

What's Gas Discovery Means for Turkey?

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On Friday Turkish President Recep Tayyip Erdoğan announced the discovery of natural gas reserves of 320 billion cubic meters in the Black Sea. And expected to be ready for public consumption by 2023.

Although that Erdogan made such announcement as good news for the Turkish people and for political goals tried to make it look like as "great event" in Turkey , but to see whether this is a big achievement we need to see the reaction from Turkish market after this announcement.

On Friday before the announcement value of Turkish lira was going up, but after the news Turkish lira fell 0.6 percent and the country's stock exchange fell as well.

The Borsa Istanbul 100 index fell as much as 1.8%, while shares in energy companies including refiner Tupras, Aksa Enerji and Aygaz dropped sharply after the news.

Turkish markets were expecting larger discovery and prepared for that but Erdogan's announcement disappointed them. Although discovering natural gas for a country like Turkey is an important event which yearly burn about 45 billion cubic meters of gas. And gas imports costs the country between 35-60 billion dollars annually. Discovering any amount of natural gas that can be developed economically is good news for Turkey, because the country faces lots of shortages in trades and mostly this is related to importing natural gas.

The country at present relies mainly for its gas needs on imports through pipelines from Russia, Azerbaijan and Iran, plus LNG from some African countries and Qatar. But always has desire to expand energy exploration in the Black Sea and contested waters of the eastern Mediterranean.

Turkey bought three drilling ships in recent years and in whatever cost Turkey wants to prove that has oil and gas reserves.

The Fatih ship, which was purchased by Turkey in 2018, drilled to a total depth of 4,525 meters (14,850 feet) in the Tuna-1 discovery, which according to Turkey's state-run oil company the prospective area has "approximately 2 billion barrels of recoverable oil equivalent".

TPAO said the exploration process shows the company is capable of assessing resources beneath ultra-deep water. Even so, it has little experience in deep-sea gas production and would likely need to enlist a major firm to exploit the field.

TPAO still not announce how much can produce out of the founded reserve, because the company is not clear how much of this gas can be developed.

Develop natural gas in the sea is one of the most difficult technical operations. It requires lots of finances and expertise which is a challenge for Turkey to overcome.

Turkey is not the first country searching for natural gas in the black sea. Before Rosneft PJSC has explored in the Russian part of the Black Sea but without concrete results. Eight years ago in the Romania's coasts Neptun block was discovered by Petrom and Exxon which is close to Tuna-1. But Neptun block is still to be exploited.

But develop Tuna-1 block is going to be difficult for Turkey both technically and financially especially since the gas prices fell to lowest yet. As well as difficult to attract an international partner for the project.

Despite these difficulties, discovered gas in Turkey compare with gas reserves in Iran, Russia, Azerbaijan and Iraqi Kurdistan is not that much. Therefore Tuna-1 gas block is not likely to make affective change in Turkey. Even by 2023 when according to Turkey the gas will be ready for consumption, the country still like before will continue in importing gas.

These difficulties that faces discovered Turkey's gas block in the sea it remind us the importance of Kurdistan region gas blocks as they are on land and will cost less to develop.

According to independent consulting firms, Kurdistan region holds 3 trillion cubic meter gas reserves which meets the international standards to make large production and can be exported via pipeline to Turkey and Europe.