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Turkey Eyes Closure on Gazprom Price Deal Within 2 Weeks

By The Moscow Times

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ISTANBUL — Turkey and Russia's Gazprom are likely to finalize a deal on natural gas prices by mid-July, Turkish officials told Reuters, after Ankara warned last week it could seek international arbitration if they failed to agree.

Russia, which supplies more than half the gas consumed by Turkey annually, has already agreed to cut prices by 10.25 percent, but Gazprom's additional demands regarding the Turkish Stream natural gas project are delaying the final signature, a Turkish energy official said.

Last week, Turkey said it had the right to take Gazprom to international arbitration if there were no agreement by June 29. Ankara already has a case at the court against Iran, its second biggest supplier.

"Arbitration is a possibility for Turkey, but it looks like the sides have softened a bit," one energy industry source familiar with the talks said. "Both countries need each other. It is expected that the issue will be resolved in one or two weeks," he said.

A source at Gazprom said a final agreement had not been reached but the talks were ongoing. He added that there was no strict deadline for a deal.

An energy official said Gazprom sought to obtain Ankara's permission to start working on the remaining three phases of Turkish Stream project, which under Gazprom's plans will be split into four pipelines with a total capacity of 63 billion cubic meters a year.

Gazprom has repeatedly denied that the price talks were in any way linked to the Turkish Stream.

Turkey has granted preliminary permission for offshore research related to the planned pipeline.

"However, permission to start work on lines two, three and four are out of the question for now. We think it is appropriate for Russia to negotiate these as a separate issue and under a different heading," the official said.

During a visit by Russian President Vladimir Putin to Ankara last December, Russia said it was scrapping the South Stream pipeline project aimed at supplying gas to southern Europe without crossing Ukraine, citing EU objections, and instead named Turkey as its preferred partner for an alternative pipeline, with a promise of hefty discounts.

Russia wants to begin construction of the first Turkish Stream line immediately and initiate the first gas flows in December 2016. The first line will only supply Turkey.

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