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TurkStream: Another Russian Gas Pipeline to Europe

Russia’s state-owned natural gas company Gazprom has long sought to protect its share of Europe’s natural gas market. Along with the controversial Nord Stream 2 project (see CRS In Focus IF11138, *Nord Stream 2: A Fait Accompli?*), Gazprom’s TurkStream project could strengthen Russia’s foothold in the European energy market, especially southern Europe. It also could cement Turkey’s status as a lead recipient of Russian gas, at a time of relatively strong Turkish-Russian relations. Opponents of the TurkStream project, including the Trump Administration and some Members of Congress, have expressed concern that the project could also help erode Ukraine’s transit role for natural gas.

In 2018, Gazprom supplied more than 40% of the EU’s natural gas imports and about 50% of Turkey’s. Many analysts maintain that Moscow could use its energy exports as leverage in countries that are dependent upon Russian natural gas. The United States, in turn, has long supported projects to diversify natural gas supplies to Europe and undercut Russia’s market dominance.

Background

Turkey is Russia’s largest natural gas export market after Germany. Russia currently exports natural gas to Turkey through several pipelines (see **Figure 1**). The Blue Stream pipeline, which became operational in 2003, is a joint project between Gazprom and Italy’s Eni that crosses the Black Sea and makes landfall in central Turkey. Russia also supplies gas to Turkey via the Trans-Balkan gas pipeline, which crosses Ukraine, Moldova, Romania, and Bulgaria.

The TurkStream project arose after the 2014 cancellation of Russia’s South Stream project, a Gazprom-led venture that was launched in 2007 to transport Russian natural gas across the Black Sea to Bulgaria and further into Europe. It was also viewed as a counter to the Western-backed Nabucco pipeline. The South Stream project collapsed, however, in the wake of Russia’s invasion of Ukraine and amid a dispute between Gazprom and the EU involving EU regulatory demands. In December 2014, Russian President Vladimir Putin announced the cancellation of South Stream as Gazprom signed a Memorandum of Understanding with BOTAS Petroleum Pipeline Corporation, a Turkish state-owned company, to construct TurkStream.

The TurkStream project is to consist of two parallel pipelines with a total capacity of 31.5 billion cubic meters (BCM) per year (15.75 BCM each). The pipelines are to enter the water in Anapa, Russia, and make landfall in Kiyikoy, close to Turkey’s border with Bulgaria and Greece. The first pipeline, which is scheduled for completion in late 2019, is expected to supply natural gas to Turkey. The second pipeline, which remains in the planning phase, is intended to deliver gas to European markets via an extension to Bulgaria or Greece. For information on

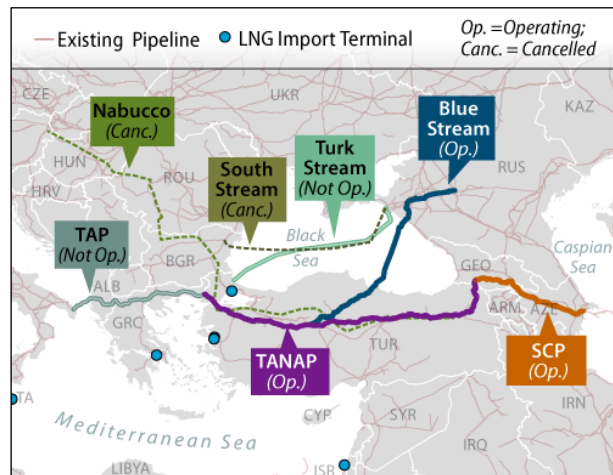
Turkey’s status as a regional energy transport hub, see CRS Report R41368, *Turkey: Background and U.S. Relations*, by Jim Zanotti and Clayton Thomas.

Many analysts view TurkStream as a counter to the U.S.-backed Southern Gas Corridor project, which is to transport natural gas from Azerbaijan to Europe. The Southern Gas Corridor, in its present form, includes three connecting pipelines with an annual capacity of 16 BCM—roughly half the proposed capacity of TurkStream: the South Caucasus Pipeline (SCP) in Azerbaijan and Georgia; the Trans-Anatolian Pipeline (TANAP) through Turkey; and the Trans Adriatic Pipeline (TAP), currently under construction from Greece to Italy, via Albania. First delivery through TANAP to Turkey was in June 2018, and TAP is scheduled to begin operations in 2020. Turkey has contracted for 6 BCM from TANAP, and 10 BCM will continue on to Italy.

Project Status

TurkStream’s subsea portion was completed in November 2018. Construction continues for the onshore component between the Kiyikoy terminal and Luleburgaz, Turkey.

Figure 1. Southern Europe Gas Infrastructure



Source: Gazprom, edited by CRS.

A proposed extension of the second TurkStream line would transport Russian natural gas from the Turkish landing point to southern and central European markets, either via Greece to Italy, or via Bulgaria, Serbia, and Hungary to Austria. The latter route, which Moscow reportedly favors, would be similar to the canceled South Stream project, albeit smaller in scope. Both routes would require construction of an additional pipeline, and may face issues depending upon ownership structures and EU regulations.

A TurkStream extension to Europe has broad domestic political support in Greece and Bulgaria, which could earn revenue from transit fees. Bulgarian leaders stated that an extension through Bulgaria would dovetail with their

ambitions to make Bulgaria a “Balkan Gas Hub” for trading and transporting gas from multiple sources. Sources could include not only Russia but also the Southern Gas Corridor, the Black Sea shelf, and liquefied natural gas (LNG) from the United States and other suppliers. Analysts contend that Bulgaria’s hub ambitions are constrained by the country’s limited interconnector infrastructure and storage facilities, as well as by its energy market, which would likely require reforms to be a viable hub.

Some EU member states have expressed opposition to natural gas pipelines like Nord Stream 2 and TurkStream that would increase Russian gas exports to the EU. Opponents of these projects are expected to call for strict application of EU natural gas regulations to any proposed pipelines in EU member states such as Greece and Bulgaria. The regulations require ownership unbundling and third-party access to pipelines, among other provisions. Under the EU’s unbundling regulation, Gazprom could not simultaneously own the pipeline and provide a majority of the gas running through it. Russia abandoned South Stream when the European Commission deemed it noncompliant with these rules, and Gazprom was unwilling to modify the terms of its agreements with partners in the EU.

The impact of EU regulations on TurkStream remains unclear. On a March 2019 visit to Bulgaria, Russian Prime Minister Dmitry Medvedev stated that an extension to Europe would not move forward without a guarantee from the European Commission that the extension would be exempt from EU regulations. Many analysts believe the EU is unlikely to provide such an exemption. Nevertheless, in recent months Russian officials have met with their counterparts in Bulgaria and Serbia to negotiate pipeline construction in the two countries.

Relations Between Russia and Turkey

It is unclear to what extent TurkStream reflects or reinforces seemingly improved ties between Russia and Turkey, traditional rivals whose relations have often been fraught. Turkey is a NATO member and a long-standing U.S. ally with geostrategic importance. Some analysts view the Turkey-Russia relationship as less a potential strategic partnership than a “marriage of convenience” as the two countries compartmentalize relations, alternating between cooperation and competition depending on the issue.

Russia-Turkey relations—and, at times, TurkStream negotiations—were tested by recent flashpoints in broader tensions over the conflict in Syria. In November 2015, Turkey shot down a Russian military aircraft on the Syria-Turkey border for violating Turkish airspace. Russia responded by imposing economic sanctions against Turkey and sustaining them until Turkish President Recep Tayyip Erdogan issued an apology in June 2016. In December 2016, an off-duty policeman assassinated the Russian ambassador to Turkey in Istanbul, further testing relations.

Since then, Turkey and Russia have coordinated action more closely in Syria, while also moving forward with TurkStream and a possible Russian S-400 air defense system sale to Turkey. This rapprochement comes at a time of tension in U.S.-Turkish relations.

U.S. Policy Considerations

Until recently, congressional and Administration concerns about European energy dependence on Russia have focused on Nord Stream 2. The Countering Russian Influence in Europe and Eurasia Act of 2017 (CRIIEA; P.L. 115-44, Title II) states that it is U.S. policy to “continue to oppose the Nord Stream 2 pipeline given its detrimental impacts on the EU’s energy security, gas market development in Central and Eastern Europe, and energy reforms in Ukraine.” In November 2018, U.S. Secretary of State Michael Pompeo said that Nord Stream 2 “undermines Ukraine’s economic and strategic security and risks further compromising the sovereignty of European nations that depend on Russian gas.” In December 2018, the House of Representatives passed H.Res. 1035, which called for the cancellation of Nord Stream 2 and the imposition of sanctions with respect to the project.

More recently, U.S. Department of Energy officials, including Secretary Rick Perry, have also expressed U.S. opposition to TurkStream. In the 116th Congress, H.R. 1081 would require the Administration to submit reports to Congress on European energy security, including on U.S. efforts to oppose Nord Stream 2 and TurkStream and on entities involved in the construction of both pipelines.

It is unclear how existing sanctions might be applied to TurkStream. CRIIEA authorizes (but does not require) sanctions on those who invest at least \$1 million, or \$5 million over 12 months, or engage in trade valued at an equivalent amount for the construction of Russian energy export pipelines (§232; 22 U.S.C. 9526). The Trump Administration has released guidance noting that Section 232 sanctions would not apply to projects for which a contract was signed before August 2, 2017.

Some Members of Congress and the Administration have expressed concerns about the impact of Nord Stream 2 and TurkStream on Ukraine’s role as a transit state for Russian gas. The Nord Stream system and TurkStream are to provide Russia with a total additional capacity of over 140 BCM a year to Europe (including Turkey). This amount nearly equals Ukraine’s total transit capacity of 146 BCM.

U.S. LNG Exports

Although Turkey has received about 4% of U.S. liquefied natural gas (LNG) exports since they began in 2016, the volumes are a small fraction compared to what Russia supplies to Turkey via pipeline. Russia can offer lower prices in markets it wants to influence, which could make it difficult for U.S. LNG export projects to compete. Nevertheless, growing U.S. gas exports provide an alternative supply source.

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