

## TURKEY INSIGHT

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## ARTICLE

"Why does Gazprom want to supply gas to TAP?"

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Çayırhan - B tender concluded with 60.4 USD/MWh FIT

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## 10.25% discount debate with Gazprom

Gazprom Export implemented 10.25% reduction in the purchase price of the seven private gas importers on the Trans-Balkan pipeline in the beginning of last week and surprisingly sent secondary invoices on Friday that reimburses the discount.

**(Enerji IQ – 13 Feb. 2017)** Gazprom Export fulfilled the existing contract terms with seven private companies importing 10 billion m<sup>3</sup> of natural gas annually and implemented the 10.25% discount on the purchase prices of these companies from 1 January 2017, on the invoices that the importers received in the beginning of last week. But afterwards, Gazprom Export issued and submitted the secondary invoices for January 2017 for reimbursing the discount and started sending

these invoices to Turkey on February 10, Friday. Four of the importers confirmed the delivery of the secondary invoices to Enerji IQ. Some importers also told that they have received a statement from The Arbitration Institute of the Stockholm Chamber of Commerce (SCC), for a request to negotiate for the resolution of the dispute before the court litigation. Turkey's state-owned gas importer BOTAŞ appealed to arbitration court in Q4 of 2015, after gas price discount talks with Gazprom.

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## Turkish Wealth Fund era in energy market

The transfer of BOTAŞ, TPAO and BİST to the Turkish Wealth Fund (TWF) and the indirect transfer of the 34% shares of Turkish energy exchange EPIAŞ to TWF raised questions as how this process will affect the future of the energy market is uncertain.

**(Enerji IQ – 6 Feb. 2017)** With the decision of the Council of Ministers published in the repetition of the Official Gazette dated 5 February 2017, 11 public economic organizations including BOTAŞ, TPAO and Stock Exchange Istanbul (BİST) were transferred to the Turkey Wealth Fund (TWF). Besides the directly transferred organizations, the 34.6% shares of Turkish energy exchange EPIAŞ had also been indirectly transferred to TWF as BİST holds 30% Group A and 4.16%

Group B shares of EPIAŞ, in which Group C shares are owned by private market players.

The number of organizations to be transferred to TWF is expected to increase in the coming days. Transmission system operator TEİAŞ and state owned power generator EÜAŞ, which will also be partner in Sinop Nuclear Power Plant, is expected to fully transfer to TWF, according to source from the Ministry of Economy.

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## Electricity supply companies to devolve their portfolios

Some of the financially challenging electricity supply companies have started to devolve eligible consumers from their portfolio and transfer them to other supply companies and authorized retail companies whose costs are appropriate. Sector's debt-credit structure also gives signals of deterioration.

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## 2 pre-licenses to April 2015 wind plant applications

EMRA awarded two pre-licenses to wind plant license applications that were received by the authority on April 2015. A source from EMRA told that both of the applications were made for single-connection and licensing of multi-connection applications is still not certain for April 2015 round.

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## 10.25% discount debate with Gazprom

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Import licenses of private sector (via Trans Balkan pipeline)	
Company	Annual Imports (bcm)
Akfel Gaz San. ve Tic. A.S.	2.250
Avrasya Gaz A.S.	0.500
Bati Hatti Dogalgaz Tic. A.S.	1
Bosphorus Gaz Corpora on A.S.	2.500
Enerco Enerji San. ve Tic. A.S	2.5
Kibar Enerji Dagi m San. A.S.	1
Shell Enerji A.S.	0.250

In the Turkish natural gas market, a period in which the shippers work with negative margin has been started since the beginning of the year; due to the difference between the market sales price and the purchase price of the suppliers. Due to the fairly high price of the balancing gas, wholesale sellers have suffered losses in the amount of million TL since the beginning of December.

Natural gas wholesale sellers and gas importers urge BOTAŞ to increase the gas sales price in 2017. A gas trader stress that BOTAŞ has to increase gas sales price of the eligible consumers at least 10 – 15% in May 1 or June 1. The constitution referendum which is likely to be done on April 16 is the main barrier for an early increase on the price.

## Çayırhan - B tender concluded with 60.4 USD/MWh feed-in tariff for 15 years

Turkey's first lignite field privatization tender is concluded with the Kolin-Kalyon Energy-Çelikler JV's minimum bid of USD60.4/MWh, which will be the feed-in tariff for 15 years in return to building and operating a 780 MW thermal plant.

**(Enerji IQ – 6 Feb. 2107)** The tender for the privatization of the EÜAŞ owned Çayırhan coal field took place in Ankara on 6 February 2017. Kolin-Kalyon Enerji-Çelikler JV became the best bidding group with USD60.4/MWh.

Well known local investors Fina Enerji, IC İctaş, Kolin-Kalyon Energy-Çelikler JV and Limak Yatırım participated the tender which realized by the reduction from USD72/ MWh.

After the approval of the Privatization Board, TETAŞ will sign a 15-year long power purchase agreement (PPA) with the investor with the price stated in the tender. The construction period of the power plant will be included in this 15-year long term.

### Price controversy: The tender price is 20.8% higher than the current purchase guarantee

With the decision of the Council of Ministers published last year, TETAŞ started to purchase electricity from domestic coal-fired power plants and the price was determined as TL185/MWh. The contract for the 6 TWh energy procurement was signed with the power plants in August 2016 and was renewed in January this year for 18 TWh.

In August 2016, when the contracts were signed, the USD average was realized as 2.98 TL/USD and the purchase price of TL185 /MWh was calculated as USD62.1/MWh.

The same price seems to have fallen to the level of 50 USD/MWh with today's 3.7 TL/ USD exchange rate.

The price of USD60.4/MWh, which will be applied for 15 years, is 20.8% higher than the purchase guarantee given to the power plants already operating.

This price corresponds to 22.35 Krş/kWh with today's rate, which is 50.7% above the last years weighted average electricity price 14.83 Krş/kWh.

# Turkish Wealth Fund era in energy market

The transfer of BOTAŞ, TPAO and BİST to the Turkish Wealth Fund (TWF) and the indirect transfer of the 34% shares of Turkish energy exchange EPIAŞ to TWF raised questions as how this process will affect the future of the energy market is uncertain.

**(Enerji IQ – 6 Feb. 2017)** With the decision of the Council of Ministers published in the repetition of the Official Gazette dated 5 February 2017, 11 public economic organizations including BOTAŞ, TPAO and Stock Exchange Istanbul (BİST) were transferred to the Turkey Wealth Fund (TWF). Besides the directly transferred organizations, the 34.6% shares of Turkish energy exchange EPIAŞ had also been indirectly transferred to TWF as BİST holds 30% Group A and 4.16% Group B shares of EPIAŞ, in which Group C shares are owned by private market players.

The number of organizations to be transferred to TWF is expected to increase in the coming days. Transmission system operator TEİAŞ and state owned power generator EÜAŞ, which will also be partner in Sinop Nuclear Power Plant, is expected to fully transfer to TWF, according to source from the Ministry of Economy.

Some Metropolitan Municipal Economic Enterprises are also expected to be transferred to TWF. Ankara sources

The organizations and paid-in capital transferred to TWF are listed in the table below:

Entitiy	Treasury Shares (%)	Paid-in Capital (TL)	IPO (%)
BOTAŞ	100	4.15 billion	
TPAO	100	3 billion	
Borsa İstanbul	73.6	423.2 million	
Eti Maden	100	600 million	
THY	49.12	1.38 billion	50.18
Halkbank	51.11	1.25 billion	48.77
Ziraat Bankası	100	5 billion	
PTT	100	981.5 million	
Türksat	100	1.47 million	
Türk Telekom	6.7	3.5 billion	13.31
Çaykur	100	1.49 billion	

do not make a statement in this direction and the information has not yet been verified, but it is stated that İGDAŞ, which is on the agenda of privatization, may be among the enterprises, to be transferred to TWF.

In Turkish Airlines (THY) and Halkbank, the shares owned by the Prime

Ministry Privatization Administration were removed from the privatization scope and program and transferred to TWF. In addition, 3 billion TL of the Defense Industry Support Fund was opened for the use of the Fund for 3 months. Previously the Fund was handed over to the National Lottery and the Games of Chance

## What will be the effects of TWF on the energy market?

Transfer of BOTAŞ and TPAO with the indirect transfer of EPIAŞ to TWF is closely monitored in the energy market. The information IQ obtains from Ankara sources is that the number of energy SEEs to be transferred to TWF will increase.

The most controversial issue is how these developments will impact on BOTAŞ and the EPIAŞ, which is a very critical function in the energy market, and the market as a whole.

The transfer of these institutions

to the TWF also highlighted how these institutions would be audited and on which basis they would be managed.

According to the legislation, all of these institutions came out of the Court of Audit. These institutions will be audited by the independent audit firms.

According to market players, independent auditing of these companies will enable them to operate in a more profit-based

environment where companies will be restricted to use cross-subsidy instruments. An industry representative who passed on the views to Enerji IQ said that the transfer of BOTAŞ to TWF could open the door of "cost-based pricing".

But on the other hand, minority of the market players expect more transparency problems as well as irrelevant activities and more dominant price control mechanisms.

## EMRA awarded 2 pre-licenses to April 2015 wind plant applications

According to information received by Enerji IQ from EMRA, two pre-licenses have been awarded to wind plant licence applications, received by the authority in April 2015. The third pre-licence is expected to be awarded next week, following TEİAŞ's approval for connection.

**(Enerji IQ – 9 Feb. 2017)** The EMRA has taken an important decision on the April 2015 wind plant licence applications, which were surrounded by a recent debate as to their extradition, due to long-running lack of transaction. At the EMRA's last board meeting, two projects, which were submitted to the Authority during the 3 GW applications received on April 2015, were awarded with pre-licenses by a board decree. According to the information obtained from EMRA, a third pre-licence will be given to a project, subject to the grid connection approval by the transmission system operator TEİAŞ.

### April 2017 applications still remain uncertain

Market players are concerned about the future of the wind plant investments in Turkey as the regulator EMRA and Ministry of Energy have not concluded the 3 GW wind plant applications that they receive on April 2015 in the eve of the new 2 GW applications, which will be accepted on April 2017. Besides, EMRA has not finalized the new regulation for the competition procedure of the multi-connection applications, which the draft was opened to public opinion on November 2016.

However, as stressed by the authorities, the pre-licenses awarded to projects, classified as "individual connection applications", do not necessarily mean that the multiple

project applications for the same grid connection point would be eligible for evaluation and be subject to competition in due course.

## ENKA and GE will build two power plants in Iraq

ENKA, with its partner General Electric, will design and build the Dhi Qar Combined Cycle Power Plant and Samawa Combined Cycle Power Plant which will add 1.500 MW to the Iraqi Grid.

**(Enerji IQ – 7 Feb. 2017)** ENKA, with its partner General Electric, will design and build the Dhi Qar Combined Cycle Power Plant (750 MW) and Samawa Combined Cycle Power Plant (750 MW) which will add 1500 MW to the Iraqi Grid. Dhi Qar Combined Cycle Power Plant is located near Nasiriyah City, 230 km northwest of Basra, in southern Iraq. Samawa Combined Cycle Power Plant is located near Samawah City, 293 km northwest of Basra, in southern Iraq.

The gas turbines were purchased by Ministry of Electricity of Iraq as part of Mega-Deal between Government of Iraq and GE and will be handed over to GE-ENKA for installation and commissioning. These units are the last GT's of the Mega-Deal to be installed. All other materials and equipment shall be purchased and

shipped to Iraq by GE-ENKA. The project will consist of 1 power block which will produce 750 MW of power at 132 and 400 kV transmission levels. It will include four (4) GE 9E series combustion turbine generators which will be able to fire three (3) types of fuels: The main fuel will be the Crude Oil (CO) and the back-up fuels will be Light Distillate Oil (LDO) and Natural Gas. The design of the equipment will be suitable for operating 24-hours/day, 7-days/week with useful life of 25-years.

The Plant will be the first combined cycle project of that will be owned and operated by Ministry of Electricity. The thermal efficiency will be above 50%, which will help Iraq to save 14 billion cubic meter of natural gas, and 32 million tons CO<sub>2</sub> over 25 years.

The financing of the Project shall be

arranged by Overseas Private Investment Corporation (OPIC) and Export Credits Guarantee Department of UK Government (UKEF).

Among partners, ENKA's scope covers Engineering, Procurement of Balance of Plant (BoP), Construction, Erection, Commissioning and Start-up of the power plant, whereas GE will provide the Power Island Equipment (i.e. Steam Turbine Generator (STG), Heat Recovery Steam Generator (HRSG), Air Cooled Condenser (ACC), and Main Transformers), Distributed Control System (DCS) and Switchyard, will also be responsible for the plant performance tests.

The contract is signed on January 2017 and the project is scheduled to be completed within 34 months after commencement.

## World Bank signs USD 400 million finance deal with BOTAŞ for TANAP

The World Bank and Turkey's gas grid operator BOTAŞ signed a USD 400 million financing deal on Feb. 8 for the Trans-Anatolian Natural Gas Pipeline (TANAP) project, which will carry gas from a gas field in Azerbaijan across Turkey and further on to Europe.

**(Enerji IQ – 8 Feb. 2017)** The World Bank's Board of Executive Directors approved a USD 400 million loan for Turkey and a USD 400 million loan for Azerbaijan for the project late in 2016. The signatures for the Turkish part were inked in Ankara.

"On the road to pumping to first gas in the framework of TANAP in 2018, we are here to sign a key USD 400 million financing deal with the World Bank today. This agreement also has great significance for the Turkish economy, as well as global energy markets. I want to give other good news for the markets. Our energy team is working on a financing package worth USD 3 billion in 2017 not only with the World Bank, but also with other international finance institutions for energy projects," Turkish Energy Minister Berat Albayrak said at the ceremony, according to state-run Anadolu Agency.

He also said the first gas would be pumped from Turkey's Tuz Lake gas storage facilities on Feb. 10 in an official ceremony in the presence of President Recep Tayyip Erdoğan, adding that Turkey continued to be a key player in supporting and taking part in a number of crucial projects to fuel energy



diversification.

The World Bank's Europe and Central Asia vice president, Cyril Muller, said a further USD 2.4 billion in loan support would be offered to the TANAP project from other international financial institutions in addition to the World

Bank's support.

Noting that the intense works to complete the project financing had been continuing for 15 months, Muller said, "In addition to the World Bank's financing support, USD 2.4 billion worth in loan support will be provided for the project by [others]."

**"65% of the TANAP project was completed"**

BOTAŞ General Manager Burhan Özcan said some 65% of the TANAP project was completed, adding that the loans provided for the project would be payment-free over the next five years and would be repaid in 19 years.

The TANAP project is part of the Southern Gas Corridor Program, which, in addition to TANAP, includes the development of the Shah Deniz II gas field in Azerbaijan; an expansion of the South Caucasus Pipeline across Azerbaijan and Georgia to Turkey; and the Trans Adriatic Pipeline (TAP), which will carry the gas through Greece and Albania and under the Adriatic Sea to southern Italy.

The project is slated to come online in 2018 with an initial capacity to carry 16 billion cubic meters (bcm) of Azeri gas through Georgia to Turkey. While 6 bcm will be for Turkey's domestic consumption, the rest is destined for transfer to Greece, Albania, Italy and further into Europe.

## Ten power plants in Turkey start operations in January

Turkey added 103.9 MW of additional installed capacity in January, according to data from Turkey's Energy and Natural Resources Ministry. The country's installed capacity is 78.6 GW as of February 1.

**(Enerji IQ – 4 Feb. 2017)** Turkey added 103.9 MW of additional installed capacity in January, according to data from Turkey's Energy and Natural Resources Ministry. In total 10 power plants, five of which are thermal power plants, account for this additional capacity since January. Currently, the country's installed capacity has reached 78.6 GW.

The data shows that 50 MW of total additional capacity came from coal and cogeneration unit power plants.

In January, 2 MW of natural gas capacity originated from Balıkesir located in the Marmara region of Turkey, and 1 MW of natural gas was generated from Aydın in Turkey's Aegean coast.

Over the same period, 37.7% of total capacity came from wind energy that corresponded to 37.09 MW.

The cities that have added the most additional wind capacity are Manisa, the largest city in Turkey's Aegean coast, the western city of

Afyonkarahisar, Kırklareli in the Thrace region of the country and Balıkesir in the Marmara region.

Three hydro power plants started operation in the Black Sea region since January. Generation from hydroelectricity power plants accounted for 13 percent of overall capacity.

Electricity capacity since January 2017 saw an annual decrease of 56 percent. Last year, additional capacity in January was around 237 MW compared to 103.9 MW this year.

# Electricity supply companies to devolve their portfolios

Some of the financially challenging electricity supply companies have started to devolve eligible consumers from their portfolio and transfer them to other supply companies and authorized retail companies whose costs are appropriate. Sector's debt-credit structure also gives signals of deterioration.

**(Enerji IQ – 2 Feb. 2017)** As a result of the fluctuations in the electricity market, some of the suppliers, especially those who prefer not to close their open electricity sales made by bilateral agreement, and thus receive energy only on the day-ahead or on the balancing market, started devolving their customer portfolios.

In addition, the increase in the YEKDEM volume and the increase in the costs due to the increase in the exchange rate in 2017, the profitability of the supply companies affected negatively when these conditions met with the high winter demand this year. In this direction, low-capitalized supply companies have begun to devolve eligible consumers from their portfolio and transfer them to other companies and mostly the authorized regional retail companies, whose costs are

relatively appropriate.

It is expected that the cost of

YEKDEM, which is around TL 24/MWh in 2016, will approach 50TL/ MWh with the forward FX rate this year.

## “Bankruptcies started on the retail side”

A supply company official told Enerji IQ “ Many interventions and legislative changes were made in 2016 to stop the downward trend in electricity prices. While the electricity generation side was supported in this way, the costs on the retail side, especially with the increasing exchange rate, were based on the tariff price. Bankruptcies began on the retail side. Two or three companies fall in default position in terms of payments to EPIAŞ in every settlement period at winter times. The latest legislative changes for YEKDEM will benefit minors, but in the short run there is no more radical remedy. If there is no increase in market prices or even if there is no raise on the tariffs, the few steps taken to liberalize the market so far will be wasted and the liberalization level will return to the 2011-2012 period.”

# Cenk Pala appointed as PR Coordinator to Turkish Stream

Cenk Pala, former TAP representative to Turkey, is appointed as the Public Relations Coordinator of the Turkish Stream to work for the Netherlands based South Stream Transport B.V.'s İstanbul office.

**(Enerji IQ – 1 Feb. 2017)** Cenk Pala, appointed as the Turkish Public Relations Coordinator of the Turkish Stream to work in the 100% Gazprom owned South Stream Transport B.V.'s İstanbul office.

Cenk Pala previously served as the Turkish Representative to the TAP project.

He started his professional career in 1990 as a lecturer at Gazi University until 1997 and took over the Senior Economist role in BOTAŞ International Ltd. (BIL) In 1998, Mr. Pala was appointed to BOTAŞ HQ and appointed as the Head of Strategy and Business Development and worked on many international projects, including the BTC Crude Oil Pipeline, ITG



Cenk Pala

Turkey - Greece Gas Pipeline, IGI Turkey - Greece - Italy Gas Pipeline, Nabucco Gas Pipeline.

In 2008, he quit his position at BOTAŞ and took roles in the structure of E.ON Ruhrgas in Turkey. Cenk Pala was recently appointed as Business Development Manager in Enerjisa and as Advisor to TAP Turkish Government.

# Turkey's first digital power plant powered by GE & GAMA Energy

GE and Gama Energy sign agreement to operate Turkey's first Industrial Internet solution in the energy industry.

**(Enerji IQ – 8 Feb. 2017)** It is announced that GE and Gama Energy signed an agreement to operate the first digital power plant in Turkey. This deal marks the first use of industrial cloud software applications in a power plant in Turkey to improve efficiency and productivity.

GE will install GAMA's 840 MW İç Anadolu Natural Gas Combined Cycle Power Plant in city of Kırıkkale with its advanced digital solutions, Asset Performance Management (APM) and Operations Optimization (OO) solutions using Predix™, the operating system for the Industrial Internet. Installation of these digital solutions is planned for Q1 2017.

Sıtkı Şerifeken, Gama Energy General Manager said "We're proud to be the first digital power plant adopter in Turkey through our collaboration with GE. GE's enhanced total plant capabilities, advanced digital competencies and our 15 year history together give us great confidence in these new solutions to help us reduce maintenance costs and increase operational efficiency in the plant furthermore."

The announcement builds upon last year's multi-year agreement between GE and Gama to provide planned and unplanned maintenance services under availability and performance guarantees for two GE 9F.05 gas turbines and a GE D11 steam turbine. These services, combined with digital solutions, provide Gama's plant operators with greater insight to predict and diagnose asset failures with enough lead time to effectively plan maintenance schedules with more reliability, while ensuring high availability and a steady revenue flow from power plant operations. As part of the 15-year agreement,

GE is deploying its Fleet360\* platform of customized plant solutions to help improve performance and extend maintenance intervals.

"Unplanned outages in power plants correspond to 3-8% of a plant's capacity" said Murat Demirel, GE's Power Services Eastern Europe and Turkey General Manager. "GE's APM solution will bring a significant efficiency boost through early detection of such outages at power plants currently using this solution. We estimate these solutions have the potential to save up to USD 3 million annually through early detection of outages."

The APM and OO software

applications slated for implementation at GAMA's power plant can provide numerous operational benefits such as improved reliability and availability via enhanced predictivity, accurate performance monitoring and forecasting capability, dispatch optimization via better visibility into plant capability, and lower production costs and asset generation forecasting capability for improved asset dispatch.

Natural gas has the leading position in power generation with its share of 33% in Turkey. Murat Demirel noted these digital solutions can help yield more plant operational efficiencies associated with limited natural gas resources.

## USD 1.3 trillion value from digital transformation of the Electricity Industry

The global power generation industry is preparing for a more efficient future with digital transformation. The World Economic Forum in 2016 estimated the digital transformation of electricity represents a \$1.3 trillion opportunity by 2025. Equipping power plants with service platforms and utilizing cloud computing and Industrial Internet facilities there offer significant advantages in terms of efficient power generation and uninterrupted delivery to customers.

GE's Industrial Internet platform Predix™ supports digital transformation with its solutions in energy as with many others. Predix™ has already established an ecosystem for digitalization with more than 19,000 developers onboard. This ecosystem is expanding continuously with customers' demands and GE's collaborations.

GAMA Energy's İç Anadolu Natural Gas Combined Cycle Power Plant, based in Kırıkkale with a capacity of 840 MW, can alone provide 2.5% of power consumed in Turkey and more than 50% of power consumed in the capital Ankara.

GE has worked with GAMA Holding over the past 15 years on a variety of projects from combined cycle to thermal to renewable power plants focusing both on contracting and investment schemes.

# Turkey's giant gas storage facility opens

Turkey's Tuz Lake gas storage facility is opened in an official ceremony on February 10 in the Central Anatolian province of Aksaray.

**(Enerji IQ – 10 Feb. 2017)** Tuz Lake gas storage facility, which is expected to increase capacity from 1.2 billion cubic meters (bcm) to as much as 5 bcm per year, was opened in an official ceremony on February 10 in the Central Anatolian province of Aksaray.

President Recep Tayyip Erdoğan thanked officials and businesspeople who took part in the development of the project, noting that another key investment would take place again in the same area.

"In addition to the facility with a 1.2 bcm of gas capacity, which we have opened today, we are also starting a new investment today. With this new investment, the gas storage capacity will increase up to 5.4 bcm. When this investment becomes online, Turkey's daily gas storage capacity will rise to 80 million cubic meters," he said.

The project is composed of 12 wells and is worth USD 700 million. From each well, a total of 40 million cubic meters of gas can be pumped into the country's gas network on a daily basis.

The drilling of the first of the project's 12 wells began in 2012 by state-run gas grid BOTAŞ and Chinese TTC.

BOTAŞ General Manager Burhan Özcan said Turkey's gas consumption is around 50 bcm per year, from which 10 bcm are distributed to 13 million Turkish households.

"Therefore, we are going to store 12 percent of household consumption here. This has been a long and painful journey," he said in an interview with state-run Anadolu Agency.



Özcan said Turkey's daily demand for the winter of 2016-2017 was 250 million cubic meters of gas.

"This was a record. The amount we can store with the Tuz Lake storage is around 44 million cubic meters per day," he said.

He added that the giant facility will be able to easily support natural gas supplies and provide energy security for the country.

"We will not have any problems related to energy supply in the next chapter of our country," Özcan said.

## Capacity expansion in M. Ereğlisi LNG gasification plant

The daily capacity of the Marmara Ereğli LNG Facility will be increased from 18 million cubic meters to 27 million cubic meters, while at the same time 20 million cubic meters of natural gas can be supplied to the system at the end of 2016 with the FSRU plant that was commissioned in Aliğa in the Aegean province of İzmir.

The BOTAŞ official noted that the daily capacity of the private sector LNG plant in Aliğa would increase from 24 to 40 million cubic meters this year.

Özcan stated that restrictions on gas power plants did not cause electricity interruption because BOTAŞ prioritized supplies to domestic and industrial consumers.

"When the consumption of natural gas increases to a very high amount, we have shortages especially in our power plants so it does not interrupt the gas supplies to residential and industrial facilities," he said.

He stressed that because of the simultaneous increase in coal, hydroelectric and renewable resources to the Turkish grid system at such high gas consumption periods, no power cuts had occurred.

## Vemak Engineering to build Hakkari gas pipeline

Winning tender offer was 53.9 million TL for construction of around 203.8 km long pipeline from Van to Hakkari for gas distribution.

**(Enerji IQ - 8 Feb. 2017)** Vemak Engineering Company won the tender bid on Wednesday for the construction of a natural gas pipeline in Turkey's Hakkari province in the country's southeast, at cost of 53.9 million TL.

Overall three companies participated in the tender, which was held in Petroleum Pipeline

Corporation's (BOTAS) office in Ankara.

The estimated cost of phase one of the pipeline, which plans to run from Turkey's city of Van in Eastern Anatolia to Hakkari, is 64.8 million liras.

Once the tender process is concluded, construction of the pipeline is estimated to take

720 days.

HES Group Energy and Line Group Engineering partnership lost out to Vemak and gave the second lowest offer of 58.7 million liras.

Hakkari natural gas pipeline will consist of a pipeline of 203,803 meters in length with a 12-inch high caliber pressure steel pipeline system.

## Zorlu to invest in renewable energy in Pakistan

Zorlu Energy, one of the Turkey's biggest companies to invest in renewable energy, adds 100 MW solar park to its solar energy investments with a signing ceremony that will take place in Lahore, Pakistan.

**(Enerji IQ – 27 Jan. 2017)** Zorlu Energy, one of the Turkey's biggest companies to invest in renewable energy, adds 100 MW solar park to its solar energy investments with a signing ceremony that will take place in Lahore, Pakistan. Zorlu Energy's overseas and total installed power capacity will reach 447 MW and 1.147 MW, respectively, with this investment, which is the first and largest renewable energy application to have been accepted by the Pakistani government within the past three years.

Sinan Ak, Zorlu Energy Group's President, made the following remarks regarding the development: "Pakistan has a special place for us as a friendly country because it is the country where we made our first renewable energy investment abroad. We are happy to make a fresh start in solar energy as a company that has made significant investments in renewable

energy in Pakistan, which has a high energy demand. Today we are adding solar to the wind power plant we commissioned in the recent years. We are working intensively to undertake special investments in different areas, including especially wind and solar. Every step we take in energy cooperation reduces Pakistan's external dependency in energy while Turkey gets closer to its growth target in the region. The efforts in the field of energy consolidates the historic friendship between the two countries further with every agreement. We will continue to invest in Pakistan, and there is a long way to go. We are planning to reach our growth target by increasing our group's commercial strength and Turkey's power in the region. In this respect I wish that the Quaid-e-Azam Solar Park will be beneficial for both countries"

Speaking at the signing ceremony, Chief



Sinan Ak

Minister of the Punjab province Shehbaz Sharif stated that the project, which was to be completed within 6 months, aimed to reduce Pakistan's external dependence in energy and said "This project between Turkey and Pakistan is of great importance for us as Turkey's second energy investment."

The 56 MW Jhimpir Wind Power Plant, which was implemented by Zorlu Energy in 2013 as part of its previous investments in Pakistan, was deemed worthy of the Gold Standard award. The Jhimpir Wind Power Plant contributes to reducing the country's external dependence considerably in addition to being Pakistan's first wind power plant. The power plant, which is a reference in the world energy market, produces 159 million kWh of electricity per year operating to illuminate 350,000 households annually for the next 20 years.

## TANAP strengthened its Grievance Redress Mechanism

TANAP's Grievance Redress Mechanism is being strengthened with new "Appeals Committees" to take active role in resolving the complaints where the affected people and TANAP cannot reach an agreement.

**(Enerji IQ – 27 Jan. 2017)** In order to strengthen the existing Grievance Redress Mechanism and thus, bring credibility to the grievance redress process, TANAP has set up "Appeals Committees" comprised of independent members who are not associated with the Project implementation.

The Committee is being constituted separately for each of the four construction Lots including corresponding AGIs throughout the pipeline route to enable serving all stakeholders that may be affected by the Project. Each Committee consists of 3 independent experts chosen from the local universities, local institutes, local NGOs or persons of repute from

the local area. Additionally, 2 committee chairmen each leading two committees have been assigned so as to ensure these committees work regularly and concurrently. The Committee will meet at least once a month or more often depending on the number and frequency of complaints made directly to them.

The mandate of each Committee covers considering complaints on which TANAP and the affected people could not reach an agreement on the issues listed below; but excluding Turkish Labor Law and Expropriation Law:

- Project's activities induced damage to environment

- Project's activities induced damage to public assets and infrastructure
- Project's activities induced damage to private assets (lands, crops, houses etc.)
- Project's activities induced impacts on livelihood

The complainant is free to ask for TANAP's Social Impact Specialist to convey his/her complaints to the "Appeal Committee" assigned in his/her region so that any complaints which have already been considered by TANAP or Construction Contractors but could not be resolved can be re-considered by the Committee.



ESER ÖZDİL

eserozdil@gmail.com

## “Why does Gazprom want to supply gas to TAP?”

The speeches of the high level Gazprom executives are delivered at the annual European Gas Conferences, held in January every year in Vienna, would arouse interest in European gas trading quarters. Last year, the Gazprom Export CEO, Elena Burmistrova, stating that they would act according to the changing market conditions in Europe and that they would revise a large section of their contracts according to hub-indexed prices brought about huge repercussions.

This statement was interpreted as Gazprom's search for a compromise in the competition investigation opened by the European Commission. Again, her stating that they aimed to provide a natural gas flow to Central and Eastern Europe via Baumgarten by developing the capacity of Nord Stream was another of Burmistrova's statements that drew attention.

Although the increase in the capacity of Nord Stream appears to be blocked at the moment, the European Commission stated last November that Gazprom may not receive a heavy penalty as a result of the competition investigation. Just one week later, it was announced that Gazprom, which had previously been limited by a 50% usage capacity in OPAL, by making a bid for a spare capacity at the rate of 30% may use under conditions appropriate for competition. If it is considered that Gazprom last year achieved an

historical record (179.3 billion m<sup>3</sup>) in gas sales to Europe, we could say that things went well for Gazprom in EU gas business.

The tradition was not broken this year either, and Alexander Medvedev made another statement in Vienna which will be much discussed in European markets in 2017 onwards. For the first time, a high level Russian official stated that gas could be provided by Gazprom to TAP via Turkey. Although this was stated for the first time, this was the main reason for Turk Stream's being designed in such a way that it can be connected to Europe via Kipi, which is the end point for TANAP and start point for TAP on the other hand. I expressed my thoughts in my article headlined **The Possible Effects of Turk Stream on Turkish Natural Gas Markets**, published in Enerji IQ in October, thus: *“Filling the spare 10bcm/year capacity, that may be created with TAP's capacity being expanded to 20bcm/year, with the Russian gas that may come via Turk Stream in the future may also come on to the agenda.”*

TAP's capacity, which is currently at 10bcm/year, is reserved for Azeri gas which will be carried through TANAP. For this capacity there is a third party access exemption resolution taken by the European Commission. Putting aside the argument of whether Azeri gas will or will not find customer for itself on the European markets due to TAP's being completed or

not completed on time or TAP and TANAP's high transportation rates, analysing how a procedure will be followed if TAP's capacity is expanded to 20bcm will become a little more clear:

If we look at articles 217-228 of the resolution<sup>1</sup> taken by the European Commission that grants third party access to TAP, as well as the increase in TAP's capacity being dependent on market tests, the new capacity to be created within the framework of this increase will not lead to third party access exemption, and with an open season being declared it will be presented for use within the framework of the bidding that is to be carried out. As for the articles which are even more interesting, it has been openly stated that those receiving gas from TAP partners and the Shah Deniz-II field will not benefit from the increase in capacity.

The legal conditions for the gas to be brought via the second Turk Stream pipeline to enter TAP appear to be ready. Again, in the news broadcast on naturalgasworld.com signed by Kama Mustafayeva<sup>2</sup>, it was noted that in the meetings carried out in Vienna with representatives of Enagas, Snam, and Fluxys, who are TAP's shareholders, there were no objections to Gazprom's request.

As for future gas from TANAP being transported to European customers, let us be reminded once

<sup>1</sup>Please refer to the below link for details of this resolution:

[https://ec.europa.eu/energy/sites/ener/files/documents/2013\\_tap\\_decision\\_en.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/2013_tap_decision_en.pdf)

<sup>2</sup><http://www.naturalgasworld.com/gazprom-could-join-tap-upon-completion-open-season-35615>

more the choice of TAP in the place of Nabucco West, which targets the Balkans and Eastern Europe, in dire need of Russian gas being diversified, brought about a critical reaction.

When we take a look from Gazprom's viewpoint, providing TAP with gas appears to be in line with their own strategies. For the last few years, Gazprom has openly stated that it will comply with the changing market and pricing conditions in Europe, and is thus revising once again its contracts with European companies.

On the other hand, it appears that TAP being given permission to access new gas in order to bring down the cost of transportation rates is

reasonable from the point of view of companies that the current 10bcm capacity. Taking OPAL as an example, I think that Russian gas entering TAP through the declaration of an open season will not cause the European Commission to raise its voice too high, perhaps only for the press, due to the Italian and Greek lobbies in the background. This approach will be in line with the European Commission's strategy of establishing a natural gas hub in Greece. Establishing a liquid trading hub in Greece, in the sense that we know it, is not possible. The transit fees that will be received from the passage of 20bcm of gas will be extremely sufficient due to the economic crisis in which they already

find themselves, and from the Russian point of view TANAP will have been cut out.

For several years in the media and for the last few months also in the lobbies, the necessity for gas from different countries entering TANAP has been intensely discussed. With Medvedev's statement, the Russians have triggered the race for this business. If TAP is filled with Russian gas, who do you think will be in the position to use the 15bcm capacity in TANAP which will be spare? If permission is given for different countries' gas to enter TANAP, can Turkey speak of its claim to be a trading hub?

The screenshot shows the Enerji IQ website interface. At the top left is the Enerji IQ logo. To its right is the text 'Market Information Services'. A search bar is located in the top right corner. Below the logo, there are navigation links: 'About Us', 'Publications', 'Research', and 'Contact'. On the far right, there are language options 'EN / TR' and a 'GLOBAL' dropdown menu. A 'Selected News' section on the left lists three news items with small images: 'Turkey signed MoU for Qatar LNG', 'Gas grid connection obligation for buildings at..', and 'Turkey adopted curtailment procedure'. A large banner for 'ENERJI IQ WEEKLY' is prominently displayed in the center, with the word 'online' written in a large, stylized font to its right. The website URL 'www.ceenenerji.com.tr' is shown at the bottom right of the banner area.

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**Headquarters:** Göztepe Mah. Korkut Sk. No: 40B/2A Göksu Evleri Beykoz / İstanbul

**Phone:** +90 (216) 510 12 40 **Fax:** +90 (216) 465 91 01

**E-mail:** info@ceenenerji.com **Subscription:** sales@ceenenerji.com **Reporters:** news@ceenenerji.com

**Managing Editor:** Emre Erturk emre.erturk@ceenenerji.com

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