



TURKEY'S CENTRAL ROLE FOR ENERGY TRADING

17th. Annual CIS & Turkey Oil and Gas Transportation Congress
11-12th. November 2015 – Istanbul

Erdoğan Arkış

Gas Group Leader & Member of the Board

Member Companies



- AKENERJ
- AKFEL
- AKSA
- ALADDIN MIDDLE EAST
- ANGORAGAZ
- ATT LA DO AN N AAT
- AVRASYA GAZ
- AYGAZ
- BATI HATTI GAZ
- BM HOLD NG
- BORDRILL SONDAJ
- BOSPHORUSGAZ
- BP
- CHEVRON
- COUGAR DRILLING
- ÇALIK ENERJ
- DEM RÖREN EGL
- DO AL ENERJ
- DO AN ENERJ
- ED SON
- EGEDAZ
- 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 GE
- SCHLUMBERGER
- SHELL ENERJ
- SOCAR
- STATOIL
- TBS PETROL
- TEKFEN N AAT
- TEM
- THRACE BASIN
- TIWAY
- TOTAL
- TURCAS
- VALEURA ENERGY
- VOLT ENERJ
- YEN ELEKTR K
- ZMB GAZ DEPO
- ZORLU ENERJ

Contribution of PETFORM Members to Turkish Economy (2013)

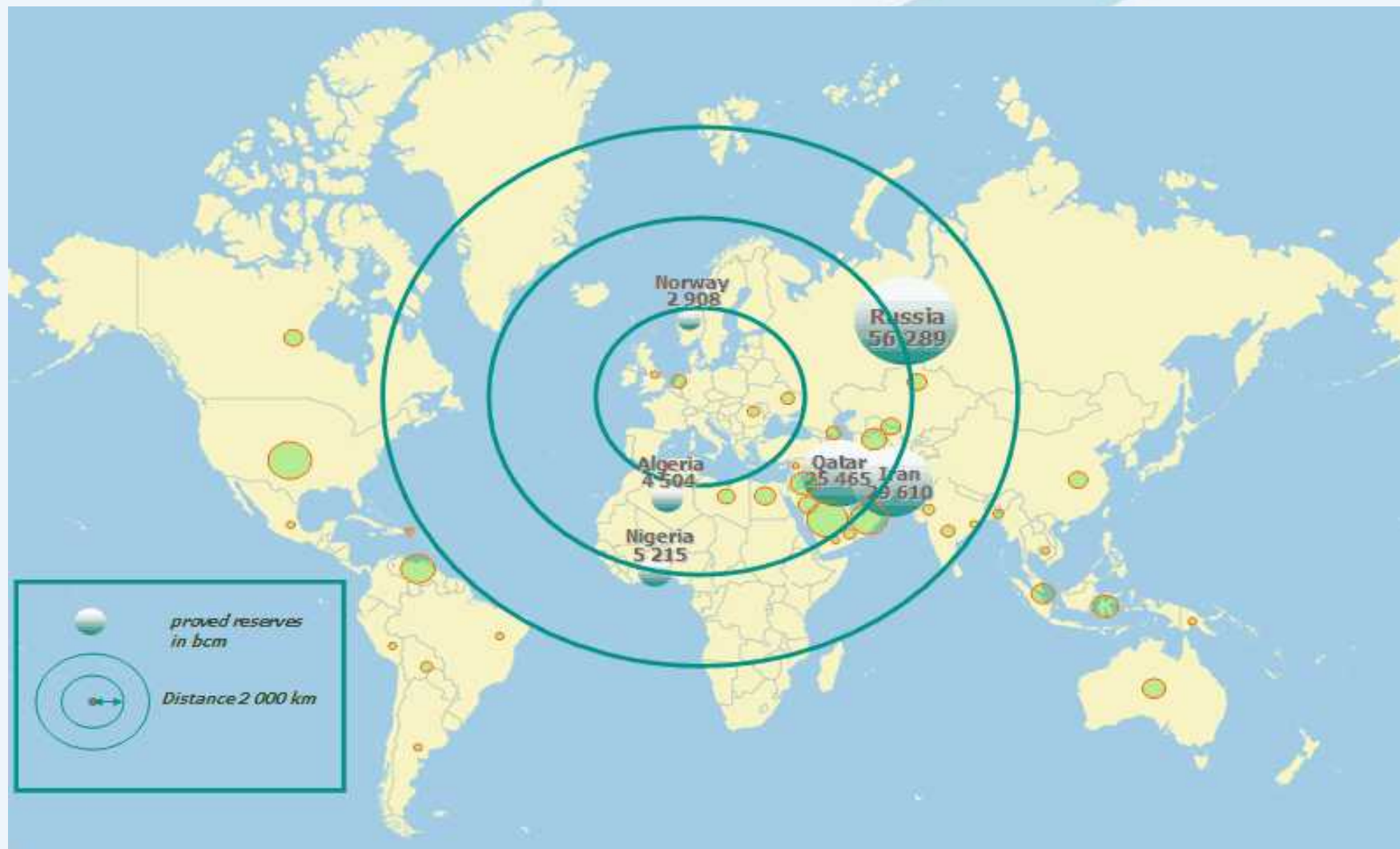


Total Endorsement : 63.7 billion TL
(5% of GDP)

Total Tax : 4.3 billion TL

Total Employment : 31.500 person

Geographic Distribution of Existing NG Reserves, Except Egypt



Turkey's Main Grid of BOTAS



Turkish Market Main Milestones and Current Picture



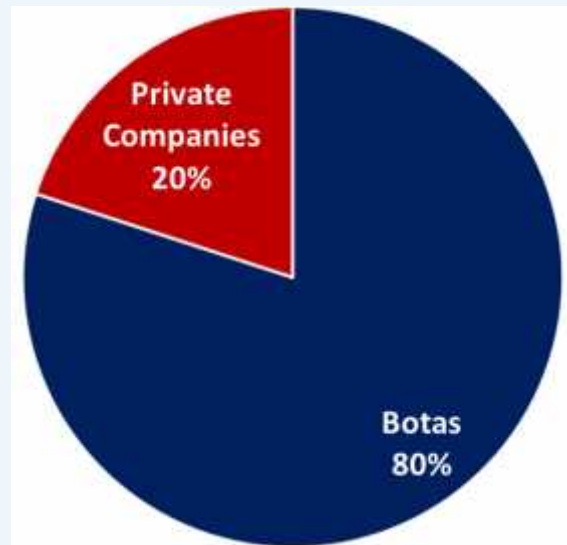
14 years

2001
Law 4646

2008
1st Phase
Private Sector
Contracts

2013
2nd Phase
Private Sector
Contracts

2015
New 4646
(TBA)



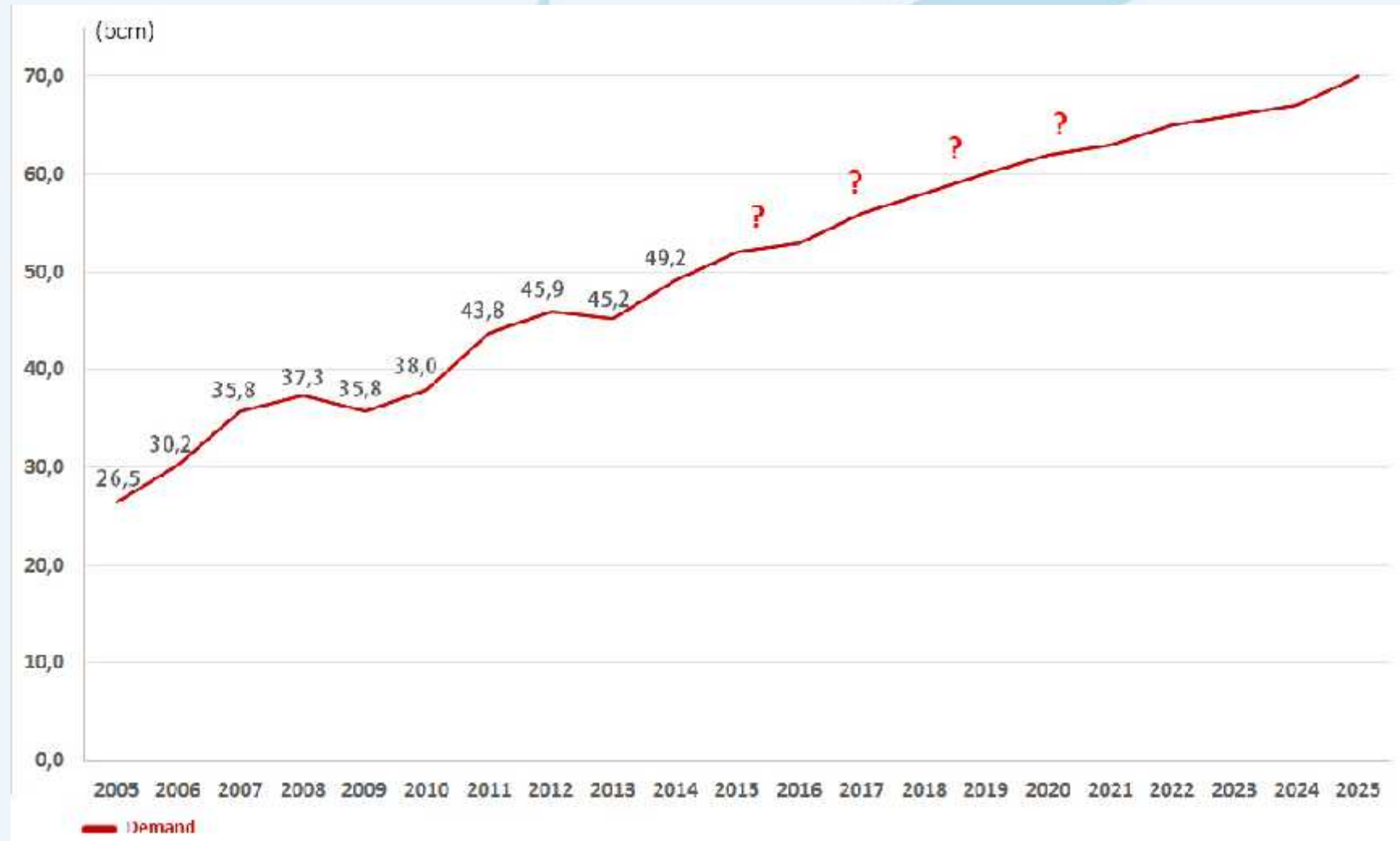
Turkey's Natural Gas Imports by Countries (2012 – 2014)



(bcm)	2012	2013	2014	Share in Total (2014)
Russia	25.406	26.491	26.975	55 %
Iran	8.190	8.215	8.932	18%
Azerbaijan	3.806	3.354	6.074	12 %
Algeria (LNG)	4.156	4.076	4.179	8 %
Nigeria (LNG)	1.248	1.322	1.414	3 %
Spot LNG	1.069	2.464	1.689	4%
Total	45.9	45.2	49.2	

Source: Energy Market Regulatory Authority

Natural Gas Demand Projection



Source:BP

Is a Concern Emerging?



- Energy is the basic source of highly qualified daily life in developed countries.
- But the recent situation in Europe & *Turkey* indicates that the demand to NG is not consistently increasing.
- Demand and the diversification in the supply of NG sources shall be considered

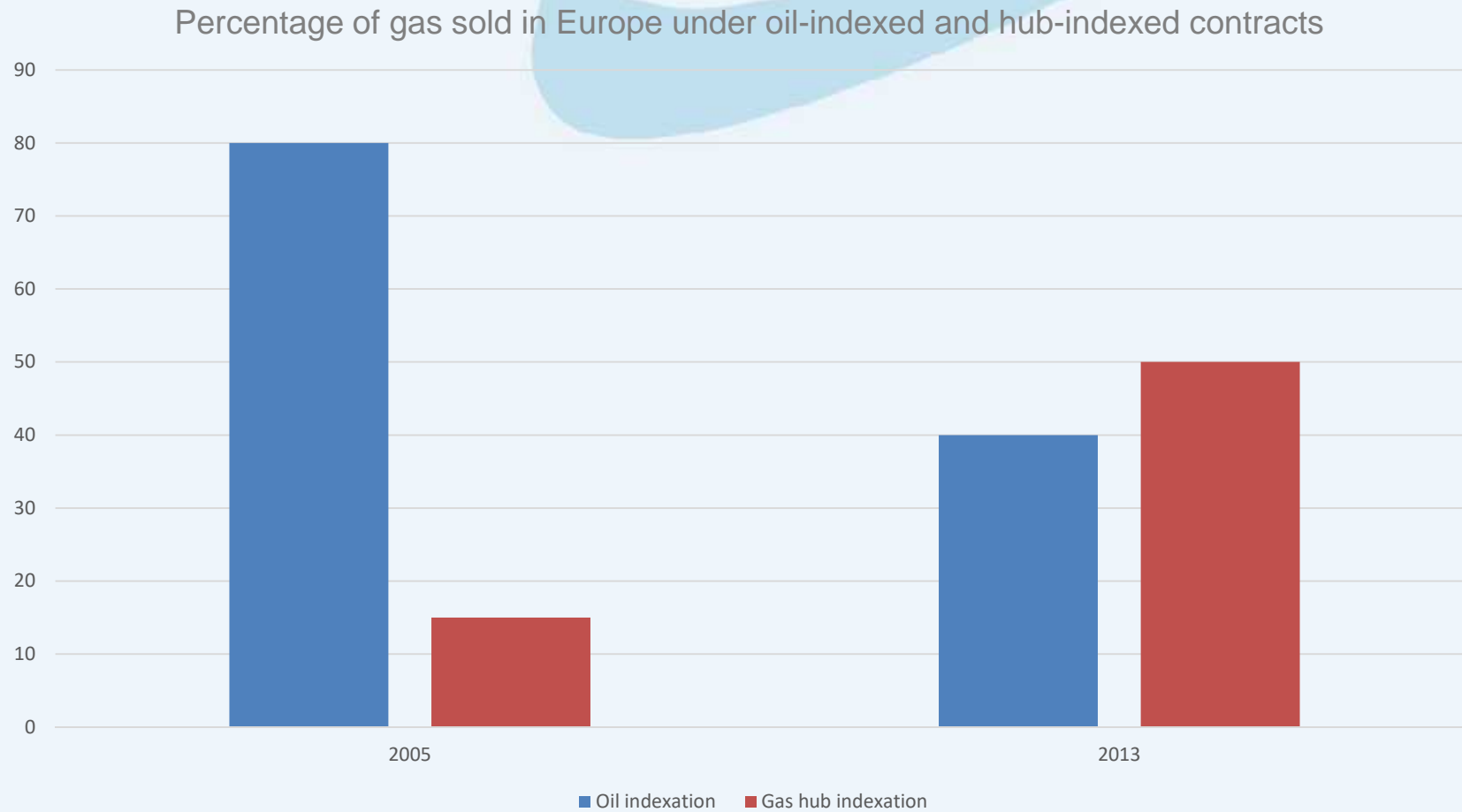
Results of not being a trading HUB?



1. Limited diversification of resources,
2. Becoming more powerful of source country's in each contract term bargain
3. To continue having an important role as transit country in the supply security of consumption countries
4. Not to provide a competition between gas to gas,
5. Not having enough opportunity from the chances in the global market

If the country cannot be a trading hub, it can be only a transit hub

Switch to Hub Pricing (2005 – 2013)



Source: ICIS

Trading Hub: Gas Market Target Model for Turkey



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

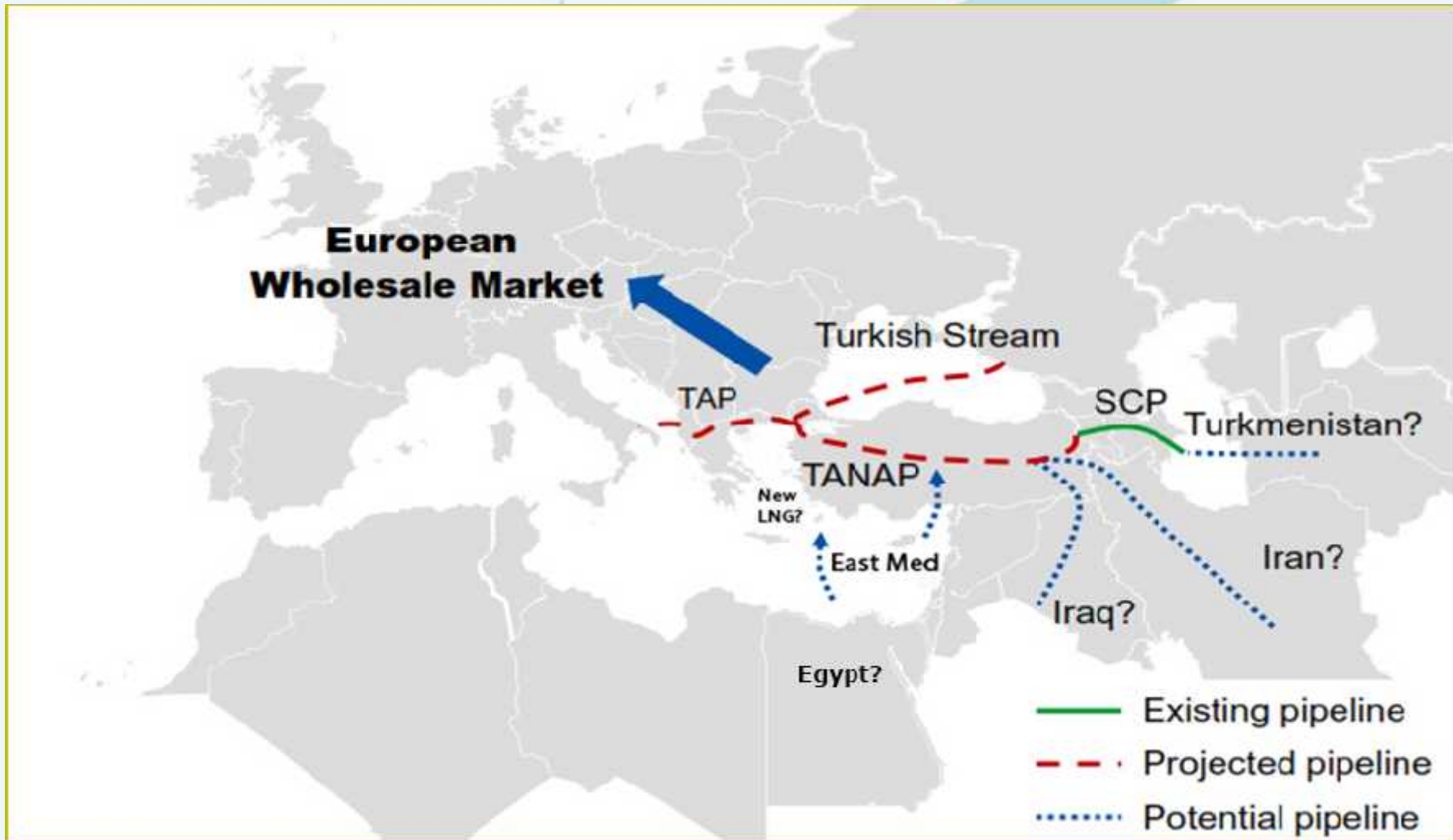
Independent Transmission System Operator

- 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

New Supply Opportunities Except New Egypt Reserve



Requirements for an Organized Market in Turkey



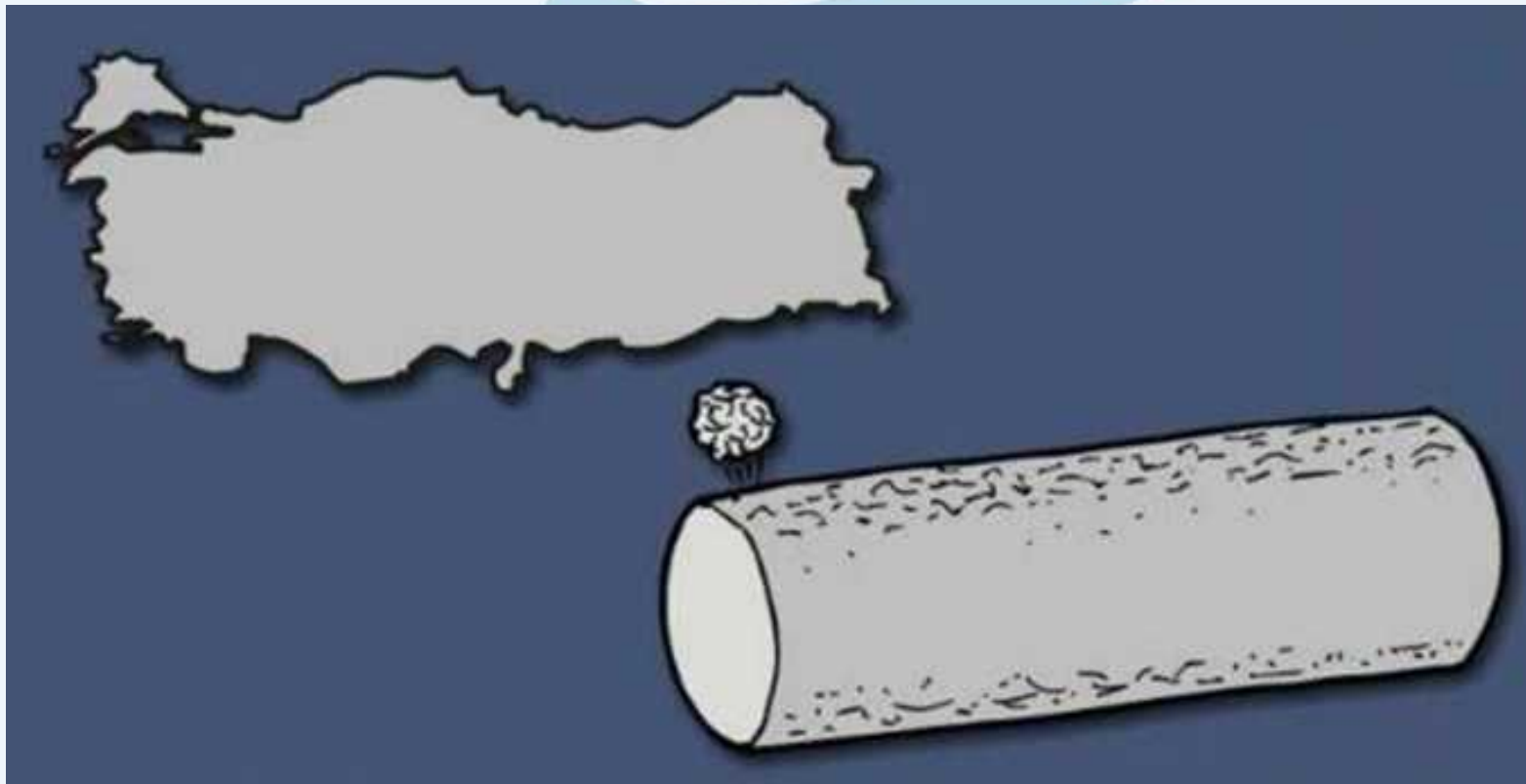
- NG shall be included into an autonomous structure of EPIAS process.
- Entrance Capacity of main grid is not satisfactory.
- Compatibility with international arbitration.
- HUB indexed and the Cost Base pricing.
- Gas to gas competition. Free Contracting.
- The Transmitting Companies shall be independent and transparent.
- Underground storing and LNG terminals are needed.
- New Law to encourage “the buyer based trading”.

Energy Commission: Turkey 2015 Report



Regarding energy networks, Turkey has continued its efforts to diversify both sources and routes and has strengthened its role as a gas transit country. Major efforts have been made to move forward the trans-Anatolian pipeline project and construction work was launched in March 2015. In December 2014, Russia announced a new gas transportation project in cooperation with Turkey, to replace the South Stream pipeline project, but its construction is uncertain. A fair and transparent gas transit regime in line with the EU energy acquis is necessary for Turkey to play a major role as a gas transit country to the EU.

Perception is Reality





THANK YOU...