

PETFORM



What Kind of Hub Turkey Is?

What? Why? When? Who? and How?

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GREAT Regional Oil and Gas Summit

Defining Regional Attractiveness: Differing Perspectives and Changing Risk Appetites

Istanbul, 1 March 2016



About Petform

Established in 2000, PETFORM has played a crucial role in the transfer of private sector views to the public authorities regarding to Turkish energy legislation amendments. Member companies mainly have activities in 2 sectors:

- Exploration & Production Sector
- Natural Gas Market

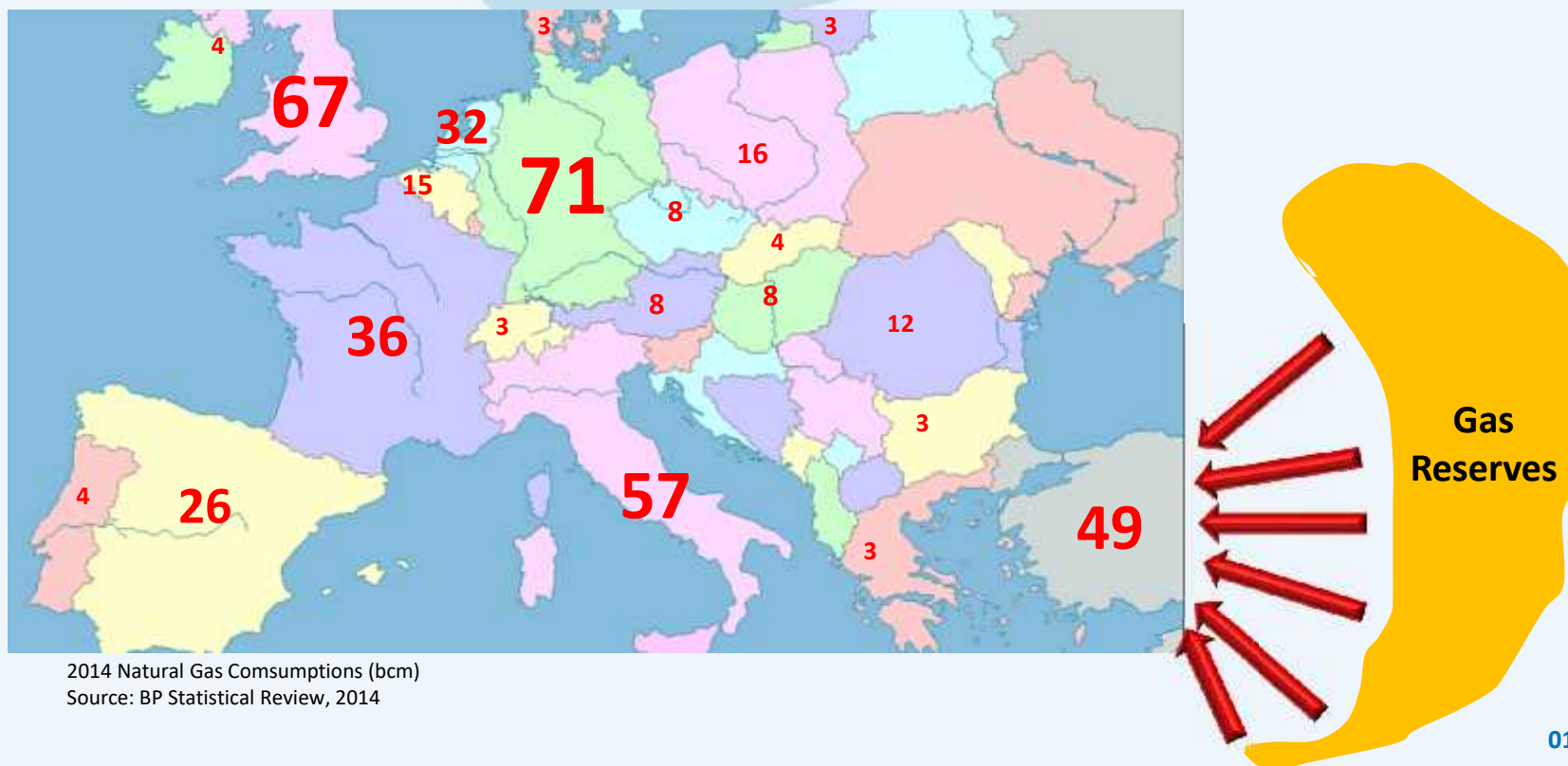


Member Companies

- AKENERJ
- AKFEL
- AKSA
- ALADDIN MIDDLE EAST
- ANATOLIA ENERGY
- ANGORAGAZ
- ATT LA DO AN N AAT
- AVRASYA GAZ
- AYGAZ
- BATI HATTI GAZ
- BM HOLD NG
- BORDRILL SONDAJ
- BOSPHORUSGAZ
- BP
- CHEVRON
- ÇALIK ENERJ
- DEM RÖREN EGL
- DO AL ENERJ
- DO AN ENERJ
- ED SON
- EGEGAZ
- ENERCO ENERJ
- ENERJ SA
- ENERYA
- ERDGAZ
- EWE ENERJ
- EXXONMOBIL
- GDF SUEZ
- GENEL ENERGY
- GLOBAL ENERGY
- GÜNEY YILDIZI PETROL
- HATTU A ENERJ
- H POT ENERJ
- IBS RESEARCH
- K BAR ENERJ
- MARSА ENERGY
- NATURGAZ
- OMV
- PALMET ENERJ
- PERENCO
- POZ T F DO ALGAZ
- RWE & TURCAS GÜNEY ELEKTR K
- SHELL ENERJ
- STATOIL
- TBS PETROL
- TEKFEN N AAT
- TEM
- THRACE BASIN
- TIWAY
- TOTAL
- TURCAS
- VALEURA ENERGY
- VOLT ENERJ
- YEN ELEKTR K
- ZMB GAZ DEPO
- ZORLU ENERJ

Gas Consumptions and Gas Flow

Should there be a new hub, where is the best place?



What is Hub? What is Energy Hub?

Hub



A place that is the centre of a particular activity

Example: Silicon Valley has become the hub of the electronics industry

Source: Cambridge Dictionary

No definition for energy hub...

Energy Hub



A place that is the centre of energy

Drived from «hub» definition for this presentation

Example: Turkey will become the hub of the energy



What is Hub? What is Energy Hub?

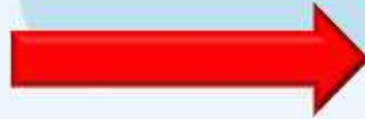
Two different options...

Two different directions...



Difference Between Trading and Transit Hub?

Trading Hub



a place where goods from other places are bought and sold

Source: Cambridge Dictionary

No definition for transit hub...

Transit



The movement of goods or people from one place to another

Source: Cambridge Dictionary

(Energy) Transit Hub

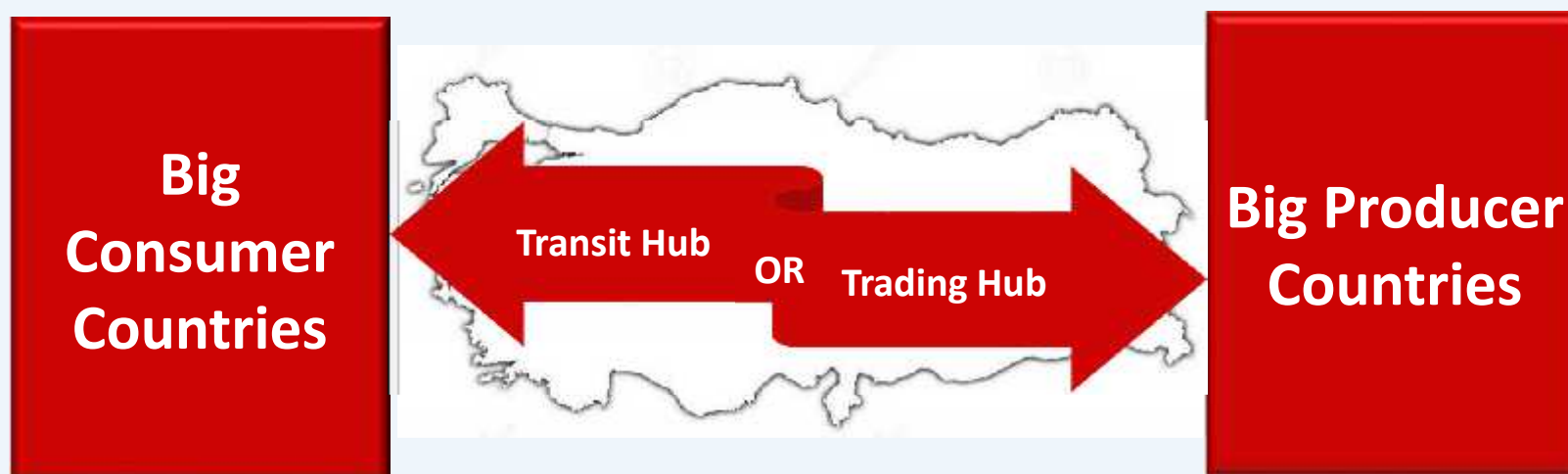


The movement of energy from one place to another

Derived from «transit» for this presentation

Turkey and Hub Concepts

- Decision time...



Supply and demand will eventually meet.

But there are different definitions...

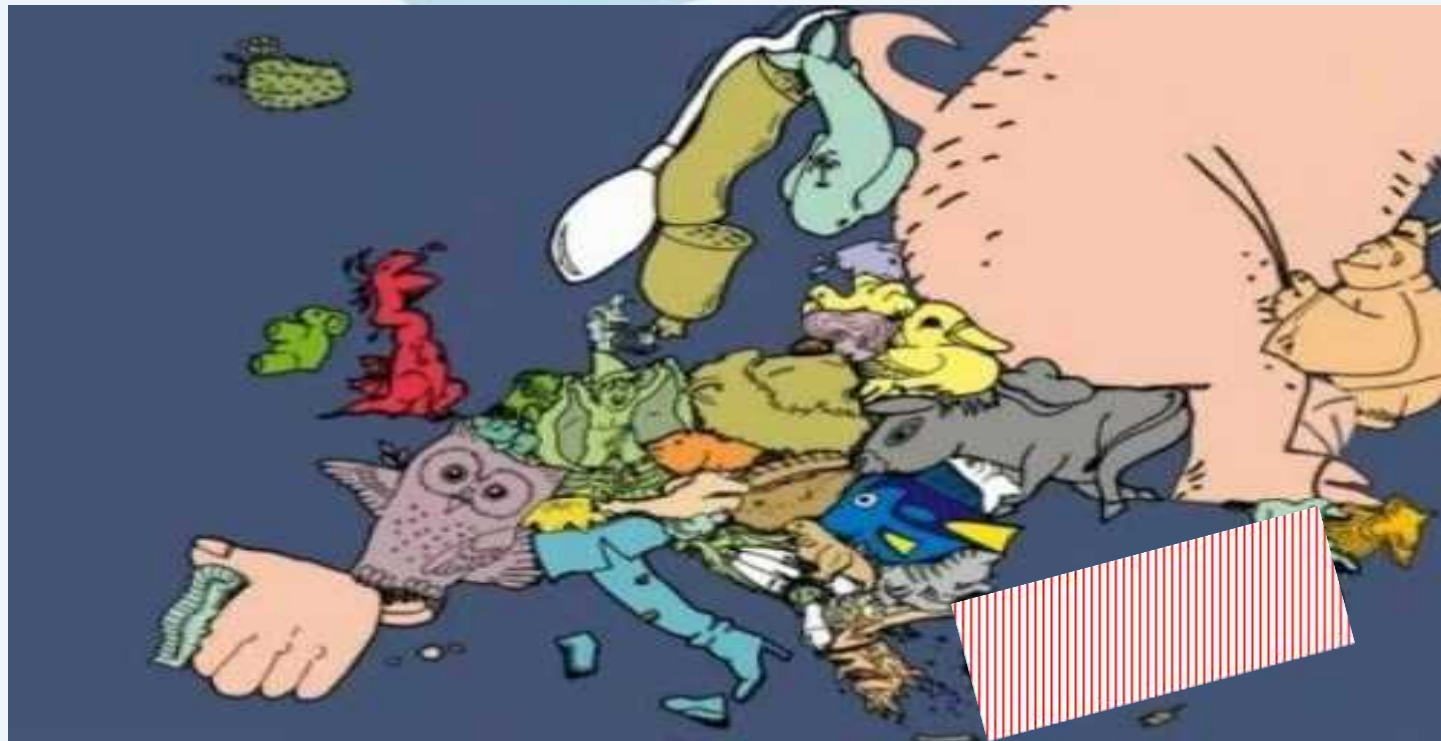
Turkey as a Natural Gas Transit Hub

The movement of energy from one place to another



Is Perception Reality?

How Turkey is perceived?



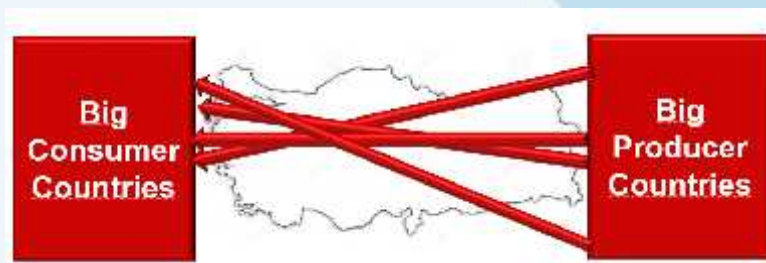
Is Turkey just a pipeline?

Turkey as a Trading Hub

A place where natural gas from other places are bought and sold



A Small Difference... But Big Change



Turkey as a transit hub or bridge country



Turkey as a trading hub or trading center



Why Trading Hub?

- Turkey is a big natural gas consumer, closer to the diversified gas sources
- Turkey has a perfect location for a trading center,
- Being a pipeline bridge is straight forward, but advantages are limited,
- Turkey has all competencies to play as a trading center for supply security of Turkey and EU for today and for the future,
- Turkey has a unique opportunity and has to be a trading center for the region and for our next generations.



When is the Best Timing?

- Yesterday was late to take an action, but it's never too late,
- Today is the best time to declare and take necessary actions to become a real trading center (not a bridge hub) of the future,
- The next decade will be very important for the supply security of Turkey and EU
- Each day without action, we're losing 86.400 seconds

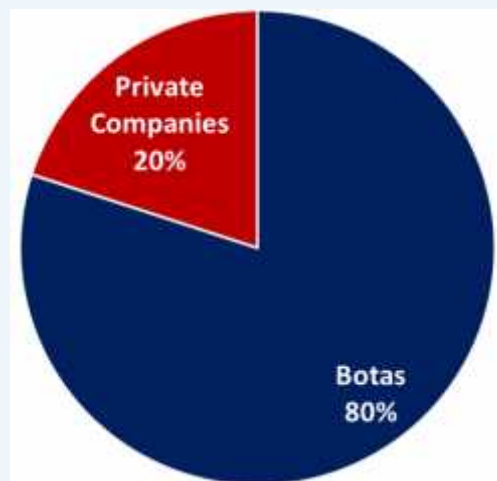


Who Will Make Turkey a Trading Center?

- Turkey's supply security is as important as EU supply security,
- Turkey has an important responsibility due to its unique geographical position,
- We're responsible for our future, thus we should write the history of our future
- Turkey should complete the necessary homework and be prepared for the future global challenges.

Turkey's Natural Gas Market Journey...

15 years





Turkey as a Trading Hub, Homework...

- **Is Turkey ready for the future?**

- What is our present entry capacity and what will be in the future?
- What will be our daily demand in the future?
- What is our gas transmission capacity in our national network? And what will be in the future?
- Is it enough to be a trading hub? Can buyers find gas in our market during winter season? Can we sell them?
- Do we have supply security problem?
- How are we going to combine pipeline gas, underground storage and LNG?
- What is our plan? What do we want to be? A bridge country of gas highways or a trading center?



Conclusion

- As private sector, we don't see any other option than being a trading center (or hub), it's our **responsibility** for the future,
- We don't understand the definition of «transit hub», if it's used in place of being a «pipeline», and **we don't accept**,
- We know that our government is thinking the same and we are **committed** to do our part for this,
- Given the current conditions and Turkey's unique geostrategic position, we **have to** be a key trading center for the supply security of Turkey and EU.



What do We Want to Be?

- **WHAT** : a place where trade is being held
- **WHY** : for our region and for our next generations
- **WHEN** : starting today, in 10+ years
- **WHO** : Only we can
- **HOW** : Through homework and tests

Matrix...Red/Blue Pill... Are We Ready?



This is your last chance... After this, there is no turning back.

You take the blue pill – the story ends, you wake up in your bed, and believe whatever you want to believe.

You take the red pill... You stay in Wonderland and I show you how deep the rabbit hole goes

Remember, (if you choose the red pill) all I'm offering is the truth, nothing more...



If...Then

**IF THERE IS
NO**

- Transparency
- Interconnectivity
- Flexibility
- Homeland Supply Security
- Private Sector
- Market Culture
- Government's Will

**THERE WILL
BE NO**

TRANSIT

(Created and used only for Turkey)

Can We Handle the Truth?





It is no use saying, 'we are doing our best'. You have got to succeed in doing what is necessary.

Winston Churchill

Success depends upon previous preparation, and without such preparation there is sure to be failure

Confucius



Last Word...

I did not tell half of what I think, for I knew I would not be believed.

Inspired by Marco Polo's quote: I did not tell half of what I saw, for I knew I would not be believed (1324).

PETFORM



Thank you...