

TURKSTREAM

THE U.S. OPPOSITION AND THE REASONS BEHIND IT

GLORIA SHKURTI ÖZDEMİR

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TurkStream



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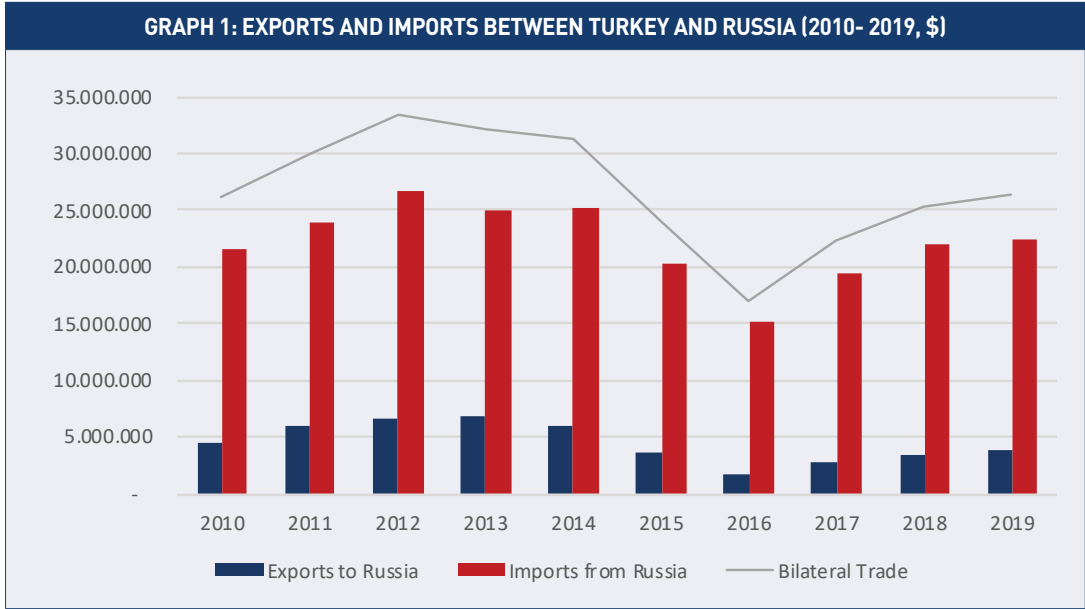
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ABSTRACT

This analysis focuses on the position of different U.S. actors regarding the Turkish-Russian energy relations and, specifically, on TurkStream which is one of the most important projects undertaken by the two states.

The TurkStream pipeline is one of the most important projects Turkey has undertaken in the energy sector in recent years and, at the same time, it is considered a fundamental step in terms of Turkish-Russian relations. However, the United States (U.S.) has criticized the project and in December 2019, Trump signed the 2020 National Defense Authorization Act (NDAA) which included sanctions against companies involved in building the Russian-sponsored natural gas pipelines to Europe, namely Nord Stream 2 and TurkStream.

This analysis focuses on the position of different U.S. actors regarding the Turkish-Russian energy relations and, specifically, on TurkStream which is one of the most important projects undertaken by the two states. After providing a brief summary of the energy cooperation between Turkey and Russia, the analysis provides a range of statements on TurkStream by Obama and Trump administration officials, and suggests the reasons behind the U.S. opposition to TurkStream are both economic and geopolitical. On the one hand, there is the European energy market that the U.S. is eager to dominate, and on the other, there is the power clash between the United States and Russia.



Source: Graph compiled with data from TÜİK, (2010-2019)

INTRODUCTION

Turkey and Russia have a centuries-old intertwined history marked by both conflict and cooperation.¹ Despite the fact that numerous contended issues have negatively impacted the bilateral relations throughout time, both states have been able to overcome tensions and continue to cooperate. Starting in 2016, the cooperation between the two states has reached a new peak.

Economic and military-strategic factors are the main reasons for Turkey and Russia's close bilateral ties. After Turkey shot down the Russian fighter jet alongside the Turkish-Syrian border for violating the Turkish airspace in November 2015, the bilateral trade was slightly impacted. However, we can say that in the last ten years, Russia has been one of Turkey's main importers. The bilateral trade between Turkey and Russia has been increasing steadily since 2016 and reached \$26.3 billion in 2019. (Graph 1) Furthermore, Turkish President Recep Tayyip

1. I would like to thank Büşra Zeynep Özdemir for her valuable insight during the process of writing this analysis.

Erdoğan and Russian President Vladimir Putin have often reiterated their intentions to increase the bilateral trade to \$100 billion.² Despite the difficulty in achieving such a goal, the statements of both leaders are a reflection of how they see Turkish-Russian relations and of their expectations.

Furthermore, foreign direct investment is an important chain in the Russian-Turkish relationship. In 2018, the volume of Russian foreign direct investment (FDI) in Turkey reached its peak with \$16 billion, ranking as the second country with the largest FDI in Turkey. However, in 2019, the Russian FDI reached a new low with \$5.5 billion. On the contrary, the volume of Turkish business investments in Russia reached \$575 million in 2018 and increased to \$771 million in 2019, a radical increase from \$233 million in 2017.³

2. "We Aim to Increase the Bilateral Trade Volume between Turkey and Russia to \$100 Billion", *Presidency of the Republic of Turkey Directorate of Communications*, (April 8, 2019).

3. "Uluslararası Yatırım Pozisyonu", *Türkiye Cumhuriyet Merkez Bankası*, (November 2019).

While the 2015 incident and other occurrences have impacted aspects of the Turkish-Russian relations, the energy sector was not affected as such. In fact, it has been one of the strongest points in terms of the bilateral relations and in many cases the energy projects have served to boost the relations between the two states. Regarding natural gas, Turkey and Russia have undertaken several projects, i.e. the Russian-Turkish Natural Gas Pipeline (West Line), the Blue Stream, and, lately, TurkStream, which is one of the most important projects for both states.⁴ At the same time, Turkey and Russia signed an agreement on building Turkey's first nuclear power plant, Akkuyu Nuclear, in 2010.

As mentioned earlier, the economy has been one of the driving elements of the Turkish-Russian relations. However, the latest geopolitical developments in the region have brought Turkey and Russia together on other fronts as well. The West, especially the U.S., has often failed to understand Turkey's main national security concerns, and as a result, in the last years, Turkey has pursued policies that are incongruent with their policies. While this is highly debated and criticized in the United States, many actors there fail to understand that Turkey's goal is not to move away from Western values. To put it simply, finding itself within a liberal order in crisis that fails not only to protect but even understand Turkey's main security concerns, the Erdoğan administration is pursuing an autonomous foreign policy that would allow it to take

4. The TurkStream pipeline will transfer natural gas from Anapa, Russia to Kiyikoy, Turkey. It passes through the Black Sea and has a capacity of 31.5 billion cubic meters of gas per year for both of its strings. The TurkStream project replaced the South Stream Project which was cancelled by Russia. In December 2014, a memorandum of understanding between Gazprom and Botaş was signed and later in 2016, both governments signed the official agreement. The pipeline in the Black Sea was finalized in late 2019, to be inaugurated in January 2020. See, "TurkStream," Gazprom.

independent steps to protect its national security and interests.

While following an opportunistic and demanding foreign policy,⁵ Turkey has found itself closer to Russia; a relationship that the West has been skeptical about and for which it has criticized Turkey. One of the most disputed issues was the Turkish purchase of the Russian S-400 air defense system. In addition, Turkey's efforts to solve the Syrian and Libyan crises alongside Russia have not been welcomed by the United States.

Many actors in the U.S., including politicians, scholars, and the media, have openly and loudly criticized Turkey for its close relations with Russia. They continue to contend that Turkey is moving away from the U.S.-led order at a time when Turkey has never questioned its place in NATO and has never discussed the possibility of exiting the Western order. An example of this stance can be found in the article written by the editorial board of *The New York Times* in 2017 where it stated, "Washington is concerned that Turkey is distancing itself from NATO, as evidenced by its pro-Russia tilt in the Syrian war and its bid to buy a Russian missile defense system that cannot be integrated with NATO's defenses... But Turkey has prospered as a NATO member. That means it is likely to be the big loser if it forsakes the West for, say, closer ties with Russia."⁶

Yet another common perspective in the U.S. regarding the Turkish-Russian relations is the view that Russia is using its relationship with Turkey to separate it from the U.S. and

5. Ali Balci, "A Three-Level Analysis of Turkey's Crisis with the U.S.-Led Order," *Insight Turkey* 21, no. 4 (2019): 22, <https://doi.org/10.25253/99.2019214.01>.

6. Editorial Board, "Some Urgent Questions about Turkey," *The New York Times*, (October 13, 2017).

NATO. For this reason, the economic incentives, especially the energy projects, and Putin's support for Erdoğan, particularly after the 2016 coup attempt, are seen as tools used by Russia to control and direct Turkey's foreign policy. On the other hand, Turkey's closeness to Russia is translated as a leverage that allegedly the current Turkish government uses to pressure NATO.⁷

This said, the current analysis aims to focus on the stance of U.S. actors regarding the Turkish-Russian energy relations and, specifically, TurkStream which is one of the most important projects undertaken by the two states. After providing a brief summary of the energy cooperation between Turkey and Russia, the analysis will provide a range of statements on TurkStream by Obama and Trump administration officials. In the conclusion, the ways in which TurkStream and the other Russian project, namely Nord Stream 2,⁸ conflict with U.S. interests will be presented.

TURKEY-RUSSIA ENERGY COOPERATION

In recent years, Turkey has undertaken ambitious energy policies that aim at making the country an energy hub. In this regard, in 2018, the Energy and Natural Resources Minister Fatih

7. See, for example, "Experts React: Turkey's Intervention, U.S. Diplomacy, and the Crisis in Syria", CSIS, (October 18, 2019); Stephen J. Flanagan and Irina A. Chindea, "Russia, NATO, and Black Sea Security Strategy", RAND Corporation, (2019).

8. The Nord Stream 2 pipeline will transfer natural gas directly from Ust-Luga, Russia to Greifswald, Germany via the Baltic Sea. It started to be discussed in 2012, but the official agreement was signed in April 2017. Nord Stream 2 will be 1,200 km long and will have the capacity of 55 billion cubic meters of gas per year for both of the strings. Due to the U.S. sanctions in December 2019, Nord Stream 2 is facing some problems regarding its completion; however, Russia has stated that the pipeline will be finalized at the end of 2020. See, "Nord Stream 2", Gazprom; "Russia Will Finish Nord Stream 2 without Foreign Assistance, Gazprom CEO Vows", TASS Russian News Agency, (January 12, 2020).

Dönmez stated that "Turkey aims to become an energy center, where buyers and sellers meet and where prices are determined."⁹ Such a position would not only positively impact the Turkish economy, but would also strengthen Turkey's position in the international arena.¹⁰ The energy projects undertaken by Turkey and Russia, i.e. Blue Stream, TurkStream, and Akkuyu, play a crucial role in this regard.

Based on the latest Gazprom data, in 2018, Turkey was Russia's second natural gas export market, after Germany.¹¹ At the same time, Russia was Turkey's main source of natural gas. In 2019, 33.61 percent of Turkey's natural gas was imported from Russia via pipelines. (Table 1)

TABLE 1: THE EXPORTED NATURAL GAS FROM RUSSIA (2008-2019, MCM)

Year	Amount	Percentage	Total Amount
2008	23,159	62.01%	37,350
2009	19,473	54.31%	35,856
2010	17,576	46.21%	38,036
2011	25,406	57.91%	43,874
2012	26,491	57.69%	45,922
2013	26,212	57.90%	45,269
2014	26,975	54.76%	49,262
2015	26,783	55.31%	48,427
2016	24,540	52.94%	46,352
2017	28,690	51.93%	55,250
2018	23,642	46.95%	50,361
2019	15,196	33.61%	45,211

Source: Table compiled with data from EMRA, (2008-2019)

9. "Turkey Takes Major Steps toward Becoming Energy Trading Hub", *Daily Sabah*, (November 24, 2018).

10. Camilla Wuensch, "Turkish Stream: Ankara Trying to Balance East and West", Center for Strategic and International Studies (CSIS), (July 10, 2015).

11. "Delivery Statistics", Gazprom, (2018), retrieved February 13, 2020 from <http://www.gazpromexport.ru/en/statistics/>.

THE U.S. STANCE ON TURKSTREAM

The collaboration between Turkey and Russia on energy trade has in many cases been condemned and attacked by the U.S. While Russia is the main target of these criticisms, Turkey is affected as well. In December 2019, Trump signed the 2020 National Defense Authorization Act (NDAA) which included sanctions against vessels 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 Congress to impede Russia's energy projects in Europe. The "Protecting Europe's Energy Security Act of 2019" sanction legislation, which was included in the 2020 NDAA, was first introduced to the U.S. Senate by Senator Ted Cruz in May 2019.¹² Section 7503 of the 2020 NDAA clearly specified that this bill aimed at imposing sanctions to

- A. vessels that engaged in pipe-laying at depths of 100 feet or more below sea level for the construction of the Nord Stream 2 pipeline project, the TurkStream pipeline project, or any project that is a successor to either such project
- B. foreign persons that the Secretary of State, in consultation with the Secretary of the Treasury, determines have knowingly—sold, leased, or provided those vessels for the construction of such a project; or facilitated deceptive or structured transactions to provide those vessels for the construction of such a project.¹³

On the basis of the NDAA the following sanctions would be mandatory: foreign persons

or corporate officers and principal shareholders of any company owning a vessel as identified above would be denied visas and prohibited from entering the United States. Additionally, the assets of the identified foreign persons that are subject to U.S. jurisdiction would be frozen.¹⁴

Furthermore, on July 15, 2020, the U.S. Department of State revised Section 232 of the Countering America's Adversaries Through Sanctions Act (CAATSA) which focuses on the applicability of pipeline sanctions. Previously, CAATSA contained an explicit exemption for pipeline projects that were signed before CAATSA became law on August 2, 2017; as a result, Nord Stream 2 and TurkStream were exempted. However, on the basis of the new revised guidance, Nord Stream 2 and the second line of TurkStream fall within the scope of sanctions. In the updated guidance it was stated,

The Department of State is updating the public guidance for Section 232 on July 15, 2020, to expand the focus of implementation of Section 232 to address certain growing threats to U.S. national security and foreign policy interests related to Russian energy export pipelines, particularly with respect to Nord Stream 2 and the second line of TurkStream. Russia uses its energy export pipelines to create national and regional dependencies on Russian energy supplies and leverages these dependencies to expand its political, economic, and military influence and undermine U.S. national security and foreign policy interests.¹⁵

In accordance with CAATSA revisions, the sanctions will be imposed on a person who on or after August 2, 2017 makes an investment which enhances the ability of Russia to construct energy export pipelines. Similarly, the sanctions will be

12. Ted Cruz et al., "Protecting Europe's Energy Security Act of 2019", Pub. L. No. S. 1441, §3 (2019).

13. "National Defense Authorization Act for Fiscal Year 2020", Pub. L. No. S. 1790, §7503 (2019).

14. *Ibid.*

15. "CAATSA/CRIEEA Section 232 Public Guidance", U.S. Department of State, (Access date: September 1, 2020), <https://www.state.gov/caatsa-crieea-section-232-public-guidance/>.

imposed on a person who sells, leases, or provides goods or services that facilitate the expansion, construction, or modernization of energy export pipelines by the Russian Federation. The investment threshold specified in Section 232 is \$1 million for any individual transaction or \$5 million total in a twelve-month period, which is relatively low. Furthermore, an important aspect of the above-mentioned revisions is related to the fact that these sanctions are discretionary, and any sanction will be decided by the Secretary of State, in consultation with the Secretary of the Treasury, and at the same time will be coordinated with U.S. allies.

Nord Stream 2 and TurkStream - the first line of which is intended to supply the domestic market of Turkey, while the second line targets the Southern and Southeastern European market and will extend from Turkey and pass through Bulgaria- are \$11 billion and \$6 billion projects respectively. Furthermore, they have been Russia's top priorities in terms of energy policies, especially after the Russian annexation of the Crimean Peninsula in 2014. Both of the pipelines would allow Russia to transport natural gas to Europe by bypassing Ukraine. Furthermore, as the abundance of the liquified natural gas (LNG) in the world is increasing, Europe seems to be open to increasing its LNG imports as this would help in the diversification of its energy sources. For this reason, Russia is forced to pursue alternative routes to reach Europe, and Nord Stream 2 and TurkStream are a case in point.

However, neither of these projects has been welcomed by Washington, including both the Obama and Trump administrations. Needless to say, the reasons behind this hostility are both geopolitical and economic. As it is stated in the NDAA, the U.S. argues that Russia uses the pipelines as a tool of coercion, and sees both Nord Stream 2 and TurkStream as threats to European security since they will make Europe even more dependent on

Russia.¹⁶ In 2014, during a speech in Istanbul on European energy security, then U.S. Vice President Joe Biden praised Turkey as a regional energy hub and called against Russia's policies and the use of energy policy as a weapon. He stated,

But here in Europe, energy is - energy security is an especially vital regional security interest because of Russia's track record in using the supply of energy as a foreign policy weapon against its neighbors in violation of basic commercial and international norms.¹⁷

The Trump administration follows a similar train of thought. During a meeting with Ukrainian Prime Minister Volodymyr Groysman in November 2018, then U.S. Energy Secretary Rick Perry affirmed that the Trump administration would do everything to oppose both Nord Stream 2 and TurkStream as "the citizens of Ukraine and Europe should not become hostages to the supply of energy from one source."¹⁸ Similarly, Perry reasserted the same statement one year later during his remarks at the 2nd Partnership for Transatlantic Energy Cooperation meeting when he reiterated the fact that he and President Trump opposed both Nord Stream 2 and the multi-lined TurkStream. Warning on the threat that these two pipelines represent, Perry declared,

Nord Stream 2 is designed to drive a single-source gas artery deeply into Europe... and a stake through European stability and security. It would increase Russia's leverage over Europe's foreign policy... and Europe's vulnerability to a

16. Currently, Europe imports 40 percent of its natural gas from Russia. Similarly, Europe is dependent on Russia in terms of crude oil and solid fossil fuels as Russia continues to be its main supplier. According to the U.S., Nord Stream and to some extent TurkStream would increase this dependency even more. See, "Shedding Light on Energy in the EU", European Commission, (2019).

17. Joe Biden, "Remarks by Vice President Joe Biden on European Energy Security to the Atlantic Council Energy and Economic Summit", The White House, (November 22, 2014).

18. "US Committed to Opposing Nord Stream 2, TurkStream", Kyiv Post, (November 12, 2018).

supply disruption. Along with a TurkStream pipeline... it would enable Moscow to end gas transit through Ukraine by the close of the decade.¹⁹

One of the main critics of TurkStream from the Obama administration has been then U.S. State Department Special Envoy and Coordinator for International Energy Affairs Amos Hochstein. He was the first official to comment on TurkStream and on many different occasions Hochstein openly opposed and criticized the project. Hochstein's first statement came just four months after Putin announced the project and he asserted that there was no difference between South Stream and TurkStream outside of "the name and a slight deviation of the route."²⁰ As a result, the objective of TurkStream would be to tighten Europe's dependence on Russian gas and this would give Russia a political leverage on Europe. Emphasizing the fact that TurkStream was a political project he stated,

What South Stream was going to do was take the same Russian gas from the same field that currently supplies Europe to the same European customers through a different route... When it became evident that South Stream could not work, Turkish Stream was announced. But Turkish Stream essentially is the same project, financed by one country, pursued and announced not by a CEO of a company, but by a president of a country. This is not an economic project. This is a political project.... Ultimately it is a Turkish decision, not an American decision. I think we share similar goals. We have to make sure that we believe in the same tactics about what the procedures are going to be. This is a high stakes game to some degree and we have to make sure that we are on the same page.²¹

Considering the above, it can be argued that, at that time, being on the same page with the U.S. for Turkey would have meant rejecting the TurkStream project since it would have put the U.S. economic and political interests at stake. Furthermore, the U.S. has been pushing for other projects,²² including here the Trans-Anatolian Natural Gas Pipeline (TANAP), the Trans Adriatic Pipeline (TAP), and the Trans-Caspian Gas Pipeline (TCGP). For Turkey to support these projects would mean to support the U.S. interests and, in this manner, to be on the same page.

It can be said that the LNG export policy is the only example of policy continuity from the Obama to the Trump administration.

Hochstein made another statement regarding TurkStream a couple of months later during his visit in Athens. Claiming that TurkStream does not exist, Hochstein tried to discourage Greece from joining the project and reminded them to focus on the pipeline that they had already agreed upon, namely the TAP project.²³

The U.S. skepticism towards TurkStream was brought up by another official of the Obama administration, Assistant Secretary of Energy Jonathan Elkind. Elkind was responsible for the East-West corridor and had stated that the U.S. was happy for the cancelation of South Stream but that now it was concerned about the TurkStream project.²⁴

Later, on September 8, 2016, both Hochstein and Elkind witnessed during the House Hearing of the 114th Congress on the "Eastern

19. Rick Perry, "Secretary of Energy Rick Perry's Keynote Address at the 2nd P-TEC Meeting", U.S. Embassy in Lithuania, (October 7, 2019).

20. "Europe Needs Eastern Gas Links to Curb Russian Dominance: US", *Hürriyet Daily News*, (March 20, 2015).

21. "US Wants to See Turkey 'On the Same Page' on Russian Gas", *Hürriyet Daily News*, (March 23, 2015).

22. Alan Makovsky, "Turkey's Growing Energy Ties with Moscow", Center for American Progress, (May 6, 2015), p. 14.

23. "US Discourages Greece from Turkish Stream". *EURACTIV*, (May 13, 2015).

24. Wuensch, "Turkish Stream", p. 2; Makovsky, "Turkey's Growing Energy Ties with Moscow", p. 19.

Mediterranean Energy: Challenges and Opportunities for U.S. Regional Priorities.” During his statement, Hochstein argued that the “Eastern Mediterranean can play a role in freeing Central and Southeast Europe from their overwhelming dependence on Russian gas.”²⁵ In this regard he seemed optimistic that Turkey could “transform from a country with a heavy reliance on Russian energy to a critical hub connecting Europe, Asia, and the Middle East. This is an exciting opportunity to enhance prosperity, economic security, stability, and political security.”²⁶ When asked about Turk Stream, Hochstein contented that through this pipeline Russia is trying to keep its natural gas monopoly in Europe and that the geopolitical projects undertaken by Russia pose a direct threat to Europe’s national security.²⁷

Furthermore, the U.S. opposition to TurkStream was reemphasized by Deputy Assistant Secretary in the Department of State’s Bureau of Energy Resources John McCarrick even after Trump came to power in 2017.²⁸ Such comments were followed later by the statements of Assistant Secretary of State for European and Eurasian Affairs A. Wess Mitchell. During his remarks at Carnegie Europe in 2018, Mitchell argued that TurkStream will have a direct impact not only on Europe but the West in general by putting it at a disadvantage.

Building pipelines like Nord Stream 2 and TurkStream that increase Europe’s dependency on gas from Russian energy monopolies: that puts the West at a disadvantage. And failing to address structural trade imbalances

and predatory trading practices—that too is something that will weaken the West in the years ahead.²⁹

By the same token, in another remark at the Bucharest University in Romania, Mitchell argued that the U.S. was against the “multi-line TurkStream pipeline that would give Russia the means to continue its virtual monopoly on gas imports to South Eastern Europe” and instead they were supporting the intra-European pipelines like the Interconnector Greece-Bulgaria,³⁰ and the Bulgaria-Romania-Hungary-Austria³¹ pipeline.³² Lastly, in another speech for the Atlantic Council, Mitchell harshly criticized the Central European states for being the United States’ close allies while also maintaining close relations and supporting Russian projects. “It is not acceptable for U.S. allies in central Europe to support projects like TurkStream 2 [the second line of TurkStream] and maintain cozy energy deals that make the region more vulnerable to the very Russia that these states joined NATO to protect themselves against,” he stated.³³

U.S. Secretary of State Mike Pompeo is also among the voices who have opposed the TurkStream project. During his visit to Hungary in February 2019, he urged Romania not to support TurkStream as that would negatively impact

25. “House Hearing: Eastern Mediterranean Energy: Challenges and Opportunities for US Regional Priorities”, U.S. Government Information, (September 6, 2016).

26. Ibid.

27. Ibid.

28. “American Official Says US against TurkStream”, *Daily Sabah*, (November 29, 2017).

29. A. Wess Mitchell, “Remarks at Carnegie Europe”, U.S. Department of State, (June 2018).

30. The Interconnector Greece-Bulgaria is linked to the Southern Gas Corridor. It aims to tap gas from Azerbaijan via TANAP and will also carry gas from Greece’s liquefied natural gas (LNG) terminal.

31. The Bulgaria-Romania-Hungary-Austria (BRUA) pipeline could fill the interconnection gap between Romania and Central Europe. Aside from its possible connection to the White Stream pipeline from the second leg of the proposed Trans-Caspian Gas Pipeline (TCGP), the BRUA pipeline could make Romanian gas exports to Southeastern Europe possible via the TAP pipeline, in addition to the western route. See, Mariana Liakopoulou, “Beyond the Southern Gas Corridor: A Regional Infrastructure Perspective”, NAOC, (February 13, 2019).

32. Mitchell, “Remarks at Bucharest University”.

33. David A. Wemer, “State Department Official Sounds Warning on Russian, Chinese Influence in Central and Eastern Europe”, Atlantic Council, (October 19, 2018).

Ukraine³⁴ and increase Russia's control in Europe.³⁵ One of the last officials that commented on TurkStream is U.S. Under Secretary of State for Political Affairs David Hale. Just a couple of days after the TurkStream inauguration ceremony, in an interview for the Bulgarian National Radio, Hale stated that the United States opposed the second line of the TurkStream Gas Pipeline that is planned to transport natural gas from Russia to Southeast Europe via Bulgaria "because our country views it as geostrategic project of Russia... Moscow uses its energy sources as a political tool to exert influence and divide Europe. Nord Stream 2 and the second pipe of TurkStream are a problem, because they do not ensure energy diversification for Europe."³⁶

A similar declaration came from Pompeo on July 15, 2020, when he stated that the U.S. Department of State is updating public guidance for the Countering America's Adversaries Through Sanctions Act (CAATSA) authorities to include both Nord Stream 2 and the second line of TurkStream. Calling both projects as Russia's key tools to exploit and expand, Pompeo warned that "this action puts investment and other activities related to these Russian energy export pipelines at risk of US sanctions... It is a clear warning to companies aiding and abetting Russia's malign influence projects and

[they] will not be tolerated... Get out now and or risk consequences."³⁷

As it can be seen from the above statements, there has been a continuity from the Obama administration to the Trump administration regarding their criticism of the energy cooperation between Turkey and Russia especially in terms of the TurkStream project.

However, despite the fact that both Nord Stream 2 and TurkStream are two important energy projects undertaken by Russia, the Trump administration - especially Trump himself - has been louder in condemning Nord Stream 2 compared to TurkStream. In order to provide a better understanding of the situation, the next section focuses on the reasons why the U.S. has been against TurkStream. Furthermore, the issue of why the Trump administration has criticized Nord Stream 2 more than TurkStream will be addressed.

TURKSTREAM: A THREAT TO U.S. INTERESTS?

TurkStream, alongside Nord Stream 2, is considered by the U.S. as a geopolitical project undertaken by Russia, a "guided weapon masquerading as a commercial project."³⁸ What the U.S. means by geopolitical project is the fact that through these projects Russia is aiming to bypass Western-backed Ukraine and, at the same time, increase its influence in the European backyard.³⁹ This would mean that TurkStream and Nord Stream 2 go against the West's interests, but especially those of the U.S. To put it simply, an energy dominance in

34. More than two thirds of the Russian gas exports to Europe pass through Ukraine. This has given Ukraine the possibility to import gas from Russia with lower prices than the market price. Furthermore, by using its status as a transition territory Ukraine has collected transition fees from Russia. The transition fees contributed to the Ukrainian economy, accounting for between 1.4 and 3.9 percent of the country's total GDP and between 8 to 10 percent of the country's budget. As TurkStream starts to operate, the amount of natural gas transported through Ukraine will decrease and this will impact Ukraine's economy negatively. See, Anna Mikulska and Eryk Kosinski, "What's Next for Natural Gas in Ukraine?", Baker Institute for Public Policy, (2020).

35. Sandrine Amirel, "Pompeo Kicks Off Central Europe Tour amid Concerns over Russia, China Engagement", *EuroNews*, (February 11, 2019).

36. "David Hale: USA Is against Second Line of Turk Stream via Bulgaria", *Radio Bulgaria*, (January 10, 2020).

37. "Secretary Michael R. Pompeo at a Press Availability", U.S. Department of State, (June 15, 2020).

38. Brian Whitmore, "Trouble in the Pipeline", Power Vertical Podcast at CEPA, (June 15, 2018).

39. Dimitar Bechev, "Russia's Pipe Dreams Are Europe's Nightmare", *Foreign Policy*, (March 12, 2019).

the region would translate into strategic economic advantage and geopolitical influence. In light of this it can be said that the U.S. position towards Nord Stream 2 and TurkStream, two projects that help Russia maintain its dominance in Europe, can be explained on the basis of two main factors: economy and geopolitics.

For a better analysis, it is important that we understand the general picture in terms of the U.S.-Russian natural gas competition, and the role of Europe and Turkey in this equation. It is expected that by 2030, Russia, the U.S., and Qatar will be the three main players⁴⁰ in terms of LNG exports. Without doubt, this will create a great impact on the global gas market. In a more competitive market, these three players will race against each other for potential natural gas consumers, and, for the moment, the European Union remains one of the main markets. Currently, the EU states are dependent on Russia in terms of natural gas which is transported mainly through pipelines. Meanwhile, in the last years, the LNG consumption by the EU states has constantly increased. Based on the latest European Commission report, the EU's LNG imports have constantly increased in the last years and in the first quarter of 2020 the LNG imports reached 25.1 bcm, the highest quarterly amount in the last five years. While for many years Qatar has been the main LNG supplier, this changed in the last months. In the first quarter of 2020, the U.S. was the biggest LNG supplier to the EU with a share of 30 percent. Russia became the second biggest LNG supplier with a share of 22 percent in the first quarter of 2020, and Qatar came in third place with its market share falling to 15 percent - the lowest in the last five years.⁴¹

40. Nikos Tsafos, "The Era of the Gas Mega-Players", Center for Strategic and International Studies (CSIS), (September 2019).

41. "Quarterly Report on European Gas Markets Market: Observatory for Energy", (Belgium: European Commission, 2020).

The "prevention of any country or group of countries from dominating an energy market, a fuel, or a region..." is a foreign policy that is common across all U.S. administrations.⁴² When looking back at U.S. history, many events can be explained by this doctrine such as Kennedy's attempts to halt the construction of the Russian Druzhba oil pipeline in the 1960s,⁴³ the Carter Doctrine,⁴⁴ and Regan's efforts to impede the building of the Russian Bratsvo pipeline.⁴⁵ It is exactly this perspective that we need to focus on when analyzing the current U.S.-Russian competition on energy in terms of Nord Stream 2 and TurkStream. The Trump administration is following similar steps to the Kennedy and Reagan administrations in order to impede and oppose the Russian energy projects. Yet, unlike the previous administrations, the current one not only opposes these projects but also aims to dominate the European market. For this reason, Trump has proposed bringing what he calls "freedom gas," the American LNG, to Europe.

Starting with the Obama administration, the U.S. has been pursuing policies that would make it the leading actor in the LNG market. Indeed, it can be said that the LNG export policy is the only example of policy continuity from the Obama to the Trump administration. As a result of these policies, since 2016, the U.S. LNG exports started to increase with great speed. According to the Energy Information Agency (EIA), an arm of the U.S. Department of Energy, as per 2019, from fifth place that it occupied in 2016, the U.S. became the world's third biggest LNG

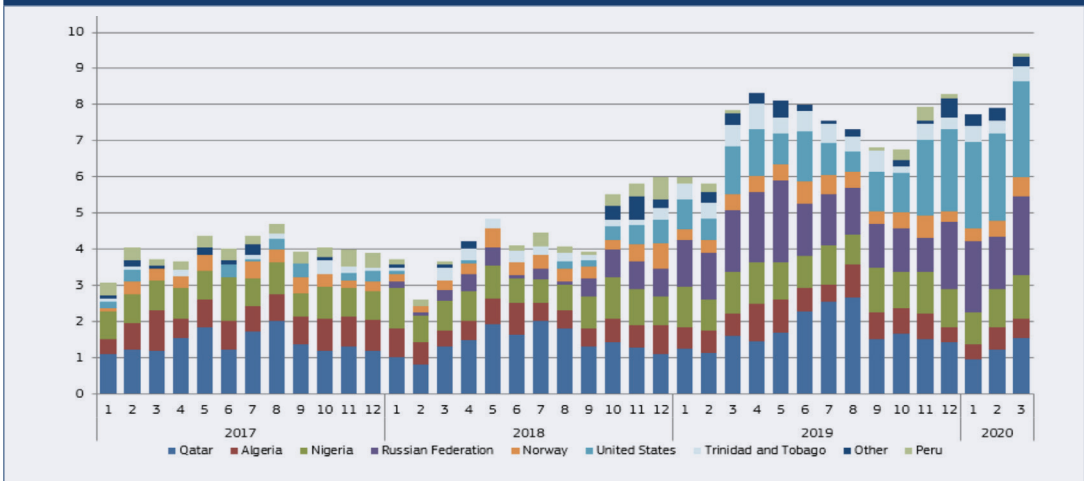
42. Sarah Ladislav and Nikos Tsafos, "Energy Spheres of Influence", Center for Strategic and International Studies (CSIS), (September 2019), p. 4.

43. Druzhba oil pipeline, known also as the Friendship Pipeline, is the longest oil pipeline in the world and transports oil from Russia to Europe.

44. The Carter Doctrine was declared in 1980 by President Jimmy Carter. According to this doctrine the United States would use military force, if necessary, to defend its national interests in the Persian Gulf.

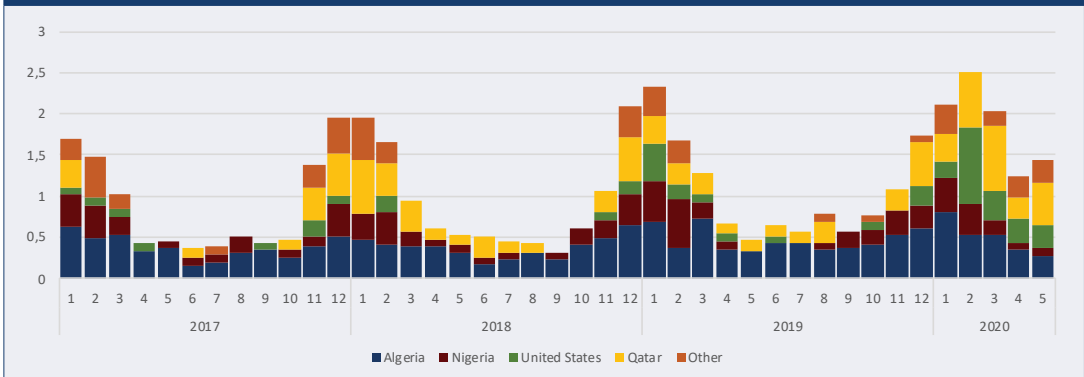
45. The Bratsvo pipeline, which was built in 1983, is one of the main Russian natural gas pipelines which transmits gas from Russia to Europe.

GRAPH 2: LNG IMPORTS TO THE EU BY SUPPLIER (JANUARY 2017 – MARCH 2020, BCM)



Source: European Commission Quarterly Report, (2020)

GRAPH 3: LNG IMPORTS TO TURKEY BY SUPPLIER (JANUARY 2017 – MARCH 2020, BCM)



Source: Graph compiled with data from EMRA, (2017-2020)

exporter country after Qatar and Australia. The U.S. left behind both Russia and Malaysia. Furthermore, the EIA has projected that the U.S. will be the world’s largest LNG exporter by 2025, surpassing both Qatar and Australia.⁴⁶

In the last years, the U.S. has increased its exports to the EU on a year by year basis and is planning to continue doing so in the future. (Graph 2) At the same time, Turkey has been importing LNG from the U.S. since 2016. While in 2018 Turkey imported 444.23 mcm from

the U.S., this amount increased to 1.2 bcm in 2019, and 2 bcm in just the first five months of 2020.⁴⁷ (Graph 3) Furthermore, based on the data released by the U.S. Department of Energy, until April 2020, Turkey ranked fourth among European states and tenth in the world in terms of imports of U.S. LNG.⁴⁸

The drive to dominate the natural gas market has brought the U.S. LNG and Russian pipelines head to head in EU markets and has pushed Russia to pursue a more active policy in expand-

46. “U.S. LNG Exports to Europe Increase amid Declining Demand and Spot LNG Prices in Asia”, US Energy Information Administration, (July 29, 2019).

47. “Doğal Gaz,” T.C. Enerji Piyasası Düzünleme Kurumu (EMRA), accessed August 13, 2020.

48. “LNG Monthly”, U.S. Department of Energy, (June 2020), p. 2.

ing its market share in LNG.⁴⁹ As seen in Graph 2, the Russian LNG exports to the EU, which started in 2018, left behind the U.S. exports which had in fact started earlier. At this point both the role of the EU and Turkey is very important. On the one hand, there is Turkey which aims to increase its energy hub position and places a great importance on building TurkStream. On the other hand, there is Europe, especially the EU states that currently serve as a shock absorber for the global energy market, and Nord Stream 2 that serves the rising natural gas demand in Europe, especially in Germany. As the U.S. aims to export its “freedom gas” to Europe, both of these projects block the U.S. from reaching its goal. Seen from this perspective, it is easy to understand why the U.S. opposes TurkStream and Nord Stream 2. While from an economic perspective Europe serves as a possible market for the U.S., from a geopolitical perspective there is a power clash between Russia and the United States. In this geopolitical competition, TurkStream and Nord Stream 2 are a burden for the United States.

Yet, there is another important factor related to the U.S. opposition to these projects that needs to be emphasized. The Trump administration has never directly criticized Turkey for TurkStream as it has the EU states, especially Germany and France. As can be noticed from the aforementioned official statements, when discussing TurkStream the fact that it will help Russia increase its influence in Europe is emphasized. However, when it comes to Nord Stream 2, Trump has been very harsh in directly criti-

cizing Germany and France and portraying it as stuffing money in Russia’s pockets.

I think it’s very sad when Germany makes a massive oil and gas deal with Russia, where you’re supposed to be guarding against Russia and Germany goes out and pays billions and billions of dollars a year to Russia. We are protecting Germany, we are protecting France, we are protecting all of these countries and then numerous of the countries go out and make a pipeline deal with *Russia where they are paying billions of dollars into the coffers of Russia...* Germany as far as I’m concerned is captive to Russia because it’s getting so much of its energy from Russia. I think that is very inappropriate.⁵⁰

Even in the NDAA, under the section “Protecting Europe’s Energy Security Act of 2019,” Turkey is never directly mentioned.⁵¹ TurkStream is mentioned only when specifications about the sanctions are provided. The reasons behind such a position are twofold. First, the EU is a bigger and growing natural gas market compared to Turkey and consequently Europe is more attractive to the U.S. right now. Secondly, for many years now, Turkey has openly stated its intentions to become an energy hub and it has taken important steps to achieve this goal. History has shown that in terms of energy relations Turkey acts independently and has resisted the U.S. pressures to limit its energy relations with supplying states.⁵² For this reason, it can be said that more direct sanctions on Turkey would not have changed the course of events. At the same time, considering the current tense relations between the two states, sanctions would not have been beneficial for either Turkey or the United States.

49. In 2018, then Russian Prime Minister Dmitry Medvedev stated, “Global competition in the liquefied gas market is very tough. Qatar, Australia, Malaysia, and a number of other countries are actively competing, as is the United States with its aggressive and sometimes ‘breaking-all-the-rules’ strategy to promote its gas to the European market. Therefore, the situation requires maximum attention and decisive actions from us.” See, “Russia Should Develop an Effective Strategy of LNG Exports, Says PM”, TASS Russian News Agency, (October 25, 2018).

50. Donald Trump, “Remarks by President Trump and NATO Secretary General Jens Stoltenberg at Bilateral Breakfast”, The White House, (July 11, 2018) (emphasis my own).

51. National Defense Authorization Act for Fiscal Year 2020, p. 1,103.

52. Aaron Stein, “An Independent Actor: Turkish Foreign and Energy Policy toward Russia, Iran, and Iraq”, Atlantic Council, (June 2017), p. 12

CONCLUSION

The U.S. stance on TurkStream can be understood through the lens of the U.S.-Russian energy competition in the European market. Energy dominance in the region would provide either Russia or the U.S. greater economic advantage and geopolitical influence. At a time when the U.S. hegemony is highly questioned, the United States, especially under the Trump administration, is pursuing a more aggressive energy policy that would make it possible to challenge the current Russian domination in the region. The U.S. opposition to TurkStream and Nord Stream 2 can be understood better within this perspective.

However, it is important to emphasize the fact that Turkey has not been directly criticized for the TurkStream project, unlike Germany which has been the target of many harsh criticisms in regard to the Nord Stream 2 project. Similarly, the U.S. sanctions as outlined in NDAA 2020 have mainly impacted Nord Stream 2, while TurkStream was not affected - considering also that its construction was completed when the bill was signed. Nevertheless, it can be said that even if TurkStream were not to be completed, the U.S. sanctions would not have impacted the finalization of the project. For many years now, Turkey has been eager to become an energy hub and TurkStream plays a crucial role in this regard. At a point where U.S. interests would clash with Turkey's national interests, Turkey has shown on several occasions that it is not willing to put its own interests at stake, especially when the U.S. has failed to understand Turkey's interests and has acted against them multiple times. The same thing can be applied to the construction of the second string of TurkStream. The NDAA 2020 foresees sanctions on any pipeline project that is a successor to TurkStream, meaning that the building of a

second TurkStream line would come under the sanctions stated in the bill. Similarly, based on the updated CAATSA guidance, the U.S. can now impose sanctions on those persons who help or facilitate the building of TurkStream's second line. Yet, it can be said that these sanctions would not be very effective as such to stop the building of either Nord Stream 2 or TurkStream's second line. Similarly, these sanctions would not have any significant impact on Turkey. The reasons behind this are threefold: First, the updated CAATSA guidance is not compulsory, unlike the NDAA 2020. The CAATSA sanction would be imposed only if the Secretary of State, in consultation with the Secretary of the Treasury, and in coordination with U.S. allies decide so. Within this context, whether the U.S. will impose these sanctions highly depends on the U.S. administration's policies and the geopolitical realities in the region at that time. Seen from such a perspective, it can be said that the revised guidance is mainly a declaration of the U.S. stance rather than a manifestation of forthcoming sanctions.⁵³

Secondly, say that the U.S. decides to impose sanctions on TurkStream - this would not stop the building of the second line considering that the pipeline from Turkey to Bulgaria has already finished.⁵⁴ Furthermore, the Bulgarian and Serbian officials have declared that they will continue with the construction of the pipeline, amid U.S. threats to sanction as according to them the project meets all the EU rules.⁵⁵

Lastly, based on the revised guidance, the U.S. does not impose sanctions on the state that

53. Brian O'Toole and Daniel Fried, "US Opens Door to Nord Stream II Sanctions and Transatlantic Tensions", Atlantic Council, (July 15, 2020).

54. Firdevs Yüksel, "TürkAkım'dan Avrupa'ya ilk çeyrekte 1,3 milyar metreküp gaz taşındı", Anadolu Ajans, (April 3, 2020).

55. "Bulgaria to Complete TurkStream Pipeline Extension amid US Threats to Sanction Russian Energy Projects", Institute of Energy for South-East Europe, (July 23, 2020).

builds the pipeline directly - in our case Turkey. On the contrary, the U.S. has the right to impose sanctions only on those individuals that have facilitated the building of the pipeline on or after August 2, 2017. Within this context, if the U.S. imposes sanctions on any Turkish citizen that would not have any effect on the completion or operation of TurkStream.

It, therefore, becomes clear that none of the aforementioned sanctions would impede Turkey from continuing the project of TurkStream and

pursuing its goal of becoming an energy hub in the region. However, this does not mean that Turkey opposes the U.S. energy policies in Europe. Turkey has been open to purchasing LNG from the U.S. and its imports increased from 0.88 percent in 2018 to 2.7 percent in 2019, and 10 percent in 2020.⁵⁶ In this manner, Turkey is, in fact, keeping a balance between Russia and the United States, while at the same time pursuing its national interests.

⁵⁶. "Doğal Gaz", EMRA.

TURKSTREAM

THE U.S. OPPOSITION AND THE REASONS BEHIND IT

GLORIA SHKURTI ÖZDEMİR

SETA | ANALYSIS

The TurkStream pipeline is one of the most important projects Turkey has undertaken in the energy sector in recent years and, at the same time, it is considered a fundamental step in terms of Turkish-Russian relations. However, the United States (U.S.) has criticized the project and in December 2019, Trump signed the 2020 National Defense Authorization Act (NDAA) which included sanctions against companies involved in building the Russian-sponsored natural gas pipelines to Europe, namely Nord Stream 2 and TurkStream.

This analysis focuses on the position of different U.S. actors regarding the Turkish-Russian energy relations and, specifically, on TurkStream which is one of the most important projects undertaken by the two states. After providing a brief summary of the energy cooperation between Turkey and Russia, the analysis provides a range of statements on TurkStream by Obama and Trump administration officials, and suggests the reasons behind the U.S. opposition to TurkStream are both economic and geopolitical. On the one hand, there is the European energy market that the U.S. is eager to dominate, and on the other, there is the power clash between the United States and Russia.

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