Turkey: A natural energy hub for the region

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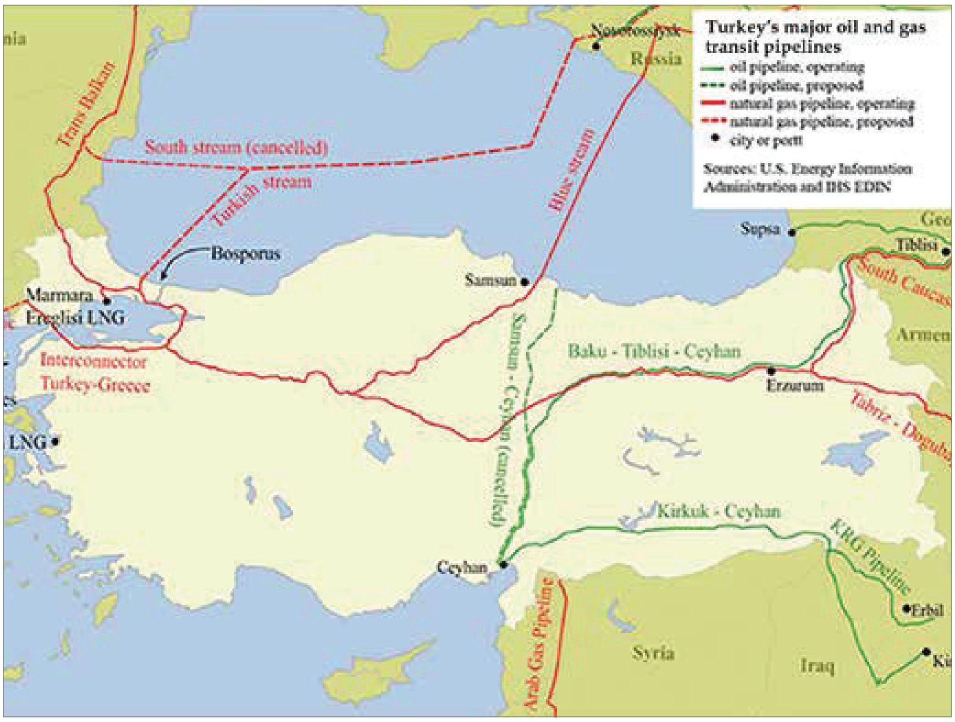
Turkey is well placed to serve as a hub for oil and natural gas supply headed to Europe and other Atlantic markets from Russia, the Caspian region, and the Middle East. Turkey has been a major transit country for oil and is becoming more important for natural gas.

Since 2010, Turkey has experienced a fast growth in total energy demand among countries in the Organization for Economic Cooperation and Development (OECD). Unlike several other OECD countries in Europe, Turkey's economy has avoided the prolonged stagnation that has characterised much of the continent for the past several years.

Turkey's proved oil reserves is recorded as 334.5 million barrels in 2015, located mainly in the southeast region of the country. Although Turkey's production of liquid fuels has increased since 2004, it is much less than what the country consumes each year. In 2015, Turkey produced 51,000 barrels a day (b/d) of crude oil whereas total liquid fuels consumption averaged 796,000 b/d more than 90 per cent of which came from imports. According to the International Energy Agency, Turkey's crude oil imports are expected to double over the next decade since Turkey continues to experience significant growth. Although Turkey is not a major oil producer, it plays an increasingly important role in the transit of oil because Turkey is strategically located at the crossroads of the oil-rich former Soviet Union and Middle East countries, and the European demand centres. It is home to one of the world's busiest chokepoints, the Turkish Straits, through which 3 million b/d (over 3 per cent of global supply) flows on average.

As with oil, Turkey is a large consumer of natural gas but a small producer. In 2015, Turkish natural gas reserves are recorded as 3.7 billion cubic metres (bcm) and Turkey produced only a small amount of natural gas, with the total production amounting to 0.4 bcm in 2015. Turkey's natural consumption averaged 48.8 bcm last year which makes Turkey more import-dependent for natural gas than oil. Over the last decade, Turkey has been the second country, after China, in terms of natural gas demand growth and is becoming an important transit state for natural gas. Turkey is one of the few countries in Europe where natural gas consumption continues to show strong growth. Turkey's growing consumption has helped spur development of multiple pipelines to bring natural gas into the country, and while it has left little natural gas available for export, new supplies have been contracted and new pipelines are under construction that will increase both Turkey's imports and exports of natural gas.



On the other hand, when we look at nearby regions of Turkey, a key part of ensuring secure and affordable supplies of energy to Europe involves diversifying supply routes. This includes identifying and building new routes that decrease the dependence of EU countries on a single supplier of natural gas and other energy resources. Many countries in Central and South East Europe are dependent on a single supplier for most or all of their natural gas. To help these countries diversify their supplies, EU actions to expand the Southern Gas Corridor involve cooperating closely with transit countries including Azerbaijan, Georgia and Turkey. Taking into account the huge potential of Algeria, both for conventional and unconventional gas resources, as well as the new gas resources in the East Mediterranean and the associated infrastructure development plans, the Mediterranean area can act as a key source and route for supplying gas to the EU.

Recent gas finds in the Eastern Mediterranean

Since 2009, international interest in the Eastern Mediterranean's offshore oil and gas resources has followed a cycle from widespread excitement, to a stall in activity, to disappointment and back to excitement again. The Levant Basin has seen several discoveries that could have a big impact on domestic economies. However, unless circumstances locally, regionally and globally align favourably, the area may not fulfill its potential as a gas exporter. The Levant Basin possibly has 1.7 billion barrels of recoverable oil and 3,500 bcm of recoverable gas lying under the seabed. The discovery of the Zohr field, the eighth largest gas discovery since 2005, has reignited excitement in the region. Following these discoveries, gas from the Eastern Mediterranean is thought to have the potential to transform the region and global energy markets. Any domestic production should therefore improve countries' finances, while bringing in foreign capital and promoting job creation throughout the supply chain. For natural gas in particular, building the infrastructure will prove a major undertaking.

Nuclear-related sanctions were lifted on Iran in January, 2016 and Iran could emerge as OPEC's biggest source of growth. This assumes that Tehran gains access to capital and provides sufficiently attractive terms for international oil companies to tap its vast oil fields. However Iraq is likely to remain OPEC's second biggest crude oil producer after Saudi Arabia. Exports from the Middle East are expected, by some estimates, to increase to more than 19 mb/d by 2021 as production from low-cost OPEC producers remains strong. Accordingly, by 2021 the region could account for 54 per cent of the global export market, a rise of three percentage points from 2015.

Underpinned by rising populations, the medium-term outlook for African oil demand is for growth at an average rate of 3.5 per cent to 2021. West African producers may face problems with marketing their crudes over the next couple of years. Any energy forecast for Libya can only be speculative as long as the challenges for control of the country continues.

Source: Middle East Economic Survey

Managing Change

Taking into consideration these developments, the harsh fall in oil prices has changed the market conditions drastically. Although this situation has many extremely unpleasant effects like unemployment of thousands of people based on budget and investment cuts, hard times are always great teachers. Companies have learned how to adjust themselves to conditions of tight budgets, invest more soundly, look for opportunities in mergers and acquisitions and focus more on technology in order to work more effectively.

Today companies look for cooperation to minimise risks, investment in technological development to increase efficiency, and development of human capital. While the first two is more predictable and measurable, the most important influence on the future is human capital. Not only should companies invest in their future leaders, but the future leaders themselves should also do so. This period is the perfect time to learn about change and how to manage it. In other words, "Leading through change" is more important than ever today. For overcoming the crises and barriers to sustainable development, tomorrow's leaders should focus on adaptability, financial expertise and international cooperation. These three factors are the basic talents any potential leader needs in this industry to succeed.