

## Turkey: Current Overview

President Recep Tayyip Erdoğan has dominated Turkish politics since his Justice and Development Party (Adalet ve Kalkınma Partisi: AKP) secured a landslide election victory in 2002. Erdoğan, a socially conservative former mayor of Istanbul, served as prime minister for more than a decade before ascending to the presidency in August 2014. His increasingly authoritarian approach to governing has polarized the country, but he has won a series of elections and a national referendum in April 2017 strengthened the powers of the president. In May 2023, an AKP-led coalition triumphed in Turkey's parliamentary elections, while Erdoğan won a surprisingly easy re-election (albeit in a second-round runoff) in presidential elections that same month. The protest movement that began in March 2025 following the detention of Istanbul opposition Mayor Ekrem İmamoğlu does not appear to threaten Turkey's political stability.

Turkey's economy has proven remarkably resilient in the face of myriad challenges. Despite a spate of terrorist attacks and political uncertainty in the 2015-18 period, the economy generated consistently strong growth, only to be undermined by government policy choices (contributing to several currency crises) and the eruption of the COVID-19 pandemic in 2020. Nevertheless, Turkey's economy bounced back strongly, recording double-digit GDP per capita growth in 2021 and steady growth in 2022. Even with the devastating impact of earthquakes that rocked the south-central region of Turkey in February 2023, the economy still expanded by 4.8% on a per capita basis that year. Per capita growth has moderated since then, estimated at 3.4% in 2025, with growth forecast to slow further in 2026 amid geopolitical volatility due to the eruption of war in the Middle East.

Turkey's import dependence dictates the government's energy policy, as the country's oil and gas consumption greatly exceeds domestic production. The Turkish government has sought to leverage the country's geographical location to secure needed hydrocarbon supplies and generate transit revenues, positioning Turkey as an important trans-shipment state for the shipment of oil and gas supplies from Russia, the Caspian region, and the Middle East to world markets. The August 2020 discovery of the giant Sakarya gas field by state-run Türkiye Petrolleri Anonim Ortaklığı (TPAO) in the Black Sea – and the subsequent startup of production in April 2023 – has increased Turkey's domestic gas production, reducing its overall reliance on imports.

## Turkey: 5-Year Outlook

The outbreak of war in the Middle East has upended the regional status quo, although how the conflict is resolved will dictate how Turkey's role may evolve. Turkey's strategic geographic location between Europe, the Middle East, and Asia could enable the country to strengthen its position as a power broker in its foreign affairs. Domestically, however, after more than 20 years in power, President Erdoğan will need to overcome fatigue with his long-running reign, particularly if – as expected – he chooses to run for a fourth term in Turkey's 2028 presidential election. This will require the government to draft a new constitution to permit him to run, but given presidential control over the media, the military, the bureaucracy, and the judiciary, the pathway is clear. The continued detention of İmamoğlu – a potential candidate against Erdoğan in 2028 – appears geared to ensure that Erdoğan's political standing remains unchallenged.

Turkey's economy has a proven record of vitality, and increased domestic energy production should ease pressure on the current account by reducing the bill for imported supplies. Provided Turkey is not drawn into the war in the Middle East, the impacts of the conflict will prove detrimental to the country's economy, but not so corrosive as to push Turkey into recession. Still, Turkey's economic growth is expected to remain modest in the near to medium term, as tighter monetary policy and cuts to government spending (following a boom in post-earthquake investment in construction) constrain household consumption, and increased barriers to global trade limit the country's overall industrial output. Growth is projected to hover in the 3-4% per year range.

TPAO's recent run of success, including the discovery of the Sakarya offshore gas field and several notable oil finds in southeastern Turkey, has ratcheted up government expectations. The company will remain under heavy government pressure to continue ramping up production from the Sakarya field and to deliver on the promise of its oil discoveries, since this should allow Turkey to reduce its dependence on imported energy supplies. Turkey's ability to supply more of its own gas needs is changing the nature of the country's relationships with its key energy suppliers (including Russia, Azerbaijan, and Iran), empowering Turkey to take a more aggressive approach in supply, price, and transit negotiations.

## Turkey: Overall Rating

|                                      | Current   | 5 Year Outlook |
|--------------------------------------|-----------|----------------|
|                                      | 6.08<br>C | 6.15<br>C      |
| <b>Politics</b>                      | 6.25<br>C | 6.00<br>C      |
| <b>Economics</b>                     | 4.35<br>D | 5.10<br>C      |
| <b>Hydrocarbon Sector Entry</b>      | 6.23<br>C | 6.03<br>C      |
| <b>Hydrocarbon Sector Operations</b> | 6.25<br>C | 6.25<br>C      |
| <b>Hydrocarbon Sector Shocks</b>     | 6.85<br>C | 7.10<br>B      |

## Turkey: Politics

| Current | 5 Year Outlook |
|---------|----------------|
|---------|----------------|

|   |           |           |
|---|-----------|-----------|
|   | 6.25<br>C | 6.00<br>C |
| <p><b>State Capacity</b></p> <p>Turkey’s state institutions are relatively stable and well-developed, with a functioning bureaucracy that provides basic public services, especially in the west. However, the bureaucracy has become more politicized after Erdoğan sought to purge it of suspected sympathizers of the July 2016 failed military coup and install loyalists. The Erdoğan administration has continued to centralize authority in the executive branch, consolidating control over the judiciary and eroding the powers of the legislature, undermining their effectiveness. The influx of refugees from the war in neighboring Syria taxed the capability of Turkey’s social services and infrastructure, although this burden has eased with the end of that conflict. Turkey’s state institutions also faced challenges from the devastating impact of the February 2023 earthquakes in the country’s south-central region.</p>   | 7.00<br>B | 7.00<br>B |
| <p><b>Political Legitimacy</b></p> <p>Turkey has held multiple close national elections in recent years, including the April 2017 national referendum on constitutional reforms. High voter turnout has conferred legitimacy on the results, and while allegations of ballot box stuffing have surfaced, the losing side nevertheless accepted the results in each case. President Erdoğan’s increasingly authoritarian governing style has undercut his standing among foreign observers, but his popularity remains strong among his faithful supporters. The president’s domestic support has waned somewhat as fatigue with his long reign has set in, yet Erdoğan won re-election in May 2023 in a surprisingly easy victory in a second-round runoff. The opposition has demonstrated greater strength in municipal elections, including winning the mayoral election in Istanbul in 2019 and performing strongly across the country in March 2024 elections. The March 2025 arrest of Ekrem İmamoğlu, the mayor of Istanbul and an emerging rival to President Erdoğan, triggered a series of mass anti-government protests; his potential disqualification from running in the 2028 presidential election will generate questions about political legitimacy in Turkey.</p> | 8.00<br>B | 7.00<br>B |
| <p><b>Political Violence</b></p> <p>Political violence is a periodic problem in Turkey, given long-running hostilities between government forces and militants in Turkey’s Kurdish-dominated southeastern region, as well as the acute polarization of the population during President Erdoğan’s prolonged stay in office. Still, just a handful of violent incidents were reported despite the high stakes in the April 2017 national referendum on constitutional reforms and the June 2018 parliamentary and presidential elections. Similarly, Erdoğan’s</p>  |           |           |

|   | Current   | 5 Year Outlook |
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| willingness to accept the result of the Istanbul mayoral election re-run in June 2019 – in which Ekrem Imamoğlu emerged victorious – defused tension and eased the threat of street protests. National elections held in May 2023 and municipal elections in March 2024 also were conducted peacefully, but the March 2025 arrest of Imamoğlu triggered a series of mass protests. Likewise, although fighting between the Partiya Karkerên Kurdistan (PKK) and government forces has abated in recent years – and the PKK declared a unilateral ceasefire in 2025 – the conflict remains unresolved, which raises the risk of renewed attacks against Turkish government and security forces in major cities.  | 6.00<br>C | 6.00<br>C      |
| <p><b>Geopolitical Risk</b></p> <p>Turkey has complicated, multi-layered relations with the United States, Russia, and the European Union, reflecting Turkey’s geographical and geopolitical position at the intersection of Europe, Asia, and the Middle East. In its immediate proximity, however, Turkey has problematic relations with most of its neighbors, notably Greece and the Republic of Cyprus, with which Turkey continues to spar over territorial waters in the eastern Mediterranean. Turkey – which is not a signatory to the 1982 United Nations Convention on the Law of the Sea – has questioned the legality of and objected to the Cypriot government exploiting offshore hydrocarbons in the absence of an agreement on the status of the divided island. Several major gas discoveries in the eastern Mediterranean Sea have spurred an increase in drilling activity offshore Cyprus, despite Turkey’s vigorous objections. In response, Turkey has resorted to ‘gunboat diplomacy,’ as well as provocatively drilling in disputed waters (in what Turkey claims is its exclusive economic zone). Separately, Turkey’s logistical and operational support for Azerbaijan’s military takeover of Nagorno-Karabakh in 2023 reignited long-standing animosity between Armenia and Turkey. In addition, Turkey has fraught relations with Iraq, Iran, and Syria, with Kurdish ethnic minorities in each country contributing to challenges in the bilateral relationships. Turkey is striving to avoid direct military entanglement in the war that erupted in the wider Middle East in 2026.</p> | 4.00<br>D | 4.00<br>D      |

## Turkey: Economics

|  | Current   | 5 Year Outlook |
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|  | 4.35<br>D | 5.10<br>C      |

|  | Current   | 5 Year Outlook |
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| <p><b>Non-Payment Risk</b></p> <p>Elevated inflation rates and the continual depreciation of the lira since mid-2016 have made Turkey's external debt obligations more onerous. The country's heavy reliance on oil and gas imports puts further pressure on foreign exchange reserves, especially when prices are higher. Turkey's unsteady portfolio capital inflows and high external repayment obligations mean that import cover has continued to erode in recent years, falling below three months during the COVID-19 pandemic in 2020. Although import cover recovered slightly in 2021, it fell again in 2022 and has remained below the critical three-months level since that time. Furthermore, in response to the February 2023 earthquakes in Turkey, the government increased its spending on infrastructure and social services, hampering its ability to pay down debt and rebuild international reserves. In turn, non-payment risks for Turkey are likely to remain heightened in the near to medium term.</p>  | 2.00<br>F | 2.00<br>F      |
| <p><b>Primary Fiscal Balance</b></p> <p>Turkey's primary fiscal balance has remained in a slight but persistent deficit in recent years as the government grapples with rising costs for oil and gas imports and the weakness of the lira. The fiscal deficit widened in 2020 as the government increased spending to counter the effects of the COVID-19 pandemic, then rebounded to near balance in 2022, supported by Turkey's economic growth. The fiscal account sank further into deficit in 2023 as the government grappled with the devastating series of earthquakes that rocked the south-central region of the country in February 2023. Turkey's fiscal balance is expected to improve modestly in the medium term as new domestic gas production helps lower the country's energy import bill.</p>  | 4.00<br>D | 5.00<br>C      |
| <p><b>Real Per Capita GDP Growth</b></p> <p>Turkey's economy has proven remarkably resilient over the past decade, registering consistently strong growth following the global financial crisis and economic downturn in 2008-09. Even after a series of terrorist attacks and a failed military coup in July 2016 undermined business confidence, Turkey's economy continued to grow, albeit more slowly. However, the economic rebound came to an abrupt halt in 2018 due to the lira crisis and soaring inflation; the weak lira and sharply reduced domestic demand subsequently pushed the economy into a mild recession in 2019. The effects of the COVID-19 pandemic aggravated Turkey's economic woes in 2020, but the government's expansionary fiscal and monetary policies facilitated a strong rebound in 2021, as GDP per capita increased by 11.3%. The pace of growth has decelerated since then, undercut by the devastating earthquakes that hit south-central Turkey in February 2023. Nevertheless, Turkey's economy still expanded by more than 3% in both</p> | 7.00<br>B | 9.00<br>A      |

|   | Current   | 5 Year Outlook |
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| 2024 and 2025. Growth is expected to decelerate in 2026 amid geopolitical and commercial headwinds from the war in the Middle East, although Turkey's economy should experience a modest improvement in the medium term.  |           |                |
| <b>Level of Development</b><br>Investments in social infrastructure and public services have led to a significant improvement in living standards over the last 20 years, although the pace of improvement has slowed over the past five years as consumer purchasing power has eroded with the weaker lira. Following a series of earthquakes in the south-central region of Turkey in February 2023, the government has invested significant sums of public money on rebuilding efforts, although more investment in reconstruction is still needed. In the United Nations Development Program's 2025 Human Development Index, Turkey scored in the second quintile, ranking 51st out of 193 countries. | 8.00<br>B | 8.00<br>B      |

## Turkey: Hydrocarbon Sector Entry

|   | Current   | 5 Year Outlook |
|---|-----------|----------------|
|   | 6.23<br>C | 6.03<br>C      |
| <b>International Openness</b><br>Although the Turkish government has sought to woo foreign companies by offering offshore blocks and easing preferences granted to state-run TPAO, these efforts have achieved limited success. After the company's deepwater Sakarya gas discovery in the Black Sea in August 2020, TPAO opted to proceed in developing the Sakarya field on its own, utilizing service contracts rather than offering equity to foreign partners. Foreign interest in upstream investment in Turkey has remained muted since then, although TPAO's launch of gas production from the Sakarya field in April 2023 and its discovery of major new oilfields in the southeast region of the country have begun to generate more interest from foreign companies. Shell, Chevron, and ExxonMobil have all signed deals in principle with TPAO to explore opportunities in Turkey. Amid the ongoing dispute over territorial waters in the eastern Mediterranean, however, the Turkish government explicitly warned foreign companies not to participate in licensing activities offshore Cyprus, threatening to block them from potential E&P projects in Turkey. | 7.00<br>B | 7.00<br>B      |

|  | Current   | 5 Year Outlook |
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| <p><b>Government Take</b></p> <p>Government take for Turkey is based on royalty tax terms under the 2013 Petroleum Law and regulations for the petroleum sector promulgated in 2014. Turkish policymakers introduced the 2013 Petroleum Law to make fiscal terms more attractive to investors, although the law has had little overall impact in securing new foreign investment in the upstream sector.</p>   | 6.50<br>C | 6.50<br>C      |
| <p><b>Government Take: Oil</b></p>   | 7.00<br>B | 7.00<br>B      |
| <p><b>Government Take: Gas</b></p>   | 6.00<br>C | 6.00<br>C      |
| <p><b>Expediuousness of Contract</b></p> <p>According to Turkey’s 2013 Petroleum Law, companies have three months to complete applications for open areas; this is followed by another three-month period for further evaluation by Turkey’s General Directorate for Mining and Petroleum Affairs and an additional two-month period for “contract finalization.” For licensing rounds, proposals should be evaluated within a month of closing by a tender committee established by the Ministry of Energy. However, Turkey does not hold regular licensing rounds but rather operates an open-door licensing policy, where interested parties can directly bid for available E&amp;P blocks.</p>   | 7.00<br>B | 7.00<br>B      |
| <p><b>State/NOC Role</b></p> <p>TPAO accounts for most of Turkey’s domestic oil and gas production, both of which are rising because of the state-run company’s discovery and development of new fields. TPAO formerly benefited from a homefield advantage in Turkey, including “preferred operator” status for domestic upstream projects; however, passage of the Petroleum Law in 2013 curtailed these privileges, enabling private companies to compete for licenses on the same terms as TPAO. The Petroleum Law was intended to introduce more upstream competition for TPAO in Turkey, but since the law took effect, only a handful of new entrants have participated in E&amp;P projects in the country. Indeed, the state-run company continues to hold the right of first refusal to producing fields upon the expiry of a production lease, while TPAO’s rights and liabilities under leases already held by the company remain in place. Following its discovery of the Sakarya gas deposit in the Black Sea in 2020, TPAO employed contractors rather than bringing in foreign equity investors. The company is poised to play a larger role in the domestic upstream sector based on its recent exploration and development success.</p> | 3.50<br>D | 2.50<br>F      |

|                            | Current   | 5 Year Outlook |
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| <b>State/NOC Role: Oil</b> | 4.00<br>D | 3.00<br>D      |
| <b>State/NOC Role: Gas</b> | 3.00<br>D | 2.00<br>F      |

## Turkey: Hydrocarbon Sector Operations

|  | Current   | 5 Year Outlook |
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|  | 6.25<br>C | 6.25<br>C      |
| <p><b>Sanctity of Contract</b></p> <p>Turkey is a member of the International Center for the Settlement of Investment Disputes (ICSID) and has investment protection and promotion agreements with numerous countries. The government has generally abided by contracts, and foreign companies operating in Turkey's upstream sector are unlikely to face significant contract alteration risks; when there have been disputes, Turkey has a solid record of complying with ICSID awards. Geopolitical context matters, however, and in one notable case in 2013, the Turkish government ceased collaboration with Eni on a proposed oil pipeline project in Turkey due to the Italian company's participation in exploration offshore Cyprus in waters that Turkey claims as its own. That incident highlights the risk of discrimination against companies from countries with geopolitical disputes with Turkey, particularly as the Erdoğan administration has undercut the independence of the judiciary.</p> | 7.00<br>B | 7.00<br>B      |
| <p><b>Regulatory Burden</b></p> <p>Turkey's business laws are largely transparent, albeit subject to frequent change. Turkey is open for business, with authorities facilitating access of foreign companies to local markets. Still, significant obstacles remain, notably regarding the employment of workers, closing of businesses, and dealing with construction permits. Turkey both strengthened and streamlined regulations governing the hydrocarbon sector with the Petroleum Law that went into effect in 2013. The independence of regulatory institutions, however, has come under greater threat as President Erdoğan has centralized and consolidated power in the</p>  | 6.00<br>C | 6.00<br>C      |

|  | Current   | 5 Year Outlook |
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| executive branch, raising the risk of selective application and enforcement of regulations across companies.   |           |                |
| <p><b>Civil Society Risk</b></p> <p>Civil society is well-developed in Turkey’s main municipalities yet remains underdeveloped in the country at large. Business interest groups – split between those representing large conglomerates in Istanbul and Ankara and others representing small and medium-size enterprises from small towns in Anatolia – mirror the cleavages in Turkish society. Social and political polarization in Turkey has become more pronounced over the past decade as a series of closely fought elections have heightened political tensions and exacerbated the divide between the government and the opposition. However, the domestic oil and gas sector has not been directly affected by civic activism; demonstrators are more likely to protest large-scale government-sponsored infrastructure projects than upstream oil and gas activities. The mass anti-government protests that began in March 2025 in response to the arrest of Istanbul opposition mayor Ekrem İmamoğlu have had no impact on the domestic hydrocarbon industry.</p> | 8.00<br>B | 8.00<br>B      |
| <p><b>Corruption</b></p> <p>Despite the adoption of a series of anti-corruption laws in accordance with EU membership accession requirements, corruption remains common. Major investments into Turkey are frequently accompanied by donations to the ruling Justice and Development Party or the inclusion of individuals with close links to the government as business partners to accelerate bureaucratic procedures; this applies across all sectors of the economy. Favoritism is also commonplace in government tenders, with tenders often awarded to companies that enjoy crony relations with government officials. Furthermore, Turkey’s permit-intensive business environment creates many points at which companies might face bribery solicitations, such as land acquisition and equipment purchases. According to the 2025 Transparency International Corruption Perceptions Index, Turkey ranks 124th of 182 countries worldwide for corruption, a notable decline in its ranking compared to 2024, albeit in line with a trend of worsening corruption.</p>  | 4.00<br>D | 4.00<br>D      |
| <p><b>Rule of Law</b></p> <p>Judicial independence is enshrined in Turkey’s constitution, but in practice the judiciary is vulnerable to political pressure, which has increased since the failed July 2016 military coup against the government. Political influence in the judicial system has become more pronounced since then, particularly in the immediate aftermath, when authorities conducted a</p>  |           |                |

|  | Current   | 5 Year Outlook |
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| <p>wide-ranging purge of judges and prosecutors suspected of links to or sympathizing with coup supporters. Moreover, constitutional amendments adopted following a 2017 national referendum give the president broad authority over the Board of Judges and Prosecutors (HSK), the highest regulatory body of the judiciary. Four of its 11 members are appointed by the president, with another seven appointed by parliament, which is controlled by the president's own party. This effectively gives Erdoğan control over judicial appointments in the country.</p> | 4.00<br>D | 4.00<br>D      |

## Turkey: Hydrocarbon Sector Shocks

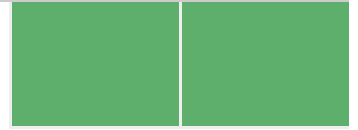
|  | Current   | 5 Year Outlook |
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|  | 6.85<br>C | 7.10<br>B      |
| <p><b>Market Access</b><br/>           Turkey's heavy dependence on imports means that there is significant state pressure to direct rising indigenous oil and gas production to the domestic market rather than for export. Due to its strategic geographic location, Turkey is also a major transit hub connecting oil and gas resources in the East to markets in the West, and new infrastructure has been built to support additional gas transit volumes via Turkey, including the Trans-Anatolia Pipeline (TANAP) and TurkStream pipeline. Gas flows via pipelines in the country's south-east region have occasionally been disrupted by PKK-sponsored attacks, and oil deliveries from Iraq via the Kirkuk-Ceyhan pipeline have been intermittent amid a dispute over revenue sharing between Iraq and the Kurdish Regional Government. Turkey's own rising oil and gas production (and prospects for continued output growth) has given the country more leverage vis-à-vis its neighbors, as both a market and a transit state for their exports.</p> | 5.00<br>C | 5.00<br>C      |
| <p><b>Market Access: Oil</b></p>   | 5.00<br>C | 5.00<br>C      |
| <p><b>Market Access: Gas</b></p>   | 5.00<br>C | 5.00<br>C      |
| <p><b>Facility and Personnel Violence</b><br/>           Turkey's gas production – including the Sakarya field, the country's largest</p>  |           |                |

|   | Current   | 5 Year Outlook |
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| <p>gas field – is primarily located offshore, but much of the country’s oil output comes from onshore fields in the volatile southeastern region. Security at production sites is usually tight as a result, and there have been no recent attacks. Oil and gas pipelines that transit the country are more difficult to safeguard, however, and they have been subject to sporadic attacks by Kurdish insurgents. Nevertheless, pipeline attacks are usually relatively small in scale and disrupt transit flows only for a few days until repairs are undertaken; moreover, the frequency of attacks has diminished in recent years as the Turkish government’s conflict with the PKK has eased.</p>  | 7.00<br>B | 7.00<br>B      |
| <p><b>Ministerial/Policy Volatility</b></p> <p>Turkey’s energy policy is essentially dictated by the country’s heavy oil and gas import reliance. This has translated to a strong push to cultivate friendly ties with Turkey’s primary energy suppliers, including Russia, Iraq, and Azerbaijan, as well as consistent government support for leveraging the country’s geographic location to position Turkey as a transit state for oil and gas supplies flowing to Europe. These two pillars of government energy policy frequently overlap, as Turkey has sought to use its location as a ‘bridge’ between East and to secure better price terms for imports from its suppliers as well as advance Turkey’s foreign policy aims with countries that depend on Turkey as a transit state for their energy imports. However, TPAO’s discovery and subsequent development of the massive Sakarya gas field in the Black Sea have altered the equation for Turkey’s energy policymakers, giving the country additional leverage in negotiations with its gas suppliers and improving the attractiveness of the upstream sector. Alparslan Bayraktar has been minister of energy and natural resources since his appointment in June 2023.</p> | 8.00<br>B | 9.00<br>A      |
| <p><b>Labor Unrest</b></p> <p>Trade unions in Turkey are politically weak institutions, with only 15% of the country's workforce having registered union membership. Legislation governing trade unions imposes strict limitations on their activities, with heavy penalties in place for violations. Although the right to strike is constitutionally enshrined, in practice the cabinet can block a given strike on the grounds of "state security," to prevent social unrest. Furthermore, union members are subjected to persistent intimidation from the government and employers, providing the government with a wide mandate to suppress strike action through law enforcement, mitigating the risk of wildcat strikes. When they do occur, strikes and labor-related protests rarely last longer than a day, due to continued high unemployment levels and the lack of legal protections for those dismissed from their positions due to strike action. Turkey's large shadow economy also undermines union power, since unregistered workers are</p>  | 9.00<br>A | 9.00<br>A      |

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precluded from union membership. Labor unrest has not posed a problem in Turkey's limited upstream oil and gas sector.



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