



Turkey's Natural Gas Trading Hub Vision

Gökhan Soruş
Senior Specialist

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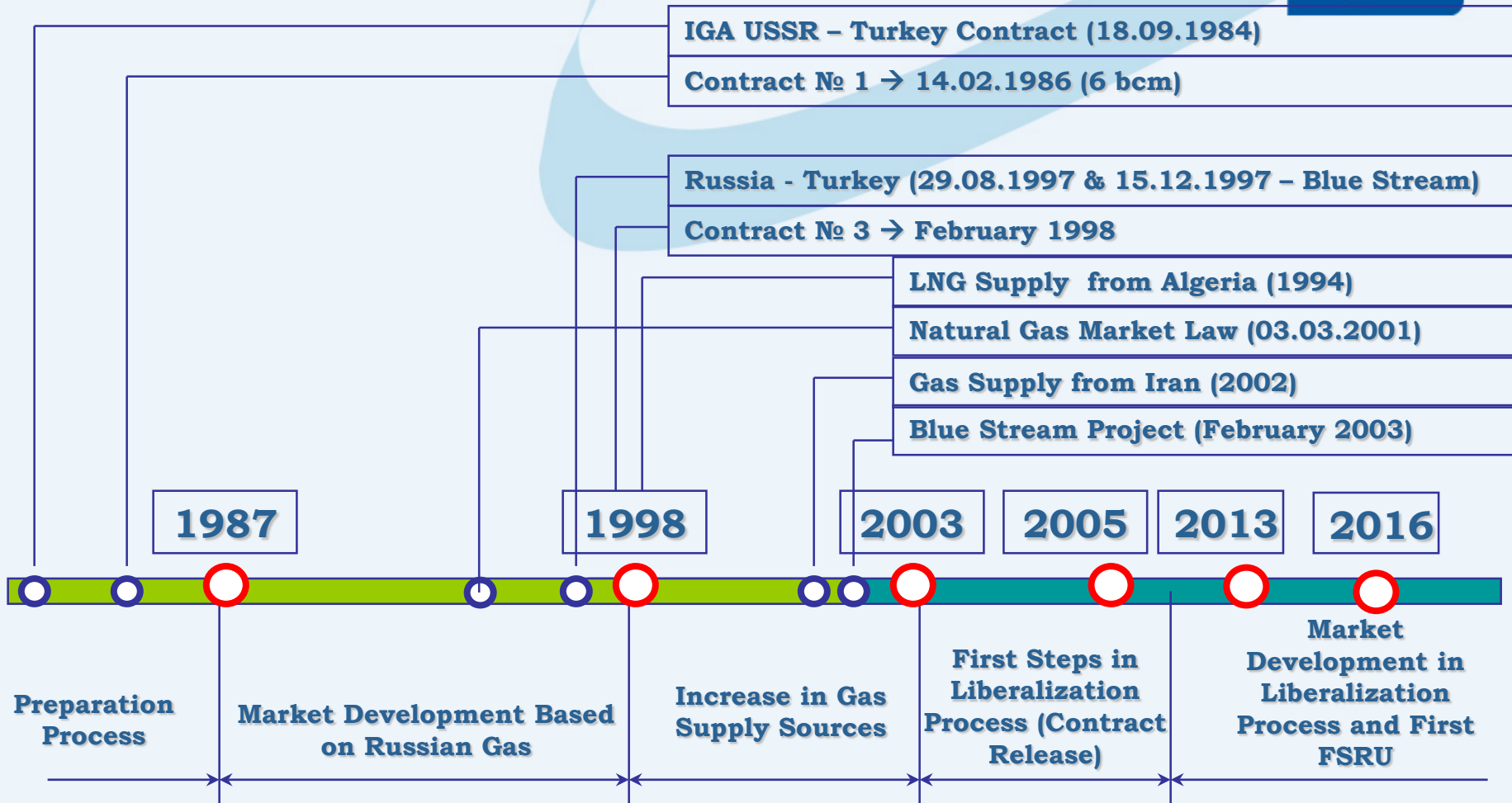
About PETFORM



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

Development Process of Turkish Natural Gas Market – 1



Development Process of Turkish Natural Gas Market – 2



Organized Wholesale Natural Gas Market Regulation has been published.

Market Operation Procedures and Principles has been published.

2017

31.03.2017

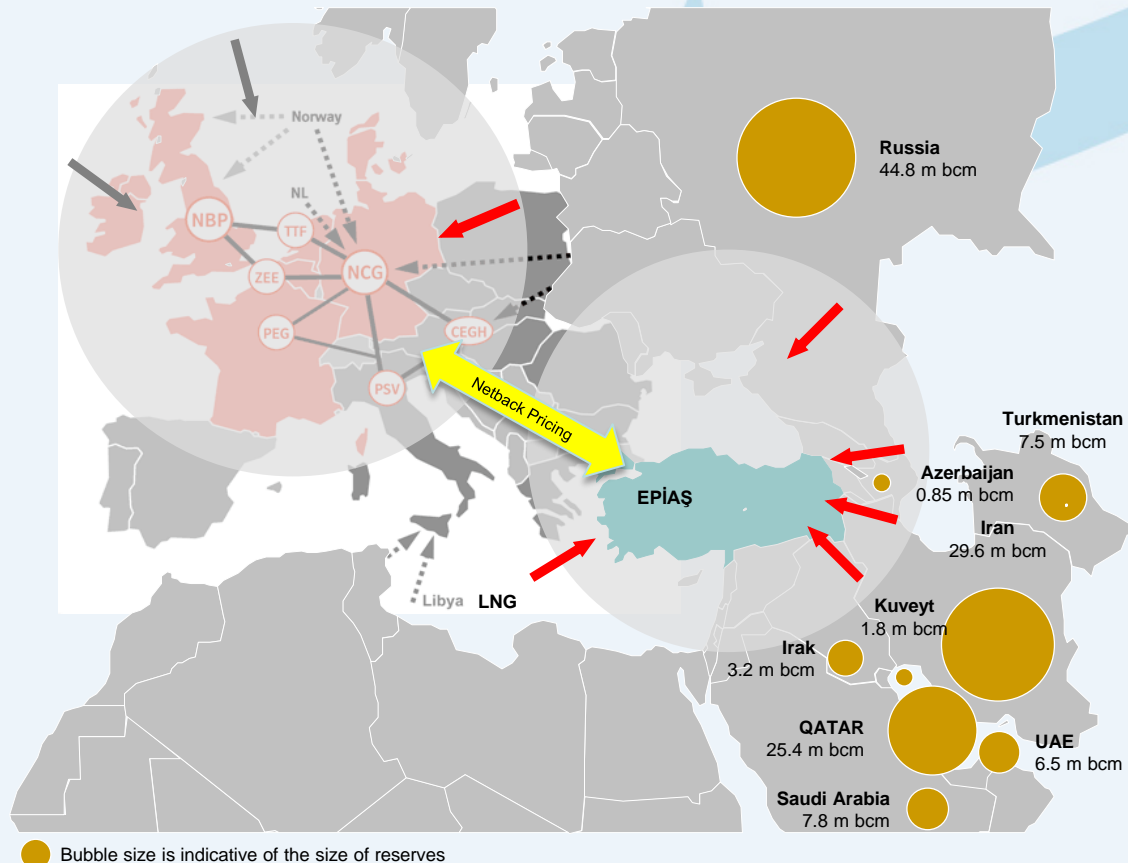
23.09.2017

14.03.2018

2017: Tuz Gölü Gas Storage, Silivri Gas Storage Capacity Extension, LNG Terminals Capacity Extension, New FSRU Projects, Turkish Stream, TANAP, IBT, Gas Trading Platform

Network Code Amendments Regarding Market Operation Procedures and Principles has been published.

Integration of Turkey with European Gas Hubs



- 8 Major European Trading Hub
- Trading on OTC's via Brokers
- Trading on Energy Exchanges

If Turkey can make necessary structural reforms, Turkish natural gas market will be integrated with European trading hubs and generate reference price for natural gas trade in the region.

What Should Be Done?



Physical Infrastructure

- Very well developed and maintained physical infrastructure
- No restrictions and congestions to meet peak demand
- Cross border capacity development with minimum congestion
- New storage and LNG facilities for supporting supply security to seasonal and peak demands

Regulatory Framework

- Policy drafting regulatory body should understand the real Dynamics of the Energy, TPA, Network Code, Independent TSO etc.
- Implementation of policies via EU directives.
- Monitoring of wholesale market integrity, competition (antitrust) and effective consumer interest protection is needed for competition
- Unbundling of transmission and counteraction of incumbents' vertical dominance

Independence of Transmission System Operator

- Appropriate capacity-booking model (entry/exit model, use it or lose it principle)
- Effective balancing mechanism
- Effective nomination processes
- Publicized imbalance charging structures (not overly punitive)
- Very well integrated storage injection and withdrawal processes to the transmission system
- Transparent tariffs for system entry and exit

Commercial and Market Conditions

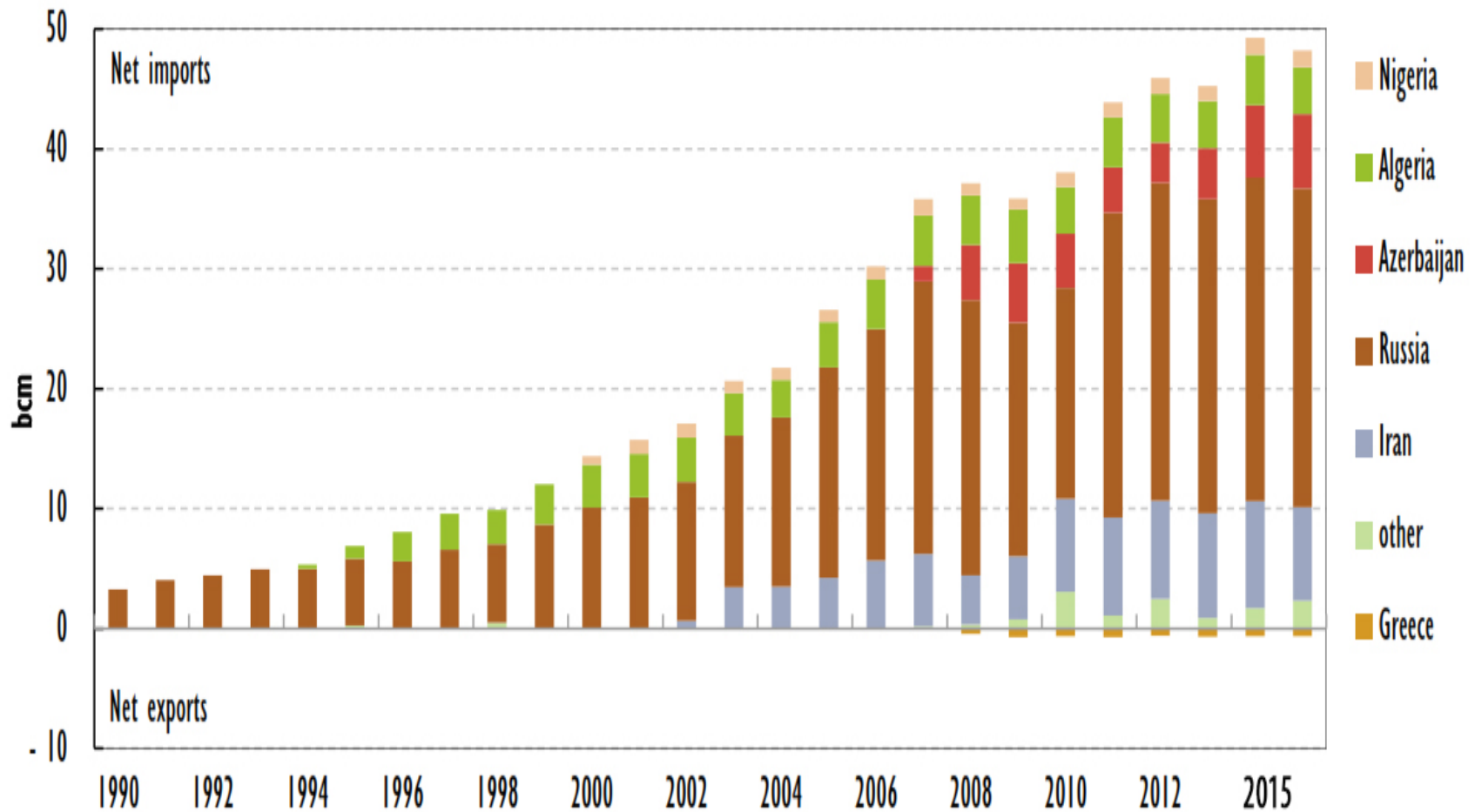
- Formation and active promotion of common pricing reference
- Free day ahead and intraday price assessment mechanism
- Standard and commonly expected physical contracts
- No barrier for new entries
- No destination clauses
- Transparent price-discovery mechanisms / platforms ,functioning forward market
- Good synchronization between balancing, nearby and forward markets
- Stable financial and credit environment and mechanisms

Turkey's Overall Energy Balance (1990 – 2016)



	1990	2016	Change
Total Energy Demand (million toe)	52.9	131,3	↑ 118% ↑
Total Domestic Production (million toe)	25.6	32.9	↑ 26% ↑
Total Energy Imports (million toe)	30.9	92.3	↑ 192% ↑
Coverage of Domestic Production to Total Consumption	48%	28%	↓ - 42% ↓

Turkey's Natural Gas Trade By Country (1990 – 2015)



Gas Import Agreements



Contract	Date of Signature	Date of Operation	Duration (Years)	Volume (Plateau bcma)	Date of Expiration
Algeria (LNG)	Apr 1988	Aug 1994	20	4	2024 (extended)
Nigeria (LNG)	Nov 1995	Nov 1999	22	1.2	2021
Iran	Aug 1996	Dec 2001	25	10	2026
Russia (B.Stream)	Dec 1997	Feb 2003	25	16	2028
Russia (West)	Feb 1998	Mar 1998	23	4	2021
Azerbaijan	Mar 2001	Jul 2007	15	6.6	2022

Source: Energy Market Regulatory Authority

Private Players' Entrance into the Market



Contract Release (2007)

Enerco Enerji	2.50
BosphorusGaz	0.75
AvrasyaGaz	0.50
Shell Enerji	0.25
	+

4 bcm

Contract Renewal (2013)

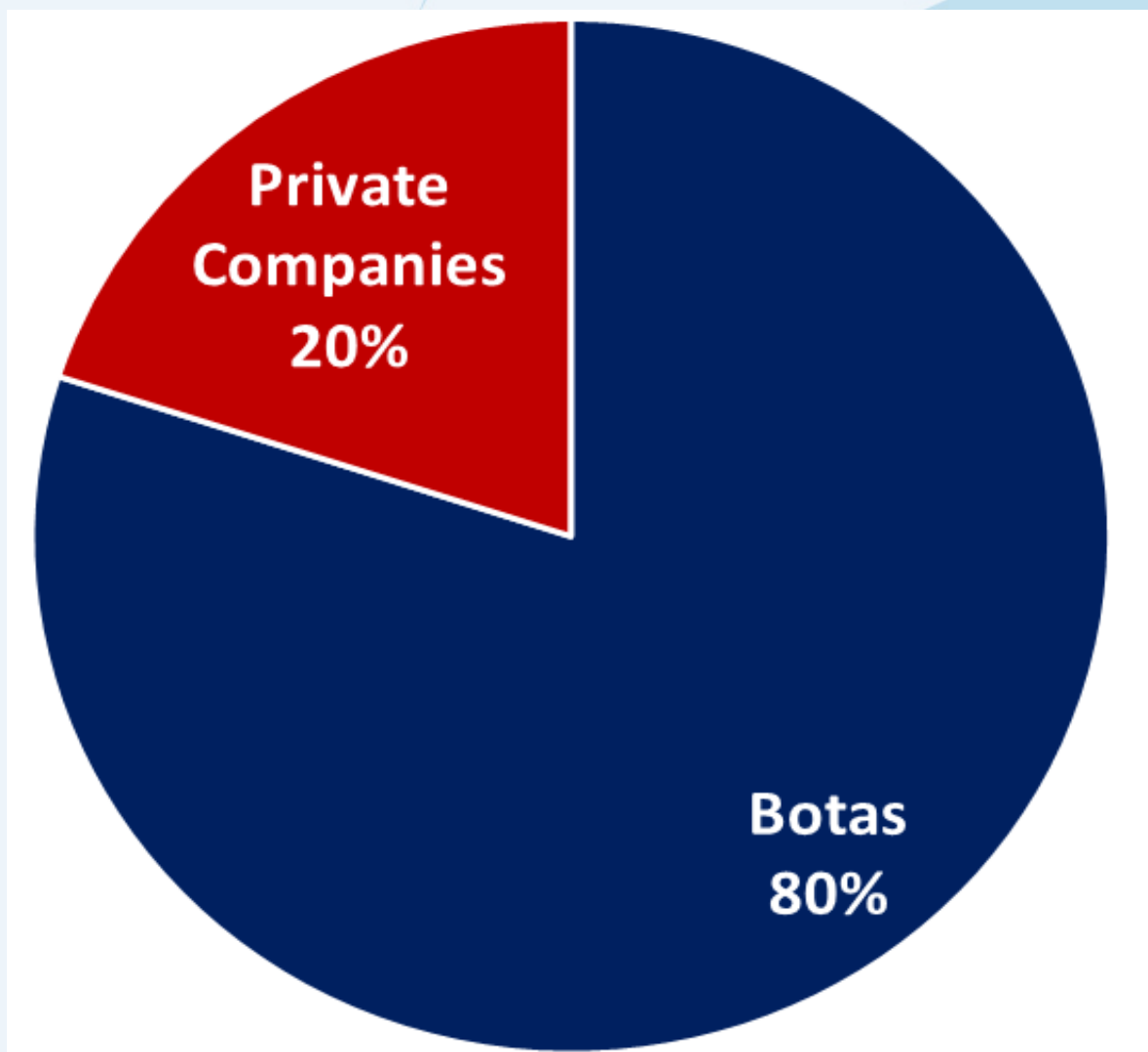
Akfel Gaz	2.25
BosphorusGaz	1.75
Kibar Enerji	1.00
Batı Hattı	1.00
	+

6 bcm

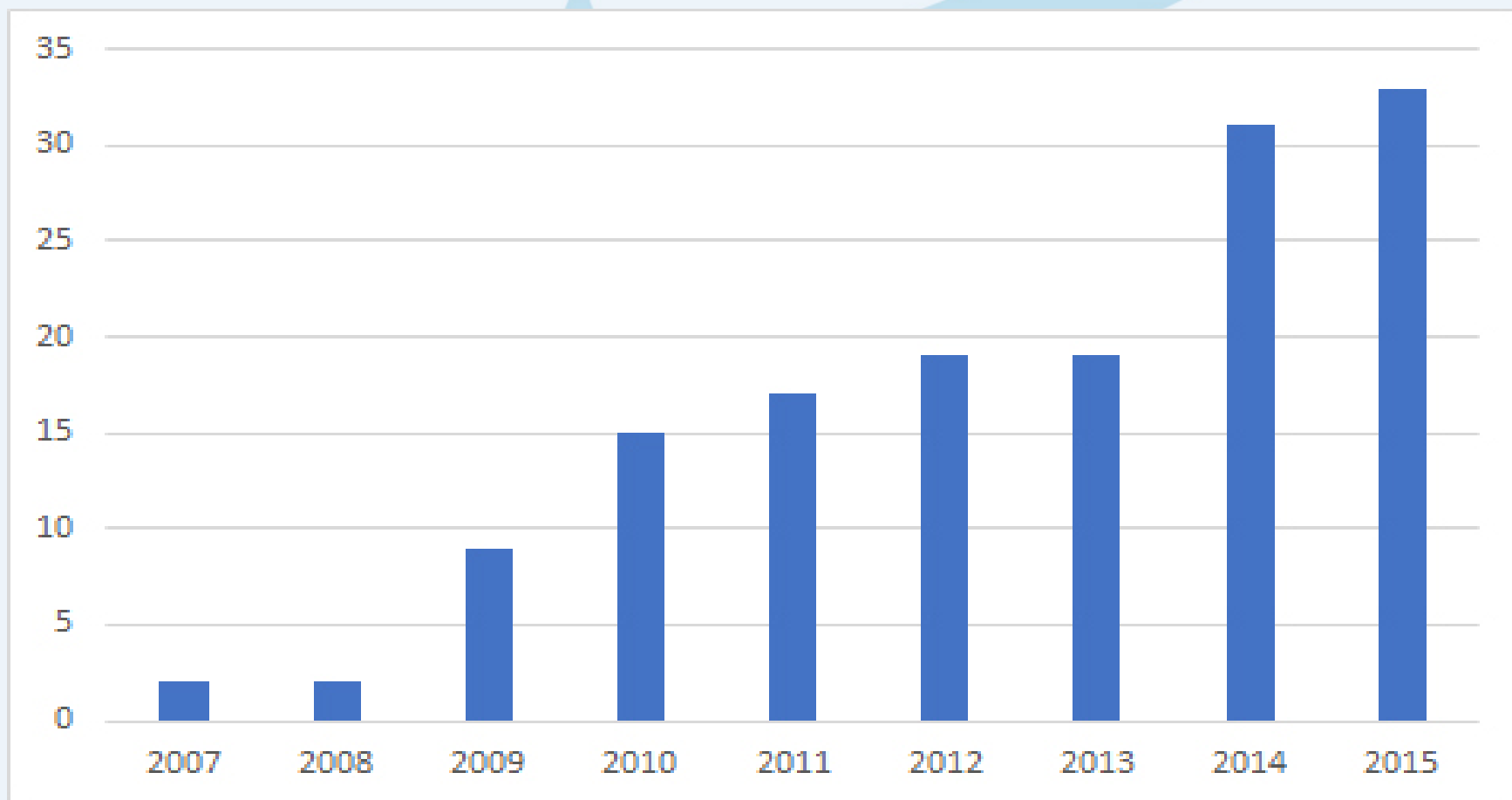
TR – AZ Agreement (2013)

SOCAR	1.20
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Market Shares



Number of Private Wholesalers in the Market



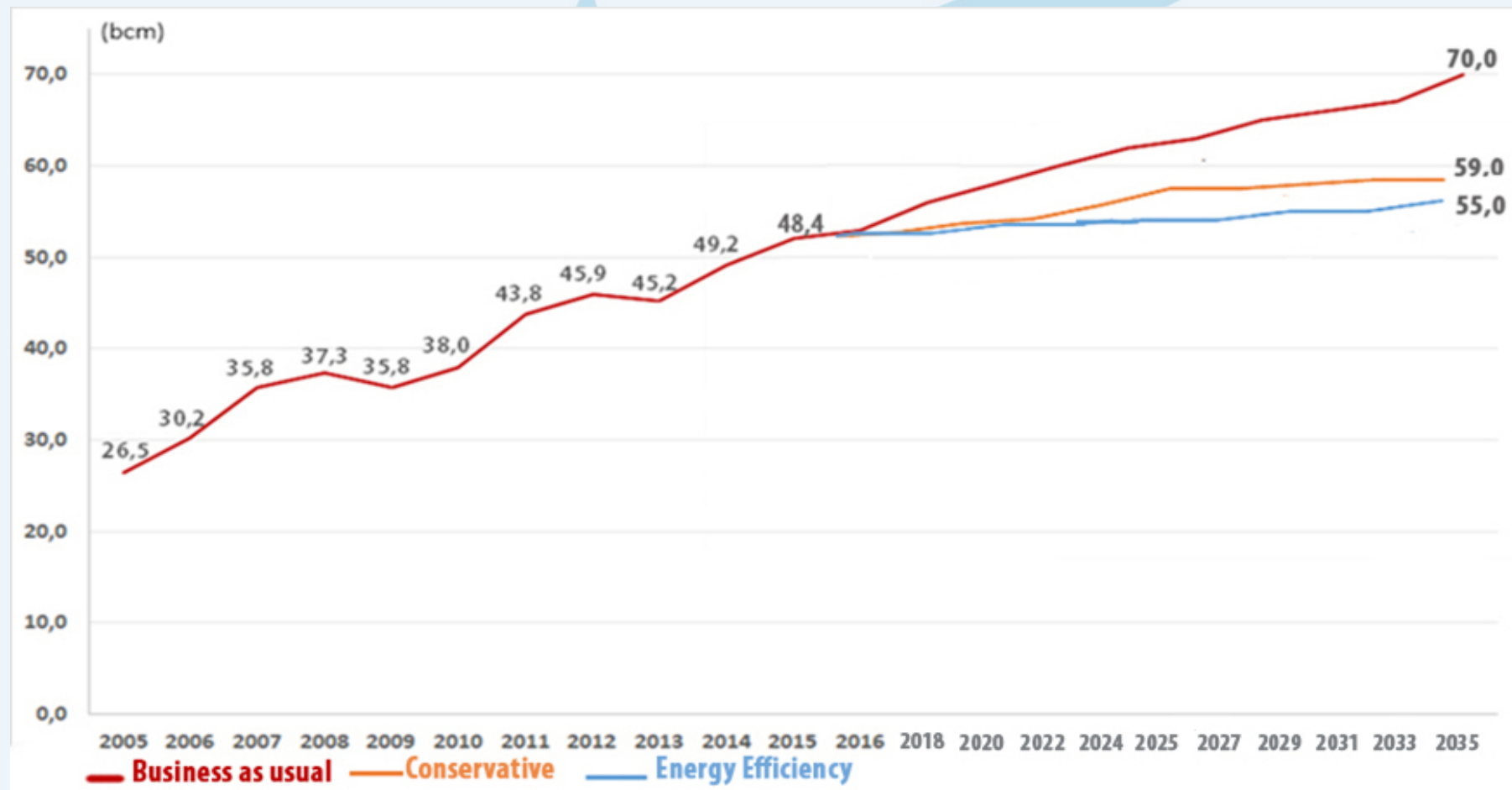
Pricing of Gas



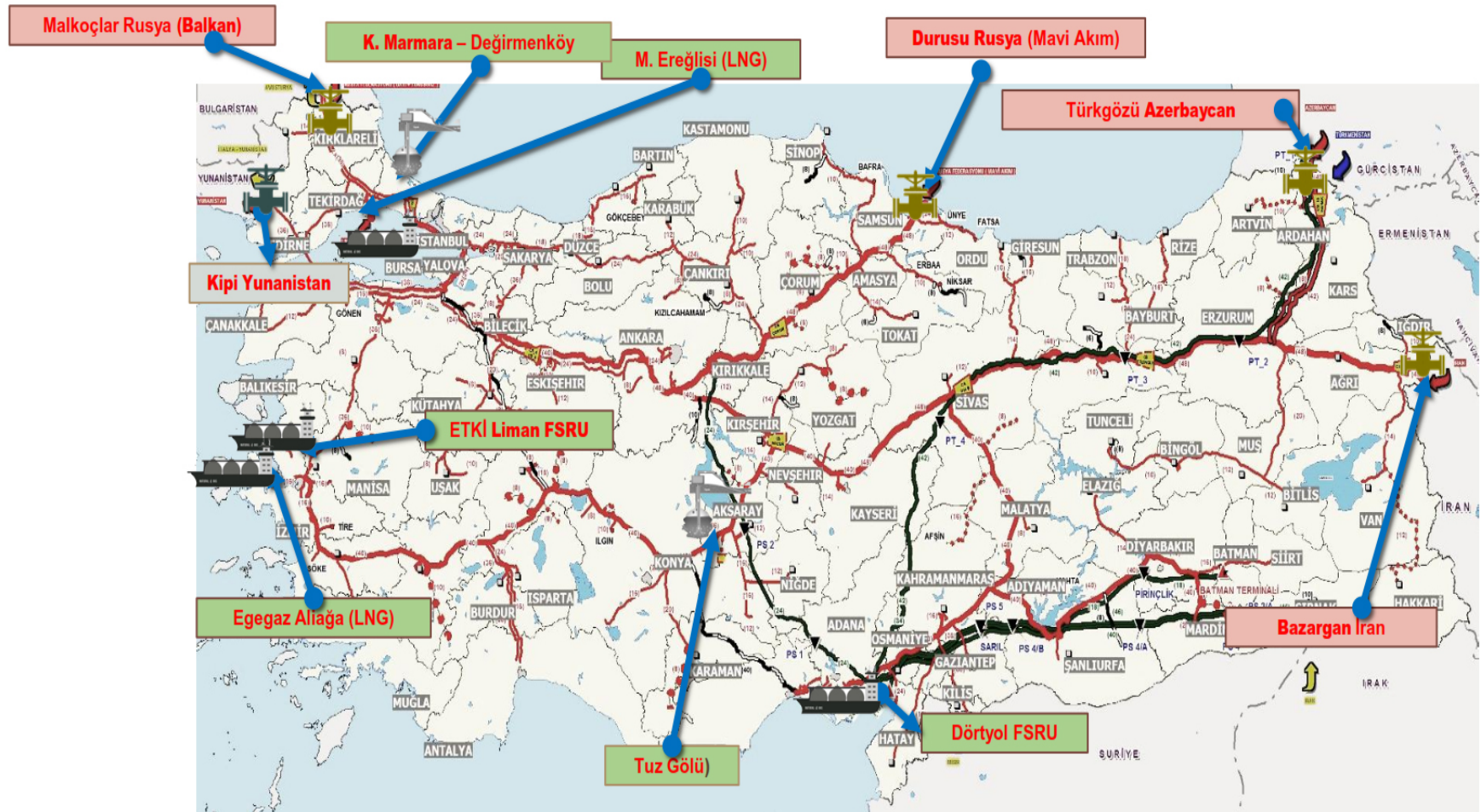
Comparison of Turkish spot, regulated prices and EU hub values
January 2015-June 2016



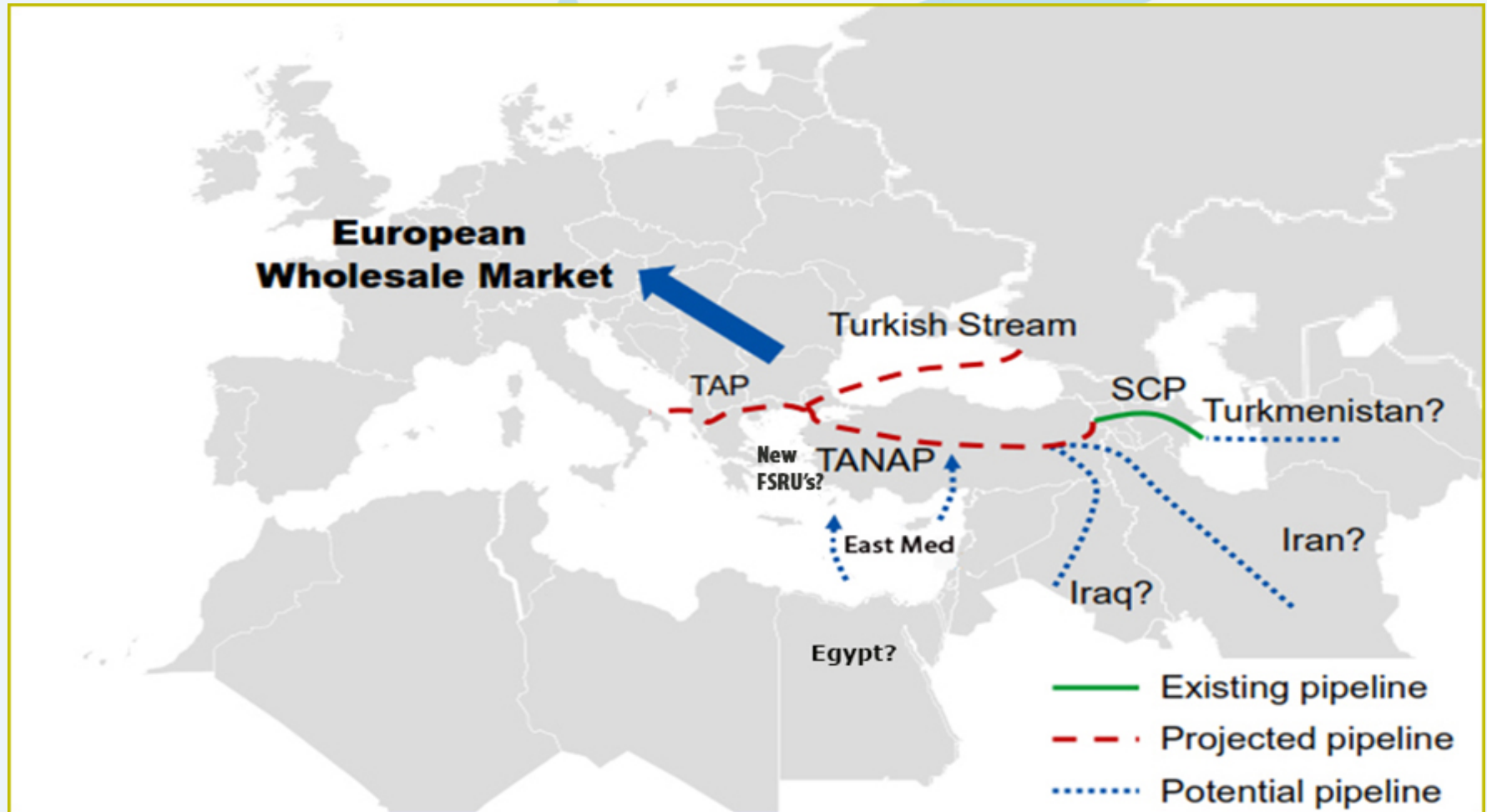
Natural Gas Demand Projection



BOTAS Transmission System



New Supply Opportunities



Potential New Gas Suppliers



- **Shah Deniz II & New Fields in Azerbaijan**
- **Northern Iraq / Iraq**
- **Iran**
- **Eastern Mediterranean Offshore**
- **Turk Stream**
- **Black Sea Offshore**
- **Shale Gas / Oil**

Steps Should be Taken



- **Harmonisation of EU & Turkish legislation**
- **Advisory role for Regulatory Authorities**
- **More detailed Network Code**
- **Unbundling of BOTAS**
- **No barrier to new imports**
- **Easing licensing regime**
- **More transparency**
- **Open balancing regime and easing trading procedures**
- **Implementation of volume release programme**
- **Full opening of market**



THANK YOU...

www.petform.org.tr

gokhan.sorus@petform.org.tr