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# Energy Cooperation between Import Dependent Countries: Cases of Italy and Turkey

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## Abstract

*As energy dependency increases in Europe, Turkey and Italy found it necessary to cooperate on pipeline projects to secure Europe's energy supply and to increase their role as transit countries in the Mediterranean and southeast Europe. At the end of the 1990s Italian and Turkish energy companies started to collaborate on such projects as Blue Stream, Samsun-Ceyhan, and Interconnector Turkey-Greece-Italy (ITGI). In these pipeline projects- both crude oil and natural gas- Russia has been a major player since it is one of the main energy-producing countries in the region and has a significant role in the energy policies of other energy-producing countries in the Caspian and the Caucasus. However, the competition among the regional countries in the Black Sea and the Mediterranean has decreased the effectiveness of the collaborative projects of Italy and Turkey. Thus it is argued that there is an urgent need for cooperation at the regional level- especially between Bulgaria, Turkey, Greece, Ukraine and Moldova- in order to secure the energy supply, and to diversify the routes and resources.*

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## Key Words

EU, energy dependency, regional cooperation, energy production, consuming and transit countries.

## Introduction

Italian and Turkish energy needs and policies are somewhat similar as both countries are import dependent and situated at important junction points in the Mediterranean and southeast Europe. The energy-producing countries in the region, namely in the Caspian and Middle East, are separated from energy-consuming countries by natural boundaries, such as the Black Sea, the Mediterranean Sea and the Aegean Sea. Therefore, Turkey and Italy are essential to link these energy-rich regions with energy-poor ones, and cooperation with each other and the other countries surrounding them is increasingly important since industry is becoming more and more dependent on natural gas, not only in Italy and Turkey, but everywhere in the European Union (EU). The EU attaches importance to regular dialogue and security of supplies

in relations with energy-producing countries and regions. Thus, transit countries are increasingly important in maintaining and sustaining security of energy supply, which increases the importance of countries in the Mediterranean and Southeast Europe, and the importance of such projects as the Interconnector Turkey-Greece-Italy (ITGI) and Nabucco at the EU level. Also the EU's financial and political support is needed for the construction of these pipeline projects, maintaining their security and sustaining the secure flow of energy.

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**Italy, as one of the main energy-importing Mediterranean countries, plays a key role in the European energy market.**

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Natural gas is an important fuel for electricity generation in European countries since it is less expensive than nuclear or renewable energy sources.<sup>1</sup> Also natural gas is preferred by developing countries as it is an efficient source of energy and natural gas pipelines are quicker to construct than other forms of energy infrastructure,<sup>2</sup> although they need long-term cooperation agreements with the states where the pipelines pass. The largest natural gas resources are located in the Caspian, the Caucasus, and Middle East and Mediterranean countries such as Russia, Iran, Qatar,

Turkmenistan, Saudi Arabia, Kazakhstan, Uzbekistan, Algeria, Azerbaijan and Iraq.<sup>3</sup> The transport of natural gas from these countries to energy-consuming countries requires close cooperation, stable and sustainable agreements among these energy-producing and the energy-consuming countries, as well as with transit countries such as Ukraine, Bulgaria, Romania, Turkey, Greece and Italy.

In the light of these issues, this paper aims to explain the needs and policies of Italy and Turkey regarding energy transport and natural gas and oil demand while focusing on the Italian and Turkish collaborative projects such as the Blue Stream pipeline, the Samsun-Ceyhan pipeline, and the ITGI project. In analyzing the energy needs of the two countries, the focus is on natural gas since there is a constant increase in demand for natural gas in industry and the daily lives of people in Italy and Turkey.

## **Italian Energy Needs, Policies and Projects**

Italy's energy policies, needs and security is characterized by the increasing demand for energy resources, oil, gas, and electricity, with gas supply an imperative for Italian industry. In recent years the significance of natural gas has increased due to such reasons as the stresses on the international gas markets, the reduction of gas exports,

the crisis between Russia and Ukraine, the increase in natural gas demand for heating and power production, and the reduced hydroelectric production.<sup>4</sup> Since Italy is not a very rich country regarding domestic energy supplies, it has always been dependent on imported energy resources. Italy, as one of the main energy-importing Mediterranean countries, plays a key role in the European energy market. At the end of the Second World War, Italy was importing coal and oil from neighboring countries, and in the 21<sup>st</sup> century, gas replaced coal and oil in industrial markets and power generation. In recent years it has been seen that there has been a strong increase in the share of natural gas in energy production which shows a deep transformation of the Italian energy system from oil to gas.<sup>5</sup> Between 1971 and 2005 the average annual increase in gas consumption was 5.7% while oil consumption decreased by 0.2%, which makes Italy one of the largest energy importing countries in the world, seventh with reference to oil and fourth with reference to natural gas.<sup>6</sup> Especially since 1995 natural gas consumption has increased by 59% due to its growing use in the energy sector. According to ENI's World Oil and Gas Review, national production of gas is constantly decreasing and the share of domestic gas in covering total demand is in decline. As a result

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Italy is a country suffering from fast growing gas demand and bottlenecks in gas infrastructures such as in gas storage and import capacity.<sup>7</sup>

With the Italian energy market restructuring, which started at the beginning of the 2000s and continued especially after the gas crises in 2003 and 2006, Italy focused on security of supply, diversification of energy resources and infrastructure improvement. In 2006, winter weather conditions left Italy in a gas emergency situation which made policymakers think once again about structural problems, regulatory constraints on gas prices, climate change, lack of competition, and the rigidity of the regulatory mechanisms. As a result some measures were taken, such as arranging for the use of oil in power plants, maximizing imports of natural gas and increasing national production. However, these measures were not enough to secure the energy supply and overcome the gas emergency. Therefore, the building of new pipelines, the implementation of interconnections with foreign countries and the diversification of resources were required since Italy is heavily dependent on Algeria and Russia for its gas imports: 67% of Italy's gas comes from Russia (31%) and Algeria (36%).<sup>8</sup>

As the share of gas is increasing, the necessity of long-term security of supply has been stressed by not only Italian experts but also European ones. The whole of Europe needs sustainable and secure energy resources for their energy needs, not only for industry but also for daily lives. In this regard the EU also focuses on the diversification of resources and transit routes, long-term contracts with additional risk management tools, the right investment and regulatory climate, regular dialogue with producing countries and market-based measures in price formation for all energy sources.<sup>9</sup> Italy, as a country close to energy-producing countries in the Mediterranean, feels the obligation for not only finding necessary long-term secure energy sources for itself but also for Europe. As a result, the Italian Energy Authority for Electricity and Gas (*Autorità per l'Energia Elettrica e il Gas*, AEEG) has started promoting the development of gas trading hubs to increase security of supply, the diversification of sources and also becoming a key trading center for the Mediterranean region.<sup>10</sup>

There are two main ways to import natural gas to a country: a) through pipelines, and b) in the form of liquefied natural gas (LNG). Storing LNG has been problematic for most countries as well as Italy. Italy has only one regasification plant in Panigaglia (Liguria). At full capacity, this terminal can input 3.5 bcm/y into the Italian gas network.<sup>11</sup> This plant is not by itself enough to be able to meet the demand for natural gas

in Italy. Therefore it has been suggested that Italy needs new regasification plants in order to store LNG and distribute it. However, the construction of storage units for LNG and transporting LNG from natural gas-producing countries is an expensive and troublesome process. The process includes transforming the natural gas into a liquefied form and then transporting it in specially designed vessels with insulated storage tanks. When these vessels reach their destinations, the LNG needs to be stored in regasification plants and transformed into a gas form to be used in households and industry. This process also includes several environmental risks. Therefore there is a general tendency to focus on pipelines rather than transporting LNG. Although new large pipeline projects are also expensive and take a long time to construct, it is believed that it is easier to sustain and distribute gas via pipelines.

Italy also has limited resources of natural gas in the Po Valley in northern Italy. When these resources were found after the Second World War, it was decided that natural gas would not only be a substitute for petroleum but a cheaper and more functional substitute for imported coal for the growing industrial activities of northern Italy.<sup>12</sup> However, since the post-war period it has been observed that natural gas has become an important energy resource not only for industrial purposes but also for heating. By 1965 Italy was the largest gas producer and consumer in Western Europe.

In the 1970s, and although it did not take petroleum's place in transportation, natural gas became the main energy source for industry as a whole and the economic growth brought an increase in energy consumption.<sup>13</sup> Italy found it necessary to secure gas imports from other energy-producing countries, in this case Russia, the Netherlands, and southern Mediterranean countries such as Algeria and Libya.

In 1973 ENI<sup>14</sup> signed a contract with Algeria to transport natural gas from Tunisia and Algeria to Italy via a pipeline to be constructed under the Mediterranean Sea. The contract foresaw transportation of 11.75 bcm/y of gas over 25 years.<sup>15</sup> The Transmed pipeline, which brings Algerian gas to Italy, became operational in 1983 but was doubled in 1994 and has a capacity of carrying 6.5 bcm/y.<sup>16</sup> Since the 1970s Italy's ENI has established dialogue and constructed several pipelines to

transport natural gas from different sources to Italy. One of these pipelines is the Green Stream project which became operational in 2004 and brings Libyan gas to Italy through a 600 km pipeline running under the Mediterranean Sea, transporting gas produced in the Wafa field and Bahr Essalam to Melitah and then Sicily where it joins Transmed.<sup>17</sup> However, relations with Libya have been difficult due to the colonial heritage, the embargo imposed on Libya by Western countries and Qaddafi's policies towards Italians when he came to power in 1969.<sup>18</sup>

TAG is another pipeline which is 1,010 km long in Austria, and it brings Russian gas to Italy via Ukraine and Slovakia. The TENP (924 km) and Transitgas (291 km) pipelines are importing gas from the Netherlands and Norway while the TTPCS (742 km) and the TMPC (775 km) import from Algeria.

**Table 1: Summary of pipelines carrying gas to Italy**

Pipeline	Route	Year
Transmed	Tunisia-Algeria-Italy	Operational in 1983 Upgraded in 1994
TTPC & TMPC (part of Transmed)	Algeria-Italy	Operational in 1983 Upgraded in 1994 -2008
TAG	Russia-Ukraine-Austria-Italy	Late 1960s Upgraded in 2009
Green Stream	Libya-Italy	Operational in 2004
TENP	Netherlands-Germany-Italy	Operational in 1972-74 Upgraded in 1978-2009
Transitgas	Switzerland-France-Germany-Italy	Operational in 1998 Upgraded in 2003

As mentioned above, since demand exceeds domestic potential supply, the Italian energy system is dependent on imports, although domestic oil and gas reserves have the potential to increase production. There are three main scenarios dominating the Italian energy demand and supply structures.<sup>19</sup> According to the first scenario, there will be medium growth of demand which will necessitate the upgrading of pipelines linking Russia and Algeria to Italy and the construction of two new regasification plants to further increase LNG transportation to Italy. In the second scenario, demand will be lower than expected, which will create an oversupply. In this scenario Italy needs more gas storage units built close to areas of major consumption to be able to store the excess gas and use it for domestic demand. The last scenario foresees a high demand for natural gas in Italy. According to this scenario, three new regasification plants are needed as well as the transportation of Caspian gas to Italy. Therefore, the third scenario is focusing more on the diversification of energy resources.

Taking these three scenarios and the growing demand for new energy sources, Italy has found it necessary to change to more market-oriented liberal energy policies. In this context, ENI has been privatized (but still 30% of company shares are in the hands of the state), a competitive and transparent energy market has been promoted, and administrative responsibilities have been decentralized.<sup>20</sup> The privatization of

Enel for electricity and ENI for natural gas changed their missions so they are no longer charged with guaranteeing the security of national energy supplies. It appears that the role of the state will be in providing the market institutions that create the context for private firms to take risks rather than providing the gas, dominating international trade, and signing state-to-state gas agreements in the coming years.<sup>21</sup>

The EU also pushes its member states to manage the growing energy dependency by;

- a- Diversifying resources and transit routes,
- b- Signing long-term contracts with additional risk management tools,
- c- Encouraging the right investment and regulatory climate, and
- d- Establishing regular dialogue with energy-producing countries.<sup>22</sup>

The EU is concerned about natural gas security because of the rapid increase in dependence on imports from non-European suppliers and that most of the EU countries are 95% dependent on imports for gas supply.<sup>23</sup> Therefore, the EU stresses the importance of long-term adequacy of supply, infrastructure for delivering this supply to markets and the operational security of gas markets.<sup>24</sup> It is an established argument that Russia will always be a major supplier of gas to the EU;<sup>25</sup> therefore, instead of replacing Russian gas, increasing relations and dialogue with other energy-producing

countries as well as Russia has become crucial in EU energy policy. In such an environment, Italy has focused on furthering its relations with energy-producing countries, namely Russia and Azerbaijan, and transit countries, such as Turkey. It can be clearly argued that as the new deals on new gas connections are done, a special attention should be given to Russia due to its protectionist character of its Italian gas market.<sup>26</sup>

## Turkish Energy Needs, Policies and Projects

Turkey's energy policy is determined by the gap between supply and demand in the country and it is argued that this gap will continue to grow as economic development continues. The need for oil and gas increases every year and it is estimated that natural gas consumption will increase for the next 20 years.<sup>27</sup> Turkey has only a limited amount of domestic energy resources which cannot meet the demands of the growing Turkish economy. Therefore, Turkey, similar to EU countries, attaches special importance to the diversification of energy resources and securing energy supply. Turkish authorities find it important to ensure the flow of energy sources to the Turkish market without interruption in order to eliminate threats to its energy security.<sup>28</sup>

Turkey's demand for natural gas has been growing (approximately 6% every year<sup>29</sup>) since it has started to be used in energy production, particularly electricity

generation. Similar to the Italian case, Turkey, due to industrialization and urbanization, started to use natural gas for power generation and other energy production. Therefore, Turkey's energy policies aim to a) provide energy economically and reliably, b) meet the energy demand through the diversification of resources, c) increase efficiency while liberalizing the market, d) give priority to supply security, and e) take advantage of the geographical position to become an energy corridor.<sup>30</sup> Consequently it is argued that Turkey, while becoming a transit hub as it offers cost-effective transportation,<sup>31</sup> aims to become a reseller to other markets as well.<sup>32</sup>

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Turkey is situated in a region where 71.8% of the world's proven gas reserves and 72.7% of the world's proven oil reserves are located.<sup>33</sup> Thus, both to secure its own energy supply and its role as a transit country, Turkey has started to attach more importance to multilateral or bilateral energy agreements with energy-producing countries, namely Russia, Turkmenistan, Azerbaijan, Iran, Iraq and so on.

In the current situation, natural gas is largely used in power generation in the

European market and the International Energy Agency (IEA) estimated that gas demand in Europe will increase mainly in power generation. Therefore, the crisis between Russia and Ukraine in 2005-2006 increased the importance of diversifying both gas resources and transit countries. Russian and Algerian gas needs to cross transit countries, Ukraine, Belarus, Tunisia, and Morocco, where security of the pipelines creates concern for Italian and other European consumers. In 1997 there were terrorist attacks on an onshore Algerian section of Transmed; in the 2000s Ukraine did not have enough money to pay Gazprom for delivery of Russian gas.<sup>34</sup>

Therefore, countries such as Azerbaijan, Egypt, Turkmenistan, Iran and Iraq have become more important as gas suppliers, and Turkey as a transit country to deliver the gas from these suppliers to Europe. Turkey can use the Baku-Tbilisi-Erzurum (BTE), Nabucco, and Interconnector Turkey-Greece-Italy (ITGI) pipelines for natural gas transport and the Baku-Tbilisi-Ceyhan (BTC) and Samsun-Ceyhan pipelines for crude oil transport. As a result, Turkey is well placed to serve as a central transit country for the anticipated major increase in European demand.<sup>35</sup> Both Turkish and European officials see the potential and synergy between EU countries and Turkey in energy policies; therefore, the EU has allocated a significant amount of funding for both the Nabucco and ITGI pipelines which will supply new gas resources from the Caspian basin

and Iran to the internal gas market of the EU.<sup>36</sup>

Before the EU started to increase funding and implement policies towards the Caspian region and Iran, Turkey had increased its efforts to construct and improve pipelines with Iran in the mid-1990s. Although there are now some pipelines that can be used for various routes to the West, US sanctions on Iran and Iran's unreliability in times of crises prevent effective usage of these pipelines.<sup>37</sup> Especially in the last decade Turkish authorities have attached significance to the development of energy relations with Iran to diversify at least its own energy resources in spite of US sanctions. The agreement between Iran and Turkey (1996) foresaw the purchase of \$23 billion worth of gas over the following two decades. It has been argued that it was an example of Turkey's economically driven energy policies rather than politically driven ones.<sup>38</sup> However, Turkey's energy policies, although they may not be politically driven at the beginning, have turned into political tools for Turkey to use in the region to become a regional actor<sup>39</sup> which has a stake in the Caspian states' economic viability.<sup>40</sup>

The main aim of European and Turkish states is to ensure access to Caspian reserves and bring gas from the Caspian and the Middle East to European markets in order to increase European energy security by using fully commercially run pipeline systems passing through Turkey and the Balkans.<sup>41</sup> This is crucial in an era when

the EU grapples with the interrelated problems of ensuring energy security and the provision of energy supplies from multiple sources at competitive prices.<sup>42</sup> In this environment, Turkey has realized the necessity of investing in alternative projects to guarantee an affordable, secure, uninterrupted flow of resources both to benefit from its geopolitical position and to become an energy hub for the EU<sup>43</sup> since it is perceived as a natural transit point<sup>44</sup> for the region.

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However, the energy-rich regions of the Caspian and the Middle East are politically volatile and the dynamics of the internal and external affairs of the countries are complicated for outsiders to understand and limit the ability to realize projects. It has been argued that Caspian politics is like a complicated poker game that is being played within another game that has other rules, namely chess.<sup>45</sup> In this political environment, Turkey, as one of the biggest investors in the region, is willing to use its close historical, cultural and economic ties to link European energy-consuming countries with Caspian energy-producing countries while increasing its regional role in the Caspian, Middle East and Europe.<sup>46</sup>

However, both European buyers and Turkish officials need to be aware of the strong effect of Russia on the Caspian region. For countries such as Kazakhstan, Turkmenistan and Uzbekistan, supplying gas to the Russian domestic market is crucial as Russia is a huge market for these states and has an important, social, cultural, political and economic influence on those countries. Therefore, there is a dependency relationship between Russia and the Caspian states.<sup>47</sup>

## Italy and Turkey: Collaborative Projects

In such an economic and political setting, Turkey and Italy have started to cooperate in ensuring energy security for themselves and European countries. Italy and Turkey are very similar to each other in energy needs, demands and policies in that they are both import dependent, aiming to diversify energy resources, and trying to become energy hubs in their regions by distributing the gas that they get from the Caspian, the Middle East, the Mediterranean and Russia. Both Turkey and Italy are aware of the significance of Russia not only in regional politics but also in the energy security of both countries, and it is a crucial partner for both of them.

The first collaboration between Turkey, Italy and Russia was in the construction of the Blue Stream pipeline project which carries Russian natural gas to Turkey across the Black

Sea. This pipeline was constructed by ENI and Gazprom in the late 1990s and early 2000s. In 1997, Turkey and Russia agreed on Blue Stream, and then ENI and Gazprom signed a memorandum of understanding on its joint implementation. This pipeline is 1,213 km long and its design capacity is 16 bcm/y and since its opening it has conveyed more than 51 bcm of natural gas to Turkey.<sup>48</sup>

Blue Stream has been an important success for all the partners involved since it was the first project that brought BOTAŞ of Turkey, Gazprom of Russia and ENI of Italy together for constructing the world's deepest undersea pipeline and increasing the reliability of gas supplies to Turkey.<sup>49</sup>

However, not all the cooperation efforts and projects of Turkey, Russia and Italy have succeeded as well as the Blue Stream did. The Samsun-Ceyhan pipeline, also known as the Trans-Anatolian Pipeline Project, which would involve the construction of a crude oil transportation system from the Black Sea coast to Turkey's Mediterranean coast,<sup>50</sup> has been a disappointment so far, especially for Turkey. This pipeline, when it is constructed and fully operational, will decrease the number of tankers crossing the Bosphorus and Dardanelles straits while increasing Turkey's role as an energy hub. Russia has been criticizing Turkey's strict restrictions on transit through the straits in terms of speed, the types of tankers, and the time of day that transit is allowed.<sup>51</sup> As the need for

transit and supply of crude oil increases, it has been argued that the restrictions on transit would create bottlenecks in the Turkish Straits. Also, Russia wanted to be involved in this pipeline in order to increase its control over the Kazakh oil that will pass through Turkey to reach Western markets. It has been argued that the Trans-Anatolian Pipeline Project will increase Russian leverage on Kazakhstan and Western companies working there,<sup>52</sup> while increasing Turkey's role in the region regarding energy.

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**ITGI will be a crucial pipeline for Italy and the EU as its capacity will be much larger than the Algerian and Russian projects.**

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The pipeline is expected to be beneficial for all of the partners, Russia, Italy and Turkey, because:

- a- It is only in Turkey, which decreases the possibility of conflicts among transit countries,
- b- It benefits from existing facilities such as Ceyhan Loading Terminal,
- c- It is the shortest trans-shipment distance in the Black Sea, and
- d- It runs in a scarcely populated area which decreases the negative ecological effects of construction.<sup>53</sup>

With all these reasons in mind, ENI and Çalık signed a memorandum of understanding in 2005 for the construction of this pipeline; the license

to construct and operate the pipeline was awarded to an ENI/Çalık joint venture in 2006. Another memorandum of understanding has been signed with Russia as well, which states that Transneft and Rosneft- the two main Russian state-owned oil companies- would supply the crude oil and the Russian state-owned maritime shipping company, Sovkomflot, would transport the oil from Black Sea ports to the Samsun terminal.<sup>54</sup> When the partners agreed on the pipeline construction, Russia and Turkey signed an intergovernmental agreement, guaranteeing a stable regulatory framework for oil transportation. In a related move, Turkey accepted geological exploration in the Black Sea economic zone as part of the South Stream project in which Gazprom and ENI work together. This was crucial to demonstrate the improved relations between Russia and Turkey and that they have developed a multi-dimensional energy partnership in oil, gas and nuclear power.<sup>55</sup>

However none of these agreements have secured construction and crude oil transportation. There have been several delays and political concerns over the project. The lack of commitment of the producers, lack of oil resources, the Bulgarian and Greek emphasis on the Burgaz-Alexandropolis pipeline, and Russia's regional policies to secure its control over energy politics prevented<sup>56</sup> the Trans-Anatolian Pipeline Company (ENI and Çalık) to realize and manage the 550-km long Samsun-Ceyhan

pipeline. Although Russian authorities proposed joining the Samsun-Ceyhan and Burgaz-Alexandropolis pipelines by transporting different types of oil, Bulgarian authorities were opposed to this idea, which prevented it from being realized.<sup>57</sup>

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In addition to these projects, Turkey and Italy are cooperating in the construction of the Interconnection Turkey-Greece-Italy (ITGI) in which Russia and Gazprom are not directly involved. Italy's Edison SpA, Turkish BOTAŞ and Greece's Depa SA are working on this project which will carry Caspian gas to Italy via Turkey and Greece. This project is fairly new, the agreement between the three companies was signed in 2010, and the pipeline is projected to be completed in 2017. In fact this agreement is the continuation of bilateral agreements signed between Greece and Turkey and Greece and Italy according to which the pipeline originates in Karacabey in Turkey, reaches Komotini in Greece via Alexandropolis, and the Italy-Greece interconnector begins from Thresprotia coast in Greece and passes through the Apulia region of Italy.<sup>58</sup>

The ITGI has a top priority for the EU, Greece, Turkey and Italy for several reasons but mainly because it increases the diversification of transit routes and energy resources. The EU attaches special importance to this project since it is a part of the EU's Southern Corridor strategy which was adopted at the May 2009 Prague Summit<sup>59</sup> and therefore the EU has proposed to fund €100 million for the project, calling it a project of European interest in the European recovery plan.<sup>60</sup> The ITGI, while bringing three important transit countries together, is the first stage of the South European Natural Gas Corridor. It has been argued that this pipeline is able to open the Southern Corridor, thus enabling the shipment of Azeri gas to Europe.<sup>61</sup> It is believed that Azerbaijan is the only energy-producing country that can deliver new supplies of natural gas to European markets with the development of Shah Deniz Stage 2.<sup>62</sup> Therefore, Italy and Greece had signed agreements with Azerbaijan as early as 2007 to secure the necessary support in terms of supply.<sup>63</sup> The countries involved in the project and the EU believes that the ITGI is crucial since demand for natural gas is increasing every year in their respective countries and the EU in general. In order to prevent a natural gas shortage, the ITGI presents a strategic infrastructure which will significantly increase European

energy security as it will be the first link with the Caspian area.<sup>64</sup>

ITGI comprises of three sections: a) the national Turkish gas grid, b) the Interconnector Greece-Turkey (IGT), and c) the Interconnector Greece-Italy (IGI) which will have a transport capacity of 8 bcm/y. The IGI is planned to have two main sections: IGI Poseidon and IGI Onshore. IGI Poseidon is a 200 km offshore pipeline that crosses under the Ionian Sea, and IGI Onshore is a 600 km onshore pipeline.<sup>65</sup> As Azerbaijan is seen as the main supplier for natural gas to these pipelines, the IGI

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Poseidon is planned to coincide with the new Azerbaijani gas coming on stream through Shah Deniz Stage 2, which will produce 8.6 bcm/y of natural gas, matching the capacity of IGI

Poseidon pipeline.<sup>66</sup> The ITGI will also connect Greece and Bulgaria with a 170 km long pipeline from Komotini in Greece to Stara Zagora in Bulgaria. Thus, southeast European countries will also benefit from this pipeline since it diversifies the supply routes and enhance the energy supply security in Greece, Italy and Bulgaria while increasing the EU's energy security in general.

There have been some concerns over the ITGI project due to the EU's interest in the construction of another pipeline which will bring Caspian energy sources

to Europe, namely Nabucco. Nabucco also aims to connect the Middle East, Caspian and Egypt to Europe as part of the Southern Corridor. The pipeline project will be 3,300 km long, and connect Caspian and Middle Eastern energy resources with Turkey, Bulgaria, Romania, Austria and Hungary. Construction is to be started in 2013 and solving issues between Turkmenistan, Azerbaijan, and Russia regarding the Caspian Sea is crucial for the smooth functioning of this project. When the construction is completed, Nabucco and ITGI will be complementary pipelines, although they will receive natural gas from the same energy-producing countries, since they distribute it to EU countries from different routes through different transit countries. They will both increase the amount of natural gas to be carried from the Caspian region to the EU countries.

However, at present, the ITGI is a more mature project than Nabucco.<sup>67</sup> The pipeline connecting Greece and Turkey is already functioning and the technical and environmental studies of the link between Italy and Greece, as well as Bulgaria are completed. Also, it is argued that it is the cheapest project that can be implemented right away with the volumes of gas from Shah Deniz 2.<sup>68</sup> ITGI will be a crucial pipeline for Italy and the EU as its capacity will be much larger than the Algerian and Russian projects. It is estimated that ITGI will deliver 9 Gm<sup>3</sup>/y natural gas, whereas the pipelines from Algeria and Russia have capacity of 3.3-3.2 Gm<sup>3</sup>/y.<sup>69</sup>

## Conclusion

Both the Turkish and Italian governments aim to increase their roles in their particular regions as energy hubs through collaborative projects in the energy sector as the need for secure, stable and reliable transit countries is increasing. It can be argued that this need will continue to increase as the need for natural gas grows, especially for electricity generation in Europe. Since the 1970s, Italy has been active in constructing pipelines that bring Algerian and Libyan gas to Italy while Turkey was able to focus on Caspian, Middle Eastern and Russian gas since the 1990s and the end of the Cold War. It has also been realized that there is a certain need for cooperation among southeast European and the Mediterranean countries to secure energy supplies for the EU, thus cooperation increased between Greece, Turkey and Italy in the 2000s.

Nevertheless, the necessary energy resources for Europe can only be transported if Russia, the largest energy-producing country, is included in the pipeline projects. Russian influence on the Caspian and Caucasian countries cannot be denied as it is the biggest and most secure market for Turkmenistan, Uzbekistan, Azerbaijan and other countries in the Caspian region. As a result, as Turkey has increased its efforts to have concrete agreements with Russia, Italian energy companies, namely ENI, have joined in the cooperation between Russia and Turkey in building pipelines

that would pass from Turkey and will increase the security of energy supply for the EU countries.

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However, the cooperation between Turkey, Italy and Russia in most projects has demonstrated that the good will of energy-producing, transit and energy-consuming countries is not enough for projects to be successful. The Samsun-Ceyhan crude oil pipeline and the Burgas-Alexandroupolis pipeline projects have especially showed that competition among regional countries, Bulgaria, Greece, and Turkey in this case, hinders efforts for diversifying energy resources and transit routes. As regional countries compete with each other to be the main energy hub for carrying Caspian, Middle Eastern and Russian oil and gas to the energy-consuming countries of Europe, there is a danger of collusion among the projects. Also, all the transit and energy-consuming countries aim for the same resources which decreases the efficiency of the pipeline projects. Therefore, there is an urgent need for cooperation at the regional level, in addition to bilateral and/or multilateral collaborative projects to be able to secure the energy needs of the EU as well as other energy import-dependent countries such as Turkey.

Thus, regional cooperation is most needed in the Black Sea region among Russia, Turkey, Bulgaria, Romania, Ukraine and Moldova. This cooperation would increase the effectiveness and quality of the energy transit, security of supply, and the implementation of cooperation agreements. Since the competition among the regional countries prevents the construction and smooth functioning of the pipeline projects, regional cooperation is very much needed to bring all the transit countries together to create a coherent transmission policy.

The debates over the Samsun-Ceyhan, Nabucco and ITGI projects demonstrate that as the energy-producing, consuming and transit countries try to increase their roles in the energy sector, the competition between projects hinders the construction of these pipelines as it delays the secure, stable and reliable energy transport to the EU. It needs to be remembered that the construction of pipelines is expensive and difficult due to the volatile political and economic situation in the Caspian, the Caucasus and the Middle East regions. It is believed that there is a need for a strong investor and a political and economic figure to sustain the projects, which, in most of the cases, is the EU. However, the EU's lack of a coherent energy policy affects the commitment of the producing and transit countries, and results in competing pipeline projects which aim at the same energy-producing countries.

Therefore, there is an urgent need for the EU to make a coherent, single-voiced policy with an aim to increase energy security, respond to the needs of the member states and the energy-

producing and transit countries in order to prevent self-destructive projects while increasing complementary projects to bring Russian, Turkmen, Azerbaijani, and Mediterranean gas to EU countries.

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