OIL *and* GAS

OPPORTUNITIES

OPPORTUNITIES: The oil sector in Turkey is dominated by the Turkish Petroleum Corporation (TPAO) on the exploration and production side; the Turkish Refineries (TUPRAS) for refining; and the State Pipeline Corporation (BOTAS) for oil and gas transmission. Even though TPAO has the largest share in oil and gas exploration and production (approximately 80%), more than a dozen Turkish and foreign companies are also active. Although refining and transmission are under state monopoly, the government has taken steps to privatize TUPRAS and BOTAS. Turkey has some 46 million tons of proven oil reserves, and it produces 3.8 million tons of crude oil per year, with a total annual consumption of 38.5 million tons. The oilfields are located mainly in the southeastern region, and recent discoveries have encouraged TPAO to intensify its explorations in this region. Explorations are also under way in the Aegean Sea, as well as in the southern parts of the country.

Despite its modest oil production, Turkey has a relatively large crude oil and gas pipeline capacity, 71 million tons and 14 billion cubic metres per year, respectively. Turkey wants to transport oil and gas from the former Soviet Union states to Mediterranean ports via pipelines to export outlets on Turkish coasts. The main oil pipeline is the Baku-Ceyhan, which is to be commissioned in 2003 and should cost between US$3.0 to US$3.5 billion.

Given the fast-growing demand for natural gas, Turkey has signed gas-purchase agreements with Russia, Turkmenistan and Iran. To transport gas from these countries, the following pipelines are proposed: the Tebriz-Ankara, which aims to supply natural gas from Iran mainly to the eastern provinces as well as to Ankara; the Blue Stream, which will be jointly implemented by Russia and Turkey, and will require construction of a gas pipeline under the Black Sea; and the Trans Caspian, which requires construction of a pipeline across the Caspian Sea to bring gas to Turkey from Turkmenistan. Negotiations between the Turkish and Turkmen governments are in progress, and an agreement was slated to be signed by the end of 2000. The existing domestic gas-transmission pipeline infrastructure in Turkey can not cope with the growing demand for gas. It serves only 20% to 25% of the population, and requires substantial expansion to interconnect main urban and industrial centres. This requires some US$4 billion investment in gas-distribution projects.

In addition to pipeline projects, Turkey also plans to build two additional liquefied natural gas (LNG) terminals on the Aegean and Mediterranean coasts. The investment required for these terminals is expected to be approximately US$500 million. Key buyers of oil and gas equipment are TAO and BOTAS, and their investment and procurement budget for 2001 is approximately US$2 billion, which is expected to increase in the coming years. Thus, opportunities exist for services and equipment for oil exploration, and oil-field development and production technology; engineering, consultancy and contracting services for oil pipeline transmission and distribution, construction and rehabilitation; and materials and equipment such as steel and polyethylene pipes, fittings, pressure-regulating equipment, Supervisory Control and Data Acquisition (SCADA) systems, gas metres and auxiliary material.

MARKET CONSIDERATIONS

MARKET CONSIDERATIONS: Turkey has no trade barriers, and imported equipment and materials are not subject to any restrictions. However, a local partner or agent is an essential element in doing business in Turkey. Major players in this sector are suppliers and contractors from Italy, France, Japan, Germany and the United States. Since Turkey normally requires full financing for investment projects, ability to provide a financing package by prospective contractors and suppliers is more important than the origin of supply and pricing.

For more information, contact:

Akin Kosetorunu,
Commercial Officer
Canadian Embassy
Nenehatun Caddesi 75,
Gaziosmanpasa
06700 Ankara, Turkey

Tel.: (011-90-312) 436-1275
Fax: (011-90-312) 446-2811
E-mail: akin.kosetorunu@dfait-maeci.gc.ca
Web Site: http://www.infoexport.gc.ca/tr

or visit
Canadian Embassy in Ankara:
http://www.dev.dfait-maeci.gc.ca/dfait/missions/ankara/