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# **ANKARA : Petkim, A New Energy Venture Between Turkey And Azerbaijan**

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Abdullayev: Petkim, a new energy venture between Turkey, Azerbaijan

The president of SOCAR discusses the repercussions of state-controlled petrochemical producer Petkim's 51 percent stake sale to the SOCAR-Turcas-Injaz consortium, the second highest bidder, instead of the TransCentralAsia consortium.

The State Oil Company of the Azerbaijan Republic (SOCAR)-Turcas-Injaz consortium submitted the second best bid in a July 5 tender for the block sale of a 51 percent state-owned stake in Turkish petrochemicals producer Petkim. The Kazakh-led TransCentralAsia Petrochemical Holding consortium had outbid all of its five rivals by offering to pay \$2.05 billion, causing the Azeri consortium to withdraw from the open bidding after announcing its final offer of \$2.04 billion. After the tender, a wave of resentment toward the winning group spread in light of rumors that the Kazakh company was supported by the Armenian diaspora, causing Turkey's board overseeing the proceedings to nullify the winning bid and instead award the tender to the second highest bidder, the Azeri consortium.

Speaking to Today's Zaman, Revnak Abdullayev, the president of SOCAR, evaluated the recent developments. He stressed that Turkey and Azerbaijan were not only sister countries because of their historical connection but also strategic partners in many fields, especially in energy. Abdullayev emphasized that Petkim was a kind of continuation of the Baku-Tbilisi-Ceyhan (BTC), Baku-Tbilisi-Erzurum (BTE) and Baku-Tbilisi-Kars (BTK) pipeline projects.

What are your thoughts on the Petkim tender?

Abdullayev: First of all, this nice gesture is a sign that Turkey regards Azerbaijan as important. This is SOCAR's first attempt at such a large project abroad. Our company has the largest financial potential in Azerbaijan. Our first investment abroad was the Kulevi Terminal project in Georgia. It was not as big as Petkim but it had great importance in transporting Central Asian and Caspian Sea oil to the Black Sea. To date the total investment in the Kulevi project has reached \$360 million. Our aim is to contribute to the Samsun-Ceyhan oil pipeline with this project. Firstly, we have a \$2 billion investment plan for Petkim to upgrade and to modernize the facilities. After this modernization process we want to meet an important share of Turkey's need for petrochemical products.

Currently Turkey imports 75 percent of its petrochemicals. With SOCAR's investment this will drop to 30 percent.

Was the proximity of the Petkim decision and the Armenian resolution in the US a coincidence or a message to the world?

Abdullayev: Turkey and Azerbaijan's foreign policies are similar.

That's why the Armenian genocide claims are a problem for Azerbaijan as they are for Turkey. On this issue both countries take the same stance. Their stand against the diaspora is same; however, it would be a mistake to relate this decision only to the Armenian issue.

Turkey and Azerbaijan are sister countries and strategic partners, so they care about one another's political, strategic and economic interests.

Are there also refinery construction plans?

Abdullayev: Yes, our refinery construction work is ongoing. We plan to build an oil refinery that has an annual production capacity of 6 million tons. I believe commercial relations between Turkey and Azerbaijan will go much further because of these projects.

What are SOCAR's projects other than Petkim?

Abdullayev: The most important and unforgettable event for SOCAR is the launching of the Ceyhan terminal, which carries the name of our deceased president Haydar Aliyev, who was involved in the completion of the BTC project despite many difficulties. With the launching of the BTC the most important part of the energy corridor between Caspian Sea and Europe was opened up. Here we must mention that the BTC has to this point carried the equivalent of 400 tankers of oil directly to the Mediterranean Sea instead of through the Bosphorus and the Dardanelles straits. This means the BTC is also contributing to the environmental and ecological balance.

With the BTC, Caspian Sea oil has reached the Mediterranean. How are the regional and global energy markets affected by the BTC? Are Kazakhstan and Turkmenistan expected to join the project?

Abdullayev: As I just said, with the launching of the BTC the issue gained global importance. The global need for energy will increase by 60 percent by 2030. This means the current reserves must increase their capacity by 60 percent. So it is not very hard to predict the importance of Caspian Sea reserves in the future. Azerbaijan's current economic and political stability contributes to the BTC's importance. Azerbaijan is ready to meet Kazakh oil exports. Today, the world is governed mostly on economic principles. If Turkmenistan and Kazakhstan think it is more profitable to export their oil and gas through Azerbaijan's pipelines, I believe they will do so. Last year Azerbaijan's president, Ilham Aliyev, signed a protocol during his visit to Astana [Kazakhstan's capital city]. The protocol details the infrastructure of Kazakh oil transportation via the BTC.

Kazakhstan also has important oil reserves. With the increase in production the amount of oil transported via the BTC will significantly rise.

Can we say that the relations in the energy field between Turkey and Azerbaijan have reached desired level since the independence of Azerbaijan?

Abdullayev: The BTC project, which we called the "project of the century," helped us attract foreign capital to Azerbaijan. We removed the old oil exploration and extraction infrastructure and began to use modern technologies. Now, when establishing a collaboration, SOCAR assesses the potential counterparts' financial and technological infrastructure. We have important cooperation with the Turkish Petroleum Corporation (TPAO)

What's the recent situation of the BTE project, which is also known as BTC II?

Abdullayev: Azerbaijan is one of the most important centers of energy reserves for the security of Europe's energy supply. Energy needs will increase sharply in the near future. The important part for Azerbaijan is that Europe plans to meet its needs from Azerbaijan.

Furthermore, Turkish experts are also predicting that gas reserves in the Shahdeniz field will be a good source for Turkey's domestic needs. A protocol was signed in 2001 between Azerbaijan and Turkey according to which Turkey plans to purchase 79.9 billion cubic meters of gas through the BTE between 2006 and 2018. Also, the plans for exporting Azerbaijani gas to Europe via Turkey still active. All these plans and developments reflect the importance of the BTE project.

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