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# Turkey: country of international pipelines

**T**hanks to its geopolitical location, Turkey has always been on the transit route between Asia and Europe. Throughout history, many conventional types of goods (eg, silk, spices etc) were transported through Turkey. In today's world, an unconventional product is being transported: energy, in the form of natural gas and crude oil. Being the bridge between energy-rich eastern countries and import-dependent western countries, Turkey is likely to become a new hub for energy transportation through international pipelines.

International pipelines can be divided into two categories: (1) non-transit pipelines; and (2) transit pipelines.<sup>1</sup> This distinction is important, as the legal framework (eg, applicable laws, regulations etc) differs based on the type of pipeline.

## Non-transit pipelines

Non-transit pipelines transport crude oil or natural gas to or from Turkey. Under Turkish law, there is no specific legislation governing non-transit pipelines. Due to the lack of legislation, the legal regime applicable to these pipelines is either in the form of a Council of Ministers' Decree or, more generally, an Intergovernmental Agreement (IGA) concluded specifically for that pipeline.

### Completed non-transit pipelines

There are four completed non-transit international pipelines in Turkey:

- Russia–Turkey Natural Gas Pipeline ('Blue Stream') transports natural gas from Russia to Turkey through the Black Sea. Two IGAs form this pipeline's legal regime.<sup>2</sup>
- Interconnector Turkey–Greece (ITG) transports natural gas between Turkey and Greece. This pipeline's legal regime is comprised of an IGA dated 23 February 2003.
- Azerbaijan–Turkey Natural Gas Pipeline ('Shah Deniz')<sup>3</sup> transports natural gas from Azerbaijan's Shah Deniz gas field (Stage I) to Turkey. The IGA of 12 March 2001 governs the legal regime for this pipeline.

- Iraq–Turkey Crude Oil Pipeline ('Kirkuk–Yumurtalık') transports crude oil from Iraq to Turkey. Three IGAs form this pipeline's legal regime.<sup>4</sup>

### Pending non-transit pipeline projects

There have been many non-transit pipeline projects that have remained only as an idea, such as the Egypt–Turkey Natural Gas Pipeline Project, the Interconnector Turkey–Greece–Italy and the Iraq–Turkey Natural Gas Pipeline Project (ITGEP). For quite some time, there has not been any news, reports or even talks about these projects. However, during the past year there have been recent developments on the following projects:

- Trans-Adriatic Natural Gas Pipeline Project (TAP) intends to transport natural gas from Turkey (near Kipoi on the border of Turkey and Greece) to Southern Italy and further to Europe through Greece and Albania. In 2013, the Shah Deniz Consortium chose TAP as Trans-Anatolia Natural Gas Pipeline Project's (TANAP) (see below) extension to Europe.<sup>5</sup>
- Mashreq–EU Natural Gas Pipeline Project. In November 2013 the EU, Turkey, Iraq and the Mashreq countries (Egypt, Jordan, Lebanon and Syria) reached a consensus to connect the Arabian natural gas pipeline to Turkey, Iraq and the EU. The Mashreq–EU Natural Gas Pipeline Project is intended to transport natural gas from the Mashreq countries to Turkey, Iraq and the EU. The aim is to develop regional cooperation in the natural gas sector through the Europe–Arab Mashreq gas market centre and to extend its participation to Iraq and Turkey.
- The Northern Part of Iraq–Turkey Crude Oil Pipeline Project has been among the radical energy (as well as political) developments in Turkey. In late November 2013, the Turkish government met with the administration of the Northern Part of Iraq to begin negotiations for the transport of petroleum from the Northern Part of Iraq.
- Israel–Turkey Natural Gas Pipeline Project. Although somewhat premature, it is worth mentioning that in 2013,

a few Turkish companies apparently approached Israel, which has discovered the huge Leviathan gas field, among other gas discoveries, in the eastern Mediterranean, regarding the prospects of building a natural gas pipeline from Israel to Turkey's southern province Mersin.

- Turkey–Bulgaria Natural Gas Pipeline Project. According to news in the press, the first months of 2014 witnessed talks between Turkish and Bulgarian officials regarding the construction of a natural gas pipeline between Turkey and Bulgaria.

### Transit pipelines

Transit pipelines collect natural gas or crude oil outside of Turkey and transport it to a point outside of Turkey, thereby crossing through Turkey's borders. In simpler terms, these are pipelines 'crossing through' Turkey.

Until it was abolished by the Turkish Petroleum Law of June 2013,<sup>6</sup> Article 83 of the former Petroleum Law<sup>7</sup> governed transit pipelines. Under Article 83 of the former Petroleum Law, the legal framework for transit pipelines was determined by a Council of Ministers' Decree.<sup>8</sup> Unlike the former Petroleum Law, the current Turkish Petroleum Law does not include any provisions regarding transit pipelines.

Since 2000, in addition to Article 83 of the former Petroleum Law, transit pipelines with IGAs (eg, BTC Crude Oil Pipeline) have been governed by the Law on Transit Passage through Petroleum Pipelines<sup>9</sup> (the 'Transit Law'). As the former Petroleum Law was abolished and the Turkish Petroleum Law does not include any provisions regarding transit pipelines, currently, the only piece of legislation that applies to transit pipelines is the Transit Law. However, in order for the Transit Law to apply as the legal regime of a transit pipeline, there must be an international agreement for that pipeline; in which case, the Transit Law, the international agreement(s) (generally an IGA) and the project agreements together apply as the legal regime to the transit pipeline.

#### *Completed transit pipelines*

The Baku–Tbilisi–Ceyhan Crude Oil Pipeline (BTC) is Turkey's first and currently only operational transit pipeline. It transports crude oil from the Caspian Sea to Ceyhan, Adana. The legal regime for this pipeline is comprised of: (1) an IGA between

Turkey, Azerbaijan and Georgia; and (2) a Host Government Agreement (HGA) between Turkey and the project participants (including BP, SOCAR, Chevron and Statoil).

#### *Pending transit pipeline projects*

There are several significant transit natural gas pipeline projects in Turkey. While the Nabucco Natural Gas Pipeline Project has been suspended, and there has been no development for the Trans-Caspian (Turkmenistan–Turkey–Europe) Natural Gas Pipeline Project (TCP) for quite some time, the following transit pipeline projects are more promising, in terms of likelihood of realisation:

- Trans-Anatolia Natural Gas Pipeline Project (TANAP). Once completed, TANAP will transport natural gas from Azerbaijan's Shah Deniz gas field (Stage II) to Europe, through Turkey. Turkey and Azerbaijan have signed an IGA for the construction and operation of TANAP attached to which is a HGA signed between Turkey and the TANAP Project Company. Turkey ratified the IGA and HGA in March 2013. The Turkish government is attributing special importance to this project, which will be the longest energy pipeline in the region, at approximately 2,000 km.
- Iran–Turkey–Europe Natural Gas Pipeline Project. On 25 July 2013, Turkey enacted a Council of Ministers' Decree for the construction of a pipeline to transport natural gas from Iran to Germany through Turkey. After this decree was published in the *Official Gazette*, the Ministry of Energy commenced expropriation activities.<sup>10</sup> The easing of the embargo on Iran in November 2013 (and the possibility that it may be entirely lifted in the future) has increased the possibility of this pipeline project being realised.
- Russia–Europe Natural Gas Pipeline Project ('South Stream') is intended to transport natural gas from Russia to Europe under the Black Sea through Turkey's exclusive economic zone. Although only one of the possible routes for this €1.8bn project included passage through Turkey, this route has come into particular prominence due to the crisis in Ukraine. According to the spokesman of South Stream Transport Company, the final route will include passage through Turkey's exclusive economic zone.

## Conclusion

The recent crisis in Ukraine has once again placed the issue of energy security at the top of Europe's agenda. As one of the most significant countries for Europe's security of energy supply, Turkey has come under the spotlight. Due to its position as a natural transit country – for both maritime and pipeline transportation of natural gas and crude oil – its importance in energy transportation is increasing every day. The turmoil in Ukraine has reminded Europe of Turkey's importance once again.

Turkey is expected to adopt new legislation to welcome transit pipelines in a more legally-sound framework. While the Transit Law has proven to be a successful legal means to develop the legal structures of transit pipelines, the abolished Article 83 of the former Petroleum Law should be replaced by an alternative legal regime for transit pipelines that are not developed pursuant to IGAs.

## Notes

- 1 In addition to international pipelines, there are local transmission pipelines, which are not within the scope of this article.
- 2 For instance, the IGA dated 15 December 1997 and the Additional Protocol dated 27 November 1999.
- 3 Also known as the Baku–Tbilisi–Erzurum (BTE) Pipeline.
- 4 For instance, the IGA of 27 August 1973, the Additional Agreement of 30 July 1985, and the Amendment Agreement of 19 September 2010.
- 5 Please see 'Transit pipeline projects' in this article for further information regarding TANAP.
- 6 Published in the Official Gazette No 28647, dated 11 June 2013.
- 7 Published in the Official Gazette No 8659, dated 16 March 1954.
- 8 The Samsun–Ceyhan Crude Oil Pipeline Project (cancelled) was within the scope of Article 83 of the former Petroleum Law.
- 9 Published in the Official Gazette 24094, dated 29 June 2000.
- 10 According to the Council of Ministers' Decree, the Turkish part of the pipeline will pass through Ağrı, Erzurum, Erzincan, Gümüşhane, Sivas, Yozgat, Kırşehir, Kırıkkale, Ankara, Eskişehir, Bilecik, Kütahya, Bursa, Bahkesir, Çanakkale, Tekirdağ and Edirne. It is expected that Turkey's 1,720 km portion of the pipeline will cost approximately US\$4bn.