

# ENERGIZING THE MIDDLE EAST: IRAN, TURKEY AND PERSIAN GULF STATES

*Since the 1960s the Middle East has become one of the hot spots of geopolitics. The rich energy resources of the region have attracted global attention. During the Cold War, the usual suspects of the energy geopolitics of the Middle East were the petroleum exporting countries of the region, the U.S. and the Soviets. With the end of the Cold War, the energy equilibrium of the region has drastically changed. China and India have appeared as rapidly industrialized powers, Turkey and Iran consolidated their position as regional powers, and Russia was resurrected as a new energy superpower. Within this context, this article assesses the new energy order and discusses Turkey, Iran and Persian Gulf States as the key regional players in current energy equations of the Middle East.*

Bezen Balamir Coşkun\*



\* Bezen Balamir Coşkun is Assistant Professor in the Department of International Relations at Zirve University.

**E**nergy today is one of the important determinants of international relations based on the ownership of hydrocarbon resources and control over pipelines routes. As oil and natural gas are becoming strategic commodities, significant changes in the international economic and political system and relations among major states have occurred. Thus, to analyze international politics, or the foreign policies of major countries, a particular focus on energy and the increasing competition for energy supplies is required. Given the constraints they face in terms of energy supplies, the broader energygeopolitical questions about the foreign policies of major states and their suppliers have attracted scholarly attention.

Particularly in resource rich regions like the Middle East, interregional and international politics of the region have always been dominated by energy. Given the ever-increasing significance of the region in new energygeopolitics, this article analyzes Turkey, Iran and Persian Gulf States as the key players of the current energy equations of the Middle East. Answers to the following questions will be sought: Why do these countries emerge as key players in new energygeopolitics? How do they position themselves in new energy order? What are the geopolitical implications of the strengthened position of Iran, Turkey and Persian Gulf States in the regional and global energy order?

### ***New Trends in Energygeopolitics and the Middle East***

The new energygeopolitics is deeply influenced by the unprecedented increase in energy demand, and the rise of new regional and global powers. The gap between global energy supplies and demand, the concentration of non-renewable stocks of oil and gas in the Greater Middle East, and the spread of industrial capitalism in China and India have dramatically changed the global energygeopolitics. In this vein, Stuart Harris discusses three structural developments with significant energygeopolitical implications: the end of the cheap oil era, the end of the domination of international oil companies in supplying energy, and the growing energy importance of the Middle East.<sup>1</sup> As pointed out by Harris these developments have affected geopolitical relationships between the U.S. and the Middle East; the U.S. and China; and Europe, Russia and the U.S.

According to International Energy Agency's (IEA) projections for the next 20 years, global oil demand will rise from 85 to around 105 million barrels a day (mbd). Oil import demand will grow from 41 mbd to 55 mbd by 2030. Growth will come

---

<sup>1</sup> Stuart Harris, "Global and Regional Orders and the Changing Geopolitics of Energy", *Australian Journal of International Affairs*, Vol. 64, No.2 (April 2010), p. 166.

mostly from Asia, in particular from China and India.<sup>2</sup> This trend has triggered a rise in oil prices in general. The second development in the new energy order is the domination of national oil companies in global energy markets. Unlike the 1960s and 1970s when seven international oil companies acted as the custodians of the global oil reserves, in the 2000s only one of the top ten biggest oil companies in terms of oil reserves is privately owned: Russian Lukoil.<sup>3</sup> In other words, the majority of oil reserves have been controlled by governments in accordance to their strategic interests, and national oil companies are often used as instruments of foreign policy.<sup>4</sup> The last structural development discussed by Harris is the geographic location of the energy resources. The majority of oil and gas reserves are concentrated in the unstable Middle East and Persian Gulf, Central Asia and Russia. Over 70 percent of natural gas reserves are located in Russia, Iran and Qatar.<sup>5</sup>

In the new energy order, Iran, Russia and energy resource rich Persian Gulf states have reclaimed their advantageous positions as popular energy suppliers. Meanwhile, India and China have become the biggest consumers of Eurasian energy resources in general, and Middle Eastern resources in particular. Thus China and India have become major competitors to the United States and the EU. Intense competition for energy supplies accompanied by China and India's long-term deals with Middle Eastern energy suppliers have strengthened the strategic position of Iran and the Persian Gulf states. The U.S.-China Economic and Security Review Commission reports demonstrate concerns about China's impact on the U.S.' pursuit of energy security and American foreign policy goals.<sup>6</sup>

As far as Russia is concerned, Russia has the largest oil and natural gas reserves and seeks to dominate the transportation of energy, especially to Europe in order to become an energy superpower. This trend has alarmed the respective U.S. administrations that Russia's growing control over the distribution of oil and gas in Eurasia would undermine America's influence in the region.<sup>7</sup>

The global competition for access to energy supplies gives Iran strategic leverage over the U.S., and blurs American plans to isolate Iran. Furthermore, Iran's rapprochement with Russia and China strengthens Iran's geopolitical stance both

---

<sup>2</sup> Energy Information Agency (EIA), *International Energy Outlook 2009* (Washington DC:EIA, 2009); International Energy Agency (IEA), 2008 *World Energy Report*, (Paris: Organization for Economic Cooperation and Development/IEA, 2008); International Energy Agency (IEA), 2009 *World Energy Report*, (Paris: Organization for Economic Cooperation and Development/IEA, 2009)

<sup>3</sup> Robert Pirog, "The Role of the National Oil Companies in the International Market", CRS Report for Congress (Washington DC: Congressional Research Service, 21 August 2007), p. 3.

<sup>4</sup> Harris (2010), p. 169.

<sup>5</sup> *Ibid.*

<sup>6</sup> Zha Daojiong, "Energy in Sino-American Relations: Putting Mutual Anxiety in Context", *Strategic Analysis*, Vol.31, No.3, p. 492.

<sup>7</sup> Michael T. Klare, "The New Geopolitics of Energy", *Nation*, 19 May 2008, p. 20.

regionally and globally.<sup>8</sup> Besides the new energy super powers, the new energy geopolitics has created opportunities for the states that stand at the center of the supply and demand routes. Within this context, Turkey has been positioning itself as an energy hub to guarantee the security of supply by enjoying the offtake rights of transit states. Overall, being an energy hub provides Turkey with strategic advantage to gain political influence in the region.<sup>9</sup>

*"The global competition for access to energy supplies gives Iran strategic leverage over the U.S., and blurs American plans to isolate Iran."*

The uncertainty about accessing major oil resources located in the Caspian Basin, Central Asia and Russia, and the continuing instability in Iraq has urged most Western states to consider Persian Gulf states as alternative energy suppliers, and to prioritize relations with the Gulf states of Saudi Arabia, Qatar, Bahrain, the United Arab Emirates and Oman. In contrast to Iran and Turkey, which deliberately construct

their policies to influence the regional energy dynamics, resource rich Persian Gulf States do not follow this path. Aware of the fact that their reserves are not infinite, they focus on the development of alternative energy resources such as renewable energy, nuclear energy and solar energy to feed domestic demand, and to create surplus reserves for export.

It is clear that the new energy geopolitics of the Middle East is getting more and more complex with the changing supply and demand dynamics of global energy markets. The following section will discuss the regional actors who are most advantageously situated in the new energy order, namely Iran, Turkey and the Persian Gulf States.

### ***Iran: An Energy Superpower in the Making?***

Iran has about ten percent of the proven oil reserves and seven percent of the world's mineral resources. Its central location in Eurasia and rich oil and natural gas reserves put Iran at the center of the global energy geopolitics.

Iran is the second largest oil exporter after Saudi Arabia and holds the world's second largest reserves of natural gas after Russia. However, Iran needs considerable

<sup>8</sup> Bezen Balamir Coşkun, "Global Energy Geopolitics and Iran", *Uluslararası İlişkiler*, Vol. 5, No. 20, (Winter 2009), p. 199.

<sup>9</sup> Bezen Balamir Coşkun and Richard Carlson, "New Energy Geopolitics: Why does Turkey Matters", *Insight Turkey*, Vol.12, No.3 (Summer 2010), p. 218.

investments in its oil and gas industry. Despite the sanctions that prevent large amounts of foreign investments in the Iranian energy sector, Iran managed to escape from U.S. pressures and inked a series of deals to develop its oil and gas fields, including its deal with Brazilian Petrobras, Chinese Sinopec, and India.<sup>10</sup> Similarly, Iran and Turkey signed an agreement in the beginning of 2010 to assign part of South Pars natural gas fields to search for natural gas.

The sanctions imposed by the West have made it difficult for Iran to emerge as a major exporter of oil and gas. However, Iran's energy potential has triggered competition between Asian and European states seeking to secure oil and gas exports. As a result of the competition from rapidly industrializing countries including China and India, European states have felt under pressure to secure their access to Iranian gas. This competition gives Iran strategic leverage in the region, particularly against the containment policy of the U.S. As a reflection of Iran's growing confidence as an energy superpower, several bilateral agreements have been signed with Iran despite United Nations sanctions. In line with UN sanctions, Western governments have urged their companies to cut ties with Iran because of its controversial nuclear program, but even at the governmental level, some states like Russia announced that United Nations sanctions will not get in the way of their plans to develop Iran's oil and gas sectors.<sup>11</sup>

In July 2010, Russian Energy Minister Sergei Shmatko met with his Iranian counterpart, Masud Mir-Kazemi, in Moscow to sign a road map document outlining energy cooperation. During the meeting, Shmatko underlined that despite sanctions, Russian companies were prepared to deliver oil products to Iran. Furthermore, Gazprom has agreed to help Iran further develop its oil and natural gas fields.<sup>12</sup> Besides Russia, states like China and India are trying to maintain a balance between their energy interests and global obligations. China, India and Pakistan's large and growing energy demand and Iran's pool of energy resources make these states natural economic partners with Iran. Particularly, China and India's search for energy security in a volatile energy market makes Iran highly attractive. In a similar vein, even Persian Gulf states like Bahrain are also planning to sign a gas export deal with Iran. Bahrain signed a preliminary agreement with Iran in 2008 to import one billion cubic feet of natural gas per day. In a quote posted on the Iranian Ministry of Oil's website, Iranian Foreign Minister Manoucher Mottaki announced that "Bahrain will invest in South Pars phases and Iran will take

---

<sup>10</sup> Coşkun (2009), p. 198.

<sup>11</sup> "Russia, Iran Sign Energy Agreement Despite UN Sanctions", *VOA News*, 14 July 2010, <http://www.voanews.com/english/news/Russia-Iran-Sign-Energy-Agreement-Despite-UN-Sanctions-98400474.html>

<sup>12</sup> *Ibid.*

part in Bahrain's refining and petrochemical industries, and finally Iran's gas will be exported to Bahrain."<sup>13</sup>

Besides being a favorable energy supplier, Iran is strategically situated at the heart of possible pipeline routes. Both Russia and Iran are not happy with the U.S. "imposing" pipeline routes such as Baku-Tbilisi-Ceyhan, Baku-Supsa and Baku-Tbilisi-Erzurum. As a result, Iran and Russia insist on other routes including Kazakhstan-Turkmenistan-Iran and Iran-India-Pakistan. It is probable that in the near future Russia and Iran, if they collaborate, would control some of the major pipeline routes.

In sum, Iran with its large oil and natural gas reserves is gaining strategic leverage, and growing as a global energy superpower. The demand for Iran's resources from Asia and Europe and its collaboration with other energy rich states like Brazil and Russia has strengthened Iran's position in new energy geopolitics. Iran's rapprochement with Russia and China, its invitation to international energy companies to invest in Iran and Tehran's dedication to develop nuclear energy prove that Iran is firmly on its way to becoming a key player in the international system.

### ***Turkey: A Self-made Energy Hub?***

Unlike other regional actors, Turkey has relatively small domestic reserves of fossil fuels, apart from lignite, low quality brown coal. In spite of its lack of energy resources, in late 1990s, Turkey, by turning into a transit hub for suppliers in the Middle East and Central Asia to Europe, has appeared as one of the main actors in regional and global energy geopolitics.

Turkey's self-candidacy as an energy hub lies in its geographical position *vis-a-vis* the energy rich regions of Russia, the Caspian Basin and the Persian Gulf. Turkey's neighborhood possesses over 70 percent of the world's proven oil and gas reserves,<sup>14</sup> and Turkey is one the most stable of all potential transit states. The United Nations Economic Commission for Europe has estimated that Turkey may host six to seven percent of global oil transport by 2012.<sup>15</sup> In this regard, Turkey's role as an energy transit country is vital not just for regional exporters, but also for global importers.

---

<sup>13</sup> Ramin Mostafayi, "Iran to Sign Gas Export Deal with Bahrain Soon", *Arabian Business*, 29 June 2010, <http://www.arabianbusiness.com/591713-iran-to-sign-gas-export-deal-with-bahrain-soon>

<sup>14</sup> John Roberts, *The Turkish Gate: Energy Transit and Security Issues* (Brussels: Centre for European Policy Studies, 2004), p. 1.

<sup>15</sup> United Nations Commission for Europe, *Report on Global Energy Security and the Caspian Sea Region: Country Profiles*, (Geneva, 2006), p. 9, [http://www.unecp.org/energy/se/pdfs/comm15/ECE.ENERGY.2006.3.Add.1\\_e.pdf](http://www.unecp.org/energy/se/pdfs/comm15/ECE.ENERGY.2006.3.Add.1_e.pdf)

Mert Bilgin identifies three sub-systems of a Western energy corridor through Turkey (WECT): (1) WECT inner Caspian: hydrocarbon transportation from Azerbaijan, Kazakhstan and Turkmenistan; (2) WECT Russia: Blue Stream gas pipeline and oil transportation through straits and (3) WECT Middle East: transportation of Iranian, Iraqi and Egyptian hydrocarbons. Aside from the existing ones, there are a number of pipeline projects that are designed to turn Turkey into an energy hub such as the Interconnector-Turkey-Greece-Italy (ITGI) gas pipeline and the Nabucco gas pipeline. As a result, Turkey deserves particular attention in energy geopolitics as a rising star in the new energy order.<sup>16</sup>

Turkish governments have two main reasons to transform Turkey into an energy hub and a transit route of gas suppliers in the Middle East and the Caspian basin: the first is to guarantee the security of supply, particularly for gas; and the second is to gain political influence in Europe and in the region as an outcome of ownership of a key infrastructure route. Becoming the center of transit routes for hydrocarbons can provide Turkey with leverage in foreign policy.<sup>17</sup>

Turkey's growing importance in energy geopolitics gives Turkey a particular leverage in its relations with the EU. Given the fragile state of the EU-Russia energy dynamics, the EU recognized "Turkey's potential value as a relatively secure and independent route for importing non-Russian energy supplies."<sup>18</sup> Within this context, the EU signed an intergovernmental accord that supports the Nabucco gas pipeline, which could transform Turkey into a key player in the routes of various non-Russian gas supplies to Europe. As discussed by Tekin and Williams, this crucial position raises the question of whether or not energy security requirements will influence considerations of Turkey's full accession into the Union.<sup>19</sup>

*"Turkey's role as an energy transit country is vital not just for regional exporters, but also for global importers."*

Furthermore, Iran has been a significant partner in Turkey's quest for becoming an energy hub. Since 2001, Iran has been exporting gas to Turkey, and recently the Iranian government has offered Turkish Petroleum Agency (Türkiye Petrolleri Anonim Ortaklığı) a development concession on its South Pars gas field.<sup>20</sup>

<sup>16</sup> Mert Bilgin, "New Prospects in the Political Economy of inner-Caspian Hydrocarbons and Western Energy Corridor through Turkey", *Energy Policy*, Vol.35, No.12 (December 2007), pp. 63-83.

<sup>17</sup> Coşkun and Carlson (2010), p. 214.

<sup>18</sup> Ali Tekin and Iwa Walterova, "Turkey's Geopolitical Role: The Energy Angle," *Middle East Policy*, Vol.14, No.1, March 2007.

<sup>19</sup> Ali Tekin and Paul A. Williams, "EU-Russian Relations and Turkey's Role as an Energy Corridor," *Europe-Asia Studies*, Vol.61, No.2, (June 2009), pp. 337-356.

<sup>20</sup> "Iran Offers Turkey Natural Gas Concessions", *UPI*, 27 April 2010.

Last but not least, Turkey's recent rapprochement with its Middle Eastern neighbors and rising popularity among Arabs – due also to Ankara's defiance against Israel, have reinforced Turkey's favorable position in the Middle East. This strengthened Ankara's hand in regional and global energy calculations. While enjoying its position as an energy hub *vis-a-vis* the West, Turkey has also been shaking the regional dynamics in the Middle East.

### **GCC States: Business as Usual?**

The GCC countries (Oman, Bahrain, Kuwait, Qatar, Saudi Arabia and the UAE) are among the countries which hold the world's largest proven oil and natural gas reserves. Besides oil, liquefied natural gas (LNG) has also become a major export product for the Persian Gulf states. According to the latest BP World Energy Report (2009), Gulf states (GCC states plus Iran and Yemen) currently hold around 50 percent of the global proven oil reserves and 40 percent of the proven gas reserves, while their production constitutes only 28 percent of the global oil production and 12 percent of natural gas production. With its share of around 36 percent, the region's oil exporters have a major impact on the global oil trade.

*Persian Gulf states have been focusing on diversifying their energy mix with nuclear energy, coal and renewable energies... To extend the lifeline of their oil and gas reserves.*

Compared to the high level of oil exports, most of the gas produced in the region is sold to domestic market, but the flow of LNG exported from Qatar, Oman and Abu Dhabi, which is currently at 60 bcm, is increasing.

Within the context of energygeopolitics, it is unlikely that the Gulf States could fade away from the global energy scene. Thanks to their rich reserves of both oil and natural gas, and their symbiotic ties with the West, the Persian Gulf states are in no immediate danger. However, within the current energygeopolitical situation, the GCC states are interested in ensuring the sustainability of their reserves and the continuity of a robust demand for their oil and gas resources. For this reason, the GCC states are making huge investments to assure an adequate level of oil and gas supplies is ready for their international customers.<sup>21</sup> Hence, the GCC states are in search of alternative energy resources including renewables, solar and nuclear energy as well as minimizing domestic energy consumptions.

<sup>21</sup> Adnan Shibab Eldin, "Prospects for EU/GCC Energy Cooperation", Gulf Research Centre: GCC-EU No.7, pp. 13-15.

Following the recent surge in fossil fuel prices, interest in renewable energies among GCC countries resurfaced. The gas shortages of the Gulf states, with the exception of Qatar and Iran, highlighted the urgent need for alternative sources and better energy efficiency. Aware of this problem, the GCC countries now envisage diversifying their energy mix with nuclear energy, coal and renewable energies as additions to their energy mix to extend the lifeline of their most precious export good.<sup>22</sup> It is argued that as a result of the use of renewable energies, the lifeline of the GCC's oil and gas exports can be stretched, since energy created from renewables can gradually substitute oil.

In spite of the existence of renewable energy development projects in the region, energy experts from the GCC states come to the conclusion that renewable sources like the wind or sun are far from meeting growing energy demands. As pointed out by Saudi Electricity Company President Ali Saleh al-Barrack, "renewable energies are (playing) only a very small part in supplying even those who started (developing them) a long time ago."<sup>23</sup> The feasibility studies show that renewable energy options were either limited or less attractive for technical reasons. Within this context it is proposed that the only immediate solution to meet growing energy requirements of the GCC states is nuclear energy.<sup>24</sup> Consequently, the Gulf countries, besides Iran, have manifested an interest in the development of peaceful uses of nuclear technology to enhance their energy supplies. Within this context, in December 2006 the GCC countries agreed to develop a joint nuclear technology program for peaceful uses. Since then, they have been in talks with the IAEA.<sup>25</sup>

Besides the development of energy resources alternative to oil and gas, the GCC states have initiated projects to reduce the depletion of resources. In general, Gulf states have among the highest per capita emissions, mainly because of oil production. As a consequence, Gulf states like Qatar and Abu Dhabi are investing heavily in clean energy technology.<sup>26</sup>

To reduce CO<sub>2</sub> emission levels, a carbon capture and sequestration (CCS) project is planned in Abu Dhabi which will be in operation in 2013. The Gulf oil producers seem in favor of the use of carbon capture and sequestration because of the concentration of carbon emission sources in their territory and the potential for

---

<sup>22</sup> Eckart Woertz, "Alternative Energy Trends and Implications for GCC Countries", *GRC Report* (July 2008), p. 16.

<sup>23</sup> "Nuclear Energy Best Option for Gulf States," *AFP*, 27 May 2008, <http://afp.google.com/article/ALeqM5hr53TMjFNSlaNCHFT-9W7uN4zYwLA>.

<sup>24</sup> *Ibid.*

<sup>25</sup> *Ibid.*

<sup>26</sup> Queensland Government, "Green Building Opportunities: The Gulf States", Vol.1, No.3 (Spring 2009) [http://www.export.qld.gov.au/Pdfs/TR400\\_Green\\_Bldg\\_Mkt\\_GulfStates\\_LR.pdf](http://www.export.qld.gov.au/Pdfs/TR400_Green_Bldg_Mkt_GulfStates_LR.pdf)

sequestration in oil and gas field using CO<sub>2</sub> injection as an enhanced oil recovery method. If hydrogen becomes a significant fuel in the future, the Gulf countries will become exporters of hydrogen and/or electricity produced from fossil fuels with CCS.<sup>27</sup>

In a similar vein, there is growing awareness in Gulf States of the green building concept. From smaller states of Oman and Qatar to the region's biggest state, Saudi Arabia, there is a move towards green building initiatives. The Emirates Green Building Council was established in July 2006, becoming the eighth country in the world to establish a council of this kind. Furthermore, Abu Dhabi Green City, also known as Masdar City project, is the first of its kind in the region.<sup>28</sup> It is argued that this green energy and technology community will offer a sustainable living environment based on green construction, desalination, bio-fuels, sustainable transport, water recycling, waste water management, solar cooling and other renewable aspects.

In sum, compared to Iran and Turkey which, assured of their strategic place, have been trying hard to consolidate their position in the new energy order, Persian Gulf states have been focusing on diversifying their energy mix with nuclear energy, coal and renewable energies as additions to their energy mix to extend the lifeline of their oil and gas reserves which are their most precious economic goods.

## **Conclusion**

Globalization has added new dimensions to security, and energy resources have become instruments of foreign policy. Following the end of the Cold War, a new global energy order has brought about drastic changes in energy geopolitics. Emerging powers such as China, India and Russia which are looking for a role in the Middle East have toughened the competition over access and control of energy resources. This new situation has undermined U.S. influence and strengthened particular regional actors' positions. Above all, as discussed, Iran appeared as a new energy superpower and Turkey has become an energy hub. Moreover, energy rich states of the Gulf have changed their energy policies to diversify their energy mix. In short, all these changes in energy geopolitics have had profound effects on global and regional dynamics.

---

<sup>27</sup> Stefan Hertog and G. Luciani, "Energy and Sustainability Policies in the GCC", The Center for the Study of Global Governance, No.6 (London: LSE, 2009).

<sup>28</sup> "Work Starts on Gulf 'Green City'", *BBCNews*, 10 February 2008.