energy security based on accessibility and affordability, at the expense of reliability and sustainability.

### *Shared Material Interests in Booming Exports to Energy-Rich Neighbours*

Although Turkey's trade relations with the Middle East were insignificant through the 1990s, they have become important since 2003 because of Turkey's increasing trade surplus with the region. Further, since the

Customs Union Agreement in 1995, Turkey's trade with the EU has increased steadily and EU countries continue to be Turkey's major export market. However, comparing exports by region between 1990 and 2001, and between 2002 and 2014, highlights the increase of exports to the Near and Middle East during the latter period in which the JDP government was in power (TSA 2016).

The Middle East is important not only for Turkey's energy security but also for its booming trade relations in terms of demand for a wide spectrum of its competitive products. Between 2004 and 2009, the most popular export destinations in terms of the increase in the total number of Turkish firms exporting to one country were Iraq (3,326 firms), Azerbaijan (2,687 firms) and Iran (2,566 firms) (UFT 2011, p. 23). In 2006, Turkey's exports to Iraq amounted to US$2.6 billion, which reached US$11.9 billion by 2013. Although exports slightly decreased in 2014 (US$10.9 billion) and 2015 (US$8.5 billion), Iraq ranked number 2 and 3, respectively, in these years in overall Turkish exports. Turkey's exports to Iraq greatly exceeded its imports, which were US$297 million in 2015 (TSA 2016).

Fidan (2013) highlighted the importance of regional economic integration and the emphasis placed on new export markets as follows:

> Turkey's rising export potential has been at the core of its economically driven foreign policy, given the fact that it has aggressively worked to penetrate new markets. [ . . . ] Turkey had embarked on an ambitious program to boost economic exchanges with its neighbouring regions and find markets for its expanding line of products (p. 92).

For example, the oil and gas pipeline agreements signed with the KRG are in line with the foreign policy elite's normative ideas about the role of regional economic interdependence in energy security and the country's shared material interests in the domestic energy market, as well as increasing trade relations with energy-rich neighbours. As of October 2014, Turkey ranked number one among all foreign firms registered to do business in the Kurdish region of Iraq with 1329 companies ('Foreign companies resume regular activity in Kurdistan', 2014). Further, about 300 local firms have been established by Turkish citizens in the Kurdish region ('1500 Türk yatırımcı Irak'ın kuzeyinde', 2014). In short, shared material interests between the JDP government and business in the domestic energy market were simultaneously accompanied by increasing trade relations with energy-rich neighbouring countries.

## Conclusion

This chapter examined the role of energy security in Turkish foreign policy since 2004, when the JDP government introduced major changes through the liberalisation of the domestic energy market. Findings confirm the suggested constructivist account regarding a plausible explanation for Turkey's puzzling asymmetric interdependence with its gas suppliers. The empirical analysis of Turkey's pipeline priorities and its challenges around supplier reliability in the cases of the KRG region in Iraq and the gas discoveries in the Eastern Mediterranean region reveal important evidence demonstrating how the foreign policy elite constructed the role of energy security as both a goal and an instrument in foreign policy.

The findings suggest that Turkey's continuing dependency on Middle Eastern fossil fuels, its increasing energy and trade relations with the KRG despite considerable risk for conflict in the region and growing trade relations with Israel despite recent political tensions and opportunities to access new gas resources can be explained by shared material interests and the foreign policy elite's normative principles and beliefs about regional economic interdependence. Hence, the role of energy security in Turkey's foreign policy is shaped not only with future implications in mind, but is also informed by the normative aspect of how choices should be made. In light of the above empirical analysis, it can be argued that both the logic of appropriateness and the logic of consequences have played a part in Turkey's conception of energy security in its foreign policy.

## Notes

1. Other possible pipeline options passed through Russia, but Georgia, Kazakhstan, Turkey and Uzbekistan signed the Ankara Declaration supporting the BTC route in October 1998, with the USA holding observer status. At the Organization for Security and Co-operation in Europe's Istanbul Summit in November 1999, the presidents of Azerbaijan, Georgia, Kazakhstan, Turkey and the USA signed the Istanbul Declaration to underscore the geostrategic importance placed on the BTC pipeline as the main export route for Caspian oil reserves.
2. A natural gas sale and purchase agreement between Turkey and Turkmenistan was signed in May 1999 but the project was halted because of the slow-paced political and economic reforms under former Turkmenistan President

Nursultan Niyazov's authoritarian rule, which resulted in most major Western firms financially withdrawing from the country.

3. In the absence of a federal hydrocarbon law, ambiguities and omissions in the related articles of Iraq's Constitution impedes the resolution of the dispute.
4. The gas pipeline will transport a minimum of 10 bcm/year to Turkey, while the oil pipeline has a planned capacity of minimum 1 million b/d. The new oil pipeline linked a field operated by the British-Turkish venture Genel Energy and other nearby fields into the Kerkuk-Ceyhan pipeline at the Turkish border.
5. The risk of international conflicts in petrostates—that is, a state in which the oil sector has a dominant role in the national economy with at least 10 per cent of its GDP—with leaders pursuing anti-status quo foreign policies are at a much higher rate on average than in other states (Colgan 2010, p. 666). Nevertheless, just being a petrostate is not sufficient to explain the correlation between oil and international conflict. Rather, a revolutionary government, defined as 'one that transforms the existing social, political, and economic relationships of the state by overthrowing or rejecting the principal existing institutions of society', is important to explain resource-backed aggression (Colgan 2010, p. 666). Accordingly, oil has an important role in secessionism and intrastate conflict (Le Billon 2012). Moreover, ideational factors which guide efforts to foster regional economic interdependence underestimate a structural problem for democratisation in petrostates. The structure of the rentier economy in petrostates combined with the repression effect is well-known to be the major problem in democratisation (Ross 2012). The dependence of prominent state bureaucrats, military officials, regional administrators and businessmen on the allocation of oil revenues and resources that are strictly controlled by the political leadership and its extended network of family/tribe members impedes democratic governing institutions (Chaudhry 1997; Karl 1997).
6. Due to Turkey's claim that it does not recognise the Republic of Cyprus (RC) under the representation of the Greek Cypriot Administration, Ankara refers to this state as the 'Greek Cypriot Administration of Southern Cyprus'. For more on Turkey's position on the RC, see Chapter 16.
7. The continental shelf conflict was heightened, when drilling started in the claimed EEZ of the GCA. Turkey responded by signing a maritime border agreement with the Turkish Republic of Northern Cyprus in September 2011. In subsequent events between 2011 and 2014, Turkey reiterated its enduring policy about the continental shelf and EEZ areas in the Mediterranean (Başeren 2015, pp. 35–45), which aims to establish an equitable regime based on the mutual consent of the littoral states (İnan and Gözen 2009, pp. 159–160). For details on Turkey's arguments and practices in the Mediterranean Sea, see Chapter 14.

8. In March 2013, Egyptian authorities decided to withdraw from the agreement, to which Israel also was a party, on grounds that the established regime violated Egypt's continental shelf rights ('Mısır'dan Akdeniz'de Dengeleri Değiştiren Karar', 2013).
9. Turkey's exports to Israel increased steadily between 2006 and 2015. Exports reached US$1.5 billion in 2006, US$2 billion in 2010 and US $2.9 billion in 2014 (TSA 2016).
10. Hakan Fidan served as the deputy undersecretary to the Prime Minister's Office (2006–2009); the deputy head of the National Intelligence Service (2009–2010) and is currently the head of the National Intelligence Service. İbrahim Kalın served as the chief advisor on foreign affairs to the prime minister (2009–2012); the deputy undersecretary to the prime minister (2012–2014) and is currently the spokesman for President Erdoğan's office.
11. EMRA became responsible for organising tenders for natural gas distribution licenses in cities, while it granted BOTAŞ new licenses for gas imports, transmission and storage, which sustained the monopoly of BOTAŞ in these activities.
12. For example, the deal between Gazprom and ENELKO (Cihan Kamer's new business group), as well as the involvement of the Çalık Energy Group together with the ENI group (Italy) and two Russian firms in a consortium to construct the BTC pipeline was highly debated in the media and the Parliament ('Bakan Arkada, Çalık Önde, İmza Masada', 2009; 'Gazda Kamer tartışması', 2005; 'İtalyan ENI'yi Çalık'a Hükümet yönlendirdi', 2006; 'Kanun değişti, Cihan Kamer'in önü açıldı', 2005).
13. BOTAŞ was required to transfer 10 per cent of its share of gas import contracts every year to private companies through a tendering process (i.e. the gas release program) to increase competition. The law limits the amount of gas an importer company can buy from abroad to 20 per cent of the national consumption. Similarly, the law does not allow more than a 20 per cent market share for importers, wholesalers, or distributors in the domestic gas market.
14. Between 2003 and 2013, there were 29 changes to the Public Procurement Law, while the context and specific articles changed more than 100 times. In 2011, a decree issued by the government removed the autonomy of regulative agencies.
15. During the JDP governments between 2002 and 2014, new business groups were apparent in the rise of ten large private firms or entrepreneurs, namely Çalık Holding, IC Holding, Cengiz Group, Ethem Sancak, Fettah Tamince, Kiler Group, Kalyon Group, Kuzu Family, Cihan Kamer and Akın İpek, which intriguingly were involved in energy production and distribution projects besides business activities in other sectors.

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