

Turkey to start gas production from large Black Sea field this week

UPDATE: Adds comment by Justin Dargin, Middle East energy expert at the Carnegie Endowment

State-owned Turkish Petroleum AO (TPAO) is set to begin production at the Sakarya gas field in offshore Black Sea on Thursday. This is expected to boost domestic supply and support the country's ambition of becoming a gas hub.

According to TPAO's general manager Melih Han Bilgin, the gas extracted from the field under the first phase of the project, which will total 10 MMcm/d, will begin to flow into the domestic grid in the first half of May, he was quoted as saying by Turkish daily Milliyet on Friday.

It is envisaged that the second phase will be completed in 2027-2028, when Sakarya enters its peak production capacity of 40 MMcm/d, or 25-30% of Turkey's current annual natural gas needs. According to the government's revised estimate of recoverable gas in the Sakarya field, the field's recoverable resources have increased from 540 Bcm to 710 Bcm. The estimate was revised as a result of the drilling of the Caycuma-1 well in October.

Last week, Turkish energy minister Fatih Donmez said that the country intends to sell up to 40 Bcm/year through a gas hub which the Ankara is trying to set up.

"Out of about 100 Bcm of gas we receive, we use about 60 Bcm. That is, we can sell the remaining 40 Bcm. For this, a gas trading centre is also being created," Donmez was quoted as saying by TASS.

In early April, Donmez said during the signing of a deal to supply 1.5 Bcm/year of gas to Bulgaria that Turkey is improving its position concerning the gas trade hub. On the gas hub ambitions and the recent improvements made on infrastructure, Donmez said: "We have largely completed our physical infrastructure. Now, with this agreement [with Bulgaria], I can say that we have actually started to reap the first fruits of this. It will be possible to transfer gas not only to Bulgaria, but also to other neighbouring countries through Bulgaria."

Justin Dargin, Middle East energy expert at the Carnegie Endowment told Gas Matters Today that gas production from the Sakarya field will greatly benefit the country, alleviating some of the economic pressure on both Turkey and its households.

"With regards to potential exports, Turkey aims to target Europe, as the continent seeks to transition away from Russian gas imports. Turkey hopes to capitalise on Europe's concern over potential gas shortages in the coming winter", he added.

Road to gas hub

The idea of a gas trading hub, which was floated several times before, most recently gained traction in October 2022, when Russian president Vladimir Putin and CEO of Gazprom Aleksey

Miller said setting up a trading hub on the EU-Turkish border could be a solution to redirect export volumes from the damaged Nord Stream pipelines.

Since then, Turkey has seemingly started pursuing its own agenda, while trying to appease Russia's proposal of having access to the hub.

According to Dargin, a Turkish gas hub is entirely feasible, as it would be technically and economically viable while in alignment with Ankara's geopolitical ambitions. However, its establishment would require overcoming curbs on the geopolitical, regulatory, and economic level, when forming partnerships with countries able to supply additional gas volumes via the Southern Gas Corridor. He said the additional gas could be sourced from Turkmenistan, Iran, and Iraq, or even from Egypt, Cyprus, and Israel.

The start-up of the Sakarya gas field comes as Turkey is preparing for a general election on 14 May. Recent polls suggest it will be a tight race between Kemal Kılıçdaroğlu, the leader of the Republican People's Party and current president Recep Tayyip Erdogan. According to Dargin, Erdogan's campaign pledges to reduce the burden of high energy prices.

"Erdogan is a populist, and much of his political support is derived from the working classes and those in rural areas. His campaign pledged to reduce the soaring energy costs shouldered by many Turks, especially those who are in his base, which will also play a role in how Turkey intends to potentially expand its gas exports," Dargin commented.

Dargin said that while Turkey aims to target Europe with exports, the possibility of Erdogan partnering with Russia also raises concerns among European partners.

He said: "Putin's suggestion that Turkey serve as a major energy hub for the transit of Russian gas to Europe could pose challenges to Turkey's gas hub aspirations, given the geopolitical and technical complexities involved. "

Technically, pipeline capacity presents a barrier, as the two active pipelines – TurkStream and Blue Stream – are currently overburdened, Dargin said.

"Constructing additional pipelines would take years. Furthermore, as Europe seeks diversification, they may eventually oppose Russian gas imports transiting through Turkey."

Dargin added: "It would be difficult for Erdogan to maintain his domestic political support if it is seen that he is prioritising exporting gas to Europe while Turkish citizens are burdened with rising energy costs." - JS