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BRENT OIL

50.33 \$/BL

GASOLINE

7.27 ₺/LT

USD/TRY

7.66

DIESEL

6.63 ₺/LT

EUR/TRY

9.36

FUEL OIL

4.32 ₺

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ABOUT US



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The Case for Historical Responsibility: Border Adjustment Tax

Bariş Sanlı  

The CO₂ levels in the atmosphere were below 250 ppm in the pre-industrial age. Until 1990 it reached 350 ppm. It is now around 420 ppm.



across the world. Net-zero targets are essential, and all countries have to submit a net-zero pathway. But how will this impact their wealth? A new investment wave should push "green incentives." While in the global south, these projects' interest rates are much higher than the developed north.

Think this way, a sub 1% interest rate for a specific green project costs 10-12% more than the original cost. But a solar project finding credit at 7% has to pay double the price in ten years. Since

Climate change is an existential threat. Period. But we didn't come to this point because China became richer. The CO₂ levels in the atmosphere were below 250 ppm in the pre-industrial age. Until 1990 it reached 350 ppm. It is now around 420 ppm. The level of CO₂ is essential for our planet's health, but the world didn't get invented in 1990.

There are numerous net-zero targets





most developing countries' risk premium is higher, all these countries have to pay at least 1.5 times what the developed countries pay. Lower construction and labor costs can be an advantage. But overall, developing countries can not achieve these green developments with the savings they do not have. They need cheaper credit than developed nations.

So how should they finance their renewable and green projects cheaply? The best way is to find them cheaper access to capital. I think we are in a dark tunnel where globalization will not be the way it used to be. The borders will be more important as well as the industrial production amid the automation and digitalization wave. Employment and regular salaries have weaker prospects.

The developed countries are developed based on carbon, not Facebook. The 150 years of the so-called industrial revolution are fuelled by carbon and machines that use carbon. Why? Carbon-based fuels were concentrated sunlight that has much higher energy densities than traditional fuels. It created a pseudo workforce with the help of machines. And this development has accumulated 70 ppm of CO₂ in the atmosphere until 1990.

To provide climate justice and the right for the rest of the countries to develop cleanly, we have to bring everyone to the same level. It will not happen by consuming more coal or using more ICE than electric cars.

It has to be done by providing cheaper equity to the developing countries' green incentives. This will at least reduce the risk premium of rates for developing economies.

Therefore a "Historic Responsibility Border Adjustment Tax"(HR-BAT) will help developing economies prosper in greenways. This will increase the prices in these countries, but at the end of the day, more red meat, more air travel more consumption will never help. All of us have to reduce our consumption. This HR-BAT will foster the energy transitions in the developing countries and compensate for the pre-1990s emissions from the developed countries. An existential threat can never be solved with arbitrary starting points or with climate injustice. Everyone should have the same playing ground for green growth.



ÖZEL SÖYLEŞİ

23 Aralık
Çarşamba



17:00

Etkinlik Hakkında

Uluslararası Enerji Ajansı Başkanı
Dr. Fatih Birol ile gerçekleştireceğimiz
söyleşi YouTube kanalımızda
canlı yayınlanacaktır.

Katılımcılarımız önden sorularını
eeps@bilkent.edu.tr adresine iletebilirler.



Uluslararası Enerji Ajansı Başkanı

**Dr. Fatih
Birol**



Enerji
Politikaları
Araştırma
Merkezi

EU's New Energy Plan

Mihael Gubas 

"Hydrogen may seem pure and futuristic, but 99% of hydrogen in Europe today is produced by fossil fuel companies that share gas and release carbon, exacerbating global warming."

After waging diplomatic gas wars with its eastern members for the past year, portraying their politicians as extremely unreasonable people who oppose climate protection, the European Union has adopted another ingenious energy plan based on a revision of the so-called "TEN-E" (trans-European energy networks) regulations adopted within the first energy strategy in 2013 ("Six-pack," "Winter package," etc.). So since that winter strategy was so successful, why not bring another one according to the failed plan? In a document released to the public through the unofficial spokesperson portal Euractiv, analysis and revision of the Regulation on guidelines for trans-European energy infrastructure, abbreviated as TEN-E, was conducted. Of course, whether this should be emphasized in particular, the released document antagonized environmentalists, but also small private companies and

associations that bring together small energy producers from RES (renewable sources).

Namely, they say that the "leaked" text is a wake-up call because the strategy is based on hydrogen. According to Tara Connolly, a friend of Euractiva from Friends of the Earth Europe: "Hydrogen may seem pure and futuristic, but 99% of hydrogen in Europe today is produced by fossil fuel companies that share gas and release carbon, exacerbating global warming." The European Union spent a year looking for a way to get rid of not only coal but

infrastructure and whose production process is expensive and requires combustion. Fossil fuels. Activists point out that the draft proposal mentions sustainability criteria for hydrogen production but is not mandatory for all energy infrastructures. Of course, since the EU is officially "starting" with the gas phase-out, new financial constructions must not be spent on new gas infrastructures. However, the funds may therefore be spent on "smart grids", which includes gas grids "that use digital solutions to integrate low-carbon and renewable gases." So the EU does not support ordinary gas

SO THE EU DOES NOT SUPPORT ORDINARY GAS AS AN ENERGY SOURCE. IT IS A BIG "NO-NO", BUT ONLY "SMART GAS".

also gas, and then adopted a strategy based on converting one fossil fuel into one non-fossil but for which we have no

as an energy source. It is a big "no-no", but only "smart gas".



The new energy plan is a new attempt to establish plans to finance cross-border energy infrastructure. The aim of the first energy strategy was to establish a single internal energy market. In order to do this in a "competitive way," which was an old priority, now reaffirmed as a new priority, it was necessary to abolish the social price of electricity, which did not happen because such an idea caused huge revolts among members of the periphery, many times overthrowing the government, e.g., in Bulgaria. For it to be competitive, rich western countries would have to sell their surpluses to eastern ones, at market price. Then came Nord Stream 2, which overturned the European energy strategy by declaring it incompetent for the offshore. As expected, the new strategy has fixed such holes and now plans funding for offshore wind farms, etc.... But this was not the end of the collapse of the Winter Package because it also aimed to diversify sources and

suppliers, which again failed as much as internal contradictions, so much because of foreign policy - primarily relations with Russia and Turkey.

As bureaucrats plan to update the EU's Trans-European Energy Networks (TEN-E) regulation, the media triumphantly and blindly obediently stress that the new strategy "excludes oil and gas pipelines from EU funding for the first time", while opening the possibility of financing a new one. Hydrogen infrastructure, based on fossil fuels. Moreover, the EU does not hide it at all, and it simply does not address these contradictions at all. It only cites a ban on further financing of gas infrastructures and a few pages lower the expectation that by 2050 about half of the hydrogen produced will be obtained from fossil sources, primarily from gas, and subject to greenhouse gas storage. About 40 billion euros need to be invested in

electrolysis infrastructure alone. Another 60 billion euros are needed to transport and distribute the hydrogen thus obtained. But even here, there is no mention of the fact that all existing greenhouse gas capture systems are still energy harmful because the process of pumping gases underground requires energy obtained from fossil sources.

Furthermore, the goals that the new strategy should meet state that "energy infrastructure is a key driver of the energy transition," and that the key goal of the updated Regulation is to put Europe on track to achieve climate neutrality by 2050 for environmental protection and a declared new growth strategy.

China-Pakistan: Energy Relations

Atahan Tümer 

Pakistan is one of the rare countries that supported China against the sanctions imposed on China after the Tiananmen events..

Understanding China and Pakistan relations play a key role in understanding the balances in Asia. These two countries have deep-rooted relations. Bilateral relations between these two countries that started in 1951 still continue today with deep cooperation. There are strategic and economic cooperation agreements between the two countries. The relations that started in 1951 have reached the level of strategic partnership in a short period of 20 years. Since then, China and Pakistan are two countries that have close relations and often act jointly in the region. Although the reason for this partnership is the threat of India, we can say that this partnership has strengthened today. 70 years of close ties and 50 years of the alliance have enabled these two countries to unite with strong ties on many issues. Relations between the two countries have not been damaged even in major crises. For example, Pakistan is one of the rare countries that supported China against the sanctions imposed on China after the Tiananmen events. Economic relations

have been established between China and Pakistan in many areas from the arms trade to energy trade. In order to make accurate analyses about the region, it is very important to take into account the relationship between these two countries.

The two countries also have plenty of agreements on energy. China's One Belt One Road project is very important for them to open up to developing countries in the world. In

order to understand this importance, one can consider that neighboring countries also have great potential to expand China's sphere of influence. After understanding this one can better understand the importance of Pakistan for China. The economic investments made by China in Asian countries within the scope of the Silk Road Economic Belt projects show how serious they are in this regard. The long-standing strategic partnerships and historical ties have made Pakistan



the focus of Chinese investments. China wants to use Pakistan to create an alternative to the Strait of Malacca. At this point, possible infrastructure investments to be made by Pakistan, especially the development of railway networks, is of critical importance for China to achieve this goal. The aim of China's Silk Road project to create an alternative to the roads they currently use and to open up to new markets explains Pakistan's importance in China's goals.

China takes a 25% share in Pakistan's imports. This is a remarkable margin. We should evaluate the China-Pakistan Economic Corridor together with this information. Also, we should not forget that this corridor is not separate from other projects that China wants to conduct. This corridor, which starts in Kashgar and ends at Gwadar Port, enables China to reach the sea. Gwadar Port was built with the Chinese

capital itself and China will have the usage rights of this port for a long time. For China, which meets a significant part of its energy needs from the Strait of Malacca, it is very important to reach the Strait of Hormuz. This corridor means that China is approaching the Strait of Hormuz. At this point, we can summarize the main purpose of this corridor created by China in Pakistan as ensuring the security of its own energy supply and revealing another alternative energy supply route.

There are also partnerships in nuclear energy between China and Pakistan. China plays an important role in nuclear power generation in Pakistan. Pakistan's possession of both nuclear energy and nuclear weapons raises questions. The conflicts between the three nuclear-armed states (Pakistan-China-India) and problems such as the Kashmir problem threaten the peace

and security of trade in the region. Undoubtedly, the energy sector is also

small amount of Pakistan's needs.

Pakistan is a country highly dependent on foreign energy. This foreign dependency grows every year. At this point, we can mention that there will be possible initiatives that Pakistan can take to meet its energy needs more easily. We should also say that China makes most of its investments in Pakistan by giving low-interest loans to the Pakistani government. The debt burden created by these loans will also pose a major problem for Pakistan in the short and medium-term. If we take into account the other investments of China in Central Asia and South Asia and the American presence in Afghanistan, we can understand the dynamics of the region much better. There is no doubt that China's influence in Asia is growing. It is not so likely that China's relationship with Pakistan will be breakdown easily due to the partnerships and common enemies.



Ceyhan Port

A New Energy Hub?

Can Arihan 

Turkey, an unlucky country in terms of domestic energy reserves, has special importance in the regional energy puzzle because of its unique geopolitical position. Both the Turkish Straits (see also the article in the previous issue of Synergy about the Kanal İstanbul Project) and the energy pipelines that carry the energy of the east (e.g., Russia, Caspian Sea basin, Iraq) to the west (i.e., Turkey and Europe) contribute to the geopolitical importance of Turkey. A small port town in Southern Turkey's Çukurova region and the Adana province, Ceyhan, is an important part of Turkey's aspirations to strengthen its place in the regional energy puzzle.

Ceyhan derives its importance from two major pipelines (i.e., Baku-Tbilisi-Ceyhan Oil Pipeline, BTC Oil Pipeline, and Kirkuk-Ceyhan Oil Pipeline). Although the deliveries via Kirkuk-Ceyhan Oil Pipeline have experienced severe shortages from time to time because of the internal problems

in Iraq, BTC Oil Pipeline has been a reliable delivery route after it became operational in June 2006. With its total length of 1768 km, BTC Oil Pipeline passes through Azerbaijan, Georgia, and Turkey. BP is the largest

WITH BTC OIL PIPELINE PROJECT, AZERBAIJANI AND TURKMEN, AND KAZAKH OIL HAVE BEEN TRANSPORTED TO THE WORLD OIL MARKETS VIA THE CEYHAN PORT.

shareholder (with 30 percent) in BTC Company, which is the company that operates BTC Oil Pipeline, but Turkish (TPAO with 6 percent) and Azerbaijani (Socar with 25 percent) companies are shareholders in this giant multinational enterprise as well. With this major project, Azerbaijani and Turkmen, and Kazakh oil have been transported to the world oil markets via the Ceyhan port. Hellenic Shipping News notes that over 3 billion barrels of oil have been shipped from the Ceyhan port since the BTC Pipeline's

commissioning. From 2006 to the end of 2018, the crude oil was transported to the world oil markets by 4085 tankers from the Ceyhan port.

Ceyhan is now set to become home to major oil refineries in addition to being a transit route for crude oil. As the Global Energy Monitor points out from the year 1986, the crude oil from Ceyhan was carried to Kırıkkale Tüpraş Oil Refinery via the Ceyhan-

Kırıkkale Oil Pipeline to transform crude oil into petroleum products such as gasoline, diesel fuel, etc. However, if there were an oil refinery operational in Ceyhan, there would not be the need to carry the crude oil to Kırıkkale, and the crude oil could have been transformed into petroleum products in Ceyhan. These products could be sold at world markets at a higher margin of profit. As Anadolu Agency mentions, a \$10 billion oil refinery will be constructed in Ceyhan. Turkey Wealth Fund will fund this facility, and the construction



is planned to start in 2021. Apart from the Wealth Fund, Rönesans Holding has major investments in the Ceyhan Petrochemical Industrial Zone with many international partners such as South Korean GS, Algerian Sonatrach, and Dutch Port of Rotterdam. The construction of Rönesans Holding's projects is also planned to be completed in a few years.

All in all, Ceyhan has certainly emerged as an important port in the Eastern Mediterranean region because of the significant amount of energy resources transported there via major pipelines. And suppose the necessary industrial infrastructure is completed. In that case, Ceyhan can emerge as an energy hub where crude oil and petroleum products are delivered to the world energy markets. Such a vital role of Ceyhan will support Turkey's aspirations to become a dominant player in the regional energy puzzle rather than a country through which giant energy pipelines pass but only leaving the minor benefits of being the host country. Turkey is not the second anymore, but it shall still go through a challenging road to become a dominant player in Europe and the Middle East's energy puzzle.



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