



# **Liberalization Process of Turkish Natural Gas Market: Future is Closer Than We Think**

**TUROGE - 2015  
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Member of the Board*

# 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



- AKENERJİ
- AKFEL
- AKSA
- ALADDIN MIDDLE EAST
- ANATOLIA ENERGY
- ANGORAGAZ
- ATTİLA DOĞAN İNŞAAT
- AVRASYA GAZ
- AYGAZ
- BATI HATTI GAZ
- BM HOLDİNG
- BORDRILL SONDAJ
- BOSPHORUSGAZ
- BP
- CHEVRON
- ÇALIK ENERJİ
- DEMİRÖREN EGL
- DOĞAL ENERJİ
- DOĞAN ENERJİ
- EDİSON
- EGEGAZ
- ENERCO ENERJİ
- ENERJİSA
- ENERYA
- ERDGAZ
- EWE ENERJİ
- EXXONMOBİL
- GDF SUEZ
- GENEL ENERGY
- GLOBAL ENERGY
- GÜNEY YILDIZI PETROL
- HATTUŞA ENERJİ
- HİPOT ENERJİ
- IBS RESEARCH
- KİBAR ENERJİ
- MARSА ENERJY
- NATURGAZ
- OMV
- PALMET ENERJİ
- PERENCO
- POZİTİF DOĞALGAZ
- RWE & TURCAS GÜNEY ELEKTRİK
- SHELL ENERJİ
- SOCAR
- STATOIL
- TBS PETROL
- TEKFEN İNŞAAT
- TEMİ
- THRACE BASIN
- TIWAY
- TOTAL
- TURCAS
- VALEURA ENERGY
- VOLT ENERJİ
- YENİ ELEKTRİK
- ZMB GAZ DEPO
- ZORLU ENERJİ

# Turkish Market Main Milestones and Current Picture



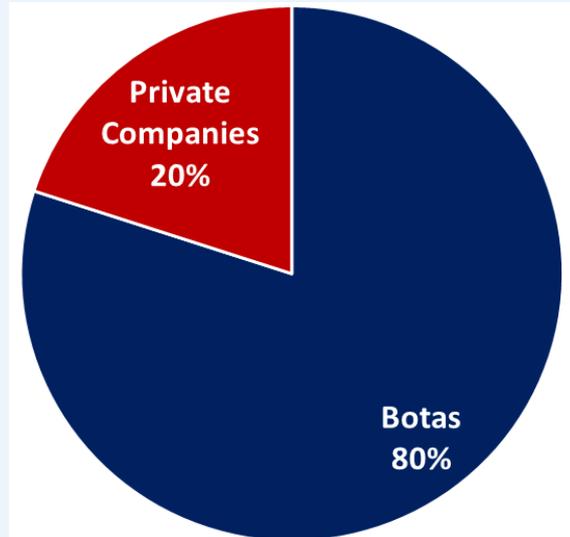
14 years

2001  
Law 4646

2008  
1st Phase  
Private Sector  
Contracts

2013  
2nd Phase  
Private Sector  
Contracts

2015  
New 4646  
(TBA)



# Liberalization&Privatization



## Liberalization

relaxation of previous government restrictions

## Privatization

process of transferring ownership of a business, enterprise, agency, public service, or public property from the public sector (a government) to the private sector

# Liberalization & Supply Security

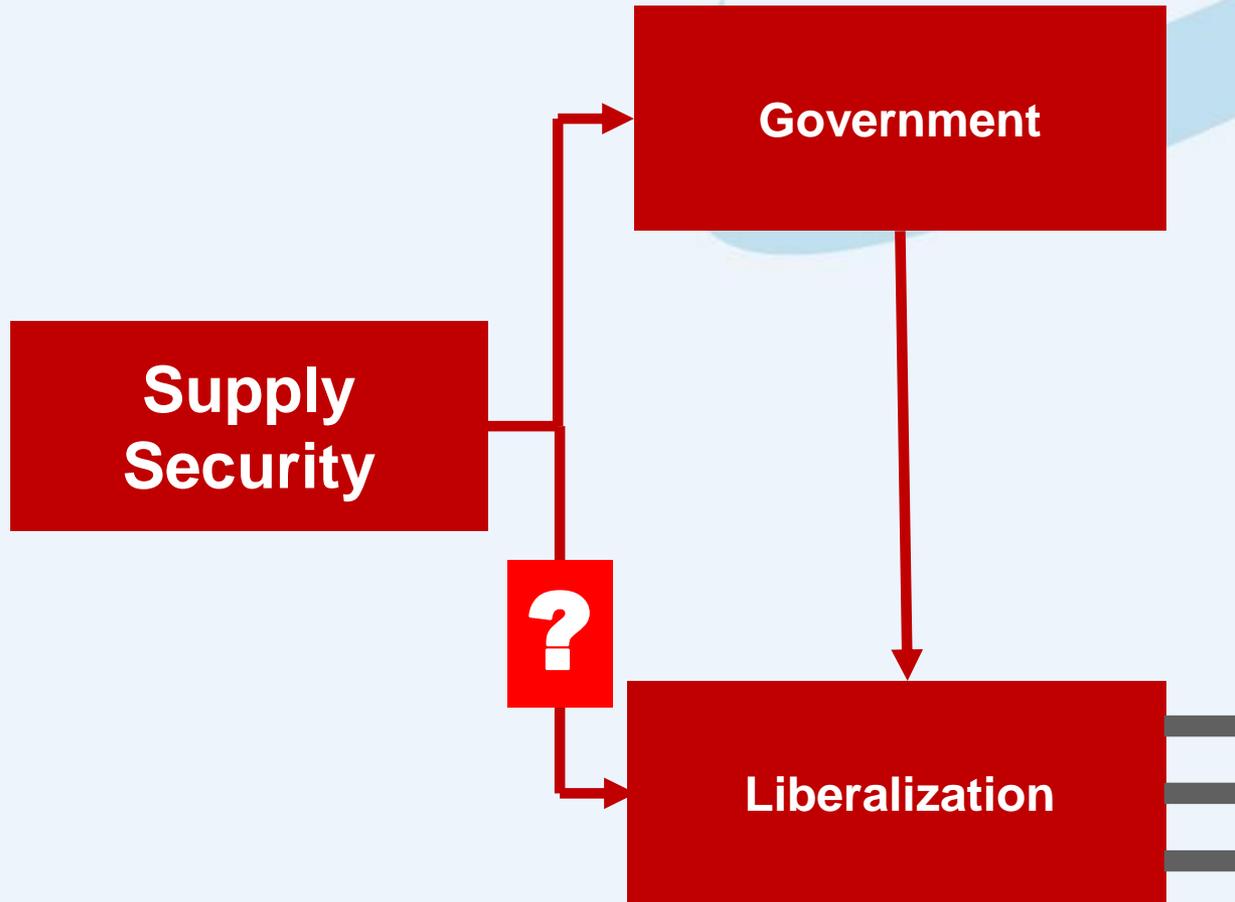
## Question Set 1:



1. Is supply security an important issue for Turkey?
2. What does supply security mean for Turkey? Which parties should do «what» for this?
3. Who is responsible for supply security planning of Turkey?
4. Who should create «gas to gas competition»?
5. Who is going to make the required new investments for supply security of Turkey in 2020?

# Liberalization & Supply Security

## What is the Role of Private Sector?



If «private sector» definition IS NOT at least the one with the previous questions

# Security of Supply, under Which Conditions?



- Supply security problems which can occur after situations like natural disasters or war in Turkey
  - Supply security problems which can occur after situations like natural disasters or war outside of Turkey
  - Having supply security problems due to reasons beyond our control at one or more entry points
- 
- Supply problems in fulfilling increasing gas demand parallel to growth
  - Supply problems caused by weather conditions
  - Supply problems due to transmission network malfunctions or bottlenecks



**External  
Factors**



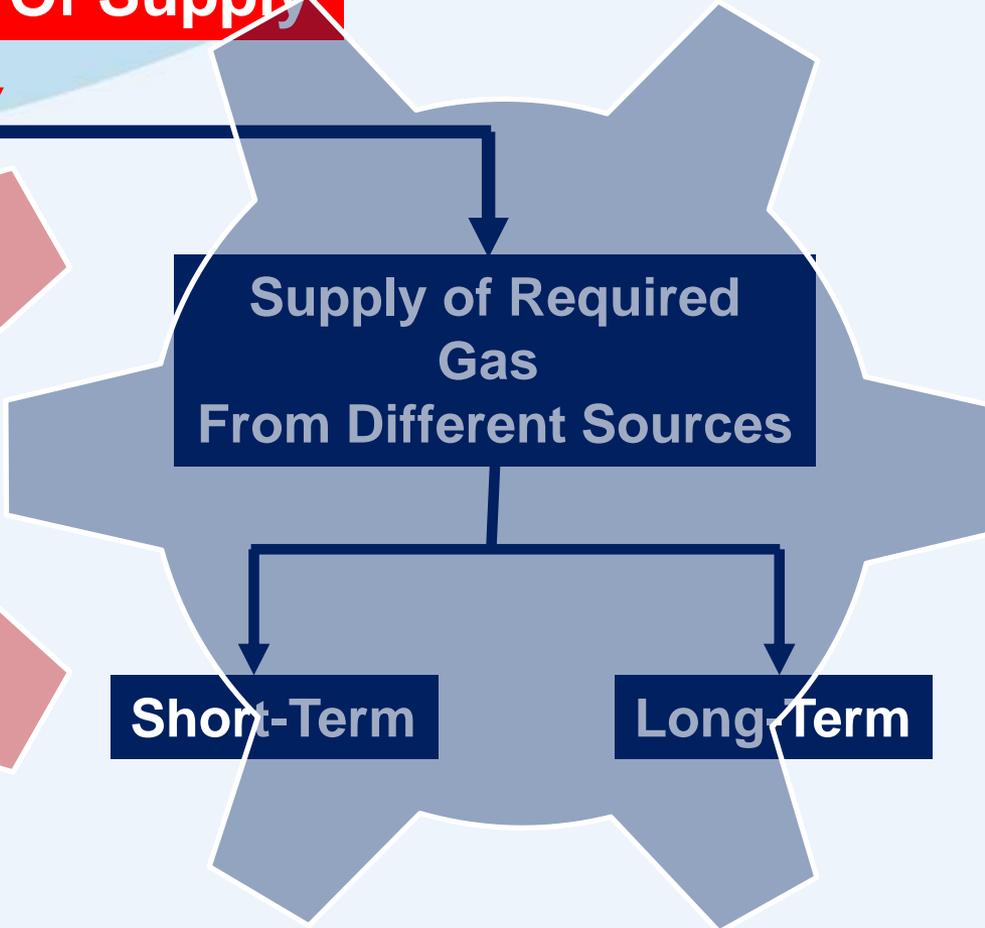
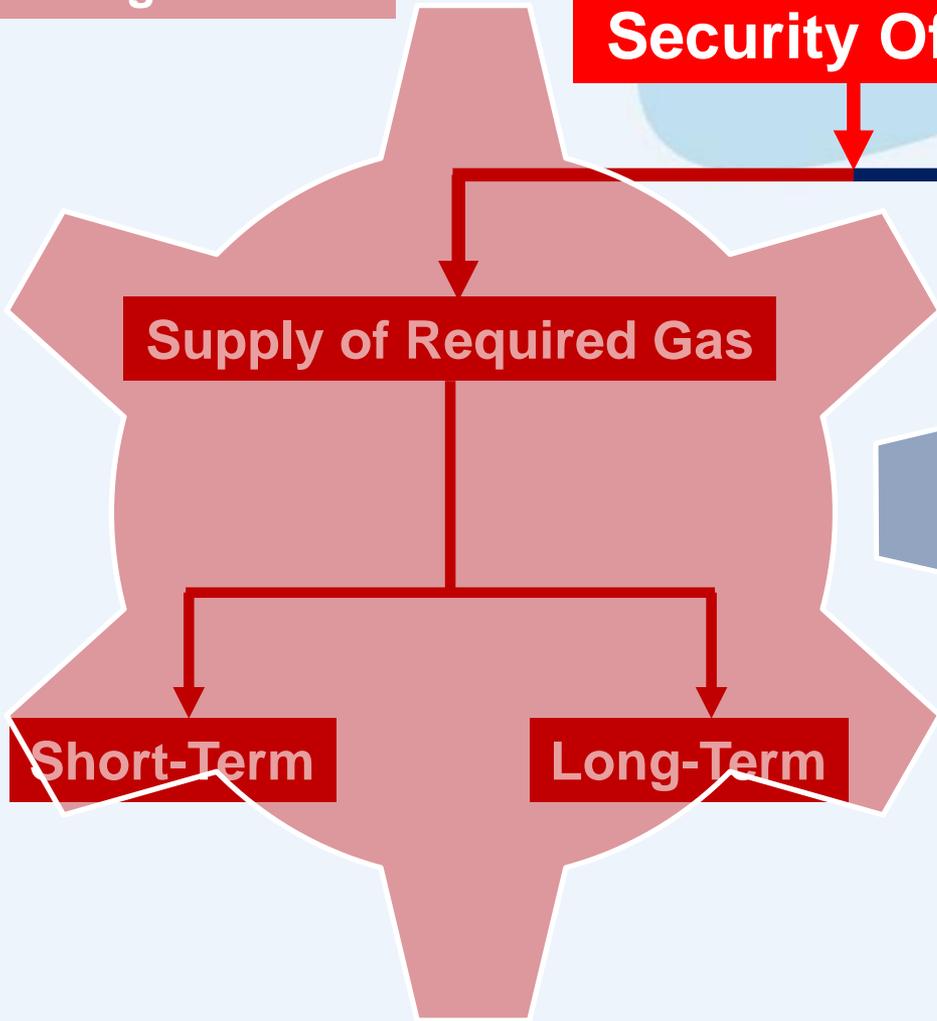
**Internal  
Factors**

# Two Poles of Supply Security

Finding Sources

Diversity of Sources

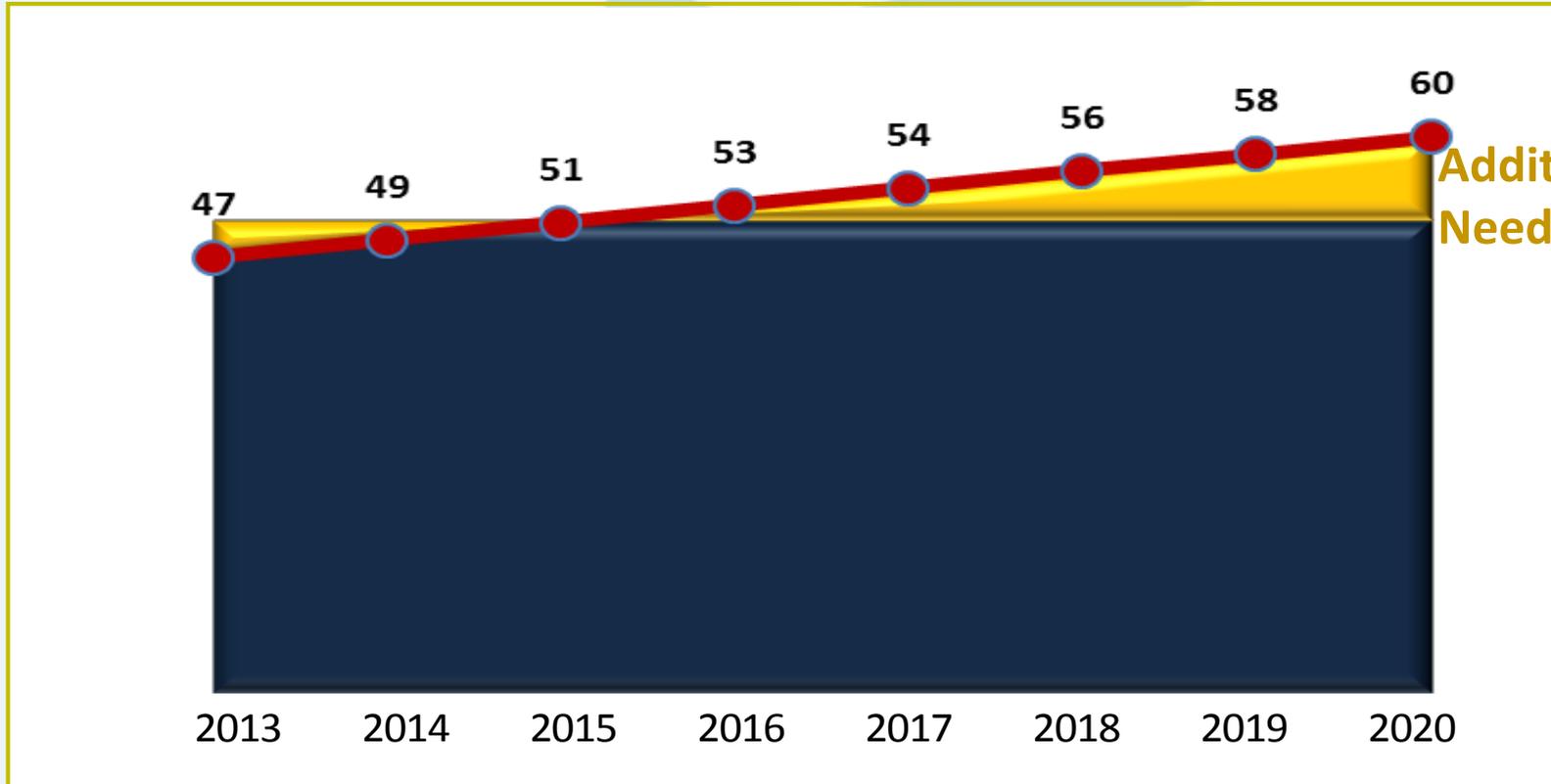
**Security Of Supply**



# Supply and Demand



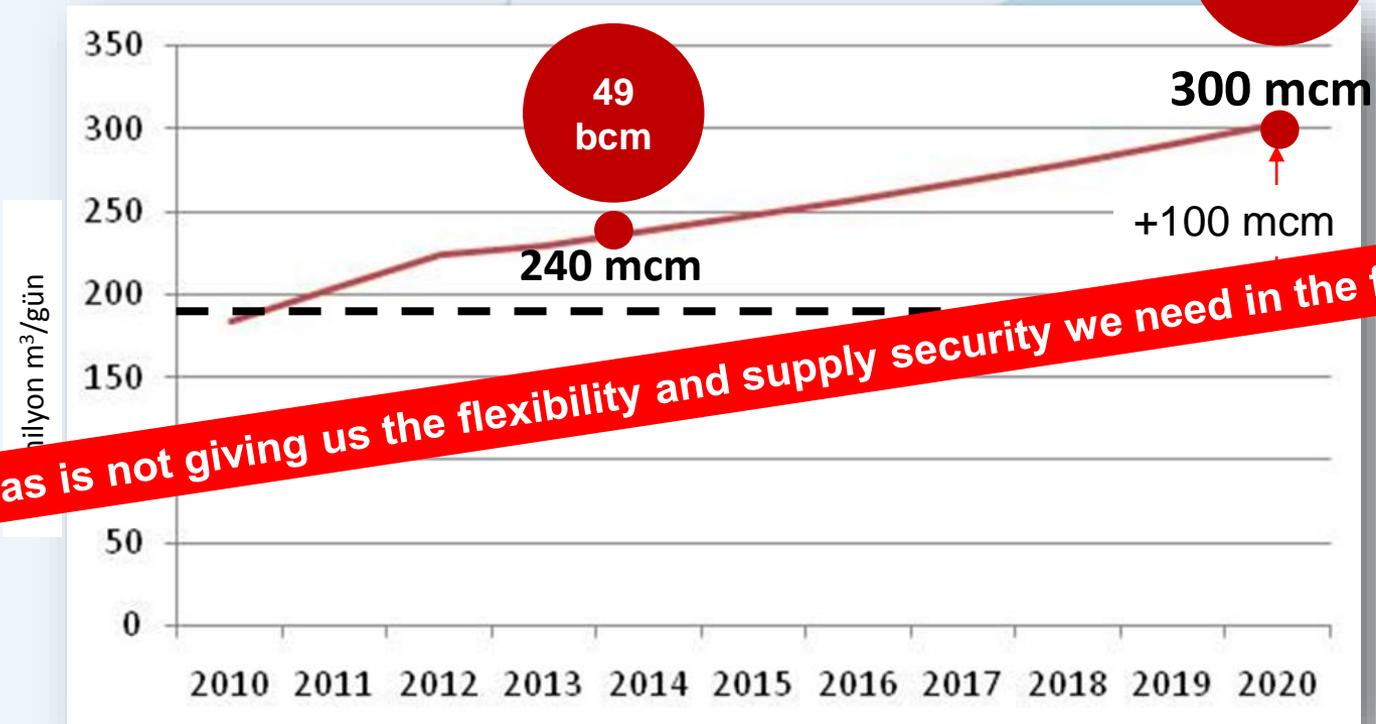
Consumption 2020: 60 bcm



Natural gas consumption is expected to reach 60 bcm by 2020.

Thus, we need more gas which we do not have today.

# 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**

# Intermediate Results and Conclusion



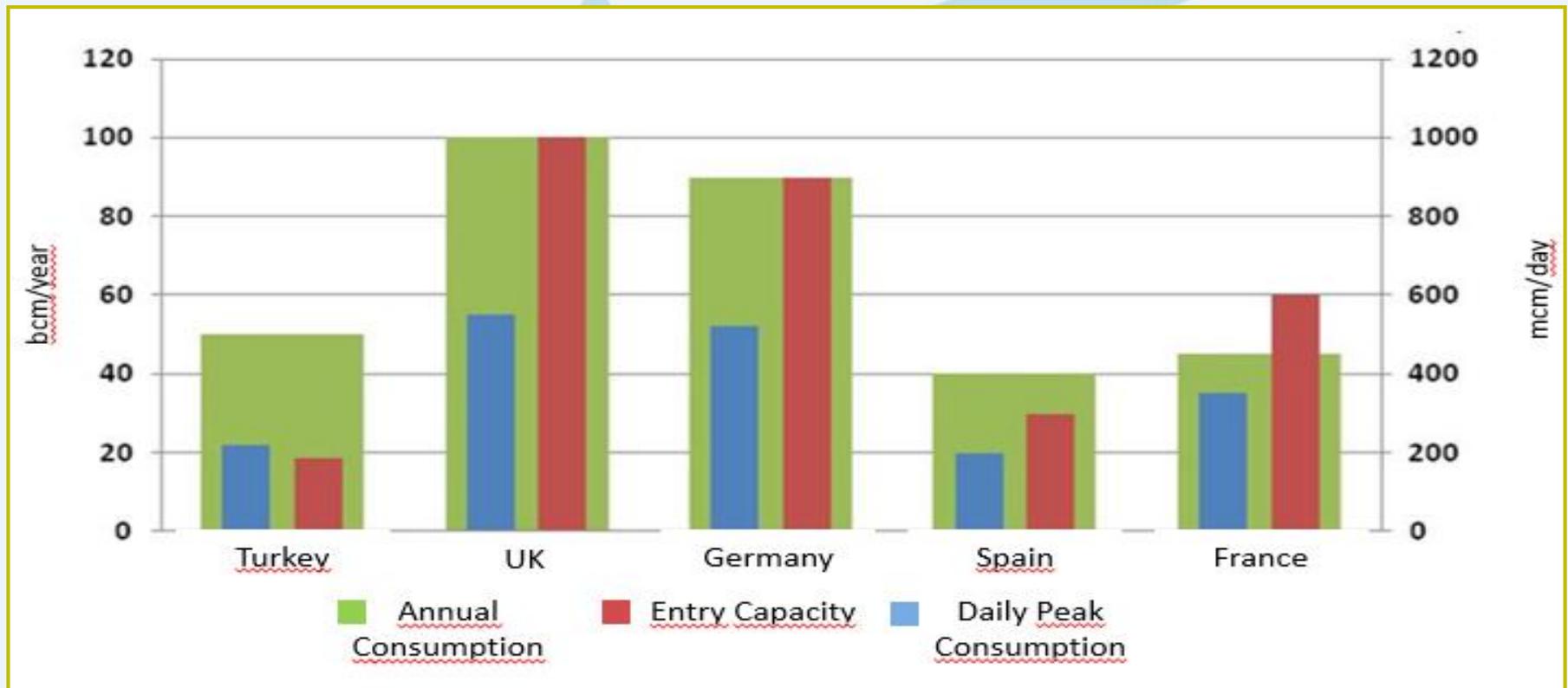
1. We need extra gas for each year between 2015 to 2020.
2. We need extra 9 bcm gas contractually, but it's unlikely to be fulfilled only by pipeline gas.
3. In 2020 daily gas demand will increase approximately by 50% and with 300 mcm demand we could barely supply our demand. But our vulnerability for possible hitches keeps going.
4. Despite the easier and maybe cheaper pipeline gas options which seems to be a logical solution for Turkey, we need other solutions to fulfill our needs.

# Fulfilling Peak Consumption



It is assumed that there will be no gas interruption in all entry points and all investments are going to be completed on time.

# Capacity Comparison with Europe



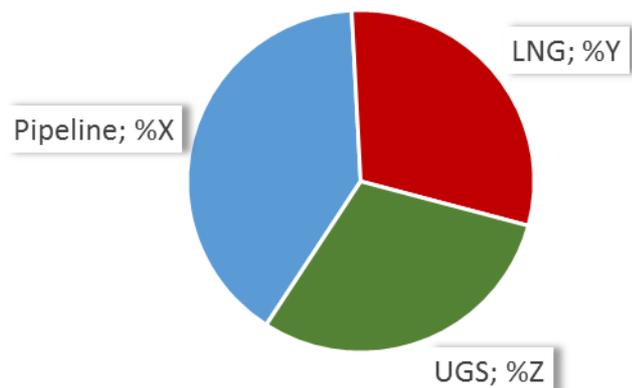
«Gas to gas» competition will only be possible with new entry capacity investments as it is in developed markets.

# Today is March 19, 2020 (1.827 days later)

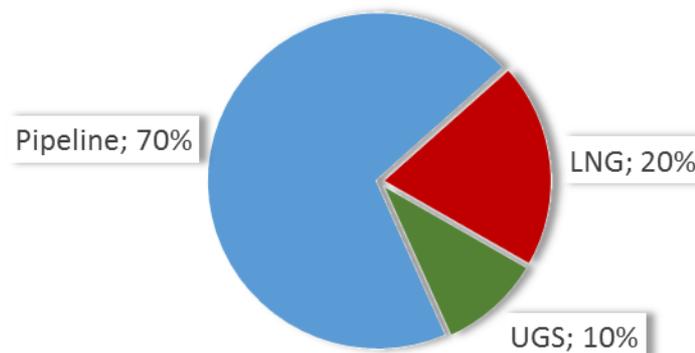


What kind of supply graphic we would like to see on March 19, 2020?

Daily Gas Entry - 2020  
300 mcm

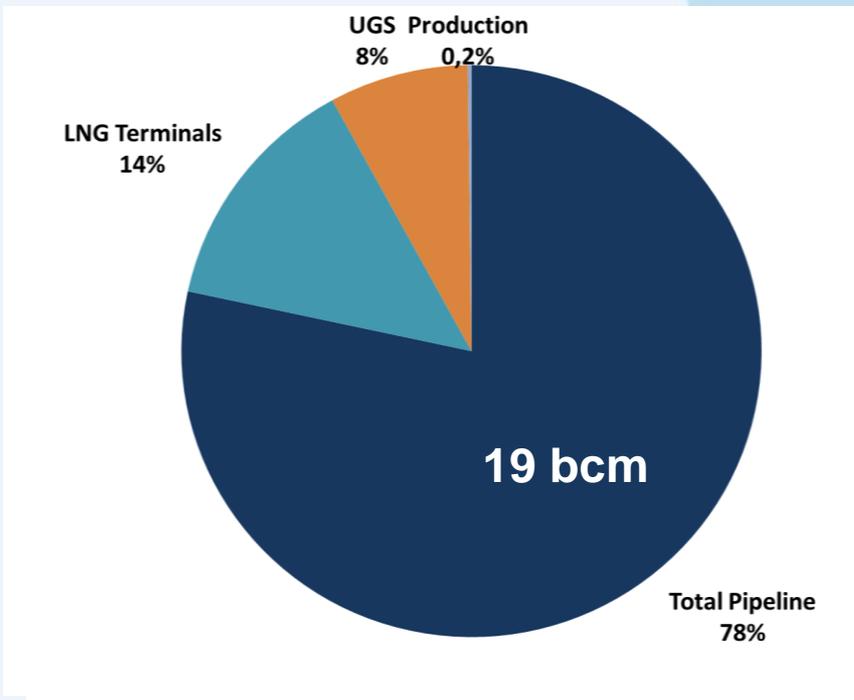


Daily Gas Entry - 2014  
200 mcm

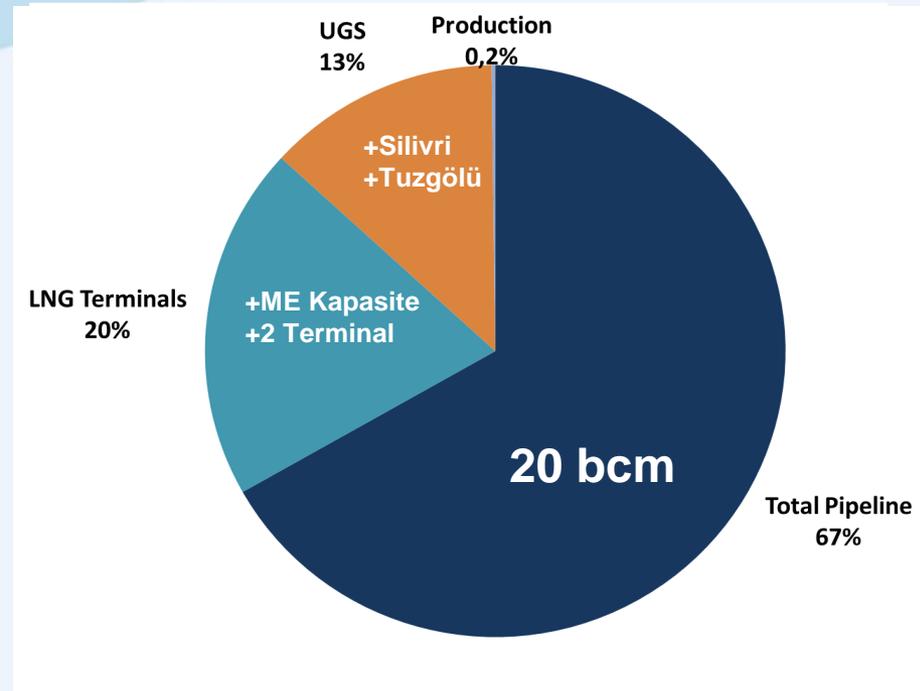


2020 ←————→ 2014

# Supply Sources of Turkey



Winter 13/14  
(November 2013-March 2014)  
24 bcm



Winter 19/20  
(November 2019-March 2020)  
30 bcm

# Decision Tree for Turkey

## Question Set 2:



1. Do we really want a liberal Turkish natural gas market?
2. Do we really want private sector to be in charge?
3. Do we really want private sector to make investments?
4. Do we really want subsidies (direct or cross) removed?
5. Do we really want to sleep more comfortably in 2020 winter?
6. Do we really want Turkey to be a natural gas hub?

**If we answer «yes» to at least one of the above questions, we need to start working now.**

**If we answer «no» or «N/A» to at least one of the above questions, it'll not be possible for private sector to find a place in this sector «for now»**

# What Do We Want to See in 2020?



- Daily gas required 300 mcm, entry capacity 270 mcm
- Daily gas required 300 mcm, entry capacity 300 mcm
- Daily gas required 300 mcm, entry capacity 330 mcm
- Daily gas required 300 mcm, entry capacity 400 mcm

**Despite the entry capacity investments look like a cost at the beginning, if it is planned correctly, it will provide big advantages in mid/long term.**

# 400 mcm in 2020



1. We believe that Turkey should aim 350-400 mcm entry capacity in 2020 in order to see 2030 more securely and to reach it's goals.
2. With this capacity, gas to gas competition will start and Turkey may become a center where gas price will be determined by the market.
3. We believe that certain ratio of this extra capacity should be provided by LNG and/or underground storages rather than pipeline gas.
4. Thus Turkey will be able to follow the progress of the global market, mitigate the risks, use new opportunities and become a stronger and important player.
5. Role of private sector will gain importance once this target is clearly set and we will be able to experience what private sector is capable of.

# Where do we want to reach?



To have enough gas when needed, not to be merely dependent on a single country

## What do we want/aim?

Private sector's role to increase.

Competitive market, cheap gas.

Turkey to become a hub, price to be set here.

# Future is Closer Than We Think

(and time is ticking)



Time left to 1/1/2020

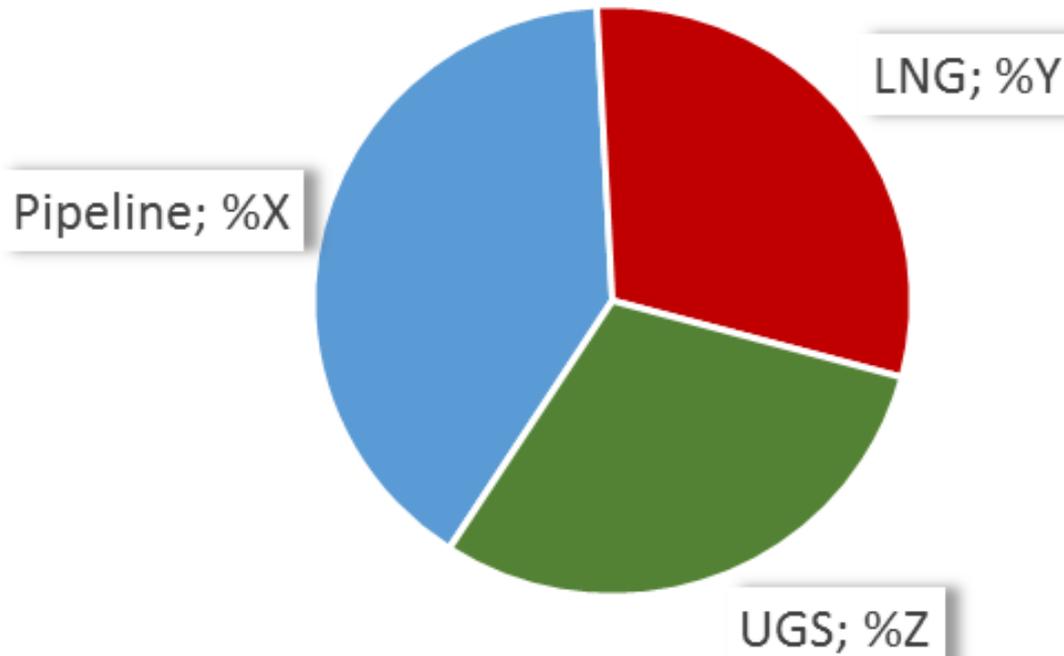
151.112.580

1 hour=3.600 seconds, 1 year=31.536.000 seconds  
Next year today, 21% of our remaining time will be used.

# What Happened in the Last 31 million Seconds

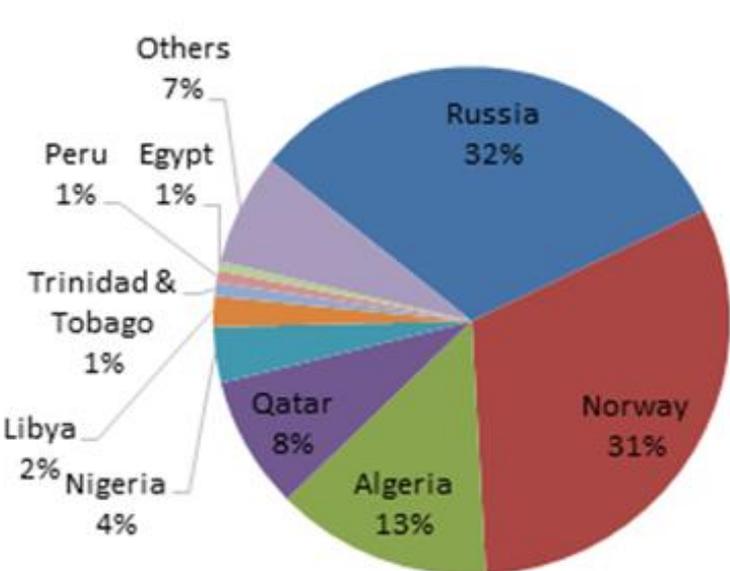


Daily Gas Entry - 2020  
300 mcm

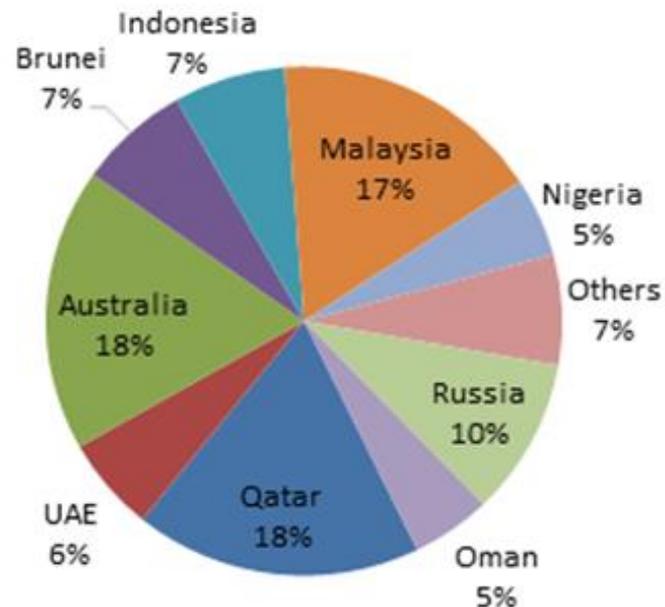


**No new LNG terminal investment started (required min. time: 95 million sec.)**

# What is Diversification? Which One is Correct?

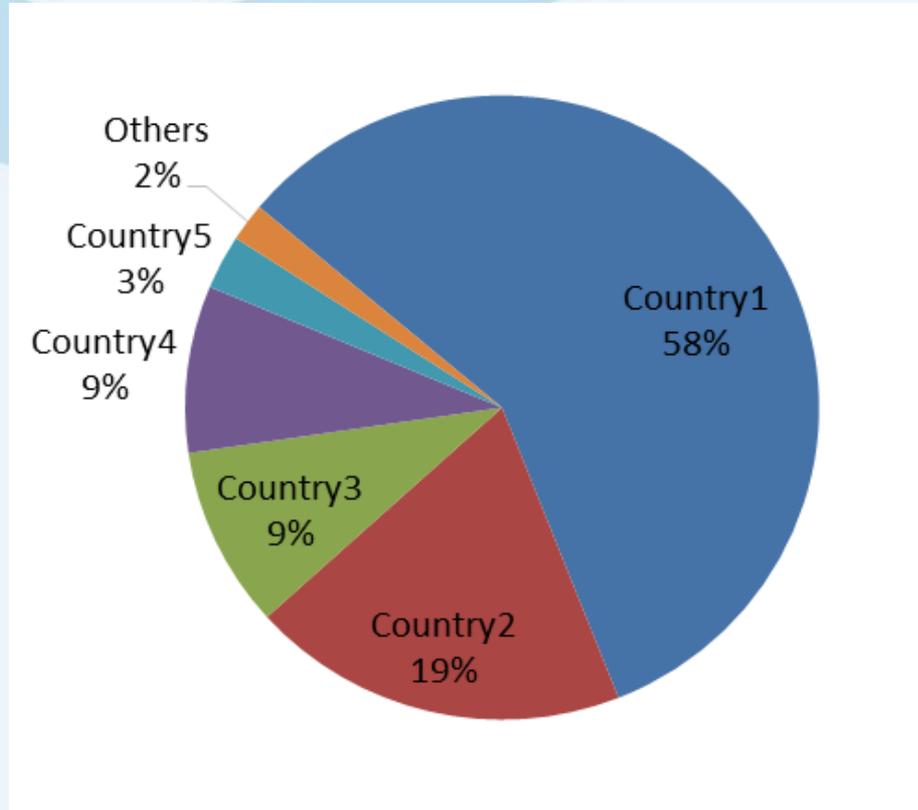
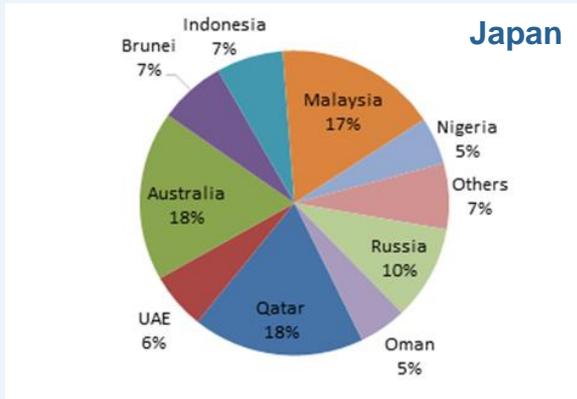
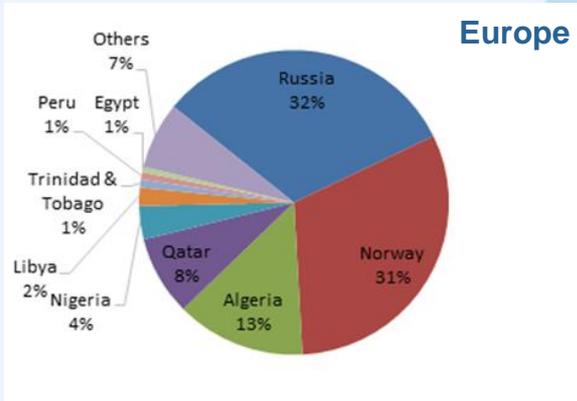


Europe (2012)  
8 main supply sources



Japan (2012)  
9 main supply sources  
9 others

# What is the Optimum Diversification Model for Turkey?



**Turkey (2013)  
5 main supply sources**



**Success is not a  
destination,  
it's a journey**

Zig Ziglar



# Our Liberalization Journey: What Private Sector Wants?

How much more time do we need?

380 million seconds +63 million seconds

2001-2013:  
10 bcm Private  
Sector Contracts,  
about 30  
Companies

2015:  
New Law  
New Vision  
New Targets

2020  
2020

151 million seconds

relaxation of previous government  
restrictions

Success

- TR TRADING Hub
- G2G Competition
- Place for Private Sector



***THANK YOU...***