

« Reinventing multilateralism and global cooperation for a more inclusive and green post-Covid world as a leverage for strengthening Turkey - France - EU relationship »

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A Case in Point for Green Energy Cooperation between the EU and Turkey

If there is one thing that the battles against Covid-19 and climate change have in common, it is that they are global in nature. Their success inherently depends on constructive multilateralism and cooperation. This global dimension is also reflected in the European Green Deal, which strives for sustainable recovery, including a climate neutral Europe by 2050. One should emphasize that the strategy does not exclusively refer to the area of the EU. No, it addresses the entire continent (European Commission, 2019). Rightly so, considering that the Member States together emit less than 10% of global Green House Gas emissions (GHGe), a share, which might be reduced to 7% by 2030. Turkey alone emits another 1.2% of global GHGe, with a worrying trend towards increasing coal-based energy production, while at the same time the Turkish Parliament has not yet ratified the Paris Agreement (Tenaerts, 2021). So, while political tensions between EU States, such as France and Greece on one side, and Turkey on the other are heating up, the €1 tn Green Deal might create a window of opportunity for enhanced *green* cooperation between the EU and Turkey. By focusing on energy sector cooperation specifically, this White Paper will assess the prospects of such a project in more detail.

Status quo of EU-Turkey energy cooperation – room for improvement

Despite significant potential for cooperation in the energy sector, the field has remained underdeveloped. A High-Level Energy Dialogue between the EU and Turkey was launched in 2015 (EU Delegation to Turkey, 2020). Turkey is also an observer in the Energy Community and the European Network of Transmission System Operators for Electricity (ENTSO-E) since 2016 (Tagliapietra, 2018). However, energy cooperation was never institutionalized by Turkey joining these platforms officially. The reason for this might be that Turkey is reluctant to liberalize its gas market and never fully implemented its gas market law of 2001, which would have proceeded with liberalization. For electricity the outlook is slightly more optimistic. Turkey liberalized its electricity market in 2013 by implementing the Electricity Market Law in line with the EU Third Energy Package. Since 2015, the European and Turkish electricity systems operate synchronously, interconnected through Bulgaria and Greece (Ibid). In sectors with most potential for green partnerships, such as renewables and energy efficiency, cooperation is less developed, although financing is provided through the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the European Commission (EC). Official EU-Turkey collaboration in two other promising areas, nuclear energy and carbon markets, is further lacking, leaving a lot of room for improvement.

What's in it for the States – mutual strategic interests in energy sector cooperation

The EU Member States want a climate-neutral Europe by 2050. Turkey is part of Europe and therefore must be engaged in the conversation. The Turkish and European economies are already deeply intertwined. Turkey is the EU's 5th largest trading partner. The EU is Turkey's largest trading partner, with more than 50% of Turkish trade being handled with the EU, as well as source of investment (Tenaerts, 2021). However, Turkish production is very emission intensive, with a fossil fuel share of more than 80% in the primary energy mix (Ritchie and Roser, 2020). At this point, it must be noted that Turkey imports 98% of its natural gas consumption, 93% of oil and almost 50% coal consumption (Tenaerts, 2021). Against this backdrop of import dependency, the country has been trying to increase the share of renewables in the energy mix as well as improve energy efficiency. Considering Turkey's fossil fuel dependency, EU climate neutrality goals, including the possibility of a carbon border adjustment mechanism, can potentially deepen the divide and add fuel to the already existing tensions between the EU and Turkey. On the other hand, climate and energy-based cooperation could be advantageous for both sides. For the EU, it is an opportunity to put its sustainable energy leadership aspirations into practice, while opening up new commercial opportunities for EU businesses in Turkey's energy sector. For Turkey, it represents a chance to enhance both climate and environmental performance, while reducing energy import bills and energy import dependency. It is also an opportunity to send out a strong signal to international investors, that Turkey is still part of Europe and committed to alignment with the European acquis. This is particularly important for Turkey, since foreign direct investment (FDI) has been declining with growing concerns over institutional performance since 2015 (The World Bank, 2019).

Policy recommendations for enhanced energy cooperation – breaking the deadlock

A recurrent suggestion found in literature is to put political tensions aside to foster economic cooperation. Such a simplistic approach ignores the complex interlinkages of economic, political and societal issues and is therefore not repeated in this essay. Rather, probably more important in the energy field than anywhere else, these tensions must be thoroughly analyzed. Their historic origins and diverse interests must be understood meticulously by policymakers and business communities. Otherwise, cultural and political misunderstandings threaten to stand in the way of any future cooperation. France can make a substantial contribution in this regard. Not solely because it has frequently, and recently, been involved in political confrontations with Turkey, but because the two countries are historically deeply connected. Their relationship has continuously known systemic impact of politics on bilateral economic exchanges, making France a decisive actor in unlocking the dead-lock and moving the cooperation forward (Denizeau, 2020).

Subsequently, European leaders must realize that they have had and will continue to have divergent points of view of what cooperation with Turkey should look like. They must find common ground among themselves and prove their commitment to establishing good relations with Turkey, while at the same time being clear on their steadfastness on conditions to be fulfilled by Turkey to improve cooperation. Credibility and transparency are key here. In this context, it is recommended to clearly separate the Turkish accession process from other forms of cooperation, such as for example modernizing the Customs Union, granting visa liberties or precisely, institutionalizing enhanced energy sector cooperation. Speaking about conditions, it was mentioned earlier that Turkey's Parliament has still not ratified the Paris Agreement. An energy cooperation agreement could seek this issue as a starting point for further negotiations.

Turning to concrete recommendations regarding energy cooperation, the main fields suggested are renewables, energy efficiency, nuclear energy and carbon markets.

Renewable energy potential in Turkey is large. The country has a gross annual hydro potential of 433,000 GWh (1% of the global total). Solar energy potential is enormous due to favorable climate conditions, but difficult to put in numbers because the theoretical potential based on solar irradiation is constrained by space availability. Wind potential is forecasted at 48,000 MW (Erdirin, Ozkaya, 2019). Also, installed renewable energy capacity is growing steadily in Turkey, increasing from 14.3 GW in 2008 to 44.6 GW in 2019. With currently cheap cost of capital and decreasing cost of technology, the fastest growth is forecasted for solar, set to increase by 280% to 16.8 GW by 2025 (Andalou Agency, 2020). Although Turkey has developed an *energy efficiency* framework, studies hint at a number of overlooked issues (Shura Energy Transition Center, 2019). EU businesses can provide valuable knowledge, both in terms of experience with renewable energy and energy efficiency technologies. European policymakers can support Turkey with policy and regulatory recommendations. At the same time, new funding opportunities open up with the EU 2021-2027 budget of €1.8 tn (including Next Generation EU), which Turkey could partly benefit from. For example, from the €100 bn Horizon Europe program, offering financing opportunities for research and innovation. One of the most important policy recommendations regarding this aspect, is to focus on awareness creation for these possibilities. If Turkish – and EU – entrepreneurs do not know about them, they will not use them. Criticized as poorly understood by entrepreneurs and civil society players, focusing on publicly advertising EU Green Deal funding opportunities and facilitating processes to access the funds should be a EU priority.

Another field of possible cooperation is *nuclear*. So far, Turkey has no operating nuclear power plants (NPPs). However, it is heavily investing in the sector, planning to operate three NPPs by 2026, being built in cooperation with Russia, China and Japan, for which the latter established a partnership with French Engie for the Sinop NPP (IAEA, 2020). Nuclear energy has never been an official part of EU-Turkey cooperation. However, it was argued that the EU “*could make a sensible contribution to Turkey’s plans in this regard, notably via Euratom, which has cooperation agreements with third countries*” (Tagliapietra, 2018). Precisely, Euratom could contribute with its functions to promote nuclear energy research, standard-setting, anti-proliferation and ensuring free capital flows for investment and free movement of employment for nuclear energy specialists. In addition, this is another area where France in particular can make valuable contributions. With the second highest number of nuclear reactors in the world, and more than 70% of nuclear in the energy mix, the longstanding French expertise could be of valuable use for the Turkish nuclear energy sector (Business France, 2015). Considering that business ties in the domain already exists, France could prove to be a constructive mediator between EU and Turkish interests.

The next area of cooperation could be the establishment of a Turkish *carbon market*. This approach could correspond to EU guidance for the Chinese carbon market. For instance, this may happen through the strengthening of the EBRD’s Mid-Size Sustainable Energy Financing Facility (MIDSEFF¹), which includes a Carbon Market Development Support Program.

Lastly, the essential point to remember about this energy-related approach is that strong mutual interests exist in the area. Particularly, the States often in quarrel with Turkey, such as France and Germany, are keen on positioning the EU as global climate leader. Turkey on the other hand, is increasingly committed to green development, aware that international investors are growingly demanding sustainability. Additionally, green energy is an area where both EU and Turkish civil society can find common ground. While the European public opinion about cooperation with Turkey seems to have deteriorated over the past years (Denizeau, 2020), enhanced business cooperation under the framework of the Green Deal might be more acceptable for the general public and hence more likely to be fruitful. Success in this area can subsequently resolve the deadlock in other areas, such as for example the long-due modernization of the EU-Turkey Customs Union.

¹ MIDSEFF is a €1bn facility, providing loans to Turkish banks for sustainable energy projects (Tagliapietra, Zachmann, 2017).

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