
Analysis : Turkey-Iraq spat may hit energy

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WASHINGTON, Oct. 26 (UPI) -- As Washington, Baghdad and Ankara intensively seek a last-minute diplomatic solution to Turkey's intention to invade Iraqi Kurdistan to deal a decisive blow to Kurdistan Workers Party guerrillas, the ominous consequences of an invasion are becoming clearer.

While a Turkish military operation carries the possibility of inflaming the one remaining area of Iraq relatively free of insurgent operations against coalition forces, the destabilization produced by an attack could quickly spread far beyond northern Iraq to engulf eastern Turkey's regions, which have a significant Kurdish population, and threaten not only Iraqi oil exports but a significant portion of Caspian production as well -- both the Kirkuk-Ceyhan and Baku-Tbilisi-Ceyhan pipelines terminate at the same Turkish Mediterranean port.

There are already clear indications that PKK militants are considering attacking energy assets if a Turkish military offensive is directed against them. In seeking to avert a Turkish military assault, the PKK's Abd-al-Rahman Chadarchi told Al-Sharq al-Awsat in a telephone interview that in such an instance his group would assault oil targets "since they bring huge amounts of money to Turkey."

"The military regime in the country will use this (energy revenues) to develop its war machine to utilize it against the Kurdish people in Turkish Kurdistan," he told the paper.

On Oct. 20, Kurdish Roj TV carried an interview with PKK Executive Council Chairman Murat Karayilan in which he said: "If you want to prevent an attack by an opposing force, the first thing to do is weaken that force's resources. It is highly likely that the guerrillas will attack the oil pipelines transiting Kurdistan because they provide the economic funding for the Turkish army's aggression."

With oil prices hovering around \$90 a barrel, the consequences of such a clash on the global economy are ominous and nowhere is this better understood than in Ankara -- Turkey imports around 90 percent of its energy needs. Furthermore, Turkey in the past has taken massive financial losses from a cessation in the flow of Iraqi oil to Botas' Ceyhan terminal. During eight years of U.N.-imposed sanctions on Saddam Hussein's Iraq, Turkey estimated that it lost \$80 billion in transit revenues from Iraqi oil exports to Ceyhan and other trade with Iraq.

Since the U.S. military operation in 2004 that toppled Saddam, Iraqi oil exports have resumed to Ceyhan, but the port's importance increased dramatically when in May 2005 the \$3.6 billion, 1,092-mile-long Baku-Tbilisi-Ceyhan pipeline began operations, carrying Azeri crude from the Caspian. Security was a key consideration in the BTC's design and the pipeline was buried to help thwart possible attacks. While the pipeline is secured from immediate attack, its eight pumping stations (two in Azerbaijan, two in Georgia and four in Turkey) are above ground, as are their electrical power grids, presenting "softer" targets. More than half the pipeline's length traverses 669 miles of Turkish territory, nearly all of which contains significant Kurdish populations, as does the route of the Kirkuk-Ceyhan pipeline.

Turkey expects to earn about \$300 million annually in transit fees from BTC. Ceyhan is one of the largest oil facilities in the Mediterranean, containing seven storage tanks, a jetty capable of loading two Very Large Crude Carrier tankers of up to 300,000 DWT tonnage and metering facilities. Ceyhan figures prominently in Turkey's ambitions to turn the country into a major energy transit hub, as the projected Trans-Anatolian Pipeline running from Samsun, which would carry Russian and Caspian oil while relieving tanker pressure on the Turkish Straits, is also planned to terminate there.

According to the U.S. Energy Information Administration, Iraq produces about between 1.6 million and 2.1 million barrels per day of crude oil, of which roughly 100,000 bpd are exported via the Kirkuk-Ceyhan pipeline. But growing insurgent attacks against the pipeline render consistent exports problematic at best. In a worst-case scenario, if Kurdish militants expanded their attacks beyond the Kirkuk-Ceyhan pipeline and raided the BTC in Kurdish regions inside Turkey, the economic losses could quickly spike oil to well over \$100 a barrel as the world struggled to cope with the loss of up to 1 million bpd production.

Besides Baghdad, Washington and Ankara, NATO is also paying close attention to the PKK issue. On Wednesday in Noordwijk, Turkish National Defense Minister Vecdi Gonul, during an informal meeting of NATO defense ministers, briefed his colleagues about the latest PKK attacks in Turkey as well as the motion adopted by Turkish Parliament authorizing military action.

The Azeri, Georgian and Turkish governments may not have to go it alone in providing BTC protection, as NATO is already considering the issue of BTC pipeline security. Speaking after a recent NATO summit in Riga, Robert Simmons, the NATO secretary general's special representative for the Caucasus and Central Asia, said the issue of protecting energy infrastructure belonging both to NATO members and their partners was on the agenda. Given the rising level of tension over PKK activities, the global energy community can only hope that it is not a case of too little, too late.
