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BOTAS AND SOCAR PLAN NEW GAS PIPELINE ACROSS TURKEY

The vice president of Azerbaijan's state-owned oil and gas company Socar stated last week that Socar and Turkey's Petroleum Pipeline Corporation (Botas) would form a consortium to build a new pipeline to carry Azerbaijan's natural gas across Turkey to Europe.

The pipeline is to have a capacity of no less than 16 billion cubic meters per year (bcm/y), Elsad Nasirov said. That is the volume of gas that Shah Deniz Stage 2 (SD2) is expected to produce when it comes on-stream in 2017, 6 bcm/y of which is promised to Turkey while the remaining 10 bcm/y is to be contracted to shippers using one of three already proposed gas pipeline projects: the 31 bcm/y Nabucco gas pipeline, the 10 bcm/y Interconnector-Turkey-Greece-Italy (ITGI) pipeline, or the 10-20 bcm/y Trans Adriatic Pipeline (TAP).

Mr. Nasirov's announcement has confused an already complicated situation further and it follows an announcement made a month ago by the Shah Deniz operator, BP, that it would consider putting a consortium together that would carry SD2 gas from Turkey's western border into Central Europe: the South East Europe Pipeline (SEEP).

BP's reasoning behind proposing the SEEP pipeline is thought to be that it considers the Nabucco, ITGI and TAP projects as unreliable partners – for a variety of reasons. The move by Socar and Botas is seen as necessary in order to provide reliable infrastructure for gas shipments of that size through Turkey. Turkey's existing gas pipeline network is considered to be too disjointed to provide a clear transit route across the country. The consortium that the two state-owned firms plan to put together is expected to include other Shah Deniz partners.

After years of haggling, Turkey and Azerbaijan signed several agreements in late October regarding a sale price to Turkey of SD2 gas and its shipment across Turkey to Europe. The agreement provided for the upgrade of the existing Botas network or the construction of a new pipeline.

The Socar-Botas plan appears to cut the Nabucco project out of the picture. Like ITGI and TAP, Nabucco submitted to Shah Deniz shareholders its bid to transport the gas to Europe by the October 1 deadline. While it is probably months away before the transport contracts are awarded, Nabucco has hoped to win despite the fact that the 10 bcm/y of SD2 gas would be less than half its full capacity. Nabucco is looking to also transport gas from northern Iraq and from Turkmenistan, with which the European Union is

discussing the construction of a gas pipeline across the Caspian Sea. In an attempt to make itself more attractive to Caspian gas producers, Nabucco has proposed extending its pipeline from eastern Turkey to Baku, where it could theoretically connect with a Trans Caspian Gas Pipeline.

The gas route through Turkey and into Southeast Europe is known as the Southern Corridor. Speaking in Baku on November 5, Socar's president, Rovnag Abdullayev, said the Shah Deniz consortium would decide within a year on which route to choose for the export of gas to Europe, adding that a different pipeline project would not prevent the implementation of the Southern Corridor pipeline projects, those being Nabucco, ITGI and TAP.

Mr. Abdullayev was reported by *Trend* news agency as saying that Turkey's existing pipeline infrastructure is complex and for that reason it was decided by Socar to explore the opportunity of constructing a new gas pipeline across the country.

During a conference in the Azerbaijani capital on November 5, Mr. Nasirov said the decision to transit SD2 gas through Turkey would be taken in mid-2012.

"The gas transportation system from Baku to European markets consists not only of one pipeline, but of the whole combination of several pipelines," Mr. Nasirov was quoted by *Azerbaijan Business Center* as saying. These include "from Baku to the Turkish border, from eastern Turkey to western Turkey and further to the European markets or in the southwest, or northwards direction. The transit agreement [with Turkey] was signed for the option of expansion of the existing infrastructure in Turkey. In this connection, a consortium will be set up to consider a new pipeline construction option."

He added that the contract with European buyers of SD2 gas is a complex decision. "The route from the western border of Turkey and sales of gas to Europe is one part of the project; passage through Turkey is another project; and delivery of gas from Baku to Turkey is one more project," he said.