

Remarks as Prepared
Assistant Secretary Karen Harbert
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Thank you Doug (Charles D. Hartman, Chairman American Turkish Council) for that warm introduction. I am pleased to have this opportunity to share this stage with such a distinguished group of energy experts and to address an audience so committed to fostering US-Turkish relations. I would also like to thank the American Turkish Council and its co-sponsors for organizing and hosting this very important annual event.

The Energy Information Administration estimates that the global demand for energy may increase as much as 50 percent by 2025, with the demand for electricity rising more than 75 percent. More than half of this growth is projected to come from the world's emerging economies.

The world is experiencing positive economic growth even with high oil prices. In order for that to continue all nations need access to safe, affordable, and dependable supplies of energy. To ensure energy security we must mitigate the effects of energy supply disruptions, expand energy infrastructure and promote a transparent and stable investment climate that attracts foreign investors and advance clean energy technologies including renewable energy, clean coal, and emissions free nuclear power.

Turkey plays an important role in helping meet the growing energy demands in the region and around the world. And our cooperation with Turkey furthers that goal. In our dialogue with senior Turkish government officials, we have offered to collaborate more closely on energy efficiency, renewable energy, and alternative energy issues, and clean coal technology. Our cooperation is based on free market principals, and

diversification of energy supplies and suppliers that encourages investment, competition, and market-based pricing. We have made government experts available to discuss a wide range of issues with Turkey, from fossil fuels to nuclear energy to regulatory developments. We have also proposed co-hosting both a US-Turkish energy transportation conference to address energy transportation issues and an Energy Efficiency/Earthquake Resistant Housing Workshop to facilitate the construction of energy efficient and earthquake resistant housing to meet Turkey's increasing demand for housing.

Turkey is poised to be a leader by further establishing itself as a gateway between producers and consumers. However in order to expand its leadership role Turkey must take a more proactive role in establishing a market oriented approach that will encourage investment, competition, market pricing, energy efficiency, as well as transparency, stability, and reliability.

Turkey's importance goes beyond that as a consumer and an energy gateway. Turkey holds the world's largest boron deposits. Boron has numerous industrial uses, one of which will help "catalyze" the next energy frontier: the hydrogen economy. Turkey has 64 percent of the world's known boron reserves and the United States is the world's largest importer of boron; importing 92 percent of Turkey's boron production.

In addition to Turkey's large boron deposits, the Caspian region also possesses sizable gas and oil reserves. We estimate the region's oil reserves at 17 to 33 billion barrels. By 2010, countries in the region could produce 2.5 to 6 million barrels of oil per day, exceeding Venezuela's production.

Currently, oil is transported through the Bosphorus and Dardanelles Straits, the Port of Ceyhan, and soon through the Baku-Tbilisi-Ceyhan (BTC) pipeline. If all of the transit lines/routes were operating optimally, including the pipeline from Iraq, up to six million barrels of oil per day could transit Turkey – making Turkey a true natural energy gateway.

The region is also home to an estimated 232 trillion cubic feet (Tcf) of proven natural gas reserves, which is comparable in size to Saudi Arabia's reserves. The region's natural gas production in 2003 was approximately 4.5 Tcf, which was comparable to the combined production of South America, Central America, and Mexico.

Since the breakup of the Soviet Union, companies and governments in the region have been exploring for oil and gas and are working to develop their energy resources to the fullest potential. Progress is being made but more is needed.

One of the major foreign investments in the region is Azerbaijan's Shah Deniz, which contains potential recoverable resources of roughly 14 Tcf, with estimates as high as 35 Tcf. Once new infrastructure is in place, Shah Deniz will be capable of producing approximately 296 billion cubic feet (bcf) of natural gas per year. That is roughly on par with 2001 natural gas production from Bahrain. The 550-mile long South Caucasus Pipeline (SCP) can carry 1.5 bcf per day of Shah Deniz gas, and a planned expansion could double its capacity. The gas is destined primarily for markets in Azerbaijan, Georgia, and Turkey; however, it is possible that overages could end up in European markets.

However, access to oil and gas is not enough to stimulate progress on its own. To continue Turkey's growth and leadership as an energy hub in the region, Turkey must

establish a stable and welcoming business climate that encourages investment, competition and ensures regulatory certainty for businesses.

I think Turkey understand that market reforms are crucial to attracting the foreign investment needed for energy sector development, and for increasing confidence in state institutions. In fact, during Turkish Energy Minister's Dr. Guler February 2006 visit to DC, the Minister made a point of noting that privatization is a major priority for his government. We hope they continue on the path to a market oriented approach.

Our energy relationship with Turkey is on strong footing. Over the past year, Secretary Bodman has met twice with the Turkish Energy Minister, and we continue to share our experience on regulatory regimes, privatization, and related issues.

Our relationship is bearing fruit. The East-West energy corridor would not have been possible without Turkey's support for BTC. However, our cooperation does not end there. Currently we are in discussions with our Turkish colleagues on ways to further enhance cooperation such as with the proposed US-Turkish Energy Efficient/Earthquake Resistant Housing Workshop. Turkey will need 600,000 new homes each year for at least the next 20 years, just to meet current demand. Since Turkey is in an earthquake zone, energy efficient and earthquake resistant housing would serve numerous purposes, not the least of which would be to save lives, reduce property damage, and conserve energy. There is also the added benefit of economical, attractive housing developments.

We also look forward to engaging with our Turkish colleagues concerning the Global Nuclear Energy Partnership (GNEP). As part of President Bush's Advanced Energy Initiative, GNEP seeks to develop worldwide consensus on enabling expanded use of economical, carbon-free nuclear energy to meet growing electricity demand.

Turkey is now having a renewed policy debate on expanding the role of nuclear energy in its energy mix. We hope we can be helpful.

We are also prepared to work with Turkey on establishing a nuclear regulatory agency similar to our own Nuclear Regulatory Commission, as well as an energy statistical agency, such as our Energy Information Administration.

We see Turkey as a strategic ally, a key player in the East-West energy corridor, and a lynchpin in getting Russian and Caspian energy assets to world markets. Turkey can be a major play in assuring regional energy security. However they must continue to move forward on privatization, rule-of-law, transparency, and related issues that must be worked to make that a reality.

The U.S. will continue to work with Turkey and encourage sustained momentum as they move forward in their development as a secure, reliable, transparent and market-oriented transportation hub and a key player in the world's energy markets. Turkey stepped up to the plate in support of BTC and it should not shy away from its role as an energy transportation hub. We welcome and look forward to continuing engagement with our Turkish colleagues.

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