

POTEN TANKER OPINION

Orient Express

Turkey's role in the tanker market

Last weekend, the world witnessed a failed coup attempt in Turkey. While this event was going on, we received several questions on the oil volumes passing through Turkey. Even though the coup attempt failed and the transportation situation normalized quickly thereafter, we thought it would be interesting to take a look at the importance of Turkey to the tanker market.

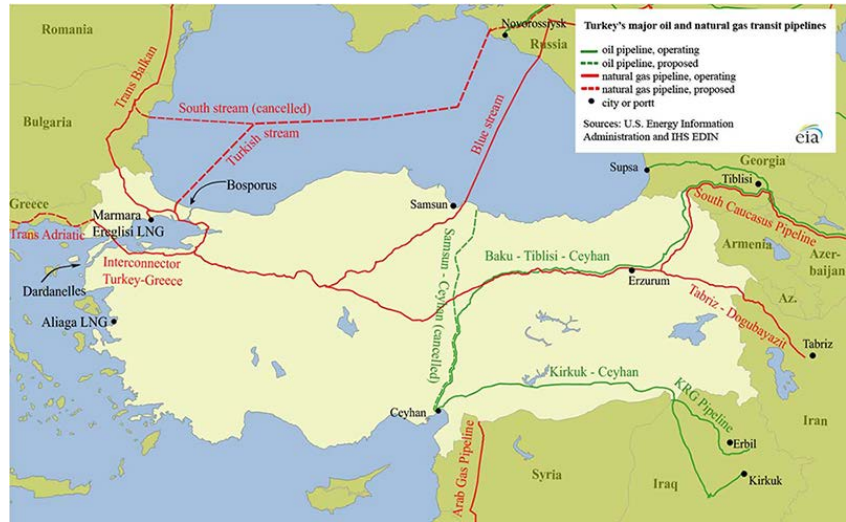
Turkey is not a large oil or gas producer; according to JODI its crude oil production amounts to about 48 thousand barrels per day (Kb/d) of crude oil and almost 400 million m³ of natural gas in 2015. The country's oil consumption averaged about 927 Kb/d in 2015, about 1% of the global consumption. Neither of these statistics would make the country an important energy market player. However, the importance of Turkey to the energy market is related to its geographical location; the country is a major transfer hub for oil and gas.

Figure 1 shows a map of the pipeline infrastructure in Turkey. Two major oil pipelines run through the country: The Baku-Tbilisi-Ceyhan (BTC) pipeline with a capacity of about 1.2 Mb/d connects the Caspian oil fields to the Mediterranean and the 1.5 Mb/d Kirkuk-Ceyhan pipeline, which is the main outlet for crude oil from Northern Iraq.

The IEA estimates that the BTC pipeline carries about 0.6 Mb/d of crude oil, mainly from Azerbaijan. In 2015, the pipeline has also been used for small volumes of exports from Kazakhstan and Turkmenistan. The Kirkuk-Ceyhan pipeline is the main export route for Iraq's autonomous Kurdistan region. In recent months, crude flows through the pipeline amounted to about 0.5 million barrels per day but have fluctuated over the last year due to pipeline damage resulting from the battles with ISIS and as a result of disagreements between the Iraqi government and the Kurdistan government over the sharing of the revenue of crude oil sales.

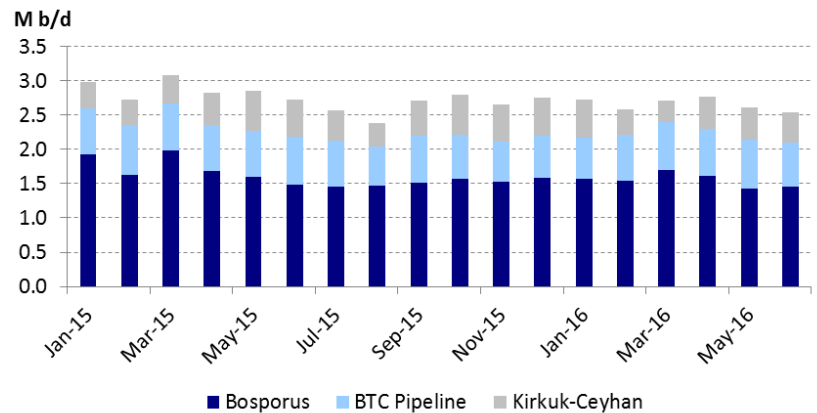
According to Lloyd's Apex tanker trade data, about 85% of the Iraqi exports through the Kirkuk-Ceyhan pipeline remain in the Med. About 70% of these exports use Suezmax tonnage and almost all of the remaining exports are on Aframax tonnage. Exports from the BTC pipeline are more diverse: During the first half of 2016, about 56% stayed in the Med, 17% headed to the rest of Europe and North America, and 26% was exported to Asia. In recent years, Azerbaijan has increased their export focus on Asian destinations; the main Asian buyers include Taiwan, Indonesia, India and Thailand. Exports to Asia are mainly performed on Suezmax tonnage, but more recently, VLCCs have increased their market share as Taiwan is using more VLCCs.

Fig. 1: Turkey Pipeline Map



Source: EIA

Fig. 2: Recent Oil Shipments Through Turkey



Source: Lloyd's / Apex

The Turkish Straits are another important oil export route passing through Turkey. Tanker transits through the Bosphorus were briefly interrupted last weekend when the coup attempt was going on, but reopened relatively quickly. In 2015, about 80 million tons (about 1.6 Mb/d) of oil passed through the Bosphorus. During the first half of 2016, about 70% of the total transits were destined for the Med, and 16% for the remainder of Europe. About 10% or 150 Kb/d is shipped to Asia.

Due to its location in the Mediterranean, Turkey has been an important maritime nation for millennia. Several tanker owners are domiciled in Turkey and the country has about 15 shipyards. The tanker orderbook at these yards consists predominantly of smaller specialized tankers.

As the above illustrates, Turkey is an important country for the tanker market. Let's hope that the political upheaval in the country calms down and that the country manages to remain peaceful, as the consequences for the tanker market could be significant if transit routes were to close temporarily.