

The Turkish Energy Hub and the Hungary Connection: Challenging EU Gas Diversification Efforts

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Summary

This brief discusses why Turkey's energy hub and its cooperation with Hungary in the field of natural gas exports pose challenges to the EU's efforts to isolate Russia. Despite the EU's efforts to diversify, Turkey and Hungary, heavily reliant on Russian energy, continue purchasing and re-exporting Russian gas. The brief recommends that the EU should leverage Turkey's and Hungary's influence in Central Asia, developed in the framework of the Organization of Turkic States, and encourage infrastructure development to improve gas diversification. Cooperation with Budapest and Ankara is only possible by offering their political leaders incentives, such as recognition as key brokers in negotiations and access to competitively priced gas sources elsewhere. Although the EU must bear the bulk of the costs, this could help it overcome its current energy dependence, reduce Russia's leverage over member states, and stabilize EU-Turkey and EU-Hungary relations.

The Issue

Russia's 2022 invasion of Ukraine prompted the EU to drastically reduce its heavy dependence on Russian natural gas. Although the EU has not imposed sanctions on Russian gas, a rapid decoupling has occurred, resulting in a drop in EU imports of Moscow's gas from 45% in 2021 to 18% in 2024. As of 1 January 2025, Russian gas stopped flowing toward the EU via Ukraine, further decreasing the EU's dependence on Russia. However, besides Russian Liquefied natural gas (LNG) shipments, which are still transported via tankers to European ports, a remaining infrastructure supplies EU countries with Moscow's gas: the TurkStream pipeline, which runs from Russia through Turkey to Bulgaria, Serbia and Hungary.

Ankara has increasingly pursued energy diplomacy since the 2022 intensification of the Russia-Ukraine war to establish itself as a regional energy hub due to its strategic location at the crossroads of major gas

pipelines from Russia and Azerbaijan. This positioning allows Turkey to not only transit but to re-export Russian gas, domestic production, and imports from Central Asia and the Caucasus as a "Turkish blend" due to the excess capacity in its pipeline

Major gas pipelines connecting Turkey with Central and Eastern Europe (2021)



Source: Used with the permission of OSW, created by Wojciech Mańkowski

system. Yet, Turkey remains heavily dependent on Russian gas, with 45% of its 2023 imports coming from Russia.

While the EU is diversifying, Hungary remains an outlier. Its Russian gas dependency decreased just slightly from 95% in 2020 to 80–85% in 2023. Via the TurkStream pipeline, Hungary imports Russian gas directly from Gazprom and indirectly as rebranded Turkish gas through BOTAŞ, Turkey’s state energy company. Budapest also imports more Russian gas than it needs and resells excess capacity. Hungary’s close energy ties with Turkey undermine the EU’s diversification efforts and provide economic and political benefits to leaders in both countries.

Analysis

Turkey is the world’s 16th largest natural gas consumer, but almost completely relies on imports because it lacks natural resources. With an import capacity far exceeding domestic consumption, it has substantial excess gas available for re-export. In 2023, its two Russian pipelines alone, the Blue Stream and the TurkStream, had an extra 10 bcm unutilized - more than Hungary’s total annual gas consumption.

Hungary’s Role and Energy Trade Practices

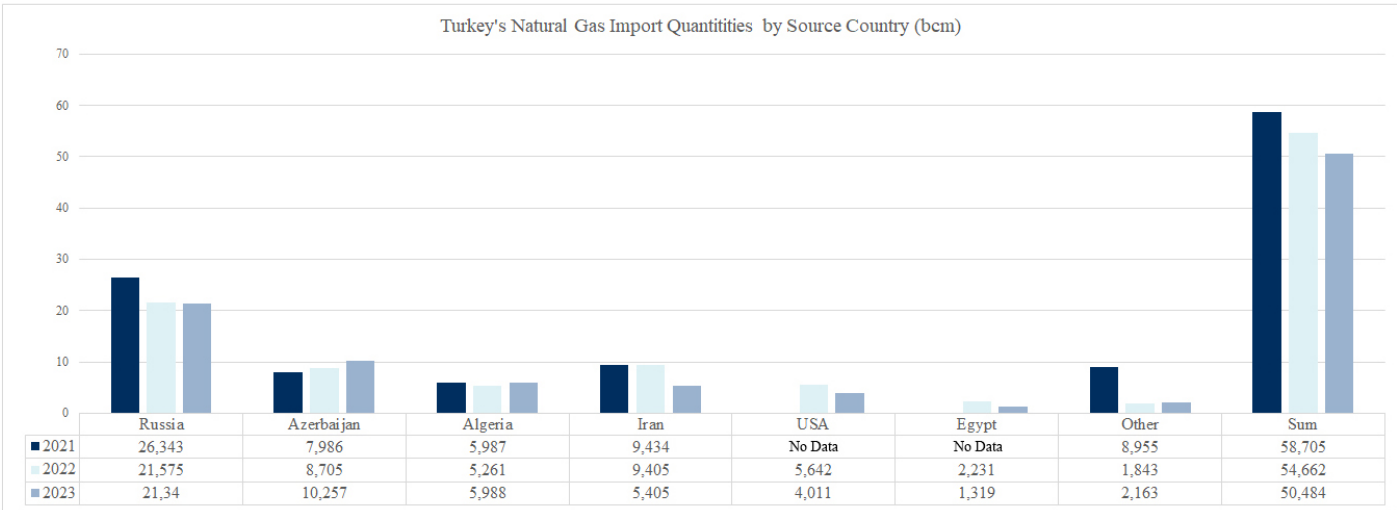
Hungary has been importing most of its natural gas from Russia via TurkStream, and its yearly consumption was 8,5 bcm in 2024. The significance of the country’s geographical position has increased

since the 2025 shutdown of the Ukrainian transit that had transported gas to Austria and then toward Hungary. Already preparing for this new role of replacing Austria as the Central European hub, in 2024, Hungary increased its transit capacity toward Slovakia and imported 7,7 bcm from Russia’s Gazprom, part of it at a very favorable price. Despite having local production to cover its consumption demand, Hungary imported additional LNG via Croatia, and pipeline gas from Turkey and Azerbaijan.

Hungary resells the excess capacity to Slovakia and Ukraine when the demand and price conditions are favorable. Slovakia, with a yearly consumption of around 4 bcm, is in dire need of gas imports after the January closure of its pipeline imports from the East. Hungary serves as a transit for Slovakia’s purchases from Gazprom and also as a source of gas from Hungary’s own reportedly 1 bcm currently unutilized capacity. Ukraine is almost completely self-sufficient, but its storage facilities are the biggest in Europe, and other countries have recently started using it to store their gas there. This creates an ironic situation: while Ukraine stopped transiting Russian gas, it still enters the country through Hungary for storage and re-export.

Pipeline Alternatives to Russia’s Gas

Since the Russian invasion of Ukraine, the EU is seeking non-Russian gas, and Ankara is one of the few partners able to provide it. Both Turkey and Hungary promote the Organization of Turkic States (OTS) as a framework for diversifying the EU’s energy imports, particularly through Azerbaijan



Source: Turkey’s Energy Market Regulatory Authority (EPDK)

and Turkmenistan. The OTS is dominated by Turkey, and Hungary became an observer state in 2018, hosting the organization's EU representation office. The OTS seeks to establish Central Asia and the Caucasus as the East-West gas trade center via the Southern Gas Corridor, which connects Azerbaijan to Turkey, Greece, Albania, and Italy.

Nevertheless, the numbers indicate that Central Asia and the Caucasus have not yet become alternatives to Russian gas. Constrained infrastructure capacities and rising domestic consumption prevent significant export increases. The Southern Gas Corridor's 16 bcm capacity is already fully utilized by Turkish and EU consumers, and its planned expansion has not yet materialized. The share of gas from Azerbaijan in the EU's and Turkey's supply increased only slightly. In the EU, it rose from 2% in 2021 to 4% in 2024, while in Turkey from 15% in 2021 to 21% in 2023. Leveraging their links to the region, Hungary and Turkey have recently announced new purchases. In 2024, Ankara signed a deal that foresees importing gas from Turkmenistan via Iran. Hungary announced its plans to buy gas from Turkmenistan, and it has already purchased small amounts from Azerbaijan.

Turning Russian gas into a Turkish Blend

In 2023, Romania, Bulgaria and Hungary signed contracts with Turkey's BOTAŞ to receive gas via TurkStream without specifying its source. Hungary was the first non-neighbor country to Turkey to enter into a direct gas deal with BOTAŞ, and negotiations are underway for further imports. Unlike previous arrangements where Turkey served only as a transit country and the contracts were made with Gazprom, these deals involve direct purchases from Turkey's BOTAŞ – thus blurring the origins of the gas.

For both Erdoğan and Orbán, legitimizing Turkey's energy hub serves domestic political interests because their political strategy and popularity are reliant on relatively cheap energy prices. Although Russian gas bought with long-term contracts is not as inexpensive as its myths suggest, Hungary's new deal from 2024 demonstrates that discounts can be negotiated for purchases beyond the agreed quantities in long-term contracts. Despite the high costs of most purchased gas, the burden is not felt by the population due to government intervention.

Turkey subsidized 80% of natural gas consumed by its population in 2023. Hungary also continued capping natural gas prices up until average consumption after 2022. For the two political leaders, the short-term benefits of keeping their country's reliance on Russia outweigh the long-term advantages of investing in diversification.

Implications

Although profiting from Russian natural gas exports is not illegal, the ethical concerns are significant. Without Hungary's and Turkey's willingness to buy Russian pipeline gas, Moscow would not be able to sell it elsewhere that easily. This has contributed to financing Russia's war against Ukraine, undermined the potential for unity within the EU, and complicated Turkey's chances of aligning its foreign policy with that of the EU.

To counter these developments, the EU should accelerate investments in the pipeline infrastructure from Turkmenistan and Azerbaijan. Time is pressing as Turkey's long-term gas contracts with Russia expire in late 2025. Political disunity in Central Asia and the Caucasus may hinder progress. Turkey and Hungary could leverage their existing institutional and personal connections developed in the OTS framework to bring this process forward.

Orbán and Erdoğan are currently reliant on Russia, but as populist leaders, they may be enticed to limit this dependence by gaining recognition as key brokers in negotiations and access to natural gas at similar prices to Russian gas. Engaging them in such initiatives could also help repair strained EU-Turkey and EU-Hungary relations while reducing their dependence on Russia.

The Trump administration's more Russia-friendly stance further complicates the EU's position. If the US sought to reintegrate Russia into global governance, it would undermine EU efforts to isolate Russia. This makes it all the more urgent for the EU to accelerate gas diversification, which could solidify the EU's energy independence and geopolitical influence in Central Asia in the face of growing global uncertainty. In addition, it could also provide incentives for Hungary and Turkey not to align with the Trump Administration's position on Russia and Ukraine.



Takeaways

- » The EU is actively reducing its reliance on Russian gas, but Turkey and Hungary, key states along the Turk-Stream pipeline carrying Russian gas, challenge these efforts.
- » The most accessible pipeline alternatives are in Azerbaijan and Turkmenistan, with Turkey being the transit country, but infrastructural problems hinder progress in utilizing these resources.
- » Hungary, as an Organization of Turkic States observer, has played a crucial role in furthering Turkey's role as a gas-hub. The EU could use Turkey's and Hungary's leverage in Central Asia and the Caucasus to accelerate infrastructural development to enhance gas diversification.
- » The EU must cooperate with Turkey and Hungary in energy diversification because the status quo benefits Russia. This may be done by offering incentives to Orbán and Erdoğan, such as recognition as key brokers in negotiations and access to competitively priced gas sources elsewhere. This could outweigh the benefits they currently enjoy from working with Russia, prevent them from aligning with the Trump administration's policy on Ukraine, and improve their troubled relations with the EU.

Further reading

- » Siccardi, Francesco. "Understanding the Energy Drivers of Turkey's Foreign Policy." Carnegie Endowment for International Peace, February 2024. <https://carnegieendowment.org/research/2024/02/understanding-the-energy-drivers-of-turkeys-foreign-policy?lang=en¢er=europe>
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- » Eldem, Tuba. "Russia's War on Ukraine and the Rise of the Middle Corridor as a Third Vector of Eurasian Connectivity." SWP Comment No. 64. Stiftung Wissenschaft und Politik, 2022. https://www.swp-berlin.org/publications/products/comments/2022C64_MiddleCorridor.pdf

About the SUITS policy brief

This policy brief aims contribute to a broad and well-researched understanding of Turkey and Turkish affairs through presenting a variety of voices on current issues and the foundational moments that impact today. The aim is to provide policy makes and others the tools to make informed decisions.

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