
Nabucco crisis pits Turkey against the EU and Azerbaijan

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Turkish government's ambition to maximize its profit from the Nabucco pipeline, which will transfer Caspian gas via Turkey, jeopardizes the realization of the project. Turkey's stance over the pricing mechanism angers Azerbaijan, while it also complicates negotiations with the European Union.

Instead of asking for a standard transit fee at internationally commercial prices, Turkey wants to have the ability to sell the gas it receives. The perception in the world is that Turkey sees this route as a monopoly route, hence it asks a monopoly price. This is counterproductive. For a small amount of money, Turkey gains many enemies, say energy experts. Turkish ambitions of maximizing profits from energy pipelines might overshadow its aspirations of becoming an energy hub. The realization of the Nabucco project, which will carry natural gas from the Caspian region to Europe, is under jeopardy due to disagreement between Turkey and the European Union over the pricing mechanism.

Instead of asking for a standard transit fee, Turkey wants to be able to sell part of the gas it will receive via Nabucco. This has not only been rejected by the EU, but has also angered the Azerbaijani government, the Turkish Daily News has learned.

"European consumer countries want to buy directly from the suppliers. But the government wants to buy the gas from suppliers and sell it to European consumers at a different price. The EU obviously objects to this," said a Turkish diplomat. "The Energy Ministry has this ambition of making Turkey an energy hub, instead of an energy transit hub," said another official from the Foreign Ministry, which seems to have been excluded from negotiations between the European Commission and energy officials. "There is nothing wrong in Turkey being an energy hub, as long as it adds extra value to it, by building new refineries and petrochemical industries," said John Roberts, an energy security expert in London. "But if, what Turkey understands from becoming an energy hub is to ask to pay Turkey a premium, just because the oil and gas go via Turkey, than that would be a terrible mistake," he said in a telephone interview Wednesday with the Turkish Daily News. "Every transit country, like Bulgaria, Romania, Hungary, will all want exactly the same thing with exactly the same justification," he added.

The Nabucco project aims to deliver 30 billion cubic meters of gas from Central Asia and the Caspian region to Europe through a 3,300-kilometer pipeline from Turkey through Romania, Bulgaria and Hungary to Austria. German RWE recently joined the Nabucco consortium's five founding companies, Hungary's MOL, Romania's Transgaz, Bulgaria's Bulgargaz, Turkey's BotaÅŸ and Austria's OMV, which is a shareholder of Petrol Ofisi, owned by Istanbul-based DoÅŸan Åžirketler Grubu Holding AÅŸ. The project is supported by the United States and the European Union since it was devised as a means to diversify gas supplies and reduce energy dependence on Russia.

TURKEY MUST PROVIDE A TRANSPARENT PRICING MECHANISM "Turkey has to provide us a transparent mechanism on the issue of transit fees. So far it has not formally presented a proposal to us," said a European diplomat. "But the real problem are Turkey's additional requests. It wants a certain amount of gas to be provided for Turkey and at a cheaper price with the argument that it is closer geographically. But this is forced sail. It goes against EU norms," said the same European official, who asked to remain anonymous. The European

Commission's Special Representative Jozias Van Aarsten was in Ankara a few weeks ago but left Turkey without reaching a compromise.

"We have been hearing that the EU's patience is running thin and that at any moment they can come with a 'take it or live it' attitude," said a Turkish diplomat. "Negotiations are continuing and we are certainly trying to find a compromise, by avoiding the implementation of certain EU regulations since Turkey is not a member. But there is not endless time to find a solution," said a European diplomat.

While parties interested in Nabucco have been wasting some important time to solve the problems, Russia has been busy coming up with alternative plans.

Russia's answer to Nabucco is the 1,200 km \$15 billion South Stream pipeline carrying Siberian natural gas, from under the Black Sea, from Russia to Bulgaria. From Bulgaria, one branch would run south through Greece and southern Italy while the other would run north, through Serbia and Hungary toward northern Italy. The memorandum of understanding for South Stream was signed in Rome in June 2007 by Gazprom and Italy's Eni.

AZERBAIJANI GOVERNMENT UNHAPPY If Turkey acts with the aim of making big profit, it will anger producers and consumers alike, according to Roberts, who said Turkey will be making enemies for a small amount of money. "The real concern with Russia is its attitude to act as a monopolist power. Once Turkey starts acting like a monopolist power, producers and consumers will start looking elsewhere. The Azeri government is extremely angry at Turkey's request. It has already started looking for alternatives," said Roberts. The Energy Ministry's position is, "Europe is dependent on us, they cannot drop us," according to sources familiar with the issue. But this might not be the case. "We understand the concerns of Turkey. It is worried about its own supply security. But it cannot handle these concerns by imposing demands that cannot be accepted," said a European diplomat.

NABUCCO: PASSPORT TO THE EU The issue has implications for Turkish-EU relations as well. "The EU needs Turkey for its energy security and Turkey should help secure energy supplies if it wants to enter the EU," said Roberts. "Nabucco is our passport to the EU and with the attitude of the Energy Ministry, not only we will lose the chance of becoming a transit country but also risk losing one of the most important arguments for our entry to the EU," said an official from the Foreign Ministry. (

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