

LNG TRADE

A SILVER LINING IN U.S.-TURKEY BILATERAL RELATIONS

GLORIA SHKURTI ÖZDEMİR

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ABSTRACT

This analysis argues that the increase in the LNG trade between Turkey and the U.S. is a win-win situation for both states.

For a couple of years now, the bilateral relations between Turkey and the United States have been problematic. Political and military disagreements between the two countries caused tensions that were on occasion further aggravated. However, despite these developments, their economic relations have been steady and an increase in free trade, especially LNG trade, is expected in the close future. This analysis argues that the increase in the LNG trade between Turkey and the U.S. is a win-win situation for both states. On the one hand, it provides a greater market and new destinations for the U.S., and on the other, it gives Turkey the necessary leverage to sign new contracts with lucrative terms and, most importantly, to become a natural gas hub. Once the two sides focus more on cooperation rather than the current problems, it may be possible to reach cooperation on the diverging issues such as FETÖ, the PKK/YPG, and the S-400s.

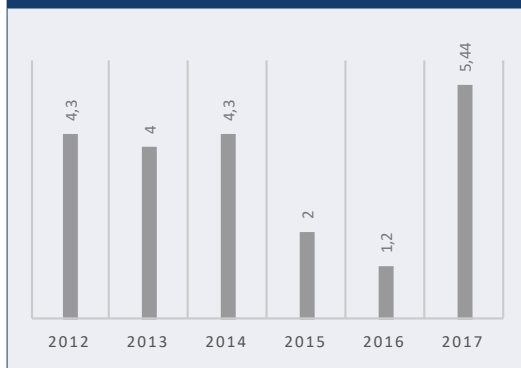
INTRODUCTION

Although Turkey and the United States have been allies for a long time, in the last years, the bilateral relations are at a new low. Mainly, the relationship has been characterized by ebbs and flows in terms of political and military disagreements. More specifically, FETÖ, the PKK/YPG, the Syrian war, the S-400 air defense system, and the F-35 Joint Strike Fighter program have been the points of contention in the Turkey-U.S. relationship leaving little space to bilateral cooperation. However, despite these negative developments, it is seen that a certain stability in economic relations is maintained and even new targets are set by the two governments.¹

Within this framework, Turkish President Recep Tayyip Erdoğan and U.S. President Donald Trump have set an ambitious target of \$100 billion in bilateral trade volume over the next decade and the energy trade is considered to play a crucial role in this regard. Over the years, Turkey has imported coal (Graph 1), petroleum

1. Jennifer Miel, “The Post-COVID-19 Economic Recovery: U.S.-Turkey Commercial Ties That Bind”, *Insight Turkey*, Vol. 22, No. 2 (2020); Luke Coffey, “Start Small and Think Big to Rebuild the U.S.-Turkey Relationship”, *Insight Turkey*, Vol. 22, No. 2 (2020).

GRAPH 1: TURKEY'S COAL IMPORTS FROM THE U.S. (2012-2017, MILLION TONS)



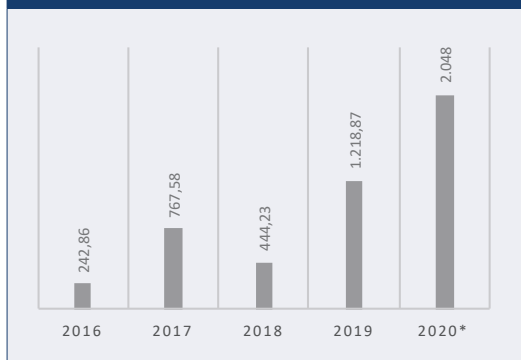
Source: Data compiled from information provided by the Turkish Coal Operations Authority (TKİ).

GRAPH 2: PETROLEUM PRODUCT IMPORTS FROM THE U.S. (2014-2019, TONS)



Source: Data compiled from information provided by Turkey's Energy Market and Regulatory Authority (EMRA). The graph includes imports of diesel types, fuel oil types, and LPG.

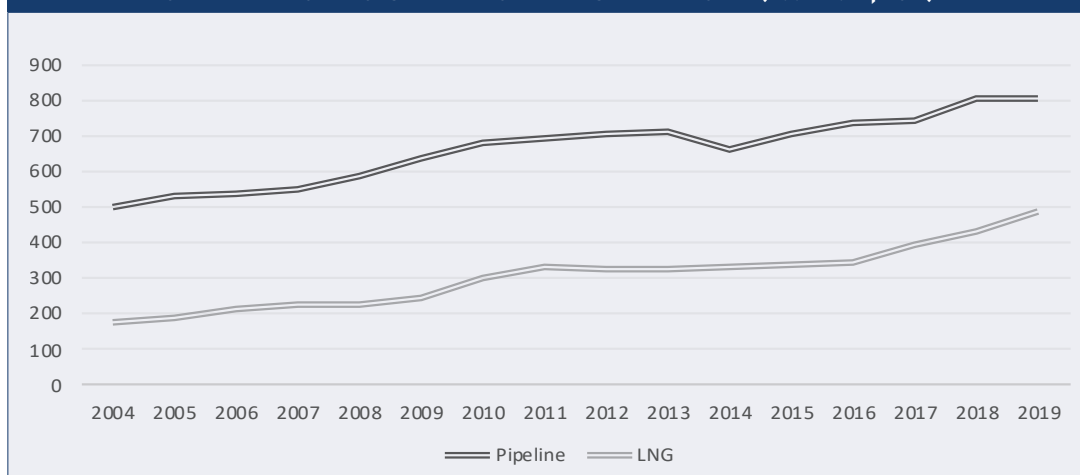
GRAPH 3: LNG IMPORTS FROM THE U.S. (2016-2019, MCM)



* Until May 2020

Source: Data compiled from information provided by EMRA.

GRAPH 4: NATURAL GAS TRADE MOVEMENTS IN THE WORLD (2004-2019, BCM)



Source: Data compiled from information provided by the BP Statistical Review of World Energy reports.

products (Graph 2), and liquified natural gas (LNG) (Graph 3) from the United States. While coal and petroleum products play an important role in terms of economic relations between both states, the increase of LNG imports from the U.S. has attracted the attention of experts and is considered as one of the main areas that can positively affect the current strained relations between the two. LNG trade, if it continues at the current pace, may contribute to achieving the set goal of \$100 billion in bilateral trade volume over the next decade.

While a few years ago the global gas trade was focused mainly on delivery via pipeline, the market is currently shifting toward LNG. According to the BP Statistical Review of World Energy reports, the LNG trade in 2019 increased by 12.7 percent when compared to 2018, 98 percent when compared to 2009, and 245 percent when compared to 2000.² (Graph 4) This trend is expected to continue in the future as BP in its Energy Outlook report forecasts that the LNG trade will double in 2040 by reaching 900 bcm.³

2. "BP Statistical Review of World Energy", British Petroleum, (2004-2020).

3. "BP Energy Outlook", British Petroleum, (2019), p. 99.

This will bring new opportunities in the global gas market where the three big producers, namely the U.S., Qatar, and Australia, will struggle for a greater share in the market. Concurrently, the abundance and the low prices will bring more opportunities for importer states, i.e. Turkey. Turkey, for some time now, has foreseen the future golden age of LNG and has reinforced its infrastructure in terms of storage and regasification capacity.⁴ According to Alparslan Bayraktar, Deputy Minister of the Republic of Turkey Ministry of Energy and Natural Resources, the transition that Turkey has undergone in its energy market and the new energy policies will transform Turkey from a powerful regional actor to a global one.⁵

Furthermore, Turkey is one of the most promising markets in terms of natural gas. In 2019, Turkey was the fifth-largest natural gas consumer in Europe, and the 17th in the world, with an increase of 1.1 percent on year-on-year (y-o-y) basis while a decline in consumption is visible in most European countries.⁶ Further-

4. Elif Binici Erşen, "Turkey to Leverage Strengthened LNG Infrastructure in Gas Trade", *Daily Sabah*, (March 22, 2019).

5. Alparslan Bayraktar, "Energy Transition in Turkey", *Turkish Policy Quarterly*, (2018).

6. "Global Statistical Yearbook 2019," Enerdata, (July 2020).

more, Turkey is a net natural gas importer. In 2019, Turkey imported 45.2 bcm natural gas via pipeline and received LNG shipments from 13 different countries.⁷ In terms of LNG, Turkey has become the second-largest market in Europe and the seventh one in the world.⁸ All this data clearly indicates that Turkey is getting closer to its goal of becoming a natural gas hub.

Seen from this perspective, the U.S. and Turkish LNG markets seem to be complementary to each other in the sense that the U.S. LNG abundance would serve the growing Turkish LNG market well. More specifically, while the U.S. is aiming to increase its LNG exports and is looking for new markets, especially after the COVID-19 pandemic, Turkey can take advantage of the low prices and increase its LNG imports from the U.S. which would allow it to diversify its supply sources bringing it closer to the possibility of becoming a natural gas hub.

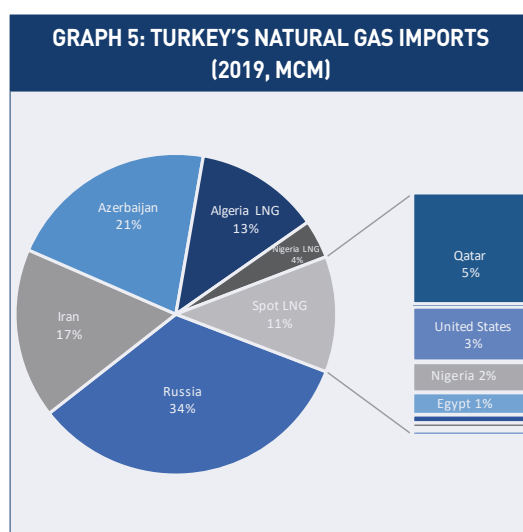
All things considered, it is undeniable that LNG trade will become an indispensable aspect of Turkey-U.S. relations. In light of this, after providing a short evaluation on how the LNG sector has undergone substantial changes in Turkey, this analysis will focus on the U.S.-Turkey LNG trade and how this can be used to improve the currently fragile relationship between the two states.

LNG IN THE TURKISH ENERGY SECTOR

Currently, Turkey is a net importer of natural gas considering that its production covers approximately only 1 percent of its natural gas consumption. However, Turkey is one of the most promising markets in terms of natural gas due to its

geostrategic position between the major natural gas suppliers, i.e. Russia, Azerbaijan, Qatar, and the Eastern Mediterranean, and one of the major natural gas consuming regions, i.e. Europe.

In 2019, Turkey's annual gas consumption amounted to 45.2 bcm, 99 percent of which is met through imports via pipeline (Russia, Iran, and Azerbaijan) and LNG, both long-term contracts and spot trade. (Graph 5)



Source: Data compiled from information provided by EMRA.

For many decades now, Turkey has been dependent on pipeline gas, mainly from Russia which has long provided more than half of the total natural gas imports. However, in the last four years, one of the most important developments has been the increase in the LNG imports while the share of the natural gas imports via pipeline has been in continuous decline. (Graph 6) A similar trend continues in 2020 when the LNG imports share is expected to increase over 35 percent.⁹

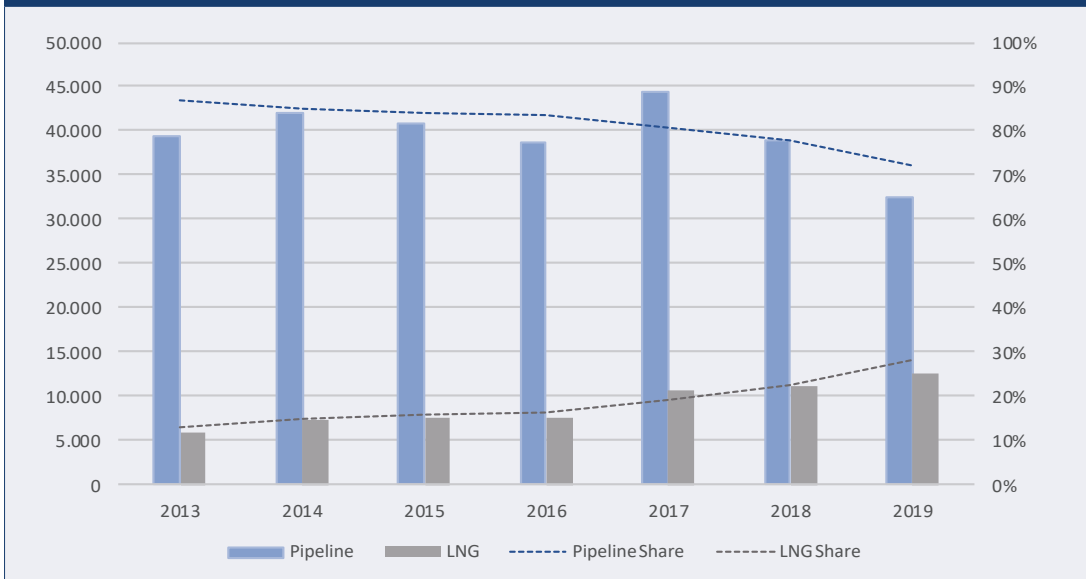
Based on the data provided by Turkey's Energy Market and Regulatory Authority (EMRA), the country's energy and regulatory watchdog,

7. "Turkish Natural Gas Market Report 2019", EMRA, (2020).

8. "Turkey Second-Largest LNG Market in Europe", *Daily Sabah*, October 17, 2019.

9. "Russian Share of Gas Imports Falls as Turkey Turns to Cheaper LNG", *Daily Sabah*, June 5, 2020.

GRAPH 6: TURKEY'S NATURAL GAS IMPORTS AND SHARES (2013-2019, MCM)



Source: Data compiled from information provided by EMRA.

for the first time in March 2020, Turkey's LNG imports outpaced the pipeline gas imports. More specifically, in March 2020, Turkey imported 3.9 bcm, of which 2 bcm was LNG and 1.9 bcm was imported via pipeline. The main imports came from Azerbaijan and Qatar. However, the changes in the imports from the U.S. and Russia deserve special attention. While the Russian imports decreased by 72.13 percent on a y-o-y basis (from 1,398.46 mcm to 389.70 mcm), the U.S. imports increased by 300.70 percent (from 92.27 mcm to 369.73 mcm). (Table 1) This change has directly impacted the ratio between the pipeline and LNG imports as mentioned above.

While in April 2020 the natural gas pipeline exports overtook the LNG imports, in May the LNG imports once again overtook the natural gas exports. When compared to May 2019, natural gas imports have decreased by 0.51 percent. Furthermore, while the pipeline imports have declined by 44.67 percent, the LNG imports have increased by 205.56 percent. Similarly, as seen in the last three months, the U.S. imports

have increased while the Russian imports have decreased by 62.01 percent.¹⁰ (Table 1)

In the early 2000s, Turkey's LNG import share was more than 30 percent. However, as long-term contracts with Russia, Iran, and Azerbaijan were signed, the share of the LNG imports started to fall drastically and reached 13.4 percent in 2013.¹¹ After 2013, the share started to increase steadily and although Turkey has imported approximately the same amount of natural gas in 2013 and 2019, the share of LNG imports was 13.4 percent and 28.3 percent respectively showing that the LNG imports are gaining importance in the Turkish energy market. (Graph 6)

The reasons behind these changes in the gas supply picture are manifold. First, the Turkish government for many years now has laid out the

10. The main reason for this decrease is related to the blown-up natural gas pipeline that used to carry approximately 10 bcm natural gas from Iran to Turkey annually. On March 31, 2020, the pipeline was blown up by a group linked to the Kurdistan Workers' Party (PKK).

11. Eser Özdil, "How Turkey Benefits from Global LNG Glut," Atlantic Council, May 7, 2020.

TABLE 1: SOURCES OF NATURAL GAS IMPORTS (JAN./MAY 2019 – JAN./MAY 2020, MCM)

Import States	January		February		March		April		May	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
United States	460.18	192.51	167.64	931.78	0.0	281.29	92.27	369.73	84.22	288.49
Azerbaijan	808.36	945.18	683.23	859.78	769.90	881.58	772.64	924.28	724.88	916.57
Algeria	698.20	12.02	380.84	540.42	339.29	281.96	722.44	539.61	362.93	352.08
Iran	824.18	704.15	684.60	767.25	543.13	0.0	832.86	557.81	640.80	0.0
Qatar	346.50	350.16	267.82	672.52	133.90	520.20	262.23	786.15	133.53	261.89
Nigeria	478.18	420.98	593.17	377.63	0.0	85.35	215.23	184.48	107.33	83.31
Russia	1,837.05	2,210.11	1,214.63	1,112.03	894.90	339.95	1,398.46	389.70	1,496.66	470.33
Egypt	186.37	0.0	188.68	0.0	0.0	0.0	0.0	92.29	0.0	0.0
Trinidad & Tobago	83.50	189.33	0.0	0.0	0.0	94.22	0.0	0.0	0.0	261.29
France	0.0	0.0	95.31	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cameroon	0.0	0.0	0.0	0.0	0.0	0.0	0.0	96.96	0.0	0.0
Equatorial Guinea	0.0	84.45	0.0	0.0	0.0	97.19	0.0	0.0	0.0	0.0
Spain	0.0	82.68	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Norway	87.61	0.0	0.0	0.0	0.0	85.66	0.0	0.0	0.0	0.0
Total	5,810.12	5,988.78	4,275.92	5,261.40	2,681.12	2,667.41	4,296.13	3,940.99	3,550.34	2,633.97

Source: Data compiled from information provided by EMRA.

ambition to become a regional gas hub, which would directly increase both national and regional energy security. Minister of Energy and Natural Resources Fatih Dönmez has stated that Turkey is ready to become an energy hub by arguing that Turkey is a safe harbor and a leading actor.¹² Within this framework, Turkey has undertaken several policies that have brought it closer to its goal. More specifically, Turkey has undertaken steps to liberalize the energy market, and at the same time, has created a regulatory framework with a transparent and competitive market structure in order to harmonize with the EU's regulations.¹³

12. "Investor's Guide for Natural Gas Sector in Turkey", Republic of Turkey Ministry of Energy and Natural Resources, October 2019.

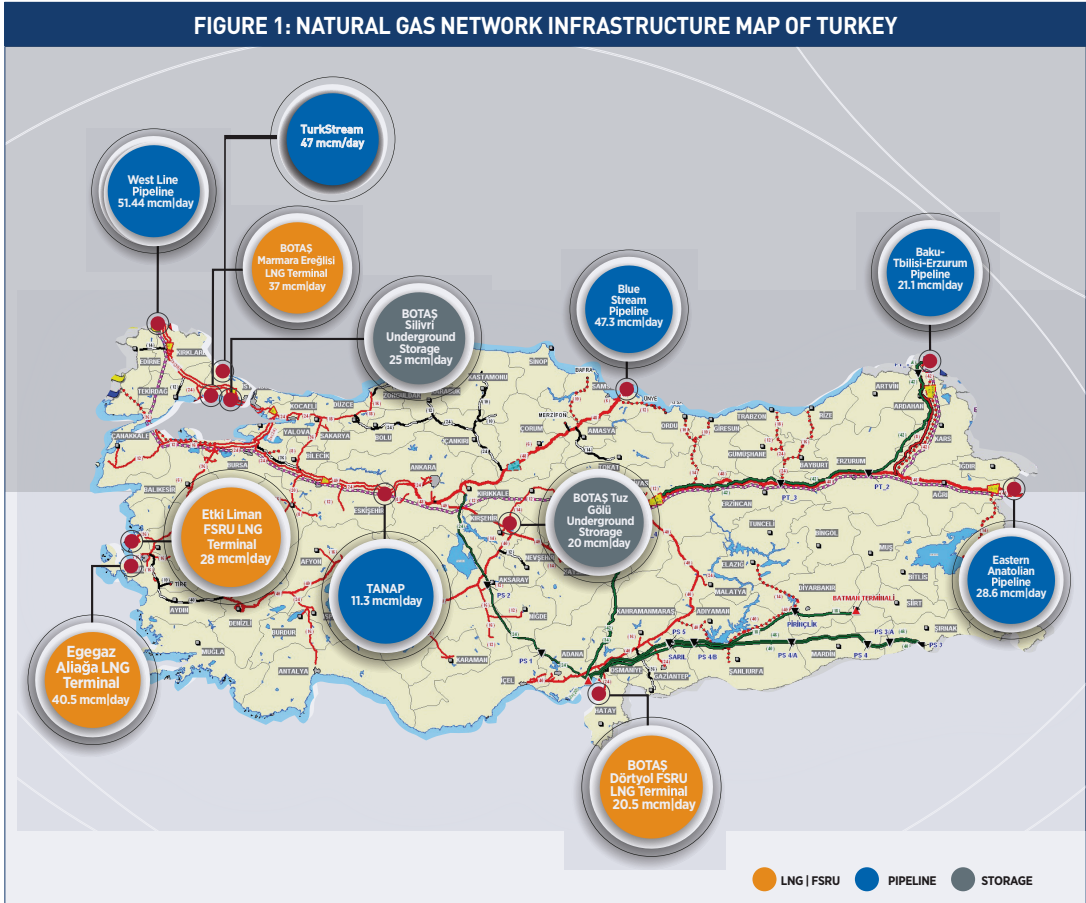
13. Ibid.; Olgu Okumuş, "Gas trade: Stand-Alone Win-Win for US-Turkey Relations", Al-Monitor, October 15, 2019.

Furthermore, Fatih Birol, the executive director of the International Energy Agency (IEA), has stated that considering its strategic position in terms of natural gas resources and consumer markets, Turkey should not remain just an energy transit country.¹⁴

In order to become a natural gas hub, one of the main preconditions is the reinforcement of LNG infrastructure. To this end, in the last years, Turkey has increased its storage and regasification capacity. As the storage has increased, the total entry capacity of natural gas has increased to 330 mcm/day while the target has been set at 400 mcm in the following years. Currently, in Turkey there are four LNG terminals, two

14. Binici Erşen, "Turkey to Leverage Strengthened LNG Infrastructure in Gas Trade".

FIGURE 1: NATURAL GAS NETWORK INFRASTRUCTURE MAP OF TURKEY



Source: Data compiled from information provided by the Investor's Guide for Natural Gas Sector in Turkey and BOTAŞ, (2019-2020).

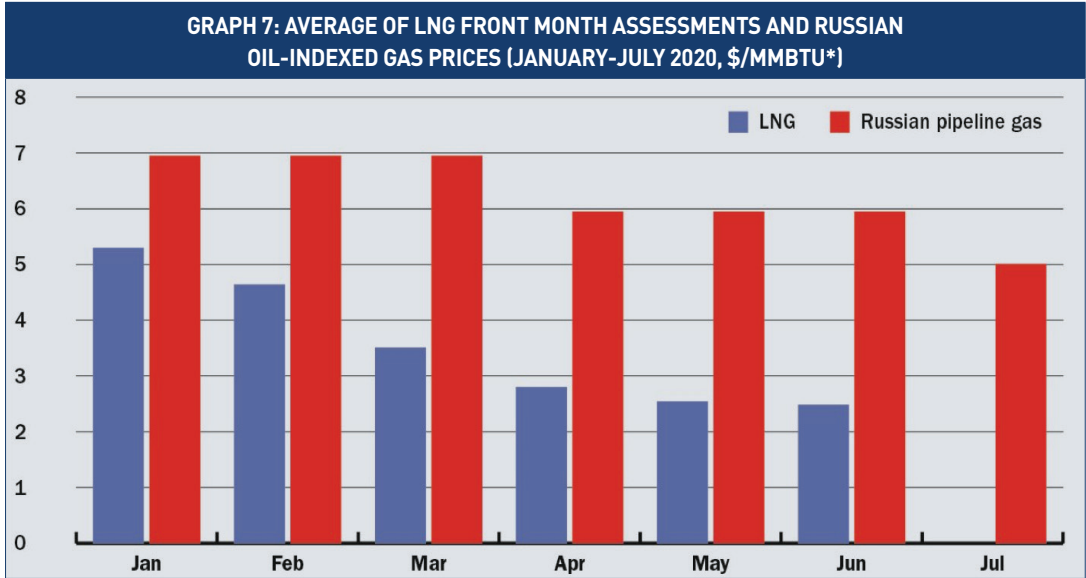
of which are floating storage and regasification units (FSRU). (Figure 1)

One of the oldest LNG terminals is the Marmara Ereğlisi which came into operation in 1994 by BOTAŞ and operates with a daily output capacity of 37 mcm/day. The second terminal is that of Egegaz located in the district of Aliağa which started to operate in 2006 with a daily output capacity of 40.5 mcm/day, the largest of all terminals. Given that in the last years Turkey has been trying to reinforce and expand its LNG capacity, two new FSRU have been built: Etki Liman and Hatay Dörtyol. Etki Liman came into operation at the end of 2016 and with a daily output capacity of 28 mcm/day it regasifies more than 12 percent of the annual natural gas

demand in Turkey. The last FSRU terminal, Hatay Dörtyol, was licensed in 2017 and has a daily output of 20.5 mcm/day. At the same time, this terminal has the largest storage capacity in the world with approximately 263,000 cubic meters.¹⁵ Another FSRU LNG terminal is expected to be built in the near future in the Saros Gulf in the Aegean.¹⁶ Besides the LNG terminals, the underground storage serves Turkey's goal of becoming a natural gas hub. Currently operating with two storage facilities in Lake Tuz and Silivri, Turkey is planning to increase its storage capacity to 11 bcm by 2023.

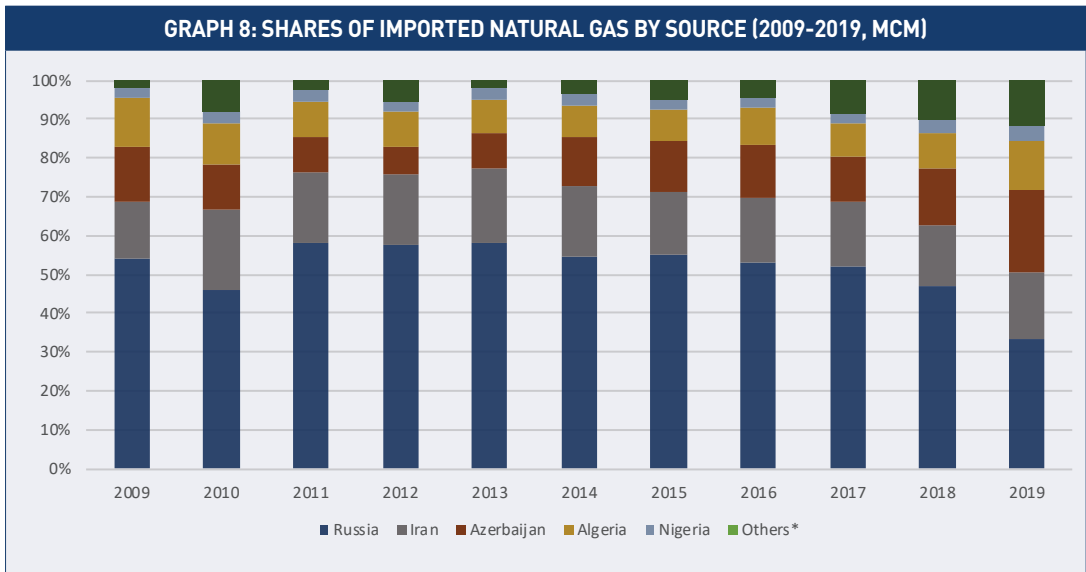
15. "Turkish Natural Gas Market Report 2019", EMRA.

16. "Bakan Albayrak: 2 yeni yüzer LNG depolama devreye girecek", TRT Haber, November 20, 2017.



* 1 MMBTU = 28.32 MCM

Source: Independent Commodity Intelligence Services (ICIS), 2020.



* Countries of imported spot LNG

Source: Data compiled from information provided by EMRA.

Another reason behind the increase of the LNG shares is related to the LNG prices. As Turkey expanded its storage and regasification capacity, this allowed it to profit from the current lucrative LNG prices, a result of the oversupplied LNG market and COVID-19. According to one of the latest studies by the Independent Com-

modity Intelligence Services (ICIS), LNG prices were half the prices of Russian pipeline gas in the first months of 2020. (Graph 7) In light of this, Turkey has tried to take advantage of the lower LNG prices and as a result it has increased the LNG imports while keeping the pipeline gas imports at a minimum.

Last but not least, in recent years, Turkey has been following a diversification strategy that would allow it to decrease its dependence on Russia. For many years, the Russian imported natural gas composed more than 50 percent of the total natural gas imports, leaving Turkey heavily dependent on Russia. This posed a direct threat to Turkish security and became even more visible after the downing of the Russian jet in late 2015. Considering this threat, starting from 2016, the share of the Russian imported natural gas has been in a continuing fall reaching a lower point of 33 percent in 2019. (Graph 8) A similar trend continues in 2020 as well. (Table 1)

All things considered, it can be said that the Turkish government by properly foreseeing the future golden age of LNG, has taken the necessary steps for Turkey to increase its energy security by decreasing its dependence on Russia and, at the same time, bring Turkey closer to its aim of becoming a natural gas hub. Within this framework, the increase of LNG imports from the United States deserves special attention. As mentioned previously, while the Russian and Iranian imports have been in a continuous fall, the LNG imports have increased considerably, opening a new but very important door of cooperation for two states that have been on the brink of conflict for the greater part of the last years.

U.S.-TURKEY RELATIONS: LNG TRADE BRINGS OPTIMISM BACK ON THE TABLE

For more than six decades Turkey and the U.S. have had a complicated relationship that has survived many crises. However, starting in

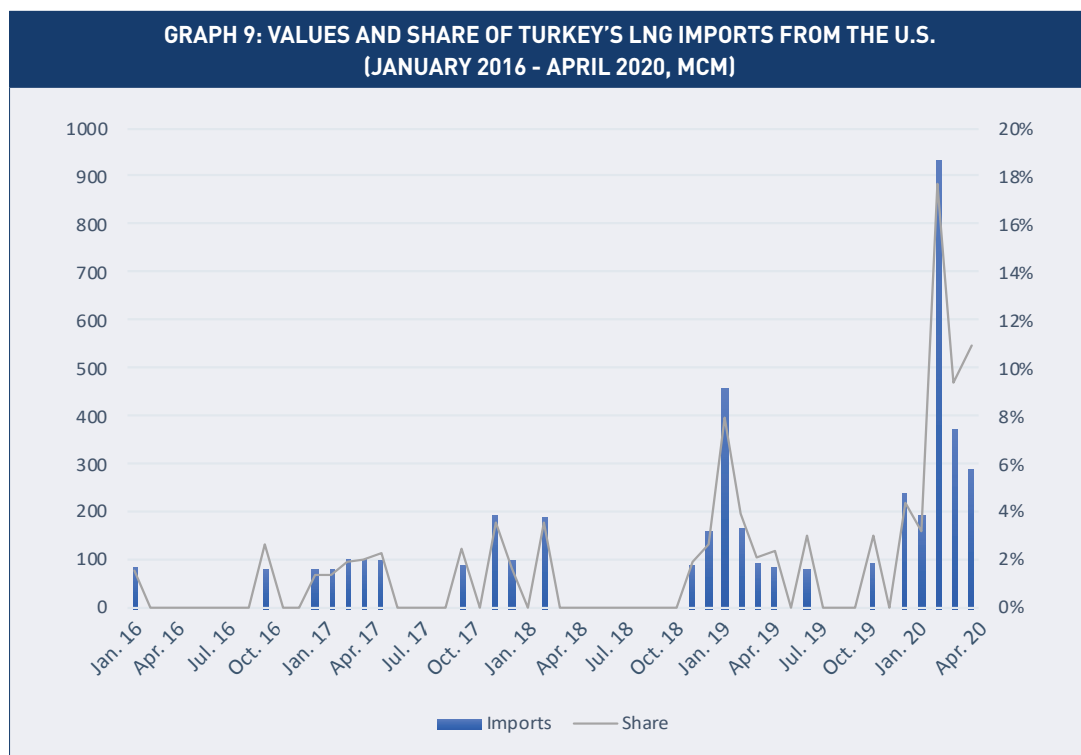
2013, the paths of both states began to diverge as the U.S. interventionist policies clash with the autonomous foreign policy that Turkey has recently been following.¹⁷ Diverging interests and strategic disagreements on issues such as FETÖ, the PKK/YPG, the Syrian war, the S-400 air defense system, and the F-35 Joint Strike Fighter program have negatively impacted this relationship.

However, despite the abovementioned divergences, new areas of cooperation have emerged for these two NATO allies, whose courses are highly intertwined, thus bringing some optimism back on the table. LNG trade is one such area. In the last months, especially after December 2019, Turkey's U.S. LNG imports have increased considerably. (Graph 9) This policy is a win-win situation for both states, providing them with more possibilities for cooperation.

From the U.S. perspective, the shale revolution for many years now is the main driving force of the U.S. energy policy. More specifically, due to the abundance of resources that resulted from the shale revolution, the U.S. has shifted from a policy that emphasized energy security as a result of the scarcity of resources to a policy that is focused mainly on the maximization of the benefits of energy abundance, or as it is called "energy dominance."¹⁸ The U.S. energy dominance is reflected in the White House's policy of promoting the rise of U.S. natural gas and oil exports. While promoting its exports, the U.S. sanctioned companies that are involved in the Nord Stream

17. Ali Balci, "A Three-level Analysis of Turkey's Crisis with the U.S.-Led Order", *Insight Turkey*, Vol. 21, No. 4 (2019); Kadir Üstün, "U.S.-Turkey Relations Endure Despite Crises", *Insight Turkey*, Vol. 22, No. 2, (2020).

18. "United States 2019 Review Executive Summary", IEA, (2019).



Source: Data compiled from information provided by EMRA.

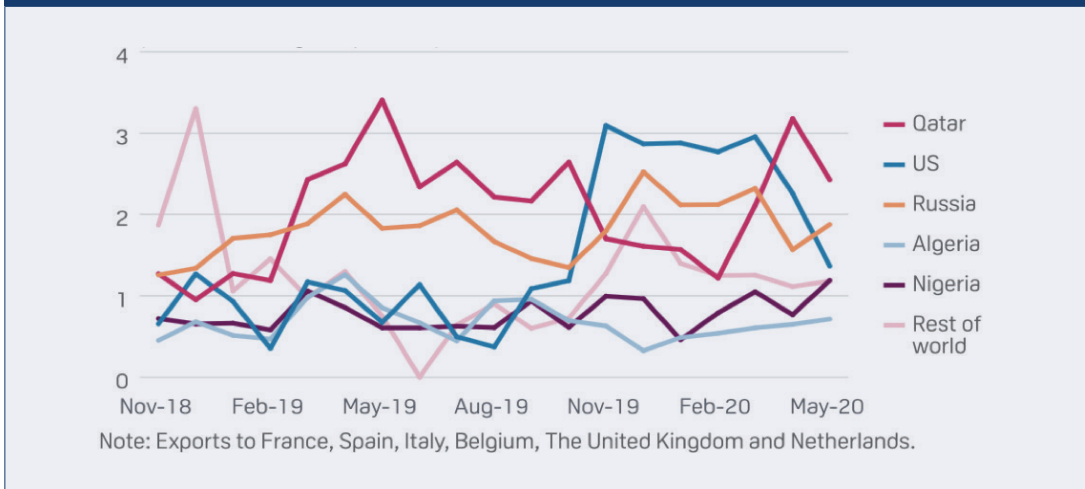
2 and TurkStream projects.¹⁹ While the U.S. argues that these projects pose a threat to European energy security, Russian gas in Europe

19. On December 20, 2019, President Trump signed the National Defense Authorization Act 2020 into law. The Act included sanctions against companies involved in building the pipelines which will transmit the Russian gas to Europe, namely Nord Stream 2 and TurkStream. This came as a result of continuous multiple legislative efforts launched by the U.S. Congress to impede Russia's energy projects in Europe. On July 15, 2020, the U.S. State Department revised its guidance concerning the applicability of pipeline sanctions contained in Section 232 of the Countering America's Adversaries Through Sanctions Act (CAATSA) explicitly to include the Nord Stream II pipeline project and the second line of TurkStream which connects Russia to Turkey through the Black Sea for onward transmission to Europe. The updated guidance eliminated the exemption for Nord Stream 2 and the second line of TurkStream. Investments or other activities related to these Russian energy export pipelines could potentially become subject to U.S. sanctions under CAATSA. Prior to July 15, 2020, guidance from the State Department published in October 2017 had limited the focus of Section 232 to contracts for Russian energy export pipeline projects that were signed on or after August 2, 2017 (the date CAATSA took effect). Contracts that were signed prior to August 2, 2017, which included certain contracts and agreements for Nord Stream 2 and the second TurkStream line, had been exempted. See, Brian O'Toole and Daniel Fried, "US Opens Door to Nord Stream II Sanctions and Transatlantic Tensions", Atlantic Council, (July 15, 2020); "House and Senate Pass NDAA Bills That Include Expanded U.S. Sanctions on Nord Stream 2 Pipeline Construction and State Department Expands CAATSA Section 232 Guidance on Export Energy Pipelines", Pillsbury's Global Trade and Sanctions Blog, (August 12, 2020).

is one of the main hurdles for the U.S. which is interested in increasing its share in the European energy market. In his speech in Davos in January 2020, Trump stated, "We've been so successful that the United States no longer needs to import energy from hostile nations. With an abundance of American natural gas now available, our European allies no longer have to be vulnerable to unfriendly energy suppliers either. We urge our friends in Europe to use America's vast supply and achieve true energy security."²⁰ Such a statement is a clear indication of the U.S. energy policies. Furthermore, it is possible to argue that the unilateral U.S. sanctions on Iran and Venezuela also serve the U.S. energy domination policy, among other goals.

20. "Remarks by President Trump at the World Economic Forum | Davos, Switzerland", The White House, (January 21, 2020).

GRAPH 10: LNG EXPORTS TO EUROPE (NOVEMBER 2018 – MAY 2020, BCM)



Source: S&P Global Platts, (2020).

The United States has been eager to export its LNG to Europe and Asia. However, as the COVID-19 spread across the world, the U.S. LNG exporters lost ground in the European market. (Graph 10) Compared to April 2020, the LNG exports declined by 23.6 percent in May 2020. An even sharper decline is expected in the following months as many of the LNG cargoes from the U.S. have been canceled.²¹

As per the Asian markets, which are among the main LNG importers, it has not been possible for the U.S. to reach them. While this was expected to change with the Phase One Deal signed between the U.S. and China,²² the fact that the agreement has come to a halt - at least

for the time being - has put a hold on this possibility for the United States.

Finding itself in this situation, the U.S. has directed its attention to alternative markets, and Turkey has emerged as one of its best options. Unlike the European and Asian importers which decreased the trade with the U.S., Turkey has followed an opposite trend by increasing its trade. Based on the latest LNG monthly report published by the U.S. Department of Energy, Turkey became the second-largest U.S. LNG importer in Europe and Central Asia.²³ It is important to state that due to Turkey's strategic position, as the share of U.S. LNG in the Turkish market increases, the United States' chances of reaching the European and Asian markets also increase.

When seen from the Turkish perspective, the increase in the LNG trade between the U.S. and Turkey serves Turkey's aim of becoming an energy hub. By increasing its LNG inflow, Turkey will be able to export the natural gas in different directions. Europe is one of the main destinations for Turkish exports as it seeks greater energy security and less dependency on Russia.

21. Neil Hunter "Analysis: US LNG Exports to Europe Already Crumbling Ahead of Cancellations", S&P Global, (May 28, 2020).

22. On January 15, 2020, U.S. President Donald Trump and China's Vice Premier Liu He signed the "Phase One" trade deal between the U.S. and China. One of the main issues included in the deal is related to China's pledge to increase the imports of U.S. goods. Accordingly, China would buy an additional \$200 billion worth of goods during the 2020-2021 period relative to a 2017 baseline before the trade war started. While the deal itself is considered as a very important step undertaken by both states, China's pledge to buy a total of \$52.4 billion worth of energy goods (including LNG, crude oil, refined products, and coal) is considered as the centerpiece of the deal. See, Gloria Shkurti Özdemir, "Coronavirus Impact on the Phase One Deal: Where Does It Take the U.S.-China Energy Relations?", *SETA Perspective*, No: 60, (June 2020).

23. "LNG Monthly", U.S. Department of Energy, (July 2020).

Furthermore, even though the LNG trade between the U.S. and Turkey will fluctuate over time, it will serve Turkey as a leverage in the future natural gas contracts. As the deals with Nigeria and Algeria expire in 2021 and 2024 respectively, Turkey will be able to buy LNG at lower prices or even sign new contracts with more lucrative terms. This will create pressure on Russia's Gazprom as the estimated prices of the Russian natural gas are very high when compared to those of LNG.²⁴ (Graph 7)

CONCLUSION

As a result of diverging interests, Turkey and the United States are currently facing one of their deepest crises. However, the LNG trade between

the two countries is a silver lining in the bilateral relations. In the last months, the Turkish import of U.S. LNG has increased considerably. This analysis argues that the increase in the LNG trade between Turkey and the U.S. is a win-win situation for both states. On the one hand, it provides a new market and new destinations for the U.S., and on the other, it gives Turkey the necessary leverage to sign new contracts with lucrative terms and, most importantly, to become a natural gas hub.

The LNG trade between Turkey and the U.S. should serve as a reminder of the interdependence of the two states. Instead of focusing on diverging issues such as FETÖ, the Syrian war, the S-400s, the two NATO allies should start considering new areas of cooperation that would help bring them closer. Once the two sides focus more on cooperation, it will be possible to find common ground on some of the more contentious issues.

24. On March 30, 2020, an international arbitration court ruled that Russia's Gazprom prices were overstated compared to the market and that it had to pay the Polish state-run gas firm PGNiG approximately \$1.5 billion. While a similar path may not be followed by Turkey - at least in the close future - this may serve as leverage for Turkey to renegotiate the prices.

LNG TRADE

A SILVER LINING IN U.S.-TURKEY BILATERAL RELATIONS

GLORIA SHKURTI ÖZDEMİR

SETA | ANALYSIS

For a couple of years now, the bilateral relations between Turkey and the United States have been problematic. Political and military disagreements between the two countries caused tensions that were on occasion further aggravated. However, despite these developments, their economic relations have been steady and an increase in free trade, especially LNG trade, is expected in the close future. This analysis argues that the increase in the LNG trade between Turkey and the U.S. is a win-win situation for both states. On the one hand, it provides a greater market and new destinations for the U.S., and on the other, it gives Turkey the necessary leverage to sign new contracts with lucrative terms and, most importantly, to become a natural gas hub. Once the two sides focus more on cooperation rather than the current problems, it may be possible to reach cooperation on the diverging issues such as FETÖ, the PKK/YPG, and the S-400s.

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