Energy Review

Issue : 14
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http://www.turkishweekly.net

Inside

Letter From the Editor

Dear Readers,

One week was left behind with the discussions of release of Iranian soldiers, which caused important fluctuations in the oil markets.

However, for this week, the hottest topic can be stated as the gas OPEC meeting that brings countries such as Iran, Russia, Venezuela, Qatar, Norway and Algeria together.

While these discussions are going on we have prepared once more a comprehensive USAK's Energy Review for you; our readers. We have two new contributors for this issue.

One of them is Volkan Özdemir and he wrote about Burgas-Alexandrupolis pipeline project.

The other new contributor is Burcu Demir and she penned the article "The Energy Policy of the EU".

Mr. Haluk Direskeneli continues his article series of 10 Best Power Plants in Turkey.

Fevzi Saffet Bora once again made a summary of this week's developments in energy sector and our Editor Mr. Ibrahimov made a good analysis of pipeline politics in his article "Israeli Pipeline: Ashelon-Eilat- The Second Breath.

I hope that you will get satisfied with this issue and want to remind you that we always welcome any comments and contributions for USAK's Energy Review.

Co-Editor
Hasan Selim Ozertem

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Did Burgas-Alexandrupolis really Bypass Turkey in the New Great Game?

Burgas-Alexandropolis pipeline (BAP) which will transmit Russian oil from Black Sea to the Aegean through Bulgaria and Greece

On 15th of the March President of Russian Federation Vladimir V. Putin visited Greece in order to sign intergovernmental agreement for the construction of Burgas-Alexandrpolis pipeline (BAP) which will transmit Russian oil from Black Sea to the Aegean through Bulgaria and Greece. The pipeline will have the capacity to transmit 35-50 million tones of oil per year. What makes the deal so striking is the fact that this will become the only pipeline in EU and NATO territory controlled by Russia which guaranteed %51 stakes in the operation. Since the politics of pipeline has been seen as the key theme of what some have termed the New Great Game for control of the energy rich Eurasia region arose after the collapse of the Soviet Union, the successor state of Soviet Union, Russia made a striking drive in the game by securing to deliver oil to the world markets under its control.

Nevertheless, one should keep in the mind that the leading energy component of the New Great Game is on the transmission of natural gas not on the oil.

Russia chose BAP option over different alternatives and mainly over Turkish proposal of Samsun-Ceyhan. Some argued that Russian move not only intended to by-pass Turkish straits but also aimed to diminish the role of Turkey that adopts a strategy to become an energy transit country relying on its geographical location for becoming an influential player in the increasingly complicated energy game. Undoubtedly, Russian choice of BAP negatively affected the Turkish offer of Samsun-Ceyhan pipeline for delivering the Russian crude to the market through Anatolia. For more than ten years by complaining of congested tanker flow in her Bosporus, Ankara supported the idea of building pipeline routes that would ease the traffic. Main anxiety of the country has been to save the city of world cultural heritage, its economic center, Istanbul and its population from an environmental disaster that might be caused by oil transits. Besides, Turkey has also not wanted to lose her upper hand at oil transportation in a situation when the Bosporus will be by passed. Compatible with these two, an alternative to BAP was developed for delivering Russian oil to the world markets through Turkish territory in mid 1990's: Kiyikoy-Ibrice pipeline. But this shorter, relatively low initial investment required and more efficient project was abandoned for promoting another line, Samsun-Ceyhan. Turkish aim is to make Ceyhan an important oil terminal to where Azeri, Kazakh and Russian oil will flow at the same time under Turkish control. Undoubtedly, Russian decision in favor of BAP undermined this plan and even threatened Samsun-Ceyhan to be realized. Turkish aim of being main energy hub of the region seems to be destroyed in the oil sector.

By 2030, natural gas is forecast to have a 30 percent share of total energy consumption which was only 18 percent *in 1970.*

A new quest for alternative energy resources that could alleviate some of Europe's dependence on Russia is at the agenda of European Commission.

Both Turkmenistan and Kazakhstan are encouraged to participate to the East-West energy corridor as the main gas suppliers to western markets.

Nevertheless, one should keep in the mind that the leading energy component of the New Great Game is on the transmission of natural gas not on the oil. The environmental characteristic of natural gas as a cleaner burning fossil fuel spurred both policy and industry emphasis on natural gas fired power generation in the world. Because of this feature and its relative abundance compared with other fossil fuels, natural gas is widely seen as the bridge fuel to the next energy future. Global natural gas supplies grow each year from mid 1970s; it is the fastest growing source of primary energy among the major fuels. Consumption of natural gas is projected to more than double over the 2000-2030 periods. By 2030, natural gas is forecast to have a 30 percent share of total energy consumption which was only 18 percent in 1970. Parallel to this world-wide trend European energy market will need more and more natural gas and as the share of domestic reserves decrease Europe will have to depend more on gas imports. Natural gas consumption of EU is covered by imports 50 % in 2006 and it is expected to raise 70% within 20 years period. Currently half of this import is met by Russia but Europe’s growing energy dependence has evolved into a political concern because of its main gas partner, Russia's, reliability as an energy supplier, after its assertive behavior towards its neighbors and toward European investors. Following the main condition of energy security, it lies mainly in diversity; a new quest for alternative energy resources that could alleviate some of Europe's dependence on Russia is at the agenda of European Commission. The Caspian region plays a crucial role in this context, because it is the only area in Europe's neighborhood that has the potential to serve as a key producer and transit region for new sources of European gas supplies. In addition to recently constructed South Caucasus Pipeline that will bring Azeri gas to European markets through Turkey, EU officials seek to further develop new projects in the region. Recent visit of EU delegation headed by term president Germany’s foreign minister Steinmeaier to Kazakhstan can be interpreted within this context. During the visit one of the most important topics was the role and possible contribution of Central Asian countries to the energy security of EU. Furthermore, under the leadership of U.S, which has strategic concerns over its main allies’ heavily energy dependence on Russia, deadlocked Trans-Caspian pipeline issue has been revitalized. Both Turkmenistan and Kazakhstan are encouraged to participate to the East-West energy corridor as the main gas suppliers to western markets. Western part of this corridor will become NABUCCO project that interconnects Turkish national gas infrastructure with Austria and another is the Italy-Greece-Turkey Mediterranean natural gas pipeline. By this way, Caspian gas resources would directly reach to Europe and a new integrated system of natural gas from eastern cost of Caspian to Austria and Italy would be achieved as an addition to current Russo-European system. This is the primary pillar of energy dimension in the New Great Game.

Although energy needs of emerging markets such as China and India and these countries’ involvements to Eurasian energy are steadily increasing, it is not wrong to argue that main actors of the New Great Game are basically the U.S and Russia. Whereas the former concentrates on diversifying the energy supplies by promoting multi-pipeline strategy that will transport Caspian energy to the markets through an east-west direction, Russian interest is at the consolidation of Soviet era north-south energy infrastructure and keeping of its position as the main and only energy supplier to the markets. As situating between these conflicting interests, Turkey has a potential to determine the future of the New Great Game. In fact, Ankara not only has participated to the ambitious projects of transporting Caspian energy by US led incentives but also developed amazing energy cooperation with Russia though irrationally depended herself to its northern neighbor because of corruption claimed Blue Stream Natural Gas Pipeline. At first glance, Turkish energy policy seems contradicted itself. Turkey on the one hand, wants to be a part of Caspian energy development project led by U.S which aims to de-monopolize Russian ascendancy and on the other seeks for further energy cooperation with targeted state of the first project, Russian Federation. Consistent with the last, Turkey expected Russia to make a choice in favor of her project namely Samsun-Ceyhan for the transmission of Russian oil. However, Russian side did not go for this. Russia opted for more reliable and feasible option. May be this is related with Russian concern of Turkey's (a NATO member) increasing role in the Eurasian energy security by depending its control of oil only to one country. Furthermore, thanks to its cultural proximity and political influence over the Caspian countries and past energy collaboration with U.S, Turkish policies are seen with anxiety by Russia. It can be argued that Turkish eagerness to see Russia as a strategic partner in energy has not shared by Russian side yet. However, this decision should be interpreted as an opportunity for Turkish Foreign energy policy as well. As mentioned above the most important competition between Russia and West is on the Eurasian Natural Gas Development. Italy-Greece-Turkey, Nabucco, South Caucasus and Trans-Caspian pipeline projects are the clear examples of this competition by the Western side. Nevertheless because of problematic relations with its western Slavic neighbors, Russia also seeks to create alternative routes to supply gas to Europe. Gazprom is aware of ongoing competition that might end its upper hand in European markets. As response, Gazprom has developed ambitious pipeline projects rival to US led initiatives. In addition to "North European Stream" (Baltic sea pipeline) aiming to deliver Russian gas directly to Germany, Gazprom works on a new pipeline project 'South European Stream' that would be constructed just parallel to the Blue Stream which would feed Eurpean market through Turkey. This prospect pipeline will obviously be rival to the current phase of the Nabucco project. However, Turkish attitude will be decisive here i.e. Turkish decision and management of balance between involved actors is the key for shaping the future energy dimension of the New Great Game. In this sense, it is not misleading to expect that Turkey, which was thwarted by Russia on cooperation of oil transportation, will shift more on the realization of U.S lead Nabucco option. In addition, this is consistent with general western interests of the region and this explains the basic motives of the US lack of support to Samsun-Ceyhan alternative. The U.S government has scared a further Turco-Russian energy partnership which might cause its main ally to alienate itself totally. That is why U.S encouraged BAP line in expense of Samsun-Ceyhan. Matthew Bryza, US Deputy Assistant Secretary of State for European and Eurasian affairs, visited Athens and did not hesitate to express support for the oil pipeline. But he added: "Where we are focusing most urgently now is diversification of gas supply ... away from its one primary supplier, Gazprom." At the end of the day, Russia's decision in favor of BAP forced Turkey to return back to its previous emphasis on east-west transit country strategy. For this reason, it would not be misleading to argue that Russian decision in favor of BAP for oil transmission did not by-pass Turkey in energy dimension of the New Game but rather might by pass Russia itself from the game in the long run.

It is not wrong to argue that main actors of the New Great Game are basically the U.S and Russia.

The most important competition between Russia and West is on the Eurasian Natural Gas Development. Italy-Greece-Turkey, Nabucco, South Caucasus and Trans-Caspian pipeline projects are the clear examples of this competition by the Western side.

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The Energy Policy of The EU

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The energy policy is one of the most important discussions since the birth of the European integration because it is necessary for economic development. Moreover; the control over energy supplies has always been an issue of worry for governments. In other words, the main related topics of energy are both national security and economy.

The first step of the European integration is "The Treaty of Paris" which established "The European Coal and Steel Community" in 1952

History of Energy Policy

The first step of the European integration is "The Treaty of Paris" which established "The European Coal and Steel Community" in 1952. The purpose was to found a common market of the coal and steel resources. In those years; coal was the most important energy for Europe. In 1958; "Treaties of Rome" which is the second step of the integration, came into force. One of these treaties established "The European Economic Community" while the other one established "The European Atomic Energy Community". The plan of EUROTOM was the progression of powerful nuclear industry which will provide comprehensive energy. After considering these attempts; it can be mentioned briefly that a common energy policy began to design.

Today, the aims of energy policy of the EU are security of supply, primacy of market forces, sustainable development, and stimulation of research

On the other hand, the EU's policy-making process in the area of energy was affected by energy crises in 1973 and 1979. EU faced with some serious problems. To give specific problems; change in prices and lack of stability. Because the EU was depending on for a big production of its energy on foreign oil. In 1980s another factor began to impact the energy policy; the environment. As a result, the usage of renewable energy technologies such as wind energy and biomass began to be considered.

In conjunction with the aim of Single Market, the idea of Trans European Networks (TEN) is emerged

Today, the aims of energy policy of the EU are security of supply, primacy of market forces, sustainable development, and stimulation of research. The Intelligent Energy Europe Programme is the tool of the EU in order to reach the aims of energy policy.

Another important discussion in the area of energy is the internal market. Electricity and natural gas are given primary importance. In that process; competition policy is a vital instrument but the Commission's annual report on competition policy has stated that the present situation in the electricity and gas industries is not compatible with the achievement of an internal market and consumers are losing out on prices and choice because of the action of monopoly producers or distributors.

In conjunction with the aim of Single Market, the idea of Trans European Networks (TEN) is emerged. The process of completing the internal energy market is accompanied by the creation of Trans-European Networks The construction of these networks is also important for the creation of employment within the region. It also has an impact on relations with third countries, the countries of eastern Europe and Norway.[1]

The Relation Between Energy and Foreign Policy of the EU

USA and the EU are the most important consumers of the world in the area of energy, but the EU imports a large amount of oil and gas from third countries. The European Communities' overall import dependency has risen from 43 % in 1986 to over 50% in 1992. By 2020, the energy imports from third countries can reach 75% of consumption.[2] Because of this situation energy can impact external relations. The increase in the need of natural gas makes Russia the key actor. 60% of Russia's oil exports go the EU, representing over 25% of total EU oil consumption. In addition, 50% of Russia's natural gas exports arrive in the EU, representing over 25% of total EU natural gas consumption.[3] Also, Russia is an important supplier of nuclear fuels to the EU. Because of these reasons; there is a considerable interest to build a strategically partnership. "The Partnership and Cooperation Agreement", "EU-Russia Common Spaces" can be considered as specific examples of this purpose. On the contrary; large amounts of investment are necessary for safe and efficient production and transport of energy, as well as in energy efficiency both in the EU and Russia. Finally; an "Energy Dialogue" was established but the required investment will only happen if favorable framework conditions are put in place.[4]

The European Communities' overall import dependency has risen from 43 % in 1986 to over 50% in 1992. By 2020, the energy imports from third countries can reach 75% of consumption

The EU has also interest in Mediterranean, Middle East, Central Asia and Caucasus because of energy policy. The external relations programmes such as MEDA, TACIS or INOGATE are the main steps of this process. Because financial instruments became the most important tool in order to have an impact on these regions.

50% of Russia's natural gas exports arrive in the EU, representing over 25% of total EU natural gas consumption

Finally, it is important to point out the fact that energy is a topic which has national and supranational interests but this becomes a disadvantage for the realization of aims. Because most of the members of the EU prefers being the main actors in the process of decision making without considering the institutions of the EU.

[1] Abdurrahim AYDIN, "EU's Energy Policy and Turkey*", Marmara Journal of European Studies,* Volume 12*,* No*:*1-2*;* 2004.
[2] Eurostat, www.europa.eu.int/comm/eurostat/Public/datashop/printproduct//EN?catalogue=Eurostat&product=KS-DK-03-001-N-EN&mode.
[3] "*The EU Relations with Russia",* ec.europa.eu/comm/external_relations/russia/intro/index.htm.
[4] Ibid.

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The Best 10 Renewable Power Plants in Turkey

In Energy Commission of Chamber of Mechanical engineers in Ankara Branch, we meet every two weeks on Monday evening in our Ankara office in order to review current energy issues, and try to make appropriate programs/ panels/ technical excursions.

Earlier we had following conversation at the end of our regular agenda. In our country we are just pointing the negative issues. However, we need to point out the positive developments. We should be more proactive.

There are good developments. There are good power plants/organizations, running smoothly, generating power with high efficiency, at high availability rates. We need to review them and appreciate their performance and advise them to be good examples to continue.

In our draft 2007 technical excursion program, we decided to list them and invite our colleagues as well as students to visit these selected sites, review the operations, and write down reports. So we make that list and visited those 10 best thermal power plants one after another

Now we are planning to visit our selection of "The best 10 renewable Power Plants in Turkey". The close location to Ankara is our first criteria in our selection to enable us to organize daily technical tours to selected sites. Here is our list for the best 10 successful renewable power plants we planned to visit later this year,

Kovada-2 HEPP (Isparta - Egirdir) 51,2MW next to Kovada lake
Birkapili 48.5 MWe HEPP river type
BozcaAda 10.2MWe RES (+ vineyard tour in September)
Bandirma Bilgin Elektrik 30 MW RES
Denizli Kizildere 15 MWe Geothermal owned by EUAS
Alacati 7.2 MWe RES (+ windsurf)
Hirfanli HEPP 128 MW Kirsehir -Kaman
Pamuk HEPP- Mersin 24 MWe
Ayen Camlica-1 HEPP, Kayseri 84 MWe
CESME MARE MANASTIR 39.5 MWe RES

Plus we may also consider to visit the following RES/ HEPP plants

Kokluce HEPP (Tokat-Niksar) 90 MW on river Yesilirmak
Kesikkopru HEPP (Ankara - Bala)76 MW on river Kizilirmak
Kapulukaya HEPP (Kirikkale - Center)54 MW on river Kizilirmak
EGE Enerji- Aydin Geothermal 7MWe
Ankara - Nallihan 160 MWe Sariyar HEPP

Above list is tentative and it could be revised with your assistance in time.

We would like to visit our selection of the best 10 RENEWABLE power plants of Turkey later this year and further plan to write technical articles to explain these excellent thermal power plants in our month bulletin.

The primary energy sources for new capacity and energy efficiency measures need to be chosen using some kind of quantitative risk-assessment scheme that most likely will result in a diverse energy mix that includes nuclear.

Your comments are always welcome.

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Energy: Week in Review

Fevzi Saffet Bora,
USAK Energy Review

CHINA AND MYANMAR: NEW HYDROPOWER DEAL

Myanmar (Hydropower Implementation Department) and China (Farsighted Investment Group and Gold Water Resources) have agreed on building a hydropower dam on the Salween River, which almost has no dams on its running path in the region. The deal is the fourth hydropower contract of Myanmar with China this year. Salween's ecosystem is said to be effected and Myanmar's military junta is said to bring forward the dams as a cause to deport ethnic minority peoples from their homes. Hydropower plant is expected to have a capacity of 2,500 megawatts.

NABUCCO Pipeline talks: BOTAS-GDF

BOTAS has paused talks with Gaz de France (GDF) regarding the proposed acquisition of GDF of a share in NABUCCO gas pipeline project (French efforts to name Turkish policies regarding the ethnic Armenians during World War I as genocide). Turkish Ministry of Foreign Affairs says that the decision is not final.

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The NABUCCO consortium is looking for a sixth partner in the 4.5-billion-euro project, which is expected to become operational in 2012. The other 4 partners have approved GDF's participation, but BOTAS opposed it because of the genocide allegations.

"GAS OPEC" AND RUSSIA

Russian Energy Minister Khristenko said that the gas exporting countries will not establish the "gas OPEC" at the meeting in Qatar next week. Gas producers are going to meet in Doha on Monday at the Gas Exporting Countries Forum to work on the idea of forming a group to control global gas prices.

Gas producers are going to meet in Doha on Monday at the Gas Exporting Countries Forum to work on the idea of forming a group to control global gas prices.

The already functioning of Forum is expected to be made more effective" and cooperation will be reinforced between the 15 members including gas producers Algeria, Qatar, Iran, Russia, and Venezuela.

OPEC formed in 1960 has 12 members and supplies 39% of world oil. It acts to control prices of crude oil by manipulating member's production. Oil markets around the world are liberal but natural gas is sold via long-term contracts with a determined price. They are contracted for period of 20 to 25 years.

INDIA'S NEW NUCLEAR PLANT

State owned Nuclear Power Corp. of India Ltd. will build a 10,000 megawatt nuclear power plant in the State of Maharashtra using pressurized reactors of Germany, Finland and France. Pressurized reactors are third generation nuclear reactors that have higher safety standards and control radioactivity dispersion during problems. The plant will have six units to cost 8.5 billion Euros.

Equity and debt financing will both be used with also loans from multilateral financing organizations. India has 4,000 megawatts of nuclear and it doesnot have nuclear fuel resources. India did not sign the Nuclear Nonproliferation Treaty so it cannot be make use of the Nuclear Suppliers Group which has 45 national members. US civilian help has made this project come through. The target for Indıa is to build 30,000 megawatts in the next two decades.

PIPELINES IN THE BALKANS

By PEOP, five South-European countries will construct a 1,300-kilometer-long pan-European oil pipeline (Europe controled). This pipeline starts from Constanza/Romania goes to Trieste in Italy. The pipeline will pass through Serbia, Croatia and Slovenia. Project cost will be $2.5 billion

The Burgas-Alexandroupolis pipeline (MOU, 15 March 2007) and the Constanta-Trieste pipeline (PEOP, 3 April 2007, MOU) will bring oil to Europe. By PEOP, five South-European countries will construct a 1,300-kilometer-long pan-European oil pipeline (Europe controled). This pipeline starts from Constanza/Romania goes to Trieste in Italy. The pipeline will pass through Serbia, Croatia and Slovenia. Project cost will be $2.5 billion. It will be completed by 2012. It will move 100 million tons of crude oil from Kazakhstan and Azerbaijan to Western Europe. Russian controlled oil pipeline networks will be bypassed.

Burgas-Alexandroupolis (Trans-Balkan, Russian controlled) Project of 300 kilometers will cost 1 billion euros. It will carry 30 to 50 million tons a year. Caspian Pipeline Consortium (CPC) delivery of Caspian crude to Novorossiisk is a must in both of these projects.
The BTC full-operational capacity is 50 million tons of oil per year. It depends on the Kashagan oil field of Kazahstan which awaits development. Ceyhan will turn into an oil terminal. The construction of a refinery will cost $4 billion. Ceyhan will pump 1 million barrels of crude oil into tankers everyday. Samsun-Ceyhan pipeline is planned to carry crude from the Black Sea to Ceyhan.

Europe is diversifying its energy sources by these projects. EU receives half of its crude oil and natural gas deliveries from Russia and this will reach 70 percent by 2030. EU consumes 700 million tons of oil annually, and 70 percent of it is imported. A quarter of its imported oil is provided by Russia, while the rest largely comes from Saudi Arabia, Libya, Iran and Algiers. Presently, crude extraction in Azerbaijan is at 26 million tons a year and Kazakhstan annually produces 63 million tons of oil.

ÇALIK TAKES OVER KAYSERİ GAS NETWORK

Çalık Enerji will buy HSV Kayseri natural gas distribution company (90 percent of the shares). Çalık bought Bursagaz of Bursa in 2004. Ten percent of the company still belongs by law to the Municipality of Kayseri

Çalık Enerji will buy HSV Kayseri natural gas distribution company (90 percent of the shares). Çalık bought Bursagaz of Bursa in 2004. Ten percent of the company still belongs by law to the Municipality of Kayseri. The agreement was approved by the Energy Market Regulatory Authority (EPDK) and Competition Board (RK). Ahmet Çalık became chairman of the Kayseri and former Bursagaz Vice-CEO Ahmet Hakan became general manager.

BORÇKA HEPP WILL BE IN OPERATION

Borçka Dam and Hydroelectric Power Plant constructed on the Çoruh River Basin Project to control floods and generate electricity will be officially opened on April 8 2007. Installed capacity will be 300 megawatt (MW) annual electricity generation will be 1 billion 39 million kWh. The dam was taken over by the state's Electricity Generation Co. Inc. (EÜAŞ) on Feb. 28 2007 Çoruh River is Turkey's fastest-flowing river.

E.ON AND UTILITY CONSOLIDATION

E.On AG will play an active role in the utility consolidation in Europe. EON withdrew from bidding for Spain's Endesa SA. German utility agreed to withdraw its bid for Spain's biggest power utility in exchange for the potential acquisition of a portfolio of Endesa assets across Europe, and Enel's Spanish unit, Viesgo.

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Israeli Pipeline: Ashelon-Eilat-The Second Breath

Rovshan Ibrahimov,

Editor, USAK Energy Review

One of the main reasons for this increase is the desire of states to ensure safe transit routes for transporting of hydrocarbons.

Nowadays, Israel demand is about 300,000 barrels of oil a day. Until the mid-1990s, oil has been imported from Egypt. Now up to 80% of Israel's oil comes from Russia.

There are many new oil and gas pipelines which are built or planned to construct in the past few years on the territory of Eurasia. Such a number of projects make us to talk about the inflation in transit corridors. Without a doubt one of the main reasons for this increase is the desire of states to ensure safe transit routes for transporting of hydrocarbons.

Israel is also no exception and also searches for additional corridors in importing oil for its own market. Encircled by the potential enemies Israel, as any other country, needs to ensure its national security, including in the field of energy.

Ironically, situated in a region where the huge portion of oil world production realized, Israel has not substantial deposits and mostly dependent on imports. The possibilities of purchasing oil from the neighboring Arab states are equal to zero, and therefore, Israel is compelled to buy oil from suppliers that are outside of the region.

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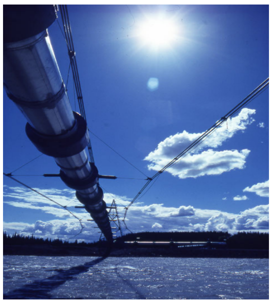

In the 1960s, during the ascent of Arab nationalism in the region, Israel has to find a partner in the face of Iran which also carious about the growing wave of Pan-Arabism. For this reason, Israel as a country aspiring to a stable flow of oil, and Iran, as a state which is desire to export own oil to the European market, have agreed to construct a pipeline Ashelon-Eilat. This pipeline was to have been held throughout Israel and connect terminals at the Mediterranean Sea and the Red Sea. This pipeline was planned as an alternative to transport via the Suez Canal, which by that time had been nationalized by Egypt.

Both Israeli cities are in strategic locations and the convenient for the transportation of oil to bypass Canal. However, the military luck Israel against Egypt and the change of the political regime in Iran in the late 1970s failed to realize of this project.

Today, the project received a second breath. The Israeli government is again reviving the project. Not a doubt in the first place was done in order to guarantee the supply of Russian oil to their markets. But dependence on Russian oil is also not welcomed condition to Israel, and this state is looking for additional routes. That alternative emerged after realization of Baku-Tbilisi-Ceyhan pipeline.

The Azerbaijani oil has come to the coast of the Mediterranean Sea and from here with tankers has been transported to Israel. Israel has far-reaching plans not only for the import of Russian and Caspian oil, but also for the transit of oil through their territory to Ashelon-Eilat pipeline from the Mediterranean to the Red Sea. It would have been possible to make further oil exports to the Far East and South Asia. Thus, the pipeline will be able to be active again, but this time in the opposite direction.

It is noteworthy that in the case of active operation of the pipeline in the region the alternative regional oil will be involved and thus may change balance of forces in the region. In revitalizing the pipeline for oil from the Caspian region and Russia will come through Israel to the Far East.

Russian oil came to the region in the early 20th century. The English businessman owner of Shell Company Marcus Samuel has transported Baku oil with tankers from Batumi port through the Bosporus and Suez canals to the markets of the Far East.

Russian oil came to the region in the early 20th century. The English businessman owner of Shell Company Marcus Samuel has transported Baku oil with tankers from Batumi port through the Bosporus and Suez canals to the markets of the Far East.

Today, transportation of oil with the same route is much more problematic because of the limited traffic through the same these water gates and environmental issues. However, the realization of the Baku-Tbilisi-Ceyhan and Ashelon-Eilat pipelines creating new opportunities to reach Asian energy markets, which are growing rapidly.

Completion of Ashelon-Eilat project is viable, given that it does not require expensive. Azerbaijan and Turkey have already shown interest in this project, so there are many look forward to the time when tankers from the Red Sea will remove the non-Arab oil to India and China.

Rovshan Ibrahimov, Editor, USAK Energy Review

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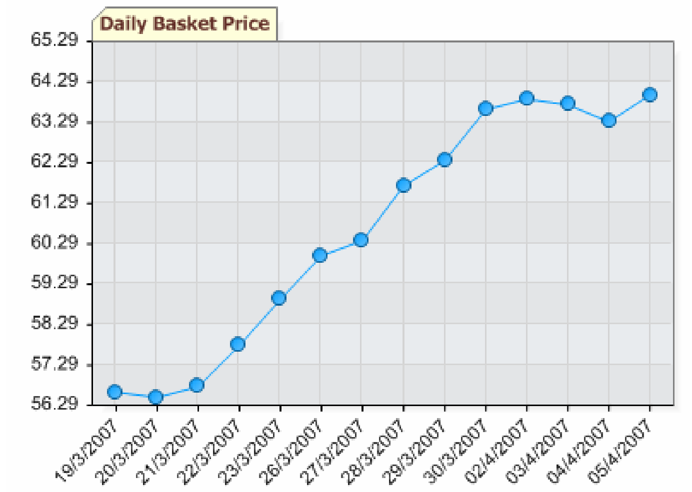
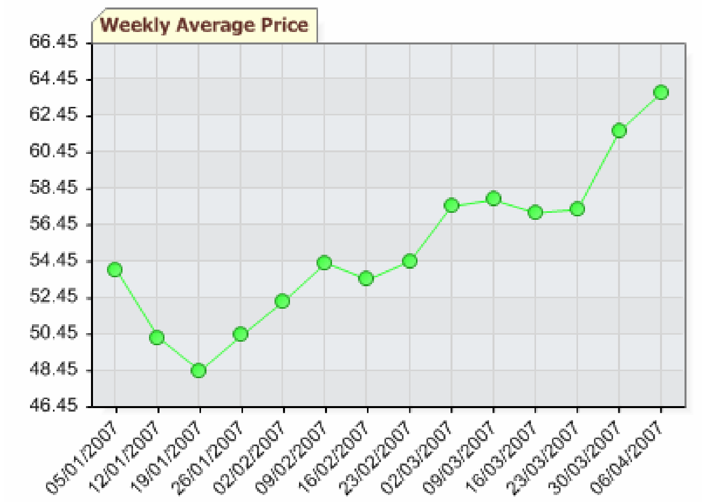
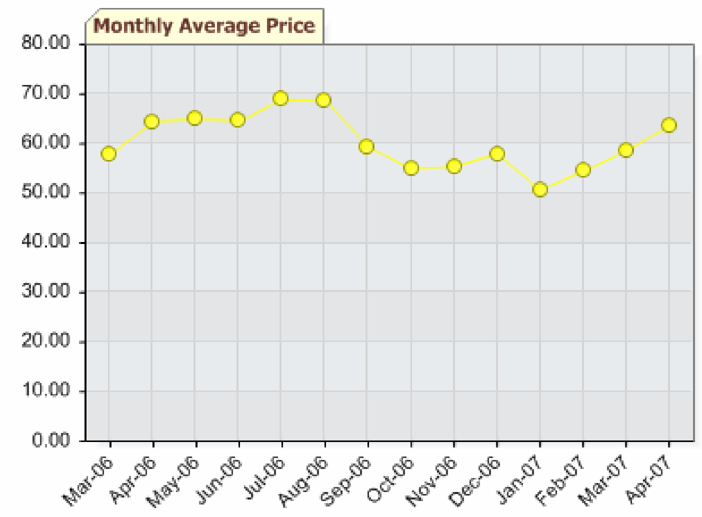
Indicators

OPEC's Basket Price







Indicators

Indicative Exchange Rates Announced at 15:30 on 06/04/2007 by the Central Bank of Turkey

CURRENCY		***EXCHANGE RATES***		***EXC.RATES ON BANKNOTES***	
		Buying	*Selling*	*Buying*	*Selling*
USD/TRY	1 US Dollar	1.3592	1.3658	1.3582	1.3678
EUR/TRY	1 EURO	1.8238	1.8326	1.8225	1.8353
GBP/TRY	1 British Pound	2.6774	2.6914	2.6755	2.6954

Turkish Refinery Output Price

Product Name	YTL/TON	YTL/M3	Special Concise Tax	Dividend	Exclusive of VAT	VAT	VAT included price	Validity Date
Unleaded Petrol 95 OCTANE			**YTL/M3**	**YTL/M3**	**YTL/M3**	**YTL/M3**	**YTL/M3**	
İzmit	948,30	720,71	1.362,50	1,32	2.084,53	375,22	2.459,75	30/03/2007
İzmir	948,30	720,71	1.362,50	1,32	2.084,53	375,22	2.459,75	30/03/2007
Kırıkkale	952,48	723,88	1.362,50	1,32	2.087,70	375,79	2.463,49	30/03/2007
Batman	981,70	746,09	1.362,50	1,32	2.109,91	379,78	2.489,69	30/03/2007
Jet Fuel			**YTL/M3**	**YTL/M3**	**YTL/M3**	**YTL/M3**	**YTL/M3**	
İzmit	937,22	749,78	0,00	1,29	751,07	135,19	886,26	04/04/2007
İzmir	937,22	749,78	0,00	1,29	751,07	135,19	886,26	04/04/2007
Kırıkkale	949,73	759,78	0,00	1,29	761,07	136,99	898,06	04/04/2007
Kerosene			**YTL/M3**	**YTL/M3**	**YTL/M3**	**YTL/M3**	**YTL/M3**	
İzmit	937,22	749,78	760,50	1,29	1.511,57	272,08	1.783,65	04/04/2007
İzmir	937,22	749,78	760,50	1,29	1.511,57	272,08	1.783,65	04/04/2007
Kırıkkale	958,06	766,45	760,50	1,29	1.528,24	275,08	1.803,32	04/04/2007
Batman	965,01	772,01	760,50	1,29	1.533,80	276,08	1.809,88	04/04/2007
Diesel 7000			**YTL/M3**	**YTL/M3**	**YTL/M3**	**YTL/M3**	**YTL/M3**	
İzmit	852,19	720,10	834,50	1,27	1.555,87	280,06	1.835,93	31/03/2007
İzmir	852,19	720,10	834,50	1,27	1.555,87	280,06	1.835,93	31/03/2007
Kırıkkale	893,96	755,40	834,50	1,27	1.591,17	286,41	1.877,58	31/03/2007
Batman	893,96	755,40	834,50	1,27	1.591,17	286,41	1.877,58	31/03/2007
Diesel 50			**YTL/M3**	**YTL/M3**	**YTL/M3**	**YTL/M3**	**YTL/M3**	
İzmit	876,60	740,73	927,00	1,27	1.669,00	300,42	1.969,42	31/03/2007
İzmir	876,60	740,73	927,00	1,27	1.669,00	300,42	1.969,42	31/03/2007
Kırıkkale	918,40	776,05	927,00	1,27	1.704,32	306,78	2.011,10	31/03/2007
Fuel Oil 4			**YTL/TON**	**YTL/TON**	**YTL/TON**	**YTL/TON**	**YTL/TON**	
İzmit	566,07		476,00	1,42	1.043,49	187,83	1.231,32	30/03/2007
İzmir	566,07		476,00	1,42	1.043,49	187,83	1.231,32	30/03/2007
Fuel Oil 6			**YTL/TON**	**YTL/TON**	**YTL/TON**	**YTL/TON**	**YTL/TON**	
İzmit	435,80		204,00	1,42	641,22	115,42	756,64	30/03/2007
İzmir	435,80		204,00	1,42	641,22	115,42	756,64	30/03/2007
Kırıkkale	442,76		204,00	1,42	648,18	116,67	764,85	30/03/2007
Batman	442,76		204,00	1,42	648,18	116,67	764,85	30/03/2007

Source : www.tupras.com.tr