Congressional Research Service
Informing the legislative debate since 1914

IN FOCUS

Updated February 5, 2020

TurkStream: Russia's Newest 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 non-EU natural gas export market. Russia has exported natural gas to Turkey through several pipelines (see **Figure 1**). The north-south Trans-Balkan Pipeline (TBP), completed in the late 1980s, transported Russian gas to Turkey until January 2020 (see below). From Ukraine, TBP crosses Moldova, Romania, and Bulgaria. In addition to transporting gas to these countries and Turkey, TBP also was a route for Russian gas supplies to North Macedonia and Greece. 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.

The TurkStream project arose after the 2014 cancellation of Russia's South Stream project, a Gazprom-led venture that would have transported 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 proposal. 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 BOTAŞ Petroleum Pipeline Corporation, a Turkish state-owned company, to construct TurkStream.

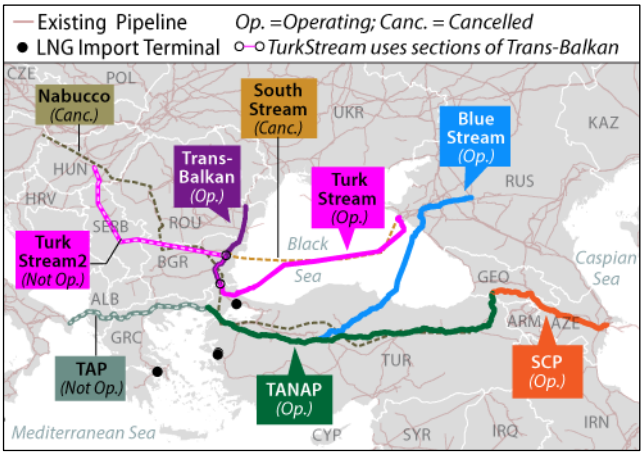
The TurkStream project is to consist of two parallel pipelines with a total capacity of 31.5 billion cubic meters (BCM) per year (15.75 BCM each). The pipelines enter the water in Anapa, Russia, and make landfall in Kiyikoy, close to Turkey's border with Bulgaria. The first pipeline supplies natural gas to Turkey. The second pipeline, for which onshore construction continues, is intended to deliver gas to European markets. 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, and the Kiyikoy receiving terminal was completed in 2019. On January 8, 2020, Russian President Vladimir Putin and Turkish President Recep Tayyip Erdogan officially inaugurated TurkStream.

Figure 1. Southeastern European Gas Infrastructure



Source: Created by CRS using data from U.S. Department of State, HIS, ESRI, European Network of Transmission System Operators for Gas, Bulgartransgaz.

The second TurkStream line is to transport Russian natural gas from the Turkish landing point to southeastern and central European markets via Bulgaria, Serbia, and Hungary. The European extension (also referred to as "TurkStream 2") is to comprise new and existing infrastructure. Bulgarian officials estimate completion by mid-2020 of around 295 miles of pipeline that is to cross

the country and connect to Serbian infrastructure. Serbia's 250-mile segment of pipeline is reportedly complete. In June 2019, Serbia and Hungary reached an agreement to construct trans-border infrastructure; at the time, Hungarian officials stated that construction would begin in mid-2020.

As EU members, Bulgaria and Hungary are treaty-bound to comply with EU energy rules requiring ownership unbundling and third-party access; these provisions aim to prevent conflicts of interest in the supply and delivery of gas. EU candidate country Serbia is committed to these rules as a signatory to the Energy Community (EC), a treaty-based platform that seeks to extend EU energy rules to the bloc's neighbors. The EC has raised concerns about the Serbian TurkStream section's compliance with regulations and the potential for further market foreclosure.

Gazprom began gas deliveries to some markets via TurkStream in January 2020 using partially completed and existing infrastructure. These volumes, which reach markets in Turkey, Bulgaria, Greece, and North Macedonia, now bypass Ukraine. According to Ukrainian energy officials, as of January 1, 2020, TBP is delivering gas to Romania and Moldova, but no longer to Bulgaria or further downstream.

Southeastern European Market Impact

Observers consider gas markets in Southeastern Europe to be less interconnected and less liberalized relative to other regions of Europe, and more reliant upon Russia as a gas supplier. TurkStream's proponents in Bulgaria, Serbia, and Hungary assert that the project will strengthen energy security by opening a new supply route; the region experienced major wintertime supply disruptions in 2009 when Russia temporarily halted exports via Ukraine due to the two parties' gas contract dispute. Officials also are keen to secure transit revenue from TurkStream. Some analysts, however, caution that TurkStream's extension could deepen Russia's market dominance.

At the same time, others note that Southeastern European gas markets could be reshaped by new interconnectors and liquefied natural gas (LNG) import terminals that could further integrate gas markets and open access to alternative suppliers via TAP and LNG. Turkey and Greece have increased U.S. LNG imports in recent years, while Bulgaria made its first purchase of U.S. LNG in 2019.

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. A low point came in 2015-2016, after Turkey downed a Russian plane near the Turkey-Syria border and Russia temporarily imposed sanctions until receiving an apology from Turkish President Erdogan.

Since then, and particularly after Putin showed support for Erdogan during the 2016 coup attempt in Turkey, Turkey and Russia have cultivated closer ties. They have coordinated action more closely in Syria, while also moving forward with TurkStream and a Russian S-400 air defense system sale to Turkey. Although some differences persist in Syria and Libya, their general rapprochement comes while U.S.-Turkey relations are facing heightened tensions.

U.S. Policy Considerations

Members of Congress and the Administration have expressed concern over Nord Stream 2, TurkStream, and other projects they assert would deepen Europe's reliance on Russian natural gas, reduce Ukraine's role as a transit state, and potentially be a source of increased leverage for Russia. 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.

The Countering Russian Influence in Europe and Eurasia Act of 2017 (CRIEEA; P.L. 115-44) authorizes (but does not require) sanctions on individuals or entities that 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). In October 2017, the Administration published guidance noting that Section 232 sanctions would not apply to projects for which contracts were signed prior to August 2, 2017, the date of CRIEEA's enactment. For further information, see CRS Report R45415, *U.S. Sanctions on Russia*, coordinated by Cory Welt.

The FY2020 National Defense Authorization Act (NDAA, P.L. 116-92) includes as Title LXXV the Protecting Europe's Energy Security Act of 2019 (PEESA). This act mandates sanctions related to the laying of Nord Stream 2 and TurkStream subsea pipelines, and possible successors; it is unclear whether and how these sanctions apply to the already constructed TurkStream.

The Further Consolidated Appropriations Act, 2020 (P.L. 116-94) includes the European Energy Security and Diversification Act of 2019 (Division P, Title XX), which seeks to promote the diversification of Central and East European energy sources and supply routes.

U.S. LNG Exports

Although Turkey has received about 4% of U.S. 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.

Sarah E. Garding, Analyst in Balkan and Southeast Europe Affairs
Michael Ratner, Specialist in Energy Policy
Cory Welt, Specialist in European Affairs
Jim Zanotti, Specialist in Middle Eastern Affairs

IF11177

Disclaimer