



# TURKEY'S NATURAL GAS TRADING HUB VISION AND ITS CONTRIBUTIONS FOR EURASIAN ENERGY SECURITY

**Eurasian Natural Gas Infrastructure  
Conference  
09 June 2015 – İstanbul**

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Secretary General*

# 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
- ANGORAGAZ
- ATT LA DO AN N AAT
- AVRASYA GAZ
- AYGAZ DG
- BATI HATTI GAZ
- BM HOLD NG
- BORDRILL SONDAJ
- BOSPHORUSGAZ
- BP
- CHEVRON
- 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 GÜNEY ELEKTR K
- 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

# Turkish Market Main Milestones and Current Picture



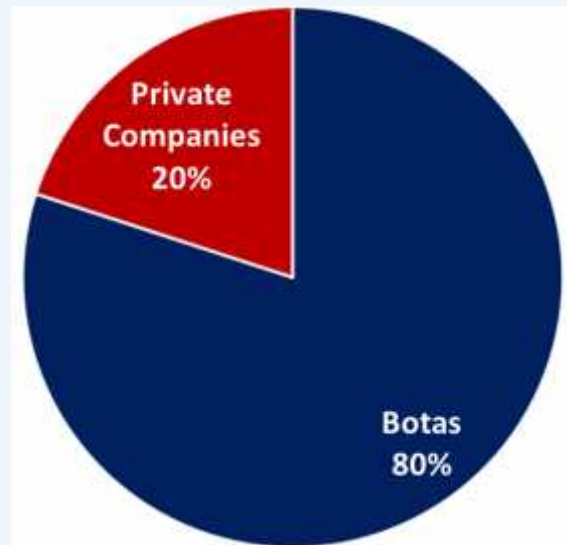
14 years

2001  
Law 4646

2008  
1st Phase  
Private Sector  
Contracts

2013  
2nd Phase  
Private Sector  
Contracts

2015  
New 4646  
(TBA)



# Gas Imports by Source Country (2012–2013–2014)



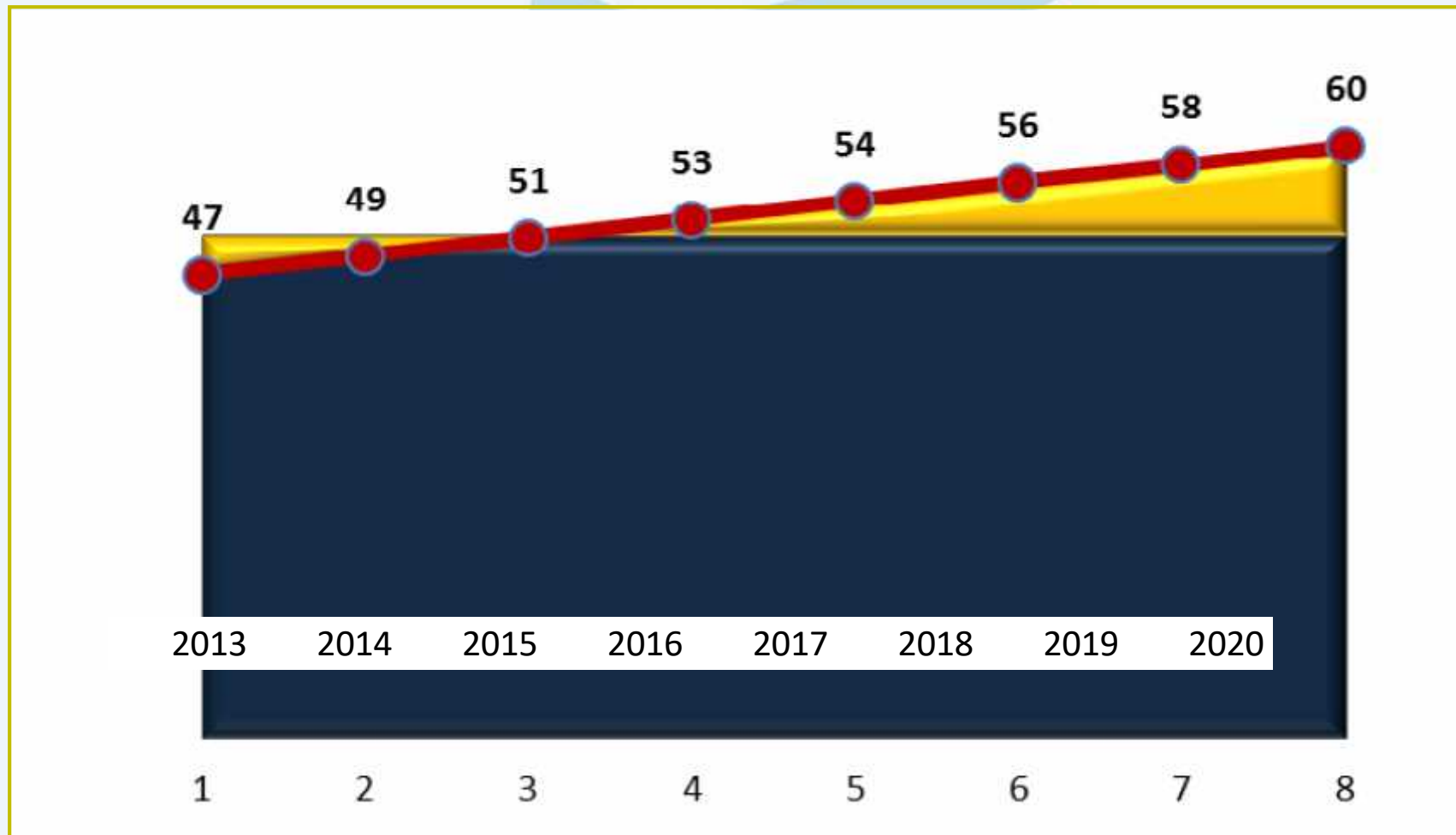
(bcm)	2012	2013	2014	Share in Total (2013)
Russia	25.406	26.491	29	59 %
Iran	8.190	8.215	8	16%
Azerbaijan	3.806	3.354	5	10 %
Algeria (LNG)	4.156	4.076	4	8 %
Nigeria (LNG)	1.248	1.322	1.3	3 %
Spot LNG	1.069	2.464	1.9	4%
<b>Total</b>	<b>43.8</b>	<b>45.9</b>	<b>49.2</b>	

Source: Energy Market Regulatory Authority

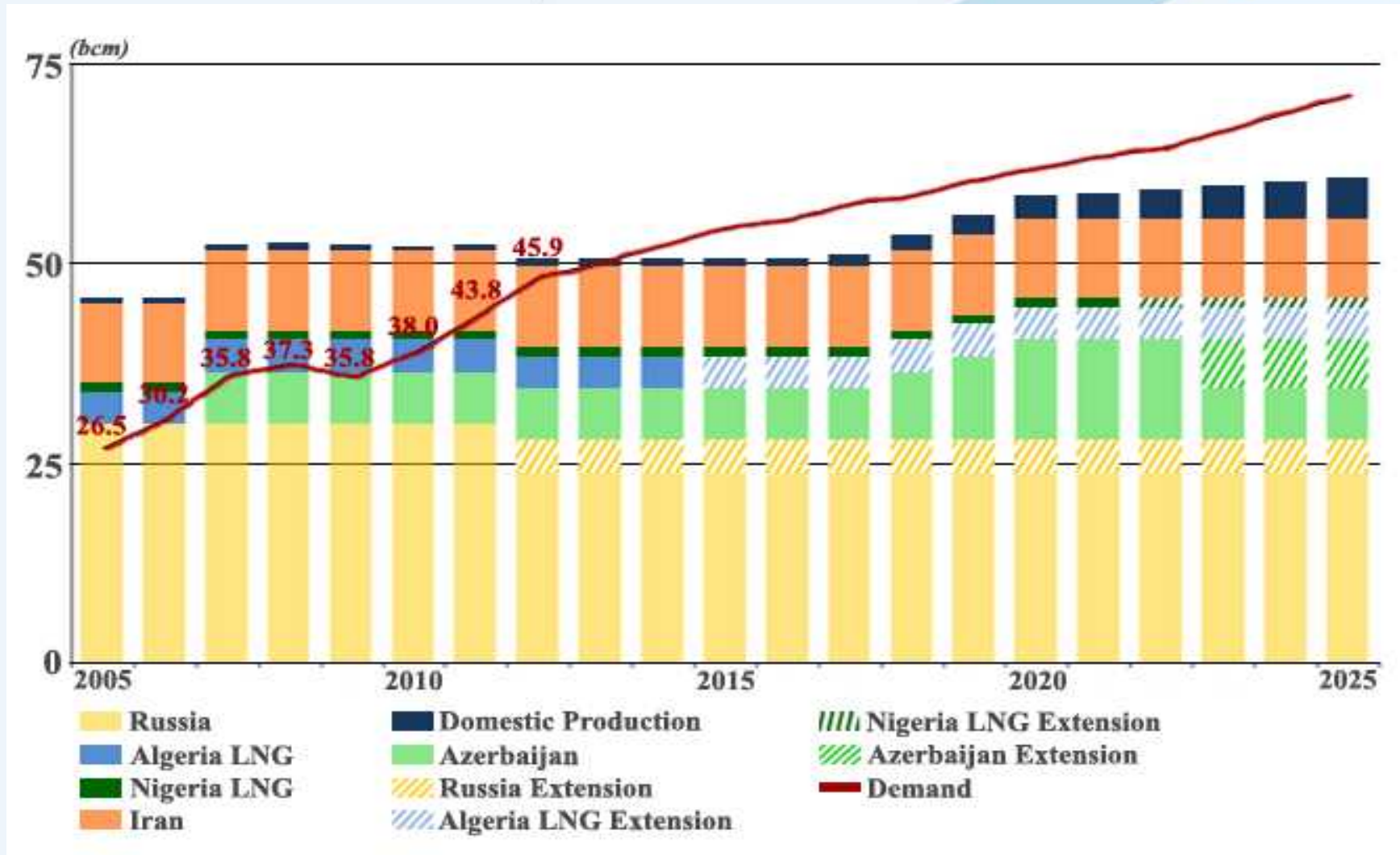
# Supply and Demand Trend - I



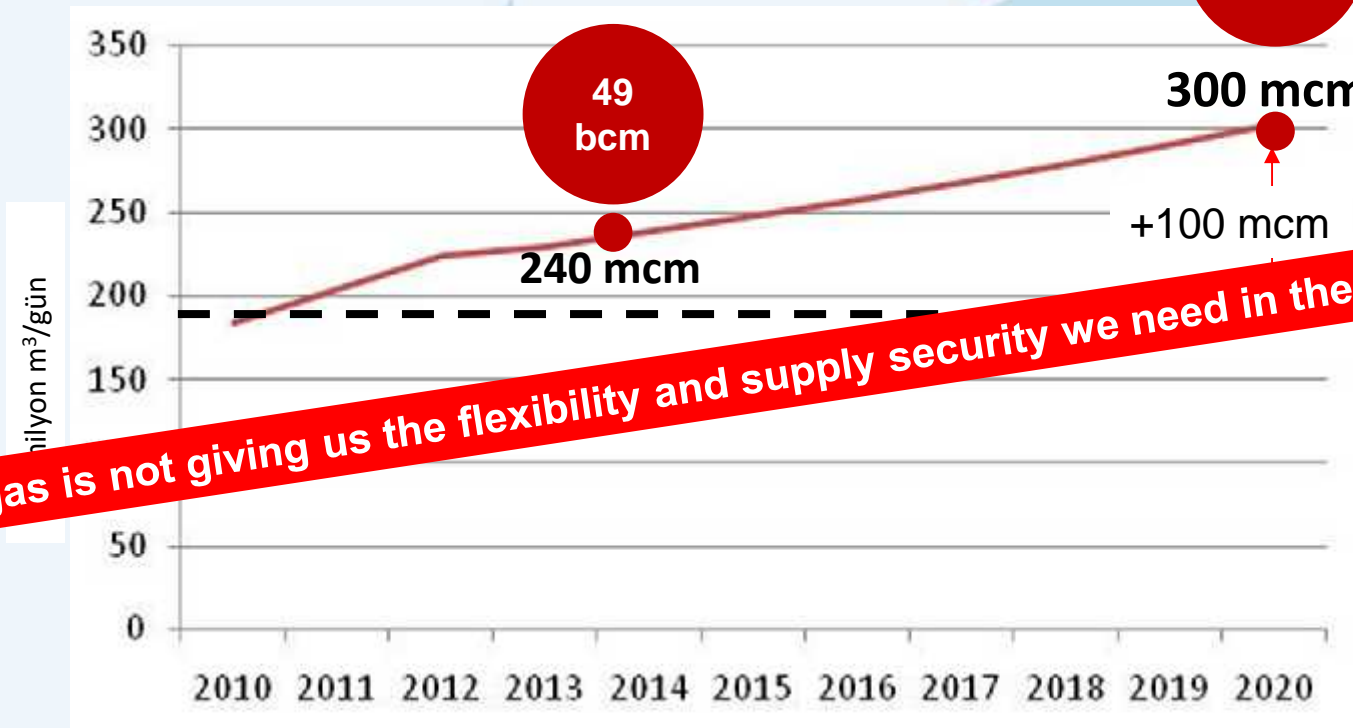
Consumption 2020: 60 bcm



# Supply and Demand Trend - II



# Daily Gas Need



**Pipeline gas is not giving us the flexibility and supply security we need in the future**

- Annual contract requirement: **9 bcm** (2014 49 bcm-2020 60 bcm)
- Contract requirement regarding our current pipeline gas contract flexibilities and daily gas need: **36 bcm** ➡ **ToP-Min. Summer Quantity**

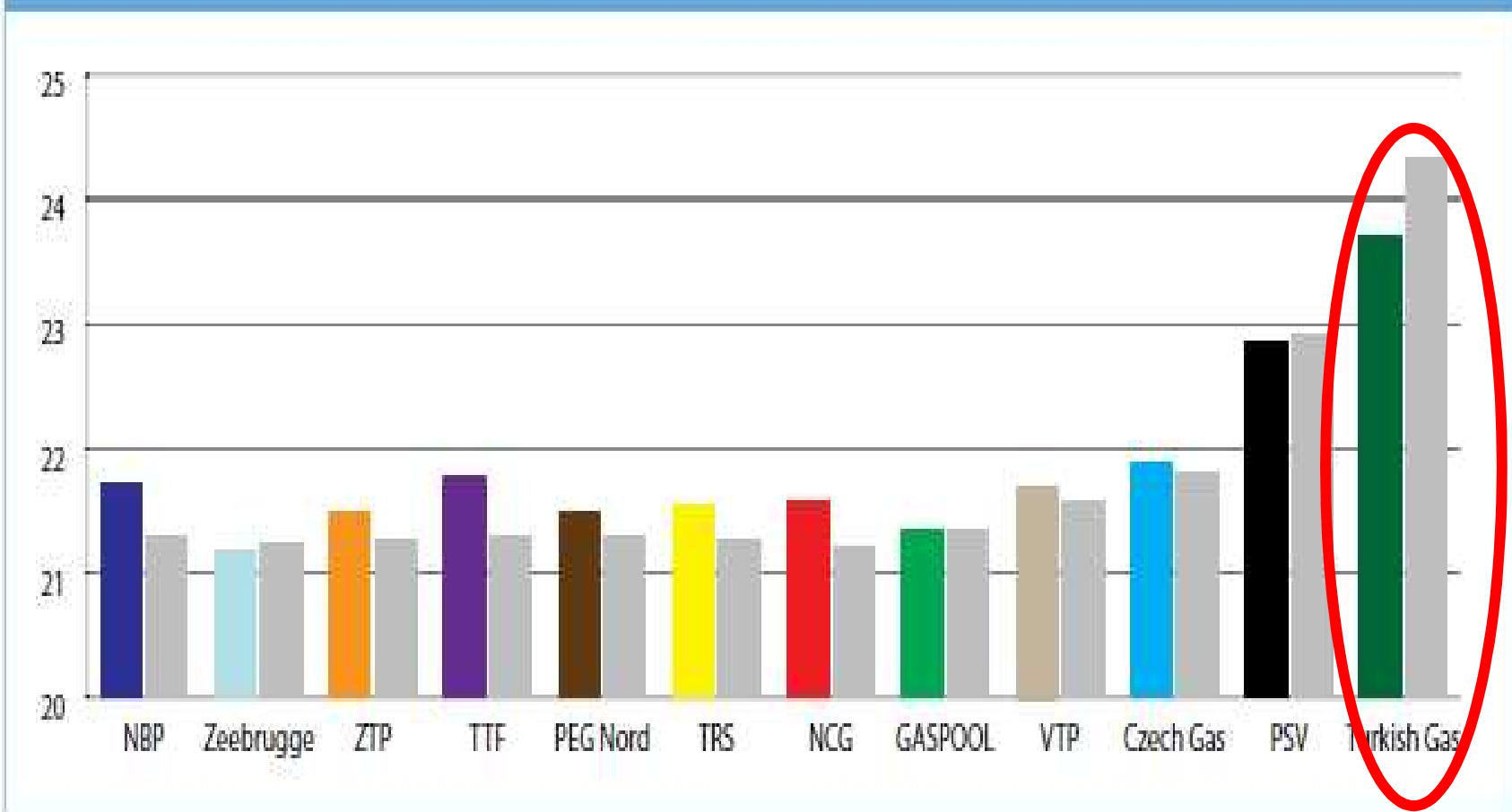


# Supply Security & Price Security - I



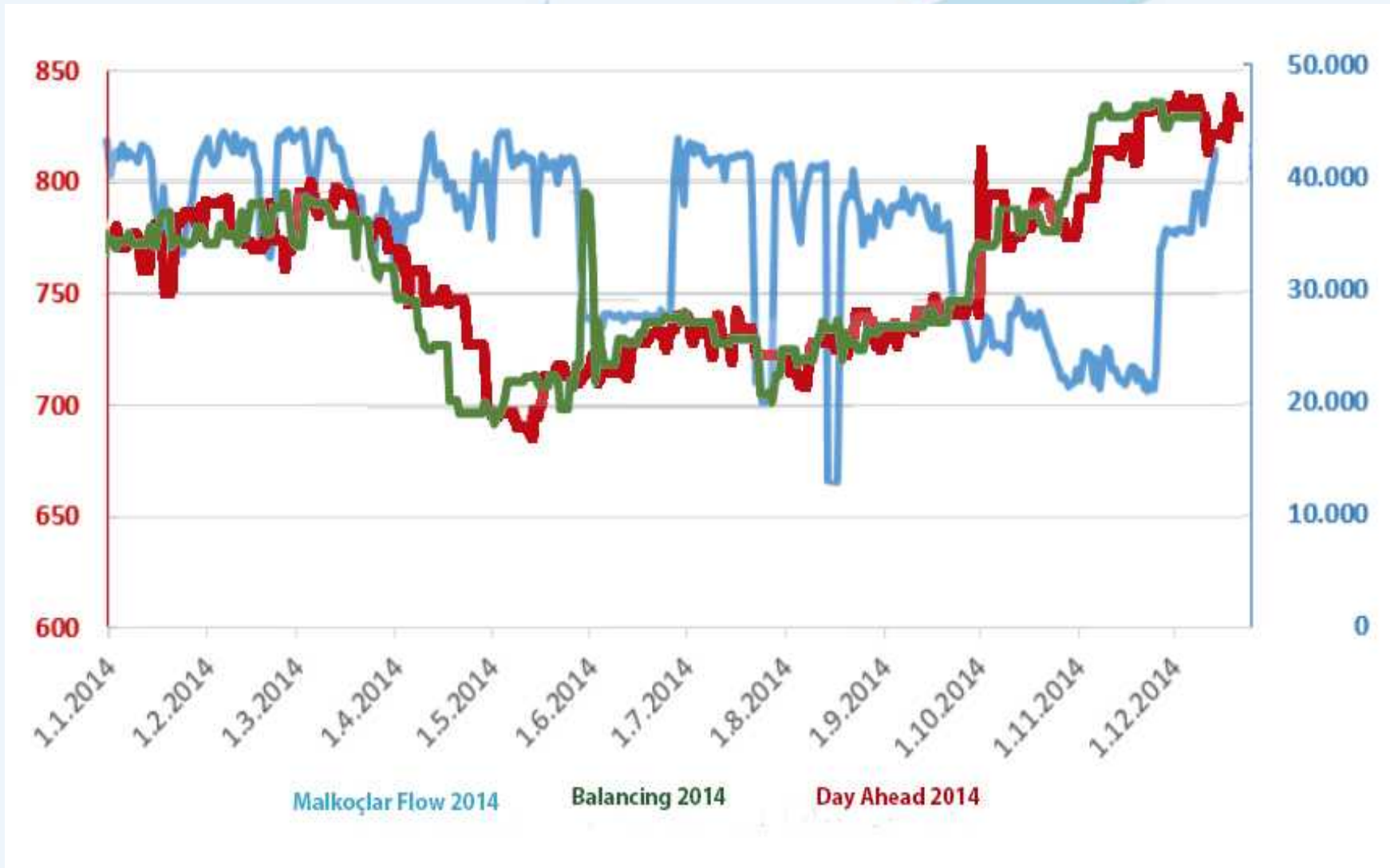
EUROPEAN DAY-AHEAD GAS PRICES: DAY-AHEAD VS PREVIOUS DAY

€/MWH



Source: ICIS

# Supply Security & Price Security - II



Source: ICIS & BOTAS & Bulgartransgaz

# Potential New Supply Sources



- 1) Turkish Stream
- 2) Azerbaijan (Shah Deniz – II & New Fields)
- 3) Northern Iraq
- 4) Eastern Mediterranean
- 5) New Volume Increases from Iran
- 6) Spot LNG
- 7) Interconnection with European Hubs
- 8) Indigenous Shale Gas Reserves

# Trading Hub: Gas Market Target Model



## 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

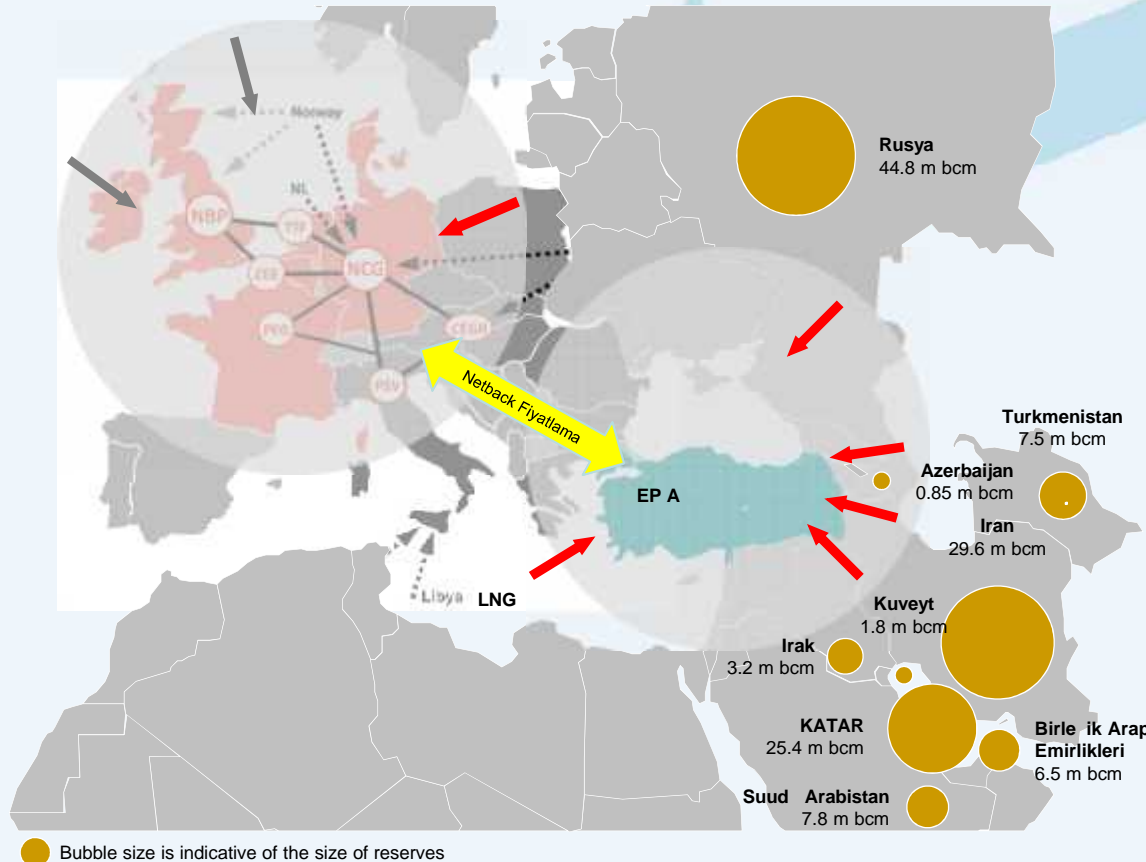
## Independent Transmission System Operator

- 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

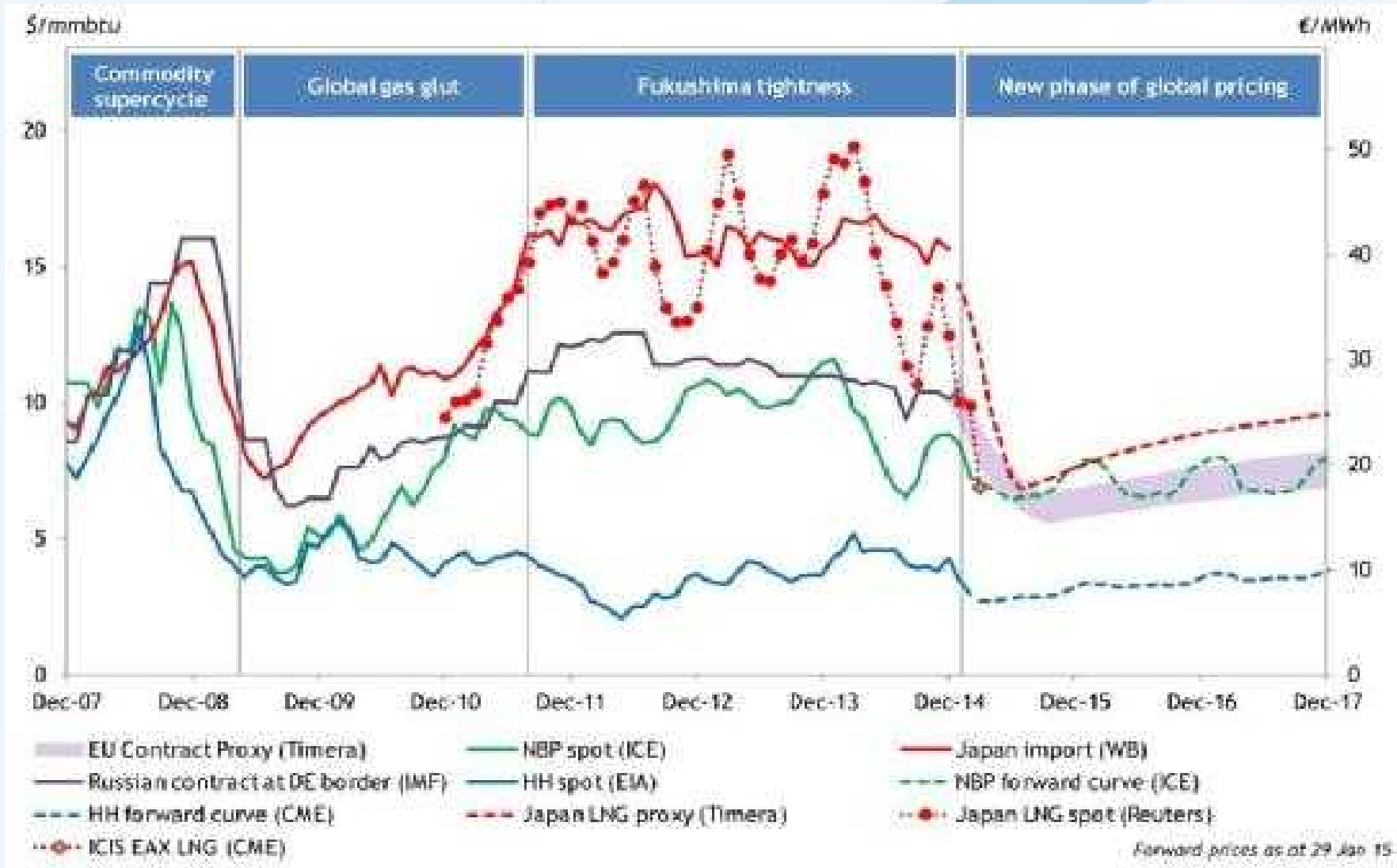
# Integration of Turkey with European Hubs



- 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.**

# Future Trends...



Source: Timera Energy

# What Private Sector Wants?



How much more time do we need?





***THANK YOU...***