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ABBREVIATIONS

ACG: Azeri Chirag Guneshli
AIOC: Azerbaijan International Operating Company
BTU: British Thermal Units
bbl/d: billion barrels per day
bcm: billion cubic meters[1]
bcm/y: billion cubic meters per year
BTC: Baku-Tbilisi-Ceyhan
CCC: Consolidated Contractors Company
CEO: Chief Executive Officer
CPC: Caspian Pipeline Consortium
CSTO: Collective Security Treaty Organization
DCFTA: Deep and Comprehensive Free Trade Area
DEPA: The state natural gas company of Greece
DESFA: The natural gas state grid company of Greece
EEZ: Exclusive Economic Zone
EU: European Union
FID: Final Investment Decision
FPSO: Floating Production Storage and Offloading
FSRU: Floating Storage and Regasification Unit
FSU: Former Soviet Union
HGA: Host Government Agreement
JV: joint venture
IAP: Ionian Adriatic Pipeline
ICJ: International Court of Justice
IEA: International Energy Agency
IGB: Interconnector Greece Bulgaria
INOGATE: Interstate Oil and Gas Transport to Europe
KEPCO: Khazar exploration & production Co.
KMG: Kazmunaigaz
LNG: liquefied natural gas
MoU: memorandum of understanding
NATO: North Atlantic Treaty Organization
NIOC: National Iranian Oil Co.
OPEC: Organization of Petroleum Exporting Countries

[1] One cubic meter equals 35.3 cubic feet

PIF: Palestinian Investment Fund
PSA: production sharing agreement
PfP: Partnership for Peace
RAE: The energy Regulator Authority of Greece
SCP: South Caucasus Pipeline
SGC: Southern Gas Corridor
Tcf: trillion cubic feet
TAP: Trans Adriatic Pipeline
TCGP: Trans Caspian Gas Pipeline
tcm: trillion cubic meters
TAG: Trans Austria Gas
TANAP: Trans Anatolian Pipeline
TPAO: Turkish Petroleum
TRNC: Turkish Republic of Northern Cyprus
UNCLOS: United Nations Convention on the Law of the Sea
UNEP: United Nations Environment Program
USSR: Union of Soviet Socialist Republics

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INTRODUCTION

In the energy business there is a popular saying: "Pipelines are 90% politics and 10% steel". Though this phrase clearly gives more weight to politics and undervalues business' drive for economic profit, it is more or less common knowledge that in the contemporary world, energy is political by its very nature. Energy, business, and politics seem to be inseparable, as political factors in many cases impact the business strategies of major energy companies, though it is not always clear to what extent. The exploitation of energy resources also appears to be a significant element in the power struggle between competing states, as energy trade crosses national borders and its importance is not limited to state economy and development but is also related to national security.

Since trade for natural resources is necessary as these resources are not uniformly distributed,[2] the energy business has been closely intertwined with intergovernmental relations and interregional conflicts. Ironically, the largest energy reserves are usually far away from the developed energy markets that need them most, and tend to lie in parts of the world lacking economic and political stability. Thus, any effort to bring commodities to energy-poor markets goes beyond the typical investment risk and is associated with country/region risk assessment of the producer and transit countries as well as the countries that might compete with the export or transit countries. From a historical point of view, the ability to move energy across borders has indeed been a source of savings and security and a basis for foreign commercial and diplomatic relations.

As Daniel Yergin has pointed out, energy as a commodity is often the vector around which mutual interests of friendly and not-so-friendly states meet and is therefore associated with multi-faceted geopolitical rivalries and geo-economic calculations. Energy security is not just about countering a wide variety of threats; it is also about the relations among nations, how

[2] Karen Mingst, Essentials of international relations (New York and London: W.W. Norton & Company, 2008) 4th edition, 257-258.

they interact with each other, and how energy impacts their overall national security.[3]

Today, many countries use their energy resources as the principal means for projecting economic and political influence, while others are looking for "exclusive backyards" and build up their military capabilities, in order to secure for themselves the control of transportation routes and to protect critical energy infrastructure.[4]

With the definitions of security undergoing a fundamental change, energy security is seen as an integral part of the foreign and national security policy of each state. Energy security is viewed as a mechanism that measures the degree of securitization in bilateral political and military relationships. From this perspective, it is worth noting that security of critical economic and energy infrastructure has become a key element in the agenda of both the EU and NATO in recent years, clearly manifested in official texts and declarations. For this reason, the geopolitics of energy, especially oil and gas, are playing heavily in the international political agenda. Energy commodities are presented in a cross-sectoral manner as part of the broad security agenda, rather than as an independent issue. However, energy security literature has failed to sufficiently examine energy sources' impact on ethnic conflicts. In the few cases that have been made, scholars provided mainly simplistic or manichaistic conclusions.

In this book we seek to advance our understanding of a specific issue in the concept of energy security and geopolitics: how do major energy projects affect regional ethnic conflicts and the overall stability of a region?

The mainstream literature on this issue follows two main approaches: The neo-liberal one views energy trade as a conduit for constraining opportunism, strengthening interdependence and transforming rival interests through regional cooperation, thereby alleviating pre-existing ethnic and political conflicts. The second approach, reflecting mainly the theoretical assumptions of political neo- realism, is based on the thesis that political and security considerations outweigh economic imperatives. Thus, energy projects are regarded as a variable exacerbating the relationships among states and hindering conflict resolution.

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[3] Daniel Yergin, The Quest. Energy security and the remaking of the Modern World (New York, The Penguin Press, 2011), 507.

[4] Robert Ebel and Rajan Menon (eds), Energy and conflict in Central Asia and the Caucasus (Lanham, MD: Rowman and Littlefield, 2000).

Our thesis, however, and contrary to other well-substantiated studies,[5] is that energy trade, in whatever form it is conducted, has either a minimal impact or no impact at all on deep-rooted ethnic conflicts and political disputes. We acknowledge, of course, that the completion of some energy related projects, like the construction of pipelines for instance, does not conform to the basic economic or commercial aspects required. The widespread assumption that decisions on natural gas export projects are likely to be affected by political considerations is certainly true.

However, it has its limits. The gravity of the political factors behind oil and natural gas investment decisions is related to several other conditions, such as energy market dynamics, commercial interests of energy companies, the nature of the natural gas supply and economy of pipelines that ultimately shape the value of such projects and determine the decision-making process.

In our understanding, conflict resolution is a complex process requiring a certain political and social context and, mainly, the establishment of some sense of mutual trust between peoples and nations. The successful exploitation and monetization of energy resources, in our opinion, can hardly incentivise or disincentivise this process, except that it is associated with other political and social factors that dictate conflict resolution procedure.

The Caspian Sea and the Eastern Mediterranean are the case studies of this book. These are two regions with well-known energy resources, with gas routes to Europe and actors, exporters, pipeline owners and operators, transit states and downstream customers that are connected to one another in a web of political and economic interdependencies, complicated by multiple ethnicities and nationalities. More significantly, these regions have been haunted by deep-seated ethnic conflicts and disputes: the two oldest registered with the United Nations (the Cyprus and the Arab-Israeli conflicts), the Nagorno-Karabakh problem, the Syrian War and numerous tensions in the Mediterranean, the Caspian Sea and the Balkans. In terms of political geography, these two regions constitute probably the most representative examples that can demonstrate the validity of our argument.

[5] In their excellent study Tang ShipTng, Yihan Xiong and Hui Li "Does Oil Cause Ethnic War? Comparing evidence from process-tracing with quantitative results," Security Studies, 26, no. 3 (2017): 359-390, argue that the ethnogeographical location of oil rather than oil income, rent, production, or concentration is connected with the onset of ethnic war.

In the next pages, this study attempts to explore the impact of energy megaprojects on the evolution of the Caucasus and Eastern Mediterranean ethnic conflicts and disputes, as well as to examine whether they have incentivised peace and cooperation among the states in conflict or solely compounded their strained relations by further complicating their settlement.

Against this background, the book focuses on the changing dynamics of pipeline politics around and within the Southern Gas Corridor, the new discoveries in the Eastern Mediterranean Sea, as well as on the search for safe and economically viable natural gas supply routes to the European markets. The energy relationship between Russia and the EU is also discussed from this perspective. Our purpose was also to investigate whether the development of the gas resources in the Caspian and the Eastern Mediterranean basins has prompted a new geopolitical competition between the EU and Russia, in the context of the EU energy diversification policy.

For the very first time, we also conducted an energy-related analysis of the "Prespes Agreement" between Greece and the Former Yugoslav Republic of Macedonia that resulted in the renaming of the latter as Northern Macedonia.

We undertook repeated efforts to substantiate our argument on the basis of empirical material. Therefore, our analysis relies on extensive field research conducted over the past five years in the various countries involved: Russia, Georgia, Azerbaijan, Kazakhstan, Turkmenistan, Cyprus, Turkey, Israel, Greece, Lebanon and Egypt, as well as the EU institutions in Brussels. Some sensitive and confidential information comes from persons serving in high diplomatic positions who insisted on remaining anonymous.

1) ENERGY AND CONFLICT: THEORETICAL CONSIDERATIONS

Affordable access to energy resources has been one of the key challenges for European states' domestic and foreign policy since the Second Industrial Revolution in the 19th century. The competition for energy reserves has since then been tightly linked with power politics, geopolitical rivalries and deep historical animosities concerning the development of the oil industry in the first place. Some scholars have argued that energy security began to be a question of national strategy on the eve of World War I, when Winston Churchill decided to shift the power source of the British Navy's ships from coal to oil with the aim of making the fleet faster than its German counterpart. But the switch also meant that the Royal Navy would rely not on coal from Wales but on insecure oil supplies from what was then Persia.[6]

During the Cold War, Western strategists considered the natural resources strategy to be a linchpin of the "Free World's coordinated defence and preparedness strategy". For the sake of this strategy the international legal agreements should be modified accordingly. As William Middedorf wrote in 1981 "…The Law of the Sea Conference so far has failed to produce an agreement adequate to our interests. Although it would be best to establish an internationally agreed upon set of guidelines for the exploitation of the seabed, we cannot allow ourselves to be denied access to the seabed by a coalition of nations that lack the technical expertise to exploit it. If we fail to win an agreement acceptable to our interest, we should begin to exploit the seabed of the Continental Shelf where several forms of ocean mining appear to be economically feasible. It may be possible to develop a satisfactory international climate for full-scale exploitation in the future when significant seabed mining has been initiated…".[7]

The current energy security system began to take shape in the 1970s, as industrialized countries, in response to the 1973 Arab oil embargo, sought

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[6] Daniel Yergin, "Ensuring energy security," Foreign Affairs 85 (2006): 69.

[7] William Middedorf, "A strategy for the coming resource war", in Towards a grand strategy for global freedom, ed. A Geoffrey Steward-Smith (London: Foreign Affairs Publishing, 1981), 38-39.

to ensure coordination, in order to limit the repercussions of the disruption in energy supply that threatened the stability of the global economy. The oil shock of 1973 not only demonstrated across the world the significance of crude oil for the economy, but at the same time it proved that access to energy sources seemed to be a more effective weapon than military units.

The year 1991 marks a significant date in the formation of the international energy security system. The industrialized countries signed the Energy Charter Treaty founding the Paris-based International Energy Agency (IEA) with the aim of promoting more open and competitive international energy markets, based on the principles of transparency and non-discrimination. The role of the IEA is to achieve coordination among its members and it therefore does not determine the structure of national energy markets, nor does it dictate national energy policies or oblige member countries to open up their energy sector to foreign investors. Each state has the right to decide which geographical areas within its jurisdiction should be made available for the exploration and development of energy resources, and to determine the rate at which such energy resources may be exploited.[8]

The 1973 energy crisis also laid the foundations for a theoretical contextualisation of the term "energy security" as part of the wider discipline of security studies. Since then, the notion of energy security has inspired a multifaceted theoretical discussion. Definitions of the concept of energy security range from narrow issues of physical supply disruption to wider ones engaging the economy, environment and political consequences of changes in the energy market. As a result, energy security means different things in different places. In countries highly dependent on imported oil and gas, for example, the main energy security concern lies with supply. In countries with economies based on exporting oil and gas, the larger concern is security of demand. Energy economists tend to approach "energy security" on the basis of indicators such as affordability, environmental acceptability, durability of supply and diversification of energy sources.

The IEA's definition of energy security as the uninterrupted availability of energy sources at an affordable price[9] is used by many scholars as the official and more accurate definition. Others approach the term by drawing

[8] International Energy Agency, Energy Charter:
http://www.energycharter.org/what-we-do/investment/overview/
[9] International Energy Agency Homepage:
http://www.iea.org/topics/energysecurity/

on popular understandings of energy as an essential and animating force in the "metabolism" of social life, linking personal worlds of social reproduction with those of community and nation.[10] According to a well-known energy expert, "energy security is not just about countering the wide variety of threats; it is also about the relations among nations, how they interact with each other, and how energy impacts their overall national security".[11]

The economic and political utilisation of energy resources has been an additional field of contention between the various schools of thought still dominating international political economy and international relations. The liberals tend to see energy as a non-political issue that can be utilised to promote interstate cooperation and mutual benefit on the basis of the liberal concept of interdependence.[12] Therefore, they usually argue in favour of interconnected, depoliticised global energy markets. Liberal scholars also believe in the capacity of energy to solve seemingly intractable problems through political action. Supporters of the neo-liberal institutionalism focus on international cooperation and new institutional arrangements on energy and energy products (the European Energy Charter, the South Asian Association for Regional Cooperation Energy Centre, OPEC, IEA, etc.) accepting the possibility of change and improvement, in contrast to the realist emphasis on the continuous and unchanging nature of the reality of international anarchy and the omnipresent prospect of war.[13]

On the contrary, the realist understanding falls within the framework of interest defined in terms of power. Accordingly, energy is simply perceived as a means to influence the balance of power. Based on the realist interpretation, this is the assumption that historic evidence bears out. Energy is also understood as another form of resources, which a nation has to allocate as rationally as possible, in order to promote all

[10] Gavin Bridge, "Energy (in) security: world-making in an age of scarcity", The Geographical Journal 181, No. 4 (December 2015): 329.
[11] Yergin, The Quest, 13.
[12] Ayla Gurel, Fiona Mullen, Harry Tzimitras, "The Cyprus hydrocarbons issue: Context, positions and future scenarios" (Nicosia: PRIO Cyprus Center, 2013); Stein Tønnesson and Åshild Kolås. Energy security in Asia: China, India, Oil and Peace, Report to the Norwegian Ministry of Foreign Affairs (Oslo International Peace Research Institute, 2006),
https://www.prio.org/Publications/Publication/?x=5694.
[13] Arthur Stein, "Neoliberal Institutionalism," in The Oxford Handbook of International Relations, eds D. Snidal and C. Reus-Smit (Oxford: Oxford University Press, 2008), 201–221.

desirable objectives in relation with other nations. Natural endowment and politics are intrinsically interlinked and cannot be separated from foreign policy at all. Energy trends and international politics are interconnected and hence energy security makes up an integral part of the foreign and national policies of states.[14]

Neo-realists, in particular, argue a case which, according to some observers[15], seems to be verified in the case of the Eastern Mediterranean: where political relations are very tense, or at a relatively high level of securitization[16] as constructivists would have argued, energy agreements are less likely to be achieved and act as a reinforcing mechanism for the perpetuation of normalized relations.

By pursuing their own national interests, states quite often use energy supply to oppose each other and accordingly adapt their foreign policies. Even a seemingly technical decision over energy transport, including project construction and management is sometimes shaped by political competition. Such struggles range from securing investment capital to sharing profits, providing physical security, and ensuring political stability in the countries involved. Energy pipelines play an important role in diplomatic, economic, military and environmental terms. In addition to offering immediate economic benefits to transit and end countries, pipelines may act as the building blocks of alliances and boost cooperation among states.

Political or geopolitical considerations might influence decisions on energy projects in purely economic logic, simply because such projects are very risky in financial terms. Investors, in general, have to wait a long time before receiving a return on their investments, and such investments involve immense sunk costs. Consequently, regime and economic stability

[14] Yergin, "Ensuring energy security"; Brenda Shaffer, Energy politics (Philadelphia, University of Pennsylvania Press, 2009).

[15] Odysseas Christou, Constantinos Adamides, "Energy securitization and desecuritization in the new Middle East", Security Dialogue 44 (2013): 507-522.

[16] The term securitization refers mainly to the process through which threats are addressed. It is supposed to involve the elevation of particular conditions to a level above that of everyday politics in order to justify the use of exceptional measures in response. Securitization consequently operates along a spectrum of politicization: at one extreme is the banal, every day, and non-politicized, and at the other is that which presents existential threats and must therefore be securitized. See the classical work of Barry Buzan, Ole Wæver, Jaap De Wilde. Security: a new framework for analysis (London: Lynne Rienner Publishers, 1998).

are of paramount importance in determining where and how to develop energy projects.[17] Not accidentally, in the Caspian Sea, the energy giants investing in field exploitation and development today are also the same companies that undertake in the form of consortia, the export and transit of the hydrocarbons from the Caspian to the West.

This applies, in particular, to natural gas because of its environmental credentials, its higher efficiency in power generation compared to oil and coal, lower greenhouse gas (GHG) emissions relative to other fossil fuels, and suitability for partnering with renewables as a back-up fuel. Natural gas greatly suffers from security of supply considerations entrenched in geopolitics, in addition to national policy approaches to climate change.[18]

All in all, the current debate on energy security could be theoretically structured around two alternative "storylines", that of "markets and institutions" and that of "regions and empires", distinguishing between a market-based and a geopolitical approach. According to the geopolitical storyline, energy is a strategic good and the state is the key actor guaranteeing security through the special treatment of energy deals. In other words, energy is perceived as a strategic tool shaping the economic and political developments in the international system. Controlling the energy resources and transmission lines has the same meaning as being an arbiter in world politics. The second storyline considers the market as a space with equal opportunities and the state as just a rule provider; specific legal arrangements, dispute resolution authorities as well as technocratic solutions then become policy instruments to ensure that markets function properly.[19]

Moreover, in the geopolitical context, control over energy resources is conceptualised as a means not only to fortify the security and prosperity of the holder but also to reduce energy dependence on other states, which

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[17] Frank Verrastro and Sarah Ladislaw, "Providing energy security in an interdependent world", The Washington Quarterly 30 (2007): 95–104.

[18] Luca Franza, Dick de Jong & Coby van der Linde, "The Future of Gas: The Transition Fuel?" in The Future of Natural Gas. Markets and Geopolitics, eds. Silvia Colombo, Mohamed El Harrak and Nicolò Sartori (The Netherlands: Lenthe-European Energy Review, 2016), 25-26, (e-book: https://www.iai.it/en/pubblicazioni/future-natural-gas).

[19] Edward Stoddard, "Reconsidering the ontological foundations of international energy affairs: realist geopolitics, market liberalism and a politico-economic alternative," European Security 22, no. 4 (2013): 437 - 463; Richard Youngs, Energy security: Europe's new foreign policy challenge (London and New York: Routledge, 2009).

might be seen as a political threat. Concerns over the continued ability to secure energy supplies from an increasing list of inaccessible, high-risk, or less reliable parts of the world coincides with the use of energy supply as a part of the policy arsenal along with other economic tools, military power and diplomatic tactics.[20]

In the context of political realism especially there is the theoretical assumption that the export of energy commodities is as much a part of the policy arsenal as other economic tools, military power and diplomatic tactics. States can hardly refrain from using energy to promote their policy goals. This resembles the reality as increasingly more countries have recognized the importance of incorporating energy security more systematically into foreign policy by developing various tools for promoting their strategic goals.[21]

Energy supply interruptions for example have very often been used as an "energy weapon" by the producing state or by transit states that control pipelines or transportation corridors, in order to force the consumer state or group of consumer states to change their behaviour. Russia has been accused in recent years of interrupting supply to serve similar purposes.[22] The EU, on the contrary, perhaps due to the lack of military power and a common foreign policy, seems to have taken a more multilateral, economy-oriented approach to the problem of energy security.

Empirical studies have indicated that wars over natural resources have become a typical feature in the international arena. The so-called energy supply threats have often been used by sovereign states as the principal means of projecting economic and political influence aiming to force other states to make various political or economic concessions. Conflicts

[20] Verrastro and Ladislaw, "Providing energy security".
[21] Filippos Proedrou, "Re-conceptualising the energy and security complex in the Eastern Mediterranean", The Cyprus Review 24 (2012): 15-28; Abdullah Tanrıverdi, "Eastern Mediterranean Natural Gas: Analyzing Turkey's Stance", European Journal of Economic and Political Studies 6, no. 2, (2013): 83-99; Michael Emerson, "Fishing for gas and more in Cypriot waters", Insight Turkey 15 (2013): 165-181.
[21] Brenda Shaffer, "Energy politics"; Michael Leigh, "Energy - A Geopolitical Game Changer?", The International Spectator 49, no. 2 (2014): 1-10; Nina Möllers, Karin Zachmann, Past and Present Energy Societies. How Energy Connects Politics, Technologies and Cultures (Bielefeld: Transcript Verlag, 2012).
[22] Tatiana Romanova, "Is Russian Energy Policy towards the EU only about geopolitics? The Case of the third liberalization package", Geopolitics 21, no. 4 (2016): 857-879.

resulting from energy threats are therefore frequently unpredictable because they do not rely on economic rationale, as economic benefits from potential energy agreements are sacrificed for political and military considerations. According to these studies, the total number of conflicts between 1946 and 2008 was 285, while the total number of natural resources conflicts between 1946 and 2008 was 117.[23]

Conversely, there is the commonly held perception that beneficial energy-related economic collaboration has the potential to pave the way for improved political relations or, in constructivist discourse, to de-securitize the economic sector but with no effect on deeply securitized political sectors in ways that may lead to a normalization of political relations. In this regard, energy acts as a game changer and as a peace incentive, as was the case with the European Coal and Steel Community in the 1950s, laying the foundations for long-term cooperation among the founding members.

This example, however, has not repeated itself in the modern history of international relations. There are no cases of international energy-related collaboration indicating the reconciliatory or peace-making impact of energy resources. This applies to pipelines as well, which quite often become a diplomacy tool, as their significance and extra market value increased with the amount of oil and gas traded via pipelines.

Undoubtedly, cross border pipelines are fraught with international challenges. As Stulberg pointed out, troubles arise when the parties decide to exploit interdependence and disrupt pipeline operations for non-commercial reasons. Pipeline politics refer to the unilateral and arbitrary disruption or renegotiation of the terms of supply, transit, offtake and/or delivery.[24]

In our study, we tried to prove that a pipeline's effectiveness is dependent on many incalculable and unpredictable factors and can hardly act as an incentive for peace or as a cause for war. In our opinion, the decision to construct a transnational oil or gas onshore pipeline is primarily the result of a mixture of commercial considerations that can only conditionally be combined with political relations between producing, transit, and

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[23] Siri Aas Rustad, Helga Malmin Binningsbø, "A Price worth fighting for? Natural Resources and Conflict Recurrence", Journal of Peace Research 49, no. 4 (2012): 531–546.

[24] Adam Stulberg, "Strategic bargaining and pipeline politics: Confronting the credible commitment problem in Eurasian energy transit", Review of International Political Economy 19, no 5 (2012): 808-836.

consuming states. Therefore, energy export pipelines are very limited in their ability to achieve political goals.

As a consequence, we have not registered any "peace pipelines", i.e. oil or gas pipelines routed between countries in conflict as a means to achieve peace. On the other hand, conflicts about energy infrastructure that escalate to tension or a symbolic battlefield (the Russia-Ukraine confrontation for example) do not seem to us to reflect the ulterior motive of the conflict and hence we tend to believe that energy does not aggravate interstate relations either. In the same manner, Russian-German strained political relations in recent years have not affected their excellent energy cooperation. The building of the contentious Nord Stream 2 pipeline is hallmark of this cooperation.

For example, the hydrocarbons discovered west of Gaza in 1999[25] have not precipitated any improvement or aggravation in the relationship between Israel and Hamas.[26] The Turkey-Greece natural gas pipeline completed in 2006, the first to deliver Azeri gas to an EU country, has also neither improved nor exacerbated the complex Greek-Turkish relationship.[27]

The pipeline projects promoted by Washington in the 1990s as a means to bring peace to the South Caucasus did not lead to any change in the Azerbaijan-Armenia confrontation, nor has the Washington-backed gas pipeline from Qatar to Israel.[28] The bombing of the pipelines in Sinai, supplying energy to Israel, has also not affected Israeli-Egyptian relations at all.

In the case of gas, it is apparent that there are potentially multiple objects of security at play (nations, governments, economies, corporations,

[25] Royal Dutch Shell that had acquired the rights of exploration in the area, has given up its stake in the field in March 2018.

[26] The Institute for Palestine Studies, "Gas finds in the Eastern Mediterranean: Gaza, Israel, and other conflicts", paper no. 42 (2012/13): 29-47.

[27] The Turkey-Greece pipeline is a 296 kilometres long pipeline connecting Turkish and Greek gas grids. The pipeline begins in Karacabey in Turkey and runs to Komotini in Greece. The length of the Turkish section is 210 kilometres (130 mi), of which 17 kilometres (11 mi) are under the Sea of Marmara. The length of Greek section is 86 kilometres (53 mi). The diameter of the pipeline is 36 inches (910 mm) and the capacity is 7 billion cubic metres (250 billion cubic feet) of natural gas per year.

[28] Emre İşeri & Panagiotis Andrikopoulos, "Energy Geopolitics of the Eastern Mediterranean: Will Aphrodite's lure fuel peace in Cyprus?, OrtadoguAnaliz 5, no. 51 (2013): 39.

individuals, populations, environments), and that security appears to be not just a restrictive practice, but a productive one.[29]

However, in our opinion, the geopolitical value of natural gas is overrated. For quite some time, it has been argued that natural gas has the lowest carbon dioxide emissions among fossil fuels and hence the switch from other fossil fuels to natural gas could reduce carbon emissions and yield significant CO2 savings. More recently, however, it has been acknowledged that the energy system should be approaching carbon-neutrality by 2050 and continuing to burn significant quantities of natural gas will not be sustainable.[30]

Furthermore, as experts in this field have argued, pricing and trade of natural gas often appear to be at the centre of geopolitical developments (the Russian-Azeri "energy antagonism" or the construction of the East Med pipeline are very indicative in this respect). However, gas is predominantly priced using two mechanisms: 1) oil price indexation, or oil price escalation, where the value of gas is determined based on the price dynamics of oil products, and 2) market-based pricing where gas prices are set through the interaction between gas supply and demand.[31]

Gas producers and infrastructure operators will only generate a profitable return when their assets are used at a reasonable rate of throughput and at revenues that cover their costs over the longer term. They need security of demand. The consumers, by investing in specific gas-fired infrastructure, are committed to using gas and hence they need security of supply.[32] Accordingly, as far as consumption is concerned, states are interested in access to energy, preventing disruptions and reducing price volatility. As far as production is concerned, states are interested in selling enough raw materials to provide economic welfare.

Therefore, despite appearances, the issues of energy supply are mainly connected with the general well-being of the state rather than the

[29] Peter-James Forman, Securing Natural Gas: Entity-Attentive Security Research, thesis, Durham University. Available at Durham E-Theses (2017), 52, http://etheses.dur.ac.uk/12139/.

[30] Martin Lambert, Power-to-Gas: Linking Electricity and Gas in a Decarbonising World? (London: Oxford Institute for Energy Studies, 2018).

[31] Chi-Kong Chyong, "On the Future of Global LNG Trade and Geopolitics", in The Future of Natural Gas Markets and Geopolitics 43, eds. Silvia Colombo, Mohamed El Harrak and Nicolò Sartori (The Netherlands: Lenthe/European Energy Review, 2016).

[32] Correljé Aad, "The European Natural Gas Market". Curr Sustainable Renewable Energy Report 3 (2016): 29.

existential traditional security. The security concerns, however, which characterise ethnic conflicts, are related to radical and uncompromising competition for power, driven by ethnicity, nationalism and religion and less or not at all by energy.

2) THE CHALLENGE OF DIVERSIFICATION AND THE RIVALRY BETWEEN THE EU AND RUSSIA IN SOUTH-EASTERN EUROPE

The general context of EU-Russia energy relations

After the collapse of the Soviet Union, there was widespread hope not just of bringing an end to the East-West confrontation, but of forging a "strategic partnership" with Russia on the basis on the one hand of shared common interests and challenges, and, on the other, of common values. Over time, however, this mood has evolved. First, it has gone from optimism about Russia's voluntary return and desire to establish meaningful cooperation to increased frustration with, and criticism of, perceived Russian intransigent opposition to Western policies and Moscow's increasingly obvious departure not just from shared values but from a shared view of international developments.[33]

Accordingly, EU-Russia relations on various levels, such as energy, defence, and foreign policy, have gone through many transformative phases in the last two decades, ranging from cooperation to overt hostility. Following the collapse of the Soviet economic system and especially after the successful recovery from the 1998 financial crisis, EU-Russia economic relations expanded rapidly, with energy remaining the driver of their overall EU-Russia relationship. Energy revenues enable Russia to buy from and invest in the EU, resulting in complex patterns of interdependence, financial ties, and cross-border physical interconnections (mainly pipelines). On balance, however, the increased level of economic interdependence between the EU and Russia has failed to produce the Common Economic Space that was discussed in 2001. Furthermore, the ambitious EU-Russia energy partnership never materialized in the terms sketched out in the early 2000s, largely because Moscow was unwilling to

[33] Andrew Monaghan, The new politics of Russia (Interpreting change, Manchester University Press, 2016).

play by the rules set in Brussels, while the EU lacked the means to compel Moscow to do so.[34]

So, nowadays there are points of friction between the EU as a bloc and Russia. For instance, Russian and EU perceptions of energy security clash. This applies mainly to gas. Coal and oil are traded on a global basis with the result that the price setting mechanisms are highly liquid and transparent, while security of supply is ensured by the multiplicity of potential sources of imports. However, it is unclear whether arguments about Russian gas are in reality about gas and not about history, strategy, and geopolitics. In many cases gas seems to be just the spark.[35]

Beyond that and though opinions are split on the extent to which gas should be part of the EU's decarbonisation strategy, natural gas is an intrinsic part of the European Commission's "Clean Energy for All Europeans" strategy. Specifically, natural gas is considered to be a bridge fuel that can aid in the transition to renewable energy, because gas plants can be easily fired up and down unlike other types of plants, and gas emits 50% less carbon dioxide than coal when burnt.[36]

With 28 countries and a combined population of around 512 million people, the EU is something of a prized market and a political battleground for the world's largest energy exporters, particularly when it comes to natural gas. Europe's overall annual gas consumption is still satisfied by Russia (over one third of its gas supply) and secondly by Norway[37] and Algeria, in the form of LNG. [38] While European gas consumption is set to remain almost flat in the coming years, domestic production is set to fall at an average rate of 3.5% per year, primarily driven by the Groningen phase-out in the Netherlands and declining production in the North Sea.[39]

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[34] Ronald Tiersky, JohnVan Oudenaren, "Europe and Russia Strategic Partnership and Strategic Mistrust", in European Foreign Policies: Does Europe Still Matter?, ed. Ronald Tiersky (New York: Rowman & Littlefield Publishers, 2010), 69-92.
[35] Nikos Tsafos, "Who's Afraid of Russian Gas? Bridging the Transatlantic Divide", CSIS Paper (May 2018).
[36] European Commission - Press release, (Brussels, 30 November 2016), "Clean Energy for All Europeans - unlocking Europe's growth potential", http://europa.eu/rapid/press-release_IP-16-4009_en.htm
[37] Gas production in Norway is, however, gradually declining as its fields mature.
[38] Bud Coote, The Caspian Sea and Southern Gas Corridor, A view from Russia (Washington: The Atlantic Council of the United States, 2017).
[39] International Energy Agency, "Gas 2019. Analysis and forecasts to 2024".

In the lowest of demand projections, import needs could be slightly lower (by some 10 bcm) in 2020, but would then be some 20 bcm higher than 2015 levels by 2025. As such, EU gas imports will continue to play a significant role in the future EU gas market in the context of the EU gas supplies diversification policy. For sure, Russia will remain the main supplier through 2025 and its share of EU gas consumption will be around 40%.[40]

It is a simple fact that the Russian gas sector has immense capabilities for sustainable production growth: the resource base is huge and sufficient to meet both domestic and export demands. Although the domestic market absorbs two thirds of the total Russian gas production, it is difficult to expect its radical expansion, as it is correlated with GDP, which is projected to grow slowly. As a result, the major influence on Russia's gas output will come from abroad, depending primarily on external demand.[41] The very first source of external demand for Russian gas is and will remain Europe.

The EU "common energy policy"

Today, the EU imports more than half of the energy it consumes and several member states are heavily reliant on a single supplier for key energy sources. This is mainly true for gas and to a lesser extent also for oil and coal. As a result, the EU remains vulnerable to supply disruptions, whether caused by geopolitical conflicts, political or commercial disputes, infrastructure failure or other reasons. This heavy dependence on so few suppliers has been acknowledged since the 1990s. Since then, the European Commission has been pursuing various strategies to reduce this dependence and to make the concept of energy supply diversification a cornerstone of EU energy policy.[42]

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[40] Iulia Pisca, "Outlook for EU gas demand and import needs to 2025", Clingendael International - Energy Programme (CIEP) Perspectives on EU gas market fundamentals series, (2016).

[41] Tatiana Mitrova, "Russian hydrocarbon production scenarios to 2025", in Shifting political economy of Russian oil and gas, Report, ed. CSIS Energy and National Security Program, March 2016, 37.

[42] Jonas Grätz, "Common Rules without Strategy: EU Energy Policy and Russia", in Toward a Common European Union Energy Policy Problems, Progress, and Prospects, eds. Vicki L. Birchfield and John S. Duffield (Basingstoke, Hampshire: Palgrave Macmillan, 2011), 61-86.

Following the Russia-Ukraine gas disputes in 2006 and 2009 and the disruptions of gas flows to Europe, given that the bulk of EU gas imports derived from few suppliers (mainly Russia, Algeria, and Norway), the necessity of diversifying the routes and sources of gas supplies to the EU moved to the top of the European external relations priorities. The 2014 annexation by Russia of Crimea only reinforced this tendency.[43] According to other views, however, the issue of Russian gas supply security to Europe is overrated. Neither Russia nor Ukraine are interested in interrupting supply to Europe. As far as Russia is concerned, the country's budget cannot afford to lose European gas sales, which are one of its main sources of hard currency revenues.[44] Regarding Ukraine itself, the brutal reality for Kiev is that it is and will remain, for the foreseeable future, utterly dependent on Russian gas for most of its import needs, regardless of the outcome of the trilateral negotiations with Moscow and Brussels on the extension of the transit contract for the next ten years.[45]

As a matter of fact, in 2006, the EU with the Decision No 1364/2006/EC officially established the Natural Gas route 3 (NG 3), i.e. the natural gas pipeline network that would connect the EU to the Caspian Sea and the Middle East. In the context of the 2007 Lisbon Treaty, the EU member states decided to incorporate "energy" into the so-called "shared competences" of the EU, meaning that both the EU and its member states may adopt legally binding acts in the area concerned. Though it is stipulated that the member states can do so only where the EU has not exercised its competence or has explicitly ceased to do so, the historical experience has proved that the member states tend to act autonomously, as if this sector were purely intergovernmental.

Furthermore, it was decided to integrate the Title XXI on Energy (Article 194) into the treaty. The title envisioned a "Union policy" on energy with the aim of ensuring the functioning of the energy market and security of energy supply in the Union, promoting on the one hand energy efficiency and energy saving and the development of new and renewable forms of energy, and on the other hand the interconnection of energy networks.

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[43] David Koranyi, "European Natural Gas security in an era of import dependence," The RUSI Journal 159, 2 (2014): 66-72.

[44] Tatiana Mitrova, "New Russian oil and gas export strategy", In Shifting political economy of Russian oil and gas, Report, CSIS Energy and National Security Program ed., March 2016, 40.

[45] Theodoros Tsakiris, "The energy parameters of the Russian- Ukrainian- EU impasse: dependencies, sanctions and the rise of Turkish Stream," Southeast European and Black Sea Studies 15, no 2 (2015): 206.

However, it also clearly states that all the measures necessary to achieve the objectives shall not affect a member state's right to determine the conditions for exploiting its energy resources, its choice between different energy sources and the general structure of its energy supply.[46]

In this respect, in 2008 the EU adopted the "Second Strategic Energy Review" supposedly with the objective of enabling the EU to "speak with one voice" on the need for sufficient diversity of exporters. The next step was the EU Third Energy Package, the legislative foundation for fighting monopolies and promoting competition in the European energy market and the launch of the EU's European Energy Union in 2015 that builds further on the 2030 Framework for Climate and Energy and the European Energy Security Strategy.[47] According to EU official texts, the Energy Union[48] is made up of five closely related and mutually reinforcing dimensions:

- security, solidarity and trust: diversifying Europe's sources of energy and ensuring energy security through solidarity and cooperation between EU member states;
- a fully integrated internal energy market: enabling the free flow of energy through the EU through adequate infrastructure and without technical or regulatory barriers;
- energy efficiency: improved energy efficiency will reduce dependence on energy imports, reduce emissions, and drive jobs and growth;
- decarbonising the economy: the EU is committed to a quick ratification of the Paris Agreement and to retaining its leadership in the area of renewable energy;
- research, innovation and competitiveness: supporting breakthroughs in low carbon and clean energy technologies by prioritising research and innovation to drive the energy transition and improve competitiveness.

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[46] Communication from the Commission to the European Parliament and the Council, "Energy 2020, A strategy for competitive, sustainable and secure energy", Brussels, November, 10 2010, COM (2010) 639 final.

[47] European Parliament, Communication from the Commission to the European Parliament and the Council, "European Energy Security Strategy", Brussels, May 28, 2014 COM (2014) 330 final, 15-21.

[48] European Commission, Building the Energy Union, https://ec.europa.eu/energy/en/topics/energy-strategy-and-energy-union/building-energy-union.

Since 2015, EU energy security policies have evolved to include overlapping objectives. With regard to the gas sector, current objectives of all member states include: a) having access to gas from three different supply countries; LNG is only counted as one source despite coming from multiple countries of origin; b) having access to LNG, either directly or via other member states and c) maintaining supply in the context of a complete standstill of Russian gas imports to the EU or a disruption of Russian gas imports through the Ukrainian transit route, for a period of one to six months.[49]

But still, all these measures are not sufficient to create a unique EU energy policy, binding and mandatory for all the EU member states, as energy policy remains an intergovernmental process. Since the EU member states obviously regard energy supply as part of their external relations, which are still state controlled, Brussels can hardly design a single, coherent strategy on energy. Even within the EU institutions, the messages sometimes appear contradictory, with political declarations deviating from the technical statements of the European Commission.[50]

Different European countries have multiple and divergent approaches to energy security, exactly as they have different relations with energy suppliers. As long as the institutional regulatory framework does not change, the energy supply security challenge will be only partially addressed. The incapability of acting independently and coherently as one foreign policy actor and more importantly as a security provider is expected to undermine the EU potential to push through strategies aimed at securing access to alternative energy resources which may be located in highly explosive or high-risk security areas.[51]

Normally, energy diversification, a primary concern of developed energy markets, does not become a cause of friction. Multiplying one's supply sources reduces the impact of a disruption by providing alternatives,

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[49] Joseph Dutton, Lisa Fischer, Jonathan Gaventa, "Infrastructure for a changing energy system the next generation of policies for the European Union", E3G report (2017), 20-21.

[50] Pasquale De Micco, "Changing pipelines, shifting strategies: Gas in South-Eastern Europe, and the implications for Ukraine". European Parliament, Directorate-General for external policies policy department (2015), 1.

[51] Thomas Panayotopoulos, "The Energy Union –a solution for the European energy security?" Zentrum für Europäische Integrationsforschung (Center for European Integration Studies) Rheinische Friedrich-Wilhelms Universität, Discussion Paper (2015), 26.