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## Letter From the Editor

Dear readers,

Published once a week our review we inadvertently reminds us that the seven days from our last issue have already passed. For some people these days were full of events, another's in contrary were going quietly. Someone will remember last week as one of the happiest week in his life, someone rather unfortunate...Among all of these events with which full of billions of ordinary lives of ordinary people the thin thread running which symbolizes our activity of the edition related to the energy factors. Indeed, any human activity related with the energy, even to read our review need at least to turn on your computer monitors. We encourage you to be energetic, full of bright ideas and good mood each of our readers also shed light on our work, and attached to the regular meeting with all of you.

In this seventh issue you will be able to read the comment by Sebnem Udum on the development of strategies related with the capabilities of nuclear energy in Turkey.

Serkan Bahceci writes an overview about the situation in the electricity sector in the USA.

Haluk Direskeneli wrote about Turkey's human and intellectual potential to develop domestic energy generation technology.

Rovshan Ibrahimov's article about conversion of the State Oil Company of Azerbaijan to the supranational.

Metin Gezen is evaluating last visit of president Putin in the Middle East region states.

Sincerely yours,  
Rovshan Ibrahimov



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**Sebnem Udum,**  
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Department.

*Energy policymaking goes  
beyond technical  
analyses.*

*Turkey's attempts to  
transfer nuclear  
technology for producing  
nuclear energy date back  
to 1960s.*

*The Minister of Energy,  
Mr. Hilmi Güler, declared  
that they would build three  
or five nuclear reactors by  
the year 2012*

## Energy strategy and nuclear energy in Turkey's resource portfolio

The Industrial Revolution established an inextricable link between energy and power: For the continued development of national power, a state needs to have the ability to access energy resources, and builds its strategy on affordable, reliable, diverse, ample<sup>1</sup> and continuous supplies of these resources<sup>2</sup>.

Energy policymaking goes beyond technical analyses to make up the gap between the endowments and needs of a country: It is about developing a strategy, because it involves relations and positions of power, hence involves key energy resources, like oil. States want either to increase their power or avoid asymmetric dependencies. They base their strategy on not only maximizing military, political and economic power, but also minimizing vulnerabilities. Thus, energy policies are devised on the basis of not only technical and economic criteria, but also political criteria. The oil shocks of 1970s demonstrated the need for diverse sources of energy, and nuclear energy became relevant in the energy portfolio to decrease dependency on oil and to generate electricity from a national source.<sup>3</sup>

Turkey's attempts to transfer nuclear technology for producing nuclear energy date back to 1960s. Since then, Turkey attempted several times to transfer nuclear technology for energy-generating purposes, but they were halted due to economic and political reasons or proliferation concerns.<sup>4</sup> The nuclear reactor accident in Chernobyl in 1986 created worry among the public about the risks of nuclear reactors, including accidents, leakages and nuclear waste issues.

Since 2003, the Justice and Development Party (Adalet ve Kalkınma Partisi-AKP) government stated its determination to make the nuclear technology transfer to meet Turkey's energy needs for the future. The Minister of Energy, Mr. Hilmi Güler, declared that they would build three or five nuclear reactors by the year 2012, totaling 5000 MWe.<sup>5</sup> The Turkish Atomic Energy Agency (TAEA) proposed some eight locations, and in April 2006, Prime Minister R.T. Erdoğan announced that the government chose Sinop, Inceburun at Turkey's Black Sea Coast, for the construction of these power plants.<sup>6</sup> The outstanding issue for the government is financing, since nuclear power plant projects are costly, and the private firms are reluctant

<sup>1</sup> Jan H. Kalicki and David L. Goldwyn, *Energy and Security: Toward a New Foreign Policy Strategy*, Washington, D.C.: Woodrow Wilson Center Press, 2005, p.9.

<sup>2</sup> The term basically covers the commodities that are used to generate electricity or those that are used in internal combustion engines, which are integral for transportation, agriculture, economy, industry, military, communications and household use. These may include, *inter alia*, coal, oil, natural gas, nuclear, renewables (hydro, wind, solar), and biomass.

<sup>3</sup> The use of nuclear technology for electricity generation is only one of its peaceful applications. The need to add "peaceful" (or civilian) stems from the fact that the initial application of nuclear technology was for military purposes, and that not until 1953, peaceful use was proposed. Nuclear technology is used in various fields including agriculture, medicine and electricity generation. In fact, the Nuclear Nonproliferation Treaty (NPT) of 1968 (EIF: 1970) promoted nuclear technology for peaceful purposes in return for the commitment not to produce, manufacture or transfer nuclear weapons or related material. The International Atomic Energy Agency (IAEA) was assigned to verify states' compliance with the Treaty, that is, under the safeguards agreement with states having nuclear reactors, the IAEA would verify that the technology is not diverted to misuse.

<sup>4</sup> See Mustafa Kibaroglu, "Turkey's Quest for Peaceful Nuclear Power," *Nonproliferation Review*, Vol. 43, No.4, Spring-Summer 1997, pp. 33-44.

<sup>5</sup> "Güler: We Project a Nuclear Energy Investment of 5,000 Megawatt", *Turkish Press*, February 9, 2006, <<http://www.turkishpress.com/news.asp?id=107478>>

<sup>6</sup> "The Address of the Nuclear Plant is Sinop," *NTVMSNBC*, 13 April, 2006, <<http://www.ntvmsnbc.com/news/368946.asp>>

*The Turkish government's energy strategy is not based just on technical criteria.*

*Currently, Turkey is considerably dependent on natural gas for electricity generation, and would like to diversify resources and suppliers.*

to take steps without state guarantees. For others, it is the necessity question, i.e. whether nuclear energy would be the solution to Turkey's energy problem, the risks and the benefits of these plants/technology for the economy, industrial and scientific development.

The Turkish government's energy strategy is not based just on technical criteria, i.e. the question is not just about filling in the gap between supply and demand. The official statement of the Energy Ministry has three arguments in favor of nuclear energy: First, is that nuclear energy is economical, and second, it is environment-friendly. In addition, nuclear technology is an asset because it is a high-tech product, and would introduce the culture of quality and reliability to the country in possession.<sup>7</sup>

The public debates in Turkey regarding nuclear energy is basically made within the energy and economy sectors, and by those who oppose nuclear energy/technology for environmental reasons and concerns for adverse effects on human health. Each side has convincing arguments in terms of the levels of analysis they take. The political and business elites are concerned about a viable strategy for development and economy, whereas those who argue against this transfer take the environment and human health as the starting point, and question the viability of this decision. The psychological effect of Chernobyl is still fresh in the Black Sea region of Turkey, where the planned nuclear power plant will be built.

Although it is not much focused in the energy field, dependency criterion is vital for strategy. Currently, Turkey is considerably dependent on natural gas for electricity generation, and would like to diversify resources and suppliers. In addition to water, coal and natural gas, policymakers seem to be convinced that nuclear energy would be a viable alternative for diversity and technical characteristics that decrease dependency. Regarding human capital, the Chairman of the TAEA, Dr. Okay Çakıroğlu, states that Turkey has sufficient skilled nuclear engineers to work in more than one reactor.<sup>8</sup>

Nuclear technology transfer is a delicate and sensitive issue because of its various aspects ranging from the level of technology, international regulations, fuel supply, waste management, public opposition, environmental concerns, safety regulations, legal issues, and proliferation risks, ...etc. So far, debates revolved around the necessity question, which is only part of the picture. The entire explanation lies in how energy strategy is made in relation to national interests.

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Her PhD dissertation topic is "The Assessment of the Debates on Turkey's Civilian Nuclear Technology Transfer"

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<sup>7</sup> Ministry of Energy and Natural Resources, Nuclear Energy: <<http://www.enerji.gov.tr/nukleerenerji.htm>>  
Ateş Yalazan, "Nükleerde İran'dan İyiyiz (We Are Better in Nuclear Than Iran)" *Hürriyet*,  
<<http://hurarsiv.hurriyet.com.tr/goster/haber.aspx?id=5947274>>

## Problems in an ongoing restructuring effort: The US electricity markets

**Dr. Serkan Bahceci,**  
Consultant and Senior  
Economist

*United States has started its liberalization and de-regulation effort in electricity markets more or less simultaneously with Turkey in early 1980s*

With continuously increasing wholesale electricity prices in recent years, there is now a strident opposition against deregulated and independently operated electricity markets in US. In this brief, I will try to highlight some of the criticisms and concerns that have been raised, hoping to shed some light for the Turkish restructuring.

United States has started its liberalization and de-regulation effort in electricity markets more or less simultaneously with Turkey in early 1980s.<sup>9</sup> While the liberalization in Turkey has been exceedingly slow compared to others, the US liberalization is well under way with six independent **regional transmission organizations (RTOs)**,<sup>10</sup> which basically control (without owning) the transmission systems and operate the wholesale electricity markets in their respective control areas. Though there still are some publicly-owned utilities (at state or city level), more than 85% of the consumers are now served by private generators and distribution companies.

We can summarize the criticisms of RTO operated markets under five headings:

1. **Price volatility:** The hourly prices in all US markets has been quite volatile, exposing wholesale consumers (distribution companies or load serving entities) to large financial burdens when prices unexpectedly spike at high levels. One example is the PJM<sup>11</sup> real-time market on August 1, 2006 where prices increased to the neighborhood of \$800/MWh for 5 hours in the afternoon and then declined back to below \$100/MWh levels.
2. **Failure to elicit needed investment:** One of the primary goals of RTO markets is to promote investment in new and more efficient generation and transmission facilities. Almost all of the US markets have insufficient investment and reliability is now a major concern.
3. **Discrimination against smaller market participants:** Over time, the web of tariffs, contracts and “business process manuals” governing RTO market operations have become more lengthy and complex. Only the largest participants can devote substantial resources to understanding, applying and from time to time affecting these rules and regulations.
4. **Failure to screen and mitigate market power abuse:** The pledge of RTOs for the competitive markets is under continuous scrutiny due to transmission constraints and lack of standardized methods.
5. **Increasing RTO administrative costs:** It is documented that between 2000 (the year most of the RTOs started operations) and 2006, the total budget for the RTOs has increased eightfold, while their total territory has only increased by approximately twofold.

RTO-like designs in United Kingdom, Australia precede the US designs and have been working very efficiently for a significant period of time. While all the cited criticisms in US markets are valid, and the mid-semester report



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cards are not very promising, it is too early to call for a conclusion on the success of RTO designs in US. It is an ongoing process and many of the RTOs, with the help of FERC, are still fine-tuning their rules and regulations to answer these points.

As it is well known, restructuring is a cumbersome and lengthy process with mixed results at the interim. The state of the transmission system and the reliability issue is more severe in Turkey compared to the US systems when the RTO design was introduced. Given that, all aspects of the electricity market should be handled with care and caution.

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**Haluk Direskeneli,**  
Energy Analyst

## Turkish Energy: Brave New World 2007

In 1990s, we received an important contract to build a new power plant in the leading Iron & Steel Mills (Erdemir) on the Western Black Sea Coast. Client specs required an expatriate engineer who would be available full time at site. We looked for such a competent person. No such person was available.

Incidentally we found a young expatriate engineer, a recent Overseas University ME graduate who happened to be in Turkey as a tourist, but anyhow prolonged his stay due to a love affair with a young local girl in Ankara. He was looking for a part time job.

So we hired this young expatriate gentlemen full time at site for one year. We paid him high end of four-digit US Dollar monthly salary, plus paid all his taxes and reimbursed his living and travelling expenses such as hotel accommodation, rental car, PC and cellular phone.

He had no experience nor any capability to lead the project. Moreover he had a stiff Southern accent not so easy to understand. Anyhow we also put one local senior engineer at site to handle everything for an increment of expatriate expenses. That was "cost of business", that we had to pay.

Similarly we hired another expatriate Civil engineer quite senior for Kemerkoym Thermal power plant FGD project (EUAS), another for Textile-based energy companies Bursa (Bisas) and Yalova (AkEn) for their combined cycle power plant construction.

For a big local private company (Koç Holding, Entek) in their Bursa combined cycle power plant extension project, our foreign partner sent a senior German expatriate engineer to our site who was completely illiterate in computer skills, even unable to type the keyboard. His monthly payment was similar to above. So we employed a competent Turkish engineer to handle the necessary Project Management at site.

Despite of their professional incompetence, the most of the time they even humiliated our local engineers as in the case of utility size power plant constructions. These once proud foreign companies were later bankrupt and there is now practically no responsible identity for their leftover disaster projects.

Those were just because our senior decision makers were not confident of the capabilities of our young Turkish engineering graduates. Time is different now.

It is not too far that they should understand that work is same everywhere, and the same hardware, softwares are used in every design and project management offices, not only in US, Europe or Japan, but also in China, India, Korea and also in Turkey.

In the past, our local private enterprise companies worked as subcontractor of leading international companies in thermal power plant/ industrial plant constructions with available qualified and semi qualified local workforce.

They had enough experience for project management of such simple "civil works and site installation" facilities first in the local market, then they had enough confidence to work abroad, in the Middle East then in North Africa, Central Asia and even in the Western Europe.

*It is not too far that they should understand that work is same everywhere, and the same hardware, softwares are used in every design and project management offices, not only in US, Europe or Japan, but also in China, India, Korea and also in Turkey.*

We sent thousands of young labour force to these countries, we gave them 3-shifts of meal per day, a reasonable/ comfortable bed to sleep, a reasonable hourly payment slightly higher than prevailing local market rates, and then we asked them to work 12 hours per day, 7 days per week. We received many orders, and earned substantial amount of money.

But these good old days are over. International USA, European, Japanese companies placed these manual job subcontract orders to other cheap vendors, namely to Indian/ Korean/ Chinese companies.

These companies started to worked first as subcontractors and increased their scope and started to receive orders as the lead companies with full basic design, overall design, plus international guarantees. They received the orders as lead companies and distributed the subcontracting work to their own nationals

We went to Europe, while European workers were receiving minimum 7 Euros per hour and working maximum 39 hours per week, we hired our own manpower at 3 Euros per hour and let them work 12 hours per day, 7 days per week.

Initially governments were pleased since they were spending less, but labour unions/ parties were displeased. They applied to courts/ regulators and stopped our work. Now with their rules we cannot receive any further job in Europe for subcontracting work.

Furthermore some of our local subcontractors have entered legal dispute with those International lead companies, at such displeasing level that they can no longer work together.

Nowadays we have another very interesting development in the local market.

Chinese companies are constructing three CFB based thermal power plants in the local market. These new plants are in Biga, Beypazari and Sirnak. They bring 500+ qualified labor to the each site for civil works and site installation activities.

Our laws and regulations don't prohibit them to bring such large scale labour inflow. Other than that, our local investors don't care about quality/ performance/ efficiency, all they care about the cheapest price.

The cheapest price is the virtue of Chinese companies. When you declare the expected cheapest price in any tender, Chinese have always a better price than that.

There are explanations that these new foreign workers are either soldiers or young prisoners with good manners. They work hard, 12 hours per day, 7 days per week, in a civilised environment, with a clean bed to sleep, 3 shifts of good meal.

Chinese companies are getting the order turn-key, complete with design, fabrication, procurement, leaving almost nil to the local partner. They are much cheaper than the Western companies, although they are rather inexperienced/ or shy in their early design. Sometimes they can't meet the guaranteed figures, expected performances.

It is a common saying that

*When you declare the expected cheapest price in any tender, Chinese have always a better price than that.*

"Chinese companies have no backbones. They have very flexible ethics"

"Chinese companies have no backbones. They have very flexible ethics" which means certain red-flag warnings in application of anti-corruption measures.

Earlier we hoped that service business- civil works and site installation would be ours at all times, by all means. Not any more.

Now it is time to create our own technologies as lead companies, there is no more subcontracting. We need to focus on high value, high technology items; not only the traditional construction. Many of our companies are focused on working as "contractors" with only interest in the "C" (construction) of the "EPC" contracts. Engineering is usually a small part of the project but the procurement is a big ticket, where a lot of profit is. Taking economics into account, the companies need to focus on turn key projects to build the expertise we are talking about.

When I explain these thoughts, local decision makers of big private local contracting companies start to stare at me with empty faces, but time has changed, so they should also be changed/ restructured accordingly, otherwise they will face the consequences, since it is the world of the fittest.

Early this week we have been very pleased to learn that Turkish Ministry of Energy and Natural Resources (MENR) together with Turkish Electricity Generation Public Company (EUAS) have released a new tender for design activities to obtain design drawings for minimum 170 MWe electricity generating power plant which will fire local indigenous coal in pulverised or CFB firing methods.

Contract is purely for steam boiler design activities to obtain drawings for 3-different local coal samples,  
We understand that the local interested engineering parties would be in need of necessary design software/ hardware and young local engineering talents to finalise the design work within 270 calendar days. Priced proposals will be collected on 22nd March 2007.  
Contract budget is estimated not to exceed a figure of 20 million US Dollars.

For such a big mega project, one company can not handle all work so consortiums will be formed. A location in a university technopark will be a preferable place to work in order to utilize the hardware/ software backbone as well as available engineering/ academic workforce.

That is an extra ordinary development in the local market, a great opportunity for our engineering companies, to sail overseas.

We are very happy to learn that the Turkish Ministry of Energy and Natural Resources showed confidence in local young engineering talent at last.

'Beautiful days beckon us, lads, sunny days beckon.' says Nazim Hikmet

Your comments are always welcome.

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*We are very happy to learn that the Turkish Ministry of Energy and Natural Resources showed confidence in local young engineering talent at last.*

## State Oil Company of Azerbaijan Republic: Transition from National to Transnational Company or Demand of Time?

Rovshan Ibrahimov,  
Editor, USAK Energy Review

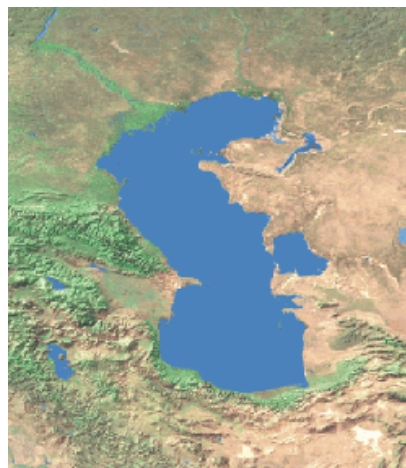
State Oil Company of Azerbaijan Republic (SOCAR) is included in the ratings compiled by the American magazine DinarStandard, where profit taking 16th out of 100 positions in the ranking DS. The Oil Company of Azerbaijan is the the world's 68th largest company and valued at the time in the amount of about \$ 20 billion.



*In 2006, SOCAR produced from offshore and onshore fields about 7.84 million tones of oil and 4.34 billion cubic meters of gas.*

In 2006, SOCAR produced from offshore and onshore fields about 7.84 million tones of oil and 4.34 billion cubic meters of gas. Evident in the presence of more than 61,000 personnels of the company took place in the exploration and exploitation of oil and gas fields in Azerbaijan.

With the tremendous experience and high specialized specialists the company recently been independently operating its own fields, and now intends to elevate its activities to the international level. It should be noted that in the Soviet times, Azerbaijan had experience in exploration and exploitation oil on the territory of the former Soviet Union and in the other countries. The oil company wishes to restore the lost tradition and move to new steps of economic activity by converting from the national to the transnational company. After independence, Azerbaijan already had some experience in conducting international operations which was initiated by the private company AZRETROL which actively took part in energy projects in Moldova.



SOCAR has already realized some projects in the Caspian Sea for the other Caspian states, and in other parts of the world-particularly in Africa and Asian countries. But the first state where SOCAR intends to conduct its activities for its own is logically can be Azerbaijan's geographic neighbor and strategic partner Georgia. SOCAR acquired nearly 100 hectares in the Kulevi Terminal located on the shores of the Black Sea. In addition to that, the Georgian government added further 200 hectares to the territory of the

terminal.

The company intends to produce refineries to be displayed on the Black Sea in the future, with the possibility of exporting oil to the seaside Black Sea states. It should be noted that currently power of the transshipment of the Kulevi terminal is 10 million tons (2 million tons of oil, 3.0 million tons of diesel, 4 million tons of fuel oil). It's planned to increase the handling capacity of the terminal to 20 million tons, and increase the tank fleet to 380 thousand cubic meters. The four rail terminal delivery 168 tanks. Construction of the terminal also has laboratory on the quality of petroleum and petroleum products in accordance with international standards, and mobile fleet of nine support service vessels.

Currently, the terminal reconstruction has been started. Working on the construction of the railway, which will be owned incomes, and special passes for downloading gas. The terminal will be running already in 2007. In addition, a few months ago, SOCAR established SOCAR Georgia Company which will open the petrol stations on the Georgian territory and already bought the building in Tbilisi.

Far-reaching plans to SOCAR are to realize its own activity in Turkey. In early December R. Abdullayev and chairman of the Turkish oil company Turcas Erdal Aksoy signed a protocol to establish a joint company. The investment in the joint venture SOCAR Turcas Energy was defined at the level of 5 billion dollars. As President of SOCAR Rovnag Abdullayev said that the company intends to sell in the Turkish market oil and gas.



Azerbaijan, as being the owner of some oil, which comes from the export pipeline Baku-Tbilisi-Ceyhan in Turkey, may send it to the processing and further implement the oil on the Turkish market. At the same time, profit is not excluding that some products can be exported to other countries (Trend). Ministers prepared a plan of cooperation for world markets gas produced at the field Shah Deniz. Starting cost of the projects will be 1 billion U.S., the main goal is to rehabilitate over four years in the major Ceyhan refinery factory with an annual output of 20 million tons. 51% of the primary investment will belong to Azerbaijan, 49% of Turkey. At the facility also provides for the production of chemical products. It is noteworthy that as the building activity and its financial capability, the company will participate in the Projects and elsewhere, and it is possible that the field of the future activities of this company will be opened to Ukraine and the Republic of Moldova, as the allies of Azerbaijan on GUAM as well as countries in coastal state of the Black Sea, such as Romania and Bulgaria.

Rovshan Ibrahimov, [rovsen@azerimail.net](mailto:rovsen@azerimail.net)

## An Energy Review of Putin's Middle East Crusade

Metin Gezen,  
USAK Energy Review

Putin's visit to Saudi Arabia, Qatar and Jordan has become more of an interest after his speech at the Munich security conference. Luckily or unluckily, the visit has to do more about cooperation than merely discussing gas-OPEC. But what does this visit mean from an energy point of view?

Russia is like a closed box and it is not very easy to foresee her intentions. The web of complex relations and the fog of secrecy around its thinking machine hardly gives us any hints about her next move. But it is obvious from Putin's statements that Russia is quite unhappy with US's unilateral policy like most of us.

In the 43rd Munich Conference, last Saturday, Putin made a very controversial speech accusing the US of trying to establish a unipolar world. His speech has been criticised by the US officials as a sign for a new "cold war mentality". Speaking frankly, his speech was an open confrontation to US's unilateral dominance in the world system.

But how dare does he speak in such a manner? Even this single question is an indication of a unilateral world system understanding. Russia today is even stronger than the Soviets of the Gorbachov era, thanks to its energy resources.

*Today 25% of gas and oil exports to Europe is from Russia.*

Today 25% of gas and oil exports to Europe is from Russia which is also the second net exporter of oil after Saudi Arabia and owner of the world's biggest gas reserves.

Whatever the forecasts or State of the Union speeches target, Europe's and the US's dependency on foreign energy sources are expected to increase. All these expectations are playing to the hands of Russia. So even after Putin, Russia will have a say in the world and challenge the policies she hates, again, thanks to its energy resources.

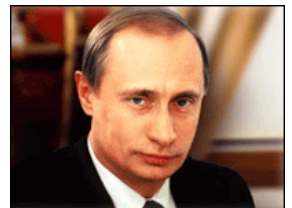
Russia in this sense is trying to win as much political bonuses as possible with every energy point she has. As Moscow becomes more of an important energy player, she tries to turn this into a political power through economic agreements and cooperation.

First a brief review of his speeches will be made. This will be followed by the statements from the visited countries and finally and briefly different scenarios will be discussed.

### Putin's statements

*"I consider that the unipolar model is not only unacceptable but also impossible in today's world."*

In Munich he said "I consider that the unipolar model is not only unacceptable but also impossible in today's world.". So what is the other pole of the world, EU, Russia, China, India or both of them? (securityconference.de)



In Moscow, at an annual news conference "A 'gas OPEC' is an interesting idea. We will think about it," Putin said. This is an answer to Iran's proposal

*Putin: "To put it in technical terms, our instincts tell us that we are rivals. But this is not so in the context of the growing energy needs of the world,"*

to Russia for forming a gas OPEC. (en.rian.com)

In Saudi Arabia, he said "Russia and Saudi Arabia are the world's leading energy producers and exporters, and here it is easy for us to find common ground.". Also added that "To put it in technical terms, our instincts tell us that we are rivals. But this is not so in the context of the growing energy needs of the world,". Lastly he emphasized "This means that we are not rivals, but in fact allies and partners." (Menafn.com)

Also he offered Saudi businessmen Russia's help in nuclear area. He said "Russia is willing to look into cooperation opportunities in the area of atomic energy,"

In Qatar, during a joint conference with the emir of Qatar, he said "Who said that we have rejected the idea of a cartel? I said it was an interesting idea.". But he also distanced himself from completely accepting the idea by saying ""Whether we will establish this cartel or whether we need it is a separate issue,".

But he promised to send Russian experts to discuss this issue in the Gas Exporting Countries Forum that will take place in Doha, Qatar in April.

And the most important one of his quotes is "Russia is keen to improve co-operation with the Islamic world".

## Saudi Arabia

Putin is the first head of Russian state to visit Kingdom of Saudi Arabia. Saudi Arabia and Russia has an increasing volume of trade relations. The trade has been increased from \$88.5 million in 1999 to \$400 million in 2005. (New York Times).

Apart from the praising the Russia's and Saudi Arabia's importance in the gas and oil production, Russia offered assistance for nuclear development in the Saudi Arabia.

Also Russia plans to launch six satellites for the Saudi's. Five of these satellites will be telecommunications and data transfer, the sixth one is rumored to be a surveillance one. The satellites will be built by Saudis. (torontodailynews.com)

## Qatar

Qatar is one of the most successful countries to attract foreign investment. Chairman of Qatar Chamber of Commerce and Industry, Sheikh Khalifa bin Jassem Al Thani claims that the currently estimated foreign investment in Qatar is around \$120 billion.

*The trade has been increased from \$88.5 million in 1999 to \$400 million in 2005.*

Saudi Arabia





But Russia does not have a big share of this. Interfax claims that the trade volume between the two countries amount to a total of \$1.3 billion in the first 9 months of the last year.(Interfax)

Other than emphasizing the grounds for improving trade relations between the two countries, Qatar has showed its support for a Middle East peace conference.

*In his Jordan visit, they signed four agreements.*

## Jordan

In his Jordan visit, they signed four agreements. The trade volume between two countries in 2006 is around \$106 million. The first of these agreements was for the purchase of 6 Russian KA-226 helicopters for civilian purposes.

The second agreement was about a plant to assemble Lada cars in Jordan.



The third agreement is for improving and increasing the flow of investments between the two countries.

The last agreement is for establishing a Jordanian-Russian Business Council to boost commercial relations. (menafn.com)

Jordan also expressed intentions to develop nuclear capabilities before, but whether any talks made on nuclear development is not very clear. But also talks on a possible peace conference have taken place.

*Turkish Daily News has published an interesting comment titled "Why did Putin visit the Middle East?" by Robert Freedman.*

## Scenarios

Turkish Daily News has published an interesting comment titled "Why did Putin visit the Middle East?" by Robert Freedman. In that commentary Putin's goals have been summarized in three major points. First to demonstrate Russian's renewed power and influence in the region where US influence is decreasing, second to increase Russian economic relations and third to minimize Arab support for Chechen rebellion.

*First one is the gas-OPEC scenario, the second one is the nuclear scenario.*

In addition to these major points, it is also possible to discuss two possible energy related scenarios.

First one is the gas-OPEC scenario, the second one is the nuclear scenario.

Gas OPEC scenario, is getting more probable as Putin said that their experts will join the GECF in Doha this April. He may have checked the grounds for such an organization. Iran and Qatar is already showed willingness to form such a union.

But Russia is not as enthusiastic as Iran and Qatar, both in technical and economic terms due to her long term commitments to her customers, for forming such a union, but nevertheless she will probably discuss it for sometime.

The second one is the Russia's nuclear assistance to the countries of the region. With Iranian nuclear program still going on despite the US's and EU's opposition, the other countries in the region are also heading for nuclear development. Russia may use this as a chance to sell its nuclear technology and by providing nuclear technology to other countries in the region making it hard for the US to attack Iran on the basis of nuclear enrichment.

There are also very important scenarios, like the cultivation of a new Russian foreign policy as an alternative to US's failing policies and a possible revenge for the US's missile shield plan that is involving Poland and the Czech Republic.

## Conclusion

Although each or both of those scenarios are quite possible, Russia is using the power gained from her energy card to increase her political influence. If we are talking about a Russian revival today, it is probably due to the increasing importance of energy and energy resources.

Most of the western world will be more dependent on Russia in the future and Putin is well aware of it. But a dependency means nothing without policy goals, because these resources are finite and will extinct. So these resources have to be converted to long term influences for a life after fossil fuels.

In this sense, Russia is using the energy card very wisely. Forming new unions and organization, although technically not very favorable or advantageous will give Russian foreign policy a boost.

From energy perspective, Russia is expected to use cooperation on energy investments, gas-OPEC discussion, nuclear technology and economic agreements more in the coming days, to increase the influence of Russia in the Middle East. Energy is not the only key for such a political move, but surely is the most important one and will remain at the top of the list for some time.

Metin Gezen, [metingezen@gmail.com](mailto:metingezen@gmail.com)

*Energy is not the only key for such a political move, but surely is the most important one and will remain at the top of the list for some time.*

## Oil Markets - This Week

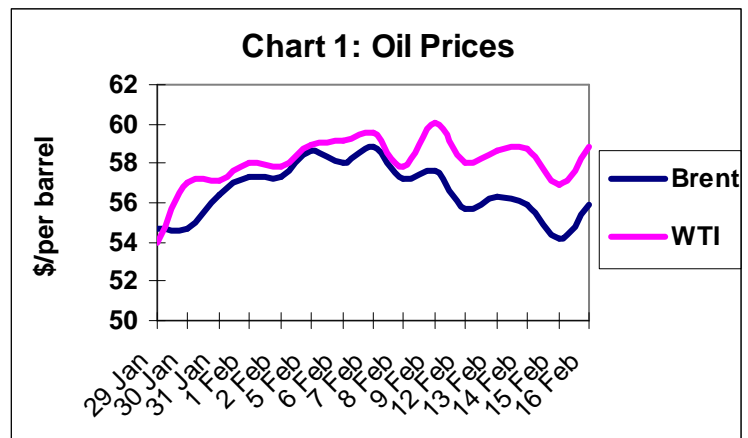
**Hasan Selim Ozertem**  
Energy Analyst, USAK

*In OPEC meeting on 15 March in Vienna it won't be necessary to take a decision to reduce production further*

### Oil Markets: Two steps forward one step backward

After hitting \$60 a barrel, last week the prices decreased after the statements of Saudi Minister of oil; Ali al Naimi that they are satisfied with the oil prices and in OPEC meeting on 15 March in Vienna it won't be necessary to take a decision to reduce production further. As known, OPEC countries decided in total to cut oil supply 1.7 million b/d after the cuts of 1 November (1.2 million b/d) and 1 February (500.000 b/d). On Thursday the oil prices plunged and became \$54.12 for Brent and \$56.87 for WTI.

The trend of oil prices looks like a rollercoaster's movement from the beginning of this year. After the mild weather conditions the oil prices fell sharply and even became \$49.90 in the first half of the January. Later, turning back to normal temperatures of the season, heating oil demand has risen and the prices began to increase. After the implementation of oil production cuts beginning from the February 1 the prices rose above the \$60.



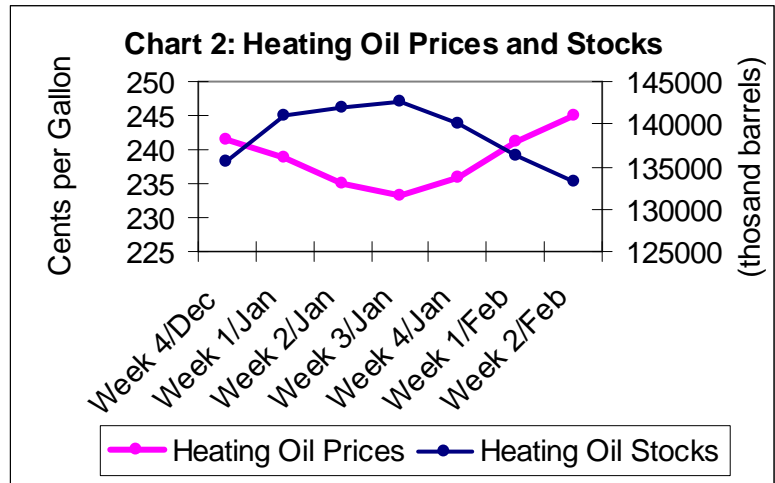
Source: Financial Times and Energy Information Administration (EIA)

*Weather conditions would not be an important determining factor for the next quarter of the year as it is in the first quarter.*

However, we are living the last days of the winter season and the weather conditions would not be an important determining factor for the next quarter of the year as it is in the first quarter. For now, the OPEC members are satisfied with the band of \$50-\$60 for the price of oil. And, with the absence of further expectations of supply cuts the main risk on oil prices is the geopolitical imbalances.

Firstly, the ongoing violence in Nigeria negatively affects the oil production in this area. As being the six biggest oil producer of OPEC, the problems in this area negatively affects oil prices and causes price increases. The second threat is Venezuela's nationalization of oil production. Also, Iran's conflict with the US cannot be ignored.

Last week all the petroleum stocks decreased in the US. The heating oil stocks declined by more than 3 million barrels and the price of heating oil became 244.9 cents per gallon. The negative relation between heating oil prices and stocks preserve its trend. On the other hand, the crude oil stocks decreased for about 600.000 barrels and became 323.8 million barrels; moreover, gasoline stocks declined for more than 2 million barrels and became 225.15 million.



Source: EIA

According to a Bloomberg Survey, 10 of the 42 analysts expect a rise in oil prices and 21 of them expect a decline whereas 11 are neutral for the next week.

According to a Bloomberg Survey, 10 of the 42 analysts expect a rise in oil prices and 21 of them expect a decline whereas 11 are neutral for the next week. It is claimed that as a result of warming weather in the east coast the demand for heating oil and natural gas will decline for the next week in the US.

To conclude, in the short term the statements of OPEC members and weather conditions would be effective on oil prices. For the mid-term, the geopolitical imbalances should be monitored carefully.

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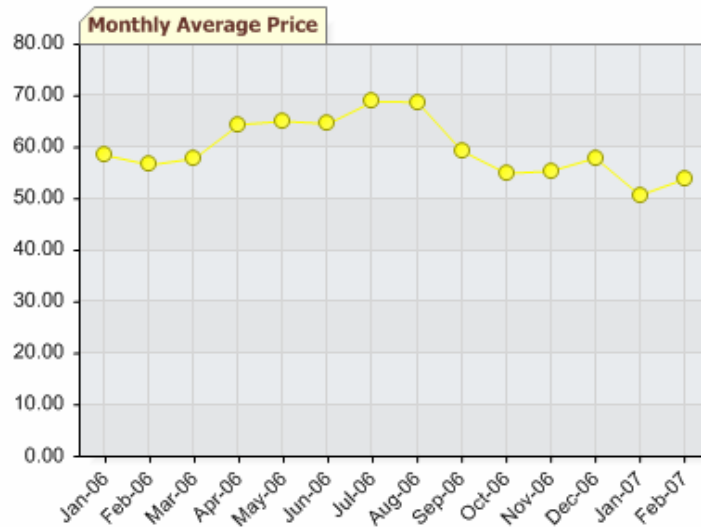
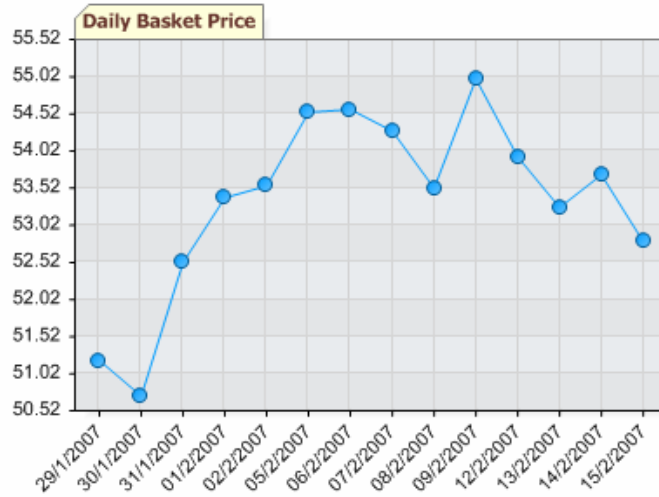
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## Indicators

### OPEC's Basket Price



## Indicators

Indicative Exchange Rates Announced at 15:30 on 16/01/2007 by the Central Bank of Turkey

CURRENCY		EXCHANGE RATES		EXC.RATES ON BANKNOTES	
		Buying	Selling	Buying	Selling
USD/TRY	1 US Dollar	1.3818	1.3885	1.3808	1.3906
EUR/TRY	1 EURO	1.8136	1.8223	1.8123	1.8250
GBP/TRY	1 British Pound	2.6921	2.7062	2.6902	2.7103

## Turkish Refinery Output Price

Product Name	YTL/TON	YTL/M3	Special Concise Tax	Dividend	Exclusive of VAT	VAT	VAT included price	Validity Date
<b>Unleaded Petrol 95 OCTANE</b>			<b>YTL/M3</b>	<b>YTL/M3</b>	<b>YTL/M3</b>	<b>YTL/M3</b>	<b>YTL/M3</b>	
İzmit	741,93	563,87	1.362,50	1,32	1.927,69	346,98	2.274,67	06/02/2007
İzmir	741,93	563,87	1.362,50	1,32	1.927,69	346,98	2.274,67	06/02/2007
Kırıkkale	746,18	567,10	1.362,50	1,32	1.930,92	347,57	2.278,49	06/02/2007
Batman	775,95	589,72	1.362,50	1,32	1.953,54	351,64	2.305,18	06/02/2007
<b>Jet Fuel</b>			<b>YTL/M3</b>	<b>YTL/M3</b>	<b>YTL/M3</b>	<b>YTL/M3</b>	<b>YTL/M3</b>	
İzmit	825,47	660,38	0,00	1,29	661,67	119,10	780,77	01/02/2007
İzmir	825,47	660,38	0,00	1,29	661,67	119,10	780,77	01/02/2007
Kırıkkale	838,28	670,62	0,00	1,29	671,91	120,94	792,85	01/02/2007
<b>Kerosene</b>			<b>YTL/M3</b>	<b>YTL/M3</b>	<b>YTL/M3</b>	<b>YTL/M3</b>	<b>YTL/M3</b>	
İzmit	825,47	660,38	760,50	1,29	1.422,17	255,99	1.678,16	01/02/2007
İzmir	825,47	660,38	760,50	1,29	1.422,17	255,99	1.678,16	01/02/2007
Kırıkkale	846,83	677,46	760,50	1,29	1.439,25	259,07	1.698,32	01/02/2007
Batman	853,94	683,15	760,50	1,29	1.444,94	260,09	1.705,03	01/02/2007
<b>Diesel 7000</b>			<b>YTL/M3</b>	<b>YTL/M3</b>	<b>YTL/M3</b>	<b>YTL/M3</b>	<b>YTL/M3</b>	
İzmit	772,85	653,06	834,50	1,27	1.488,83	267,99	1.756,82	08/02/2007
İzmir	772,85	653,06	834,50	1,27	1.488,83	267,99	1.756,82	08/02/2007
Kırıkkale	793,97	670,90	834,50	1,27	1.506,67	271,20	1.777,87	08/02/2007
Batman	808,05	682,80	834,50	1,27	1.518,57	273,34	1.791,91	08/02/2007
<b>Diesel 50</b>			<b>YTL/M3</b>	<b>YTL/M3</b>	<b>YTL/M3</b>	<b>YTL/M3</b>	<b>YTL/M3</b>	
İzmit	776,43	656,08	927,00	1,27	1.584,35	285,18	1.869,53	07/02/2007
İzmir	776,43	656,08	927,00	1,27	1.584,35	285,18	1.869,53	07/02/2007
Kırıkkale	797,64	674,01	927,00	1,27	1.602,28	288,41	1.890,69	07/02/2007
<b>Fuel Oil 4</b>			<b>YTL/TON</b>	<b>YTL/TON</b>	<b>YTL/TON</b>	<b>YTL/TON</b>	<b>YTL/TON</b>	
İzmit	505,94		476,00	1,42	983,36	177,00	1.160,36	09/02/2007
İzmir	505,94		476,00	1,42	983,36	177,00	1.160,36	09/02/2007
<b>Fuel Oil 6</b>			<b>YTL/TON</b>	<b>YTL/TON</b>	<b>YTL/TON</b>	<b>YTL/TON</b>	<b>YTL/TON</b>	
İzmit	385,08		204,00	1,42	590,50	106,29	696,79	08/02/2007
İzmir	385,08		204,00	1,42	590,50	106,29	696,79	08/02/2007
Kırıkkale	392,12		204,00	1,42	597,54	107,56	705,10	08/02/2007
Batman	392,12		204,00	1,42	597,54	107,56	705,10	08/02/2007

Source : [www.tupras.com.tr](http://www.tupras.com.tr)