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BRENT OIL

54.87 \$/BL

GASOLINE

7.28 ₺/LT

USD/TRY

7.50

DIESEL

6.64 ₺/LT

EUR/TRY

9.05

FUEL OIL

4.40 ₺

EDITOR:

GÖKBERK BİLGİN

CONTACT: gokberk.bilgin@bilkent.edu.tr

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The Haanja Forest: Estonia's Logging Problem

Mihael Gubas 

The strictest natural forest reserve in Estonia is uncontrollably cutting down the forest that is home to 29 protected animal species. Yet, instead of criminal prosecutions of perpetrators, this logging occurs quite legally, thanks to loose European regulations that in 2015 allowed wood to be included in biomass combustion and all categorized as green and ecological bio-practice. This futile European attempt to demonstrate concern for man and nature was to be a way to end the use of coal. But when green reforms in one of the world's richest unions are carried out "cheaply", without providing the technology and infrastructure for a green transition, the results are generally the opposite of what is desired.

The problem of uncontrolled deforestation has become an increasing problem in recent years, certainly in the Balkans, and now we find out that it is the same in Estonia. But this is a problem that is poorly talked about in the general public. There is no information in the media because everyone involved in the story does not want to stand in front of journalists, and a lot of it is legal. Part of it is also illegal and extremely harmful to everyone. Trees are being cut along, and across Europe, especially the eastern countries, and organizations that are supposed to protect and maintain forests are also allegedly involved in illegal logging.

The forest in question is Haanja in the southern county of Võru, the strictest nature reserve in Estonia, protected by all European reference directives and regulations of the NATURA 2000. Simultaneously with the protection, incentives are being developed for biomass, and thus for its cheapest form: wood that is exported to Denmark, the Netherlands, Great Britain, etc., where it is processed into pellets and sold as a green and publicly subsidized clean alternative coal. According to some data, half of the felled wood from Estonia and Lithuania is exported to the three countries.

In 2015, the Estonian government allowed logging in certain



parts of the Haanja Nature Reserve by adjusting park conservation rules to allow logging of up to one hectare at a time in some nature reserves. According to the Guardian, in the field, "the practice involves removing entire areas of mature forest and removing entire trees." And the permitting of logging came after a jump in international demand for Estonian wood, which was preceded by the adoption of European renewable energy policies.

Protected areas are governed by the legally binding provisions of the 1979 EU Birds Directive and the 1992 Habitats Directive. But logging is regulated by domestic law, and Estonia allows it until it damages swamps and other special habitats or falls during the mating season of birds, writes the Guardian. Environmentalists and activists trying to protect the area point out that "Estonia, by allowing intensive deforestation of Natura 2000 sites, violates the Habitats Directive and undermines the EU's climate goals." The non-profit Estonian Nature Fund (ELF) believes that "there is a direct link between subsidized growth in the biomass industry driven by EU renewable energy policies and the increasingly



rapid and unsustainable deforestation of the Baltic forests." The Council of Estonian Environmental NGOs (EKO) has lodged a complaint with the European Commission alleging that Estonia has breached its forest conservation obligations.

Condition research has shown that tree felling accelerated after 2015. "Across Estonia, between 2001 and 2019, Natura 2000 sites lost more than 15,000 hectares (37,000 hectares) of forest cover, an area more than twice the size of Manhattan. The last five years make up 80% of that loss. To make matters worse, further rule changes are planned in other Estonian national parks," writes the Guardian.

The consequences of these practices have already caused a cascading effect: "this acceleration seems to take a toll on bird species such as black grouse, woodpeckers, and others. According to national records, forest birds are declining at a rate of 50,000 breeding pairs per year." But this is not the only harm, as logging

reduces the capacity of Baltic forests to store carbon and could undermine climate targets by reducing the chances of Estonia and Latvia achieving net-zero greenhouse gas emissions.

EU subsidies for renewable energy have boosted the economy, so there is now an entire EU-funded economic supply and demand chain that, instead of increasing the continent's resilience to climate change, has the opposite effect. The problem of the European Union is, in fact, the only one, and it materializes through the negative effects of European regulations in countless ways, limited only to the human imagination to overturn the rules. That problem is visible in this example as well.

No matter what EU rules are adopted, they are always so principled that their transposition into local legislation does not have to be carried out in the spirit of the law. Because how else can it be explained that according to European rules, forests are both protected and cut down.

An Exceptional LNG Winter

Bariş Sanlı



From relations between Australia and China to Arctic voyages, nuclear re-licensing to Panama channel, shipping rates to coal switching, it looks like an interesting period to watch.



The cold weather in North-East Asia is the major culprit of this event. Then comes the Covid, and then the panicking. There is so much detail in the whole story that interacts with Panama channel slots and defaulted cargos for late February and a hidden ban on Australian coal.

In Japan, due to Covid precautions, the open window policy has increased heating demand. Having a very cold winter period exasperated the demand. In China, due to political strain with Australia, Australian coal has been unofficially banned. The ban started in October and then extended.

LNG prices have reached sky-high prices and approached 40\$/mmbtu. This was completely unexpected, but so does the weather. The covid part of the story has an unusual twist. But LNG markets are bizarre, and it has highly seasonal characteristics, as well as a global commodity in the making, is happening.





This changed the flow of coal trade and coal support prices around the world. China bought Colombian and South African coal with higher shipping costs. Covid also delayed and diminished coal production and imports from Mongolia.

Trade data suggests that Japanese companies didn't expect such intense cold weather. But 3 out of 33 reactors are totaling 2960 MW of nuclear capacity online. Before the Fukushima disaster, there were 54 reactors. Most of the reactors are going through re-licensing. The increase in electricity demand was more than expected, and it created a surge in LNG demand. The price spikes in LNG has fed into electricity prices. Electricity prices spiked to 2000\$/MWh, which was the government-administered cap for the market.

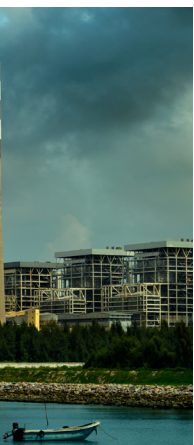
But as the cold continues, the demand for LNG has continued its surge. The shipping rates reached a record 350,000\$/day. The cargos for "the rest" have been defaulted. Nearly all cargos were diverted to North-East Asia, and most probably Japan. Generally, the shipping rates peak to 150,000 \$, but during the normal season, the prices hover around 20,000-60,000\$.

The chokepoints around the world also contributed to this bonanza. The delays or limited slots at the Panama channel limited the number of ships to Asia from the US. This problem is expected to continue until March. On the Russian side, Novatek is testing to use the Northern Sea Route for January-February voyages through the Arctic. It is extremely

difficult during this season, but two tankers are testing the route as of 5-6 January.

When we experience high prices in any commodity, we see an increase in that commodity's supply side dynamics. An accelerated nuclear re-licensing period in Japan may be one of these dynamics. Another one is the restarting of some idle LNG plants, such as Prelude LNG. New investments are also coming, such as Driftwood LNG.

Now another LNG cycle will dominate in the coming years. From relations between Australia and China to Arctic voyages, nuclear re-licensing to Panama channel, shipping rates to coal switching, it looks like an interesting period to watch. Like negative oil prices, record LNG prices are not the norm but a hidden puzzle to be solved. We will check trading house statements in the next quarter for clues.



The Recent De-escalation in Turkey-Greece Relations

Can Arihan 

Relations from a Wider Perspective and What It Means for the Energy Puzzle of the Region

Energy problems are never limited to only energy issues, and they tend to be closely interconnected with politics, economics, law, and even military conflicts. Similarly, the rivalry of two neighbors (i.e., Turkey and Greece) to gain rights over the Eastern Mediterranean's hydrocarbon reserves is heavily affected by other issues that remained unsolved between these two countries.

Just to briefly explain the history of rivalry between Turkey and Greece, we can mention the following events: the independence of Greece from the Ottoman Empire in 1830, the Turkish War of Independence (1919-1923) that was fought against the Allied Powers, and also Greece, Cyprus Peace Operation (1974) that liberated the island from a Greek junta that sought the unification of Cyprus with Greece,

the Kardak Crisis (1996). On the other hand, Turkey and Greece were not always at loggerheads, and the two neighbors enjoyed better relations from time to time. For example, in the early 2000s, both Turkey's possible accession to the European Union and improved diplomacy (the first round of so-called exploratory talks took place in 2002 and were initiated by then Turkish Foreign Minister Ismail Cem and his Greek counterpart, George Papandreou) paved the way for a positive era in Turkish-Greek relations. However, especially in the second half of the last decade, in a world that saw rapid changes in the global balance of power, Turkey shifted away from the Western bloc. It adopted a more assertive and independent foreign policy. This also affected Turkey's relation with its neighbor to the west, that is to say, Greece. And the two

neighbors became parties to a fierce rivalry, which involved energy disputes in the Eastern Mediterranean as one of the major problems (among other things, migration issues and conversion of Hagia Sophia back into a mosque also raised the tensions).

Turkey and Greece have overlapping claims regarding the exclusive economic zones (in its exclusive economic zone, that state is entitled to exploit the energy reserves located below the water) in the Eastern Mediterranean. Law of the Sea is not within the scope of this article. Still, interested readers are encouraged to study Turkey's arguments (Turkey's position is defined by the Blue Homeland Doctrine or in Turkish: Mavi Vatan Doktrini) and Greece (the so-called Seville map represent maximalist Greek claims) and also the writings of well-



established academics. In addition to these legal disputes, the last few years saw a standoff on the Eastern Mediterranean's waters. As Euronews reports, Turkey first sent its drilling ship, Fatih (named after the Ottoman Sultan who conquered Istanbul and ended the Byzantine Empire), in May 2019 to carry out seismic surveys exploratory drilling off the coast of the Turkish Republic of Northern Cyprus. Greece and the Greek Administration of Southern Cyprus condemned these activities of Fatih and sought the EU's support against Turkey. Until now, the EU did not impose strict sanctions on Turkey as the Greeks hoped. As the BBC pointed out, few Turkish officials were blacklisted, but this did not have any "material consequences" for the Turkish economy. Germany, the central power of the EU, even tried to mediate, and German Foreign Minister Heiko Maas traveled to Athens and Ankara to bring down the tensions. However, the tensions kept rising, and Turkish vessels such as Oruç Reis, Yavuz, and

Fatih carried out many missions in the Eastern Mediterranean that angered Greece. Greece further escalated the dispute by luring France (and trying to bring the rest of the EU) into the conflict to strengthen its position. Nevertheless, after it was announced last Tuesday (12.01.2021), the tensions are somewhat relieved that Turkey and Greece will resume the exploratory talks.

After these lengthy explanations on Turkish-Greek relations and how the energy-related disputes escalated tensions in the Eastern Mediterranean, we shall now move onto the "de-escalation" in the two neighbors' relations. To open diplomatic ways leading to the solution of the dispute in the Eastern Mediterranean, Turkey and Greece agreed to hold the 61st round of exploratory talks in Istanbul on January 25, 2021, after a five years break (the 60th round of talks was held in Athens in March 2016). Bloomberg quoted Turkish President Erdoğan hailing the

news as a "harbinger of a new era" in relations with Greece. Seemingly, tensions de-escalated further after Turkish Foreign Minister Mevlüt Çavuşoğlu announced that he and his Greek counterpart, Nikolaos Dendias, will meet following the exploratory talks in Istanbul. Besides, Arab News notes that, as a gesture of goodwill, Turkey decided to keep Oruç Reis away from the Eastern Mediterranean's disputed waters until June 15. So what do all of these developments mean? And what is their significance in the energy puzzle of the region?

First of all, I believe that a major and continued de-escalation should not be expected from the 61st round of exploratory talks. As was mentioned above, in recent years, Turkish foreign policy became more and more assertive. The US influence in the region diminished under the Trump administration, and the regional balance of power rapidly shifted. Turkey-Libya deal and Greece-Egypt



deal caused more complications. Turkey and Greece have strongly positioned themselves on opposite sides of the dispute in the Eastern Mediterranean. In such an atmosphere, some renewed diplomatic meetings are unlikely to yield major outcomes. The rift between the two neighbors will likely remain unsolved until the wider disputes in the Eastern Mediterranean, North Africa, and the Middle East are solved. Nonetheless, diplomatic talks are always a useful tool to repair damaged ties, and certainly, Turkish-Greek relations need some extensive reparation.

Numerous things can be said about the impact of improved relations between Turkey and Greece on the Eastern Mediterranean's energy puzzle. Still, here we can only mention a few of the most notable ones. Of course, it is an unattainable goal for the 61st round of exploratory talks. Still, the two neighbors' ultimate goal regarding the hydrocarbon reserves in the Eastern Mediterranean should be deciding on how to extract these reserves and how to transport them to the

energy markets (e.g., Europe). Given the doubts regarding the EastMed pipeline project's feasibility, the most feasible route to transport the natural resources of the Eastern Mediterranean to Europe seems like first transporting the resources to Turkey and then, via the existing pipelines, to Europe, where the energy demand is. To achieve this ambitious goal, Turkey and Greece must find a peaceful solution to their dispute in the Eastern Mediterranean and thus pave the way for an era of better relations and closer cooperation in the region.

Another very central issue that should be decided by Turkey and Greece is the demarcation of exclusive economic zones. To safely extract the hydrocarbon reserves in the Eastern Mediterranean, the two neighbors must decide which country will have rights over which part of the sea. As mentioned above, the parties' claims are very much overlapping; therefore, some considerable time and the development of mutual trust are needed. Under the current atmosphere, such achievements do not

seem attainable in a short time. Other than these possible impacts on the energy puzzle, financial implications of the giant extraction projects and also cooperation with international energy companies stand out as important questions to be dealt with.

In brief words, Turkey and Greece are not the best neighbors that enjoy perfect regional cooperation, but there is a potential that can be realized if both countries try to develop mutual trust. After a period of worsening relations, news of the 61st round of exploratory talks is somewhat promising but falls short of being a radical tool to swiftly solve the rift. Still, diplomatic options should always be chosen over military options, and as the great orator Cicero once said: "An unjust peace is better than a just war."

The Future of Nuclear Energy in the EU: The Case of Sweden

Selin Kumbaracı 

"The matter of nuclear energy is especially critical to Sweden given that it generates 40% of its electricity through nuclear power plants. "

For some, nuclear energy is a clean(er), low-carbon alternative to fossil fuels, while for others it detracts from the transition to renewable energy sources, such as solar and wind. It is an especially salient debate in the European Union, with its ambitious climate goals—as well as the practical challenges it faces in meeting them.

Currently, nuclear energy accounts for approximately a quarter of the electricity produced in the EU, and for some Member States, like France, this figure can go up to almost three-quarters. However, a number of other Member States, notably Germany, have made commitments to completely phase out nuclear energy due to safety concerns. According to the European Parliament, nuclear energy can be said to constitute a “critical component” in the energy mix of 13 EU Member States, out of the overall 27.

Public opinion has generally waxed

and waned in accordance with global nuclear accidents, affecting the appetite for nuclear energy differently in different EU countries. In particular, nuclear energy has gotten to be much more controversial of an issue after the Chernobyl accident in 1986, and more recently following the Fukushima accident in 2011.

For Sweden, in particular, the Three Mile Island accident that took place in the United States in 1979 was quite significant. It was soon after this nuclear disaster that a referendum was held in 1980, resulting in the stopping of nuclear power capacity expansion.

Another stipulation of this referendum was that all nuclear power plants would be closed by 2010. Nonetheless, due to the rise in electricity demand and the desire for this demand to be met by low-carbon energy sources, this date has been postponed for the time being. There is currently a debate raging on in

Sweden, especially in the Parliament, regarding what exactly “clean energy” is. While some argue that it refers exclusively to renewable sources, such as solar, wind, and hydro energy, others see it to mean non-fossil fuel sources of energy—a grouping which would (and as argued by its proponents, should) include nuclear energy.

The matter of nuclear energy is especially critical to Sweden given that it generates 40% of its electricity through nuclear power plants. Germany had faced a similar, if not as severe, predicament in 2011, when it decided to phase out nuclear energy, as it was obtaining about 25% of its electricity from nuclear power plants. This figure is now at a little over 10%, though now the importance of coal has become a problem, accounting for 40% of Germany's electricity.

Various Swedish opposition parties, namely the Moderate Party, wish



to avoid a similar fate and thus are stressing nuclear energy usage as a mostly carbon-free source of electricity. On the other hand, the Green Party—currently a coalition party of the Social Democrats—opposes this approach, arguing the stress should be on developing wind and solar energy, not a dangerous source like nuclear.

This debate was ramped up recently due to the closure of a fully functional nuclear reactor, Ringhals 1, as a result of low profitability. Ringhals 1 was the second reactor to be closed on the site within the past year, with two other reactors remaining in the particular site. Nation-wide, there are currently six nuclear reactors that are operating.

While Sweden has postponed the date of shutting down all nuclear power plants, there are still measures that work against nuclear energy. One example is that of the nuclear capacity tax—a tax which is applied particularly

on electricity that is derived from nuclear reactors, penalizing nuclear energy in comparison with other sources.

Such measures can be seen as playing a part in the low profitability problems referred to by the state power company that operated Ringhals 1, Vattenfall. As the company's CEO had said in 2016, "The abolishment of the nuclear tax is needed in order to secure continued operation of our nuclear power plants (...) Combined with falling electricity prices, the current nuclear tax is contributing to a critical situation in which none of our reactors are profitable."

While this may be seen as the exact purpose of such a tax—to disincentivize nuclear energy—public opinion seems to be turning slightly more positive regarding nuclear. The percentage of people wanting to invest more in nuclear energy has increased

from 15% to 21%, and those wanting to completely close all nuclear power plants decreasing from 19% to 15%.

Such a shift in public opinion accompanies how some climate scientists have begun to argue in favor of nuclear power. As Johan Rockström, a Swedish professor at the University of Potsdam has said, "My conclusion is that the climate threat is greater than the threat from nuclear power."

Given such an approach, and the accompanying shift that seems to be taking place in public opinion, it is possible that nuclear energy may make a comeback, at least as a transition fuel at a time when Sweden is in need of much greater amounts of clean electricity.



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