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Abstract

The EU-Russia relations are taking place in a complicated and systemically unstable international environment. In this context, energy is a field of a coexisting conflict and cooperation between those two regional actors. The purpose of this paper is to examine the gas pipeline diplomacy in EU-Russia relations. In particular the paper seeks to examine the mechanisms and tools that Russia has devised to implement its gas pipeline diplomacy toward EU, given that its vast energy resources are a crucial source of its political power projection. The paper reviews the EU energy policy and security towards Russia and places special emphasis on the degree of the EU-Russia mutual dependency on energy and the energy security dilemmas as well. Moreover, it examines the Russia’s gas pipeline diplomacy and underlines the strategic dimension of russian energy policy, while it presents the gas pipeline projects that refer to the EU-Russia energy relations. The main argument of the paper is that there is mutual energy interdependence between EU and Russia; Europe is highly dependent on Russian gas, while Russia depends on gas revenues stemming from energy trade with Europe. However, this interdependence is highly complicated and it is hard to argue the degree to which the two actors depend to each other. However, it appears that currently this energy interdependence is asymmetrical favoring Russia. In any case, this certain degree of interdependence shapes among others the base on which both conflict and cooperation are built between the EU and Russia.

Key words: Russia, EU, energy, gas, pipelines, security
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Introduction

Russia is one of the most important partners for the EU and hence a key priority of the European foreign policy is to build a strong strategic partnership with Russia on the solid basis of mutual respect. Russia, especially after the 2004 and 2007 EU enlargements, is the largest country neighboring with the EU. Moreover, Russia is a crucial regional and global actor in geopolitical and security terms and it participates in the UN Security Council. Beyond the historical, geographical and cultural ties with Europe, Russia is also a key supplier of energy to the EU. In addition, Russia represents a dynamic market for European goods and services, while the European market is a highly important destination for Russian exports. Given all the above mentioned links the EU has a forceful interest in working together with Russia. The legal basis of the EU-Russia bilateral relationship is the Partnership and Cooperation Agreement which represents an effort for political, social and economic cooperation and stability. More in particular, the Partnership and Cooperation Agreement (PCA) came into force in 1997. The PCA determines the bilateral objectives and establishes a framework for dialogue in numerous areas. The PCA rests on the idea of a mutual partnership that fosters political, commercial, economic, and cultural bonds between the EU and Russia. Furthermore, in 2003 the EU and Russia agreed to enhance their partnership and cooperation by establishing within the PCA framework “four common spaces”. In particular those common spaces encompasses the common economic space, the common space of freedom, security and justice, the common space of external security and common space of research and education. In the context of EU-Russia relationship energy plays a key role. Energy relation can be described as a mutual interdependence of supply and demand. So, there is strong interest in closer energy relations for both sides; the stable flow of reasonably priced energy contributes to Europe’s energy security, while Russian sales to Europe contribute to its economic growth. To safeguard energy trade the EU established a comprehensive Energy Charter Treaty (ECT), which has been not ratified though by Russia, despite the fact that it assures that it will respect its key principles. Despite some positive trends in the institutional development of EU-Russian energy relations several issues remain unaddressed (European commission, 2007, 3-12).

The EU–Russia relations have been described as a dichotomy between conflict and cooperation. It is interesting that conflict and cooperation coexist and hence this makes the EU–Russia
relations a very complex issue which impedes two actors’ foreign policies. Indeed, the overlapping of periods of cooperation and periods of conflict has worsened the multifaceted character of the relations between EU and Russia. Given that both actors struggle for more influence in the area of Central and Eastern Europe (CEE) and that Europe is dependent on Russian gas the nature of EU-Russia relations is further complicating. Moreover, various misunderstandings emerge owing to a divergence of identities and interpretations of sovereignty and hence the EU-Russia conflict deepens. Indeed, the EU is a postmodern actor that has overcome the constraints of sovereignty and nationalism and relies on soft power in its international relations, whereas Russia is considered to be a pre-modern actor that rests on hard power. Obviously those different types of governance create a degree of conflict. So it is not surprising that cooperation has been achieved only to insignificant issues of international agenda that do not influence the vital interests of the EU and Russia. An interesting feature of the EU-Russia relations is that, given the lack of a coherent and consistent EU foreign policy, many member countries, and especially Germany and France, tried to develop bilateral relations with Russia without taking into consideration other EU member states, in order to promote their national agenda. So, in practice the EU institutions are bypassed in the favor of enhanced bilateral relations that undermine cooperation within the EU (Nitoiu, 2015).

After the collapse of the Soviet Union there were hopes that Russia would integrate into Western institutions. These hopes though have been disconfirmed as Russia resorted to an authoritarian way of policy making. While Gorbachev had tried to establish a so called common European home Russia drifted to backwards and moved away from a strategic agenda of integration into Western institutions. Russia has only special partnerships with the Western institutions which often are turbulent. The Russian crucial geopolitical position, its boosted high economic growth, and Russian vast energy resources allow the Russian government to reject the benefits of integrating into Western institutions and lead to a situation of conflict rather than cooperation. In particular, the bargaining problems between EU and Russia and their disputes are attributed to power asymmetries, uncertainty and mutual mistrust that hamper cooperation in areas of mutual interest. Moreover, domestic political and economic actors and dominant elites undermine cooperation by supporting non-transparent and non-accountable international agreements from which they gain revenues. In addition, Russia, taking advantage of inadequate discipline on the national politics and domestic interests of the EU member states, engages in bilateral deals. To
sum up, both the EU and Russia do not seem to desire to deepen their relationship. Of course the established special relationship between EU and Russia is a considerable improvement compared to the prevailed Cold War tensions but it is still far from the ideal post-Cold War settlement. As long as Russia’s power augments and its self-confident revives the Russian government will seek to influence and renegotiate the terms of dealings with the West. Russia’s willingness to use its energy policy to advance its interests reveals its geopolitical ambitions. So the EU-Russia relations are characterized by competition, uncertainty and mistrust. The sources of the post-Cold War special relationship between EU and Russia that hinder integration, rest on the fact that between the EU and Russia there are some fundamental asymmetries that have a significant impact on their relationship. Indeed, Russia is a large country and a self-sufficient exporter of energy, while the European economy is much bigger in comparison to the Russian economy. Moreover, Russia lacks well-built democratic institutions and hence Moscow is not able to make credible commitments concerning international bargains (Roberts, 2007, 1-7).

The purpose of this paper is to examine the gas pipeline diplomacy in EU-Russia relations. In particular the paper seeks to examine the mechanisms and tools that Russia has devised to implement its gas pipeline diplomacy toward EU, given that its vast energy resources is a crucial source of its political power projection. The structure of the paper is the following: the first chapter reviews the EU energy policy and security towards Russia and places special emphasis on the degree of the EU-Russia mutual dependency on energy and the energy security dilemmas. The second chapter examines the Russia’s gas pipeline diplomacy and underlines the strategic dimension of russian energy policy. The third chapter presents the gas pipeline projects that refer to the EU-Russia energy relations. The last chapter summarizes and concludes the paper.
1. EU Energy Policy and Security towards Russia

The concept of energy security is very important to international relations and it is particularly relevant to the EU-Russia relation. In particular literature currently focuses on energy security dimensions while the definition of energy security encompasses different types of long-term risks. A wide used definition of energy security refers to the four As definition, namely availability (geological), accessibility (geopolitical), affordability (economic) and acceptability (environmental and social). Another definition that resembles the As definition place emphasis on four dimensions of energy security, namely geopolitical (energy imports, particularly from politically unstable regions), economic (high energy intensity and trade imbalances), reliability (adequacy and reliability of infrastructure) and environmental (related to the carbon intensity of the energy system). The definition of the International Energy Agency defines energy security as “the uninterrupted physical availability at a price which is affordable, while respecting environmental concerns” (Jewell, 2011, 9).

Taking into account this standard, energy security can be further described as a reliable supply of energy which implies the diversification of primary energy sources and suppliers and the avoidance of dependence on only one or two suppliers. Diversification is crucial for ensuring security of energy supply. Moreover, energy security assumes a reliable transportation network of supply which is well maintained, adequately expanded and offers many competitive routes. In addition energy security refers to a reliable and efficient distribution and delivery of supply to the final customer in accordance to particular time and quality standards. Finally energy security implies reasonable prices in the long-term. Energy security has also time dimensions. Indeed, the concept of energy security varies according to the time frame. In particular, in the short term supply of energy may be threatened by an unanticipated disruption caused by reasons such as climate events, political decisions, strikes etc. In the medium and long term the disruption of energy supplies have different causes and long lasting implications. In this case energy security is threatened by political turmoil, exhaustion of available resources, underinvestment in productive infrastructure etc. (Chevalier, 2006, 2-3). It should be also highlighted that security has different content for energy importing and energy exporting countries. In particular, energy importing countries, such as the EU countries, place emphasis on the security of supply, whereas energy exporting countries, such as Russia, place emphasis on the security of demand. Furthermore, energy security is actually an international issue as it is very unlikely for a country
to be energy secured by itself. So energy supplies imply a degree of interdependence between producers and consumer countries.

Natural gas security is a particular category of energy security. The dependence on natural gas is different from oil dependence. Indeed, gas is less polluting than major fossil fuels and hence has demand in Europe is growing. Moreover, gas is different from oil because the cost of transmission is much higher given that its transmission requires long gas pipelines which link the producer with the consumer. So the financing of these pipelines and the investments in gas production infrastructure require long-term and rigid contractual agreements between the seller and the buyer of the gas. The gas industry in Europe has been created on this basis and despite its drawbacks it should be underlined that given that the seller and the buyer are interested in a profitable trade gas supply can be potentially more secure than oil supply. Russia however holds vast natural gas resources and its natural gas trade is important in terms of geopolitics. The fast development of LNG and the prospects of new gas pipelines would allow Europe to diversify its sources of gas supply. Natural gas prices are linked to crude oil price but in the future this link is expected to weaken. European gas energy security and the vulnerability to likely disruptions in gas supply can be better described on the supply side. In particular, on supply side crucial factors of gas energy security are Europe’s dependence on gas and especially non-European gas imports, the diversity of gas suppliers, the number of pipeline routes and Europe’s bargaining power relative to its suppliers’ power (Chevalier, 2006, 13-14).

According to the International Energy Agency the analysis of natural gas security encompasses seven indicators related to external and domestic aspects. In particular, the most important indicator of natural gas supply security is “net import dependence”. According to this indicator countries fall into three categories, namely low import (≤10%), moderate import (30%-40%) and high import dependency (≥70%). An additional important indicator is the “political stability of supplying countries” which is calculated using the OECD political stability rating. Other important indicators are the number and type of entry points and diversity of suppliers. Indeed, natural gas is imported through pipelines that in general transmit imports from predetermined suppliers or through LNG ports. It is plausible that the more entry points a country has, the less vulnerable it is to gas supply disruptions. Moreover, the diversity of suppliers’ indicator leads also to three categories of countries, with low, moderate or high diversity. Furthermore, “natural gas intensity” is also a useful indicator of natural gas security. This reveals a country’s gas

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consumption as a percentage of GDP signaling its economic exposure to any likely disruptions (Jewell, 2011, 25-26).

1.1 Mutual Dependency on energy

The dependence of the EU on Russia for energy resources has been severally documented. In particular, in 2014 39% of EU natural gas supplies have been imported from Russia. Correspondingly, Russia exported 71% of its gas exports to Europe, with the largest volumes directed to Germany and Italy. It is interesting that six EU Member States, namely Bulgaria, Estonia, Finland, Slovakia, Latvia and Lithuania, import gas entirely from Russia which is their single external supplier. Moreover, concerning oil, more than 30% of EU imports come from Russia.

These data underline a mutual dependence especially concerning trade of gas. Consequently, energy diplomacy between the EU and Russia implies a certain degree of interdependence which shapes the base on which both conflict and cooperation are build. Indeed, the energy partnership between the EU and Russia encompasses conflictive and cooperative elements. Both interdependent parties though would be negatively affected by noncooperation. Throughout the 2000s the EU and Russia have settled many energy issues such as long-term contracts, import limitations and destination clauses. This type of agreements signals that both parties desire to keep on reaping benefits from their energy partnership. However, both partners can take measures to facilitate the progress of their partnership and enhance energy security. From the EU side, a coherent common European energy policy is needed. Indeed, the EU should stop the bilateral agreements with supplier countries and implement an energy policy in the same way that it implements its trade policy. This is the only way that EU can take advantage of its huge internal market. Moreover, the EU should increase its efforts for the formation of a competitive single European internal energy market by establishing a new framework for energy policymaking. Given that energy challenges arise globally they cannot be met at national level. Besides the EU has the ability to act at the supranational level. From Russia’s perspective Moscow follows an aggressive energy policy that tries to take advantage of the vulnerability of Europe. The fact that the EU response remains fragmented maintains that aggressive policy. In that way though, the EU-Russia energy relations are deteriorating. Russia, tries to reap political gains utilizing its energy policy and that undermines its reliability as a supplier. It should be
noticed that a less politicized energy policy would inevitably make Russia the most reliable and powerful player in the EU energy market. Moreover Russia refuses to publish all data that refer to its energy industry. This lack of transparency accompanied by the Russian short of investing in gas infrastructure adds anxiety to European countries and decreases Russia’s reliability as a supplier. In practice the EU-Russia strategic energy partnership can be achieved if both parties make some fundamental policy steps. The first step refers to the development of a mutually agreed regulatory framework that corresponds to a semi-liberalized market rationale. This framework assumes a gradual convergence of the rules of the energy policy. The second step would be to reinforce the preventive mechanisms in order to identify on time any likely shortfalls in energy supply and take all necessary counter-measures in order to deal with them. These mechanisms assume a common framework of EU energy policy-making. In addition, these steps would lead to the establishment of an EU-Russia integrated and sustained strategic partnership in energy. The realization of such a partnership would imply competitive prices, guaranteed supply and effective regulation. On the contrary noncooperation would enhance the uncertainty created from energy security dilemmas and would lead to mutually harmful policies that would try to lessen dependence in the expense of trade and cooperation. In contrast, a cooperative rationale is based on the interdependence that binds EU and Russia. In this context the departure from bilateral gas trade would be an irrational and expensive choice (Hazakis & Proedrou, 2012, 14-17).

So, in the core of EU and Russia relations are energy related issues as the two actors are to a certain degree interdependent given that Russia exports 65% of its gas to Europe, while the European countries imports more than 30% of their natural gas from Russia. That level of dependency varies between the EU member states depending mainly on their proximity to the Russian state and the large-scale pipeline network. Indeed, some member states depend on Russian supplies for 80-100% of their natural gas consumption, whereas other, such as the United Kingdom, Ireland, Spain and Portugal, do not import gas from Russia. Most of the countries have a more diversified portfolio which is however dominated by gas imports from Russia. Germany, which is the main national market for Russian gas in Europe, relies on Russian gas for 40% of its consumption. This situation, namely the varied degree of dependence on Russian gas, allows Gazprom to adjust the prices that it charges in different member states. Plausibly a significant volume of consumption allows them to negotiate better prices. However
this type of pricing is against the principles of the common market. The goal of equalizing gas prices in the EU implies that the internal gas market should be more competitive and integrated, while new supplier countries and new routes of gas transmission should be created. However, it should be noticed that the importance of pipelines gradually declines owing to the emergence of cargo delivery of liquid natural gas. LNG though requires vast investment given that natural gas transformation to a liquefied form is a very expensive and energy-consuming process for both sides; exporting countries have to build export terminals, while importing countries have to create a domestic network of internal pipelines to transmit gas. On the other hand the extensive pipeline network built by the former Soviet Union that has been further extended to western countries after the collapse of the Soviet Union is difficult to be replaced. It is without doubt that the increasing energy dependency on Russia and the consequent energy security issues call for greater diversification. In the short term the diversification of gas supplies face many obstacles connected to the need for building new import terminals for LNG. Moreover, given that gas trade is agreed on long-term contracts it is difficult to find enough gas on the spot market. In addition, it is technically difficult to convert energy sources. Replacing natural gas imports from Russia with gas brought from Algeria, Norway and Qatar would imply a much higher price that would possibly damage the EU economy. In the long term, gas security could be enhanced by completing new gas pipelines that would unlock Europe from Russian gas dependency. Moreover, opening gas trade with new countries, such as Iran, and reducing energy consumption through technological advantages, improving renewable energy production would enhance energy security of Europe. So, in the long term the EU dependency on Russia gas supplies would decrease (De Micco & Hannaoui-Saulais, 2014, 4-7).

More in particular, taking into consideration the long-term scenarios for long-run up to 2050 Russian gas exports there are some factors that need to be emphasized. First, it is questionable if the Russian gas production can continue to grow given that its current gas fields are stagnant and new areas of gas production are still uncertain. So, future gas prices may increase. Second, global gas production and trade may be different in the oncoming decades as even if national and regional gas markets persist owing to transport limitations new gas fields may appear. Third, the demand for natural gas is expected to be affected by future climate policies and emission reduction policies. Forth, the dynamic of natural gas as a source of energy will be also affected by the course of nuclear energy. Fifth, Russian exports will be considerably determined by the
future development of Chinese and Indian gas markets. Taking into considerations those aspects long term projections underline that the interdependence between Russia and the EU may be reduced in near future given the expected increasing exports of Russian gas to the Asian markets and the increasing LNG supplies in Europe and non-fossil based energy development. However, the EU and Russia will remain important gas trading partners in the next decades. In practice though the attitude of Europe towards the prospects for Russian gas imports periodically changes. Indeed, in some scenarios the dominance of Russian gas imports is considered as threat to the EU energy security, but in the same time there are fears of deficit in future gas supplies due to insufficient investments in Russian gas infrastructure. Moreover, in other scenarios Russian gas imports are expected to be largely replaced by LNG (liquid natural gas) or eliminated owing to the development of wind, solar, and biomass-based energy. On the other had Russia attempts to diversify its natural gas export destinations trying to expand its pipelines and LNG (Paltsev, 2014, 263-267).

However, many analysts arguing that the EU-Russian energy relationship is characterized by mutual dependency have understated the potential political influence that Russia can exert as a result of the EU’s gas dependency to its exports. If mutual dependence holds then the EU is as dependent on natural gas from Russia as Russia is dependent on revenues from sales to the EU. Moreover, the concept of mutual dependence implies that EU-Russian energy relations are inherently stable. That kind of stability would discourage Russia from to using energy as a foreign policy tool against European countries being afraid of possible financial damages. However, if somebody accepts the mutual dependency in EU-Russian energy relations he/she would neglect the complexities and peculiarities of the EU-Russia relationship. In practice the mutual dependency would be confirmed if the EU was a monolithic actor functioning as such. However, at a member state level the degree of dependence varies. For example Central and Eastern European member states consume only 14 % of the EU’s total natural the gas, but other member states rely almost entirely on gas imports from Russia. Thus, mutual dependency does not hold between Russia and all EU member states. In practice the EU is highly divided on the issue of energy security as many member states implement their national policies and focus on their own interests. Under these conditions it is very likely that energy security is an individual member state’s issue as each member state tries to secure its own energy supplies. Moreover, mutual dependency assumes that both actors perceive this dependency in the same way. So, the
stabilizing effect of mutual dependency implies that both actors are vulnerable to each other to the same degree. However, Russia does not act following this rationale. Moscow does not consider energy conflicts based on a cost-benefit analysis. In practice Russia does not depend on the EU as EU depends on Russia. Of course this does not mean that Russia would not have any damage if its energy relations with EU disrupt. Overall the complex issue of mutual dependency should not misguide policy makers because actually the EU-Russia energy relations cannot provide stability (Kefferpütz, 2009, 103-107).

The EU gas relations with Russia are one of the most crucial issues on European energy security agenda. After the energy crisis in 2009 and the interruption of gas supplies to the EU the EU tried to improve the energy security of its member states and avoid a future gas crisis. The energy security of the EU was not only threatened by the use of energy as an instrument of Russian foreign policy manifested in gas supply disruptions but also by the Russian weakness or unwillingness to increase its domestic natural gas production. The gas crisis of 2009 had been followed by the up to 30% reduction of gas supplies in 2012 owing to the surge in domestic demand in Russia. So it appears that Russia’s restrictive gas policy is a major problem with respect to the EU energy security. Moreover given that the EU energy policy lacks coherence and the European gas market is not complete the EU fails to form gas relations with Russia in favorable terms. The EU’s gas imports are projected to grow given the exhaustion of the indigenous European gas resources and the slowdown of renewable energy projects. In this context the EU main objective when it deals with Russia is to establish a regulatory framework based on market principles and transparent governance structures.

1.2 Energy and security dilemma in the EU-Russia relations

The energy interdependence between EU and Russia has led to competitive foreign policies. The interdependence did not lead to cooperation as both sides consider that future interdependence would be asymmetrical, namely that they would become more dependent than the other side and hence vulnerable and weak. So, EU and Russia have implemented policies to reduce their exposure. However, neither EU nor Russia can reduce its own dependence without increasing the dependence of the other side. Actually the relationship between EU and Russia resembles a classic security dilemma (Krickovic, 2015, 3).
The crucial element of the security dilemma concept is the assumption that in an anarchic world, namely in the absence of a supranational authority that can effectively put into effect interstate agreements, the states seek to enhance and bolster their security whereas this behavior, unintentionally and unforeseeably, makes other states less secure. In the context of an anarchic international system, the states are uncertain about the intentions of other states, namely if they will be aggressive or peaceful. As each state tries to be self-protected it is likely that it threatens other states. In turn responding to this threat other states react by accumulating power and acquiring arms. So, this type of interaction between states generates conflicts. In international politics, despite the fact that other factors are not neglected, fear has a fundamental role. The interplay of stated with the security dilemma framework can be considered to be tragic as states, while try to ensure their security, their behavior puts this goal in risk (Jervis, 2001, 36-37).

More in particular, the security dilemma represents a two-level strategic predicament between states, while each of these levels encompasses two related dilemmas that decision-makers are called to respond. In particular the first level embodies a dilemma of interpretation. In this level decision-makers have to interpret the intentions, motives and capabilities of other states, whereas the second level embodies a dilemma of response which refers to the most rational response to these motives etc. More in particular the dilemma of interpretation describes the situation where decision-makers deal with issues that affect national security and are called to select between usually two undesirable alternatives choices. The dilemma of interpretation emerges from the condition of uncertainty about the intentions, motives and capabilities of other states. In this context decision-makers have to decide whether the military and political posture of other states indicate, given the uncertainty of international relations, defensive and self-protection intentions, or signify offensive purposes. When the dilemma of interpretation is resolved then, in the second level, decision-makers have to respond and settle the dilemma of response by determining their reaction. In this context decision-makers have to determine whether they will react preventively or they will signal reassurance. On one hand, if the response of the decision-makers is grounded on misinterpreted suspicion of motives and intentions of other states and they react in an offensive manner then it is likely to create a spiral of mutual hostility, without being in their initial intentions. On the other hand if the response of the decision-makers is grounded on misinterpreted trust, then it is likely that the state will be exposed to the hostile intentions of other states (Booth & Wheeler, 2008, 4-5).
The concept of security dilemma can be better understood in the context of realism namely the prevailing school of international relations theory. According to realism the problem of anarchy implies that security is a fundamental issue for states that want to maintain their sovereignty, independence and survival. So, there is a competition between states in order to accumulate more power and feel more secure. However, after a certain point the competing states accumulate more power than needed to maintain their security and hence they begin to threaten other states as their relative power is difficult to be accessed. This threat makes other states to respond in turn and will try to reinforce their own positions even if they have no expansionist intentions. Those triggered reactions generate the security dilemma. Moreover, it should be highlighted that the security dilemma alleviation is difficult because cooperation among states is undermined by mutual distrust and the fear of betrayal. Furthermore there are two conditions under which security dilemma gets more intense. The first condition refers to the relatively identical offensive and defensive military forces that hamper the states to signal their defensive intentions. So, given that the states cannot distinguish the intentions of other states, they assume the worst scenario. The second condition refers to the fact that the offence is regarded to be superior in comparison to defense and hence plausibly states choose an offensive way to secure their survival (Posen, 1993, 28-29).

Given the aforementioned theoretical insights it becomes clear that mutual dependence may lead to security dilemma. In particular, the EU-Russia is mutually beneficial as EU needs Russian energy to sustain its economy and Russia needs the sales to the EU market to sustain its growth. The existing infrastructure that is hard to be replaced further ties the two sides. This is a serious problem in terms of international relations. If Russia and the EU get nervous about their energy security and choose to diversify away from each other, then an energy version of the security dilemma emerges and the EU-Russia relationship destabilizes (Monaghan, 2006, 5-6).

Indeed, the EU’s energy relationship with Russia can be described in the context of an energy security dilemma. In particular, the EU’s efforts to decrease its dependence on Russian gas have taken place in the form of the institutionalization of the EU-Russia energy relationship. The EU tries to export the normative and political European values embodied in its common energy policy. This institutionalized approach however is opposed by Russia. Moscow pursues a realist foreign policy and tries to restore its lost power in the global arena. So Russia refuses to adopt the European norms and to accordingly align its legislation with. The Russian realpolitik
approach and the protection of national interests reject the multilateral policies encouraged by the EU. Instead of liberalizing its energy market as the EU asks for, Russia sets it under close government regulation in a way that the interest of Gazprom and the Russian government coincide; actually Gazprom operates as a Russian foreign policy tool. So, Russia makes efforts to establish a sphere of influence that directly contradicts the EU interests and energy policy. The diverging energy interests of the EU participating member countries weakens their position vis-à-vis Russia and allows it to take advantage of this disunity implementing a “divide and rule” strategy based on special bilateral relationships. The strategic goal of Russia is to exacerbate European dependence on Russian gas. Overall the energy security dilemma between EU and Russia involves two competing paradigms of international relations; on one hand the EU follows an institutionalist approach based on normative soft power, whereas on the other hand pursues a realpolitik based on hard power.

1.3 The US factor in the EU-Russia energy relations

The US had always a strong interest in the energy supplies directed to Europe. After the end of the Cold War its influence over European policy has diminished. As the EU was getting stronger and stronger the political cooperation between the US and Europe has been reduced. In this framework the US efforts to reduce Russia’s ability to use energy exports as a foreign policy tool was not successful. The attempt of the US to open new energy routes to Europe has been mainly supported by the Eastern Europe countries, which were most highly dependent on the Russian monopoly supplies, rather than Western Europe. Indeed, Germany and other countries have resisted the American efforts for setting European energy security in the NATO agenda. It was the same group of countries that hampered a common EU security strategy and a unified energy market. The US efforts to interfere and influence Europe-Russia energy relations go back to 1990s. In the 1990s the US government fostered the new democracies to develop self-sustaining energy projects. This US policy played a significant role but it was not accompanied by an EU energy diversification policy. This fact allowed the Gazprom’s monopolistic export role to grow in 2000s. Washington had recognized much earlier than its European allies that energy supply dependency on Russia would allow Moscow to exert political pressure and highlighted the importance of energy routes coming from Central Asia. However, the major European NATO
allies of the US did not respond to American calls for energy security issues and the need for energy routes that bypass Russia. So energy diversification support came mainly from the Eastern and Central Europe, rather than Western Europe. Clearly without the support of the European Commission the US cannot prevent bilateral agreements with Russia because the economic stakes for Germany, France and Italy are very high. In conclusion, Moscow moved effectively and fast and made highly beneficial bilateral energy deals while the US did not manage to mobilize sufficient European opposition to Russian energy projects. This is regarded to be a strategic loss for the US interests given that Russia views the American efforts to promote EU energy diversification as a threat against its interests in Europe, the Caucasus, and Central Asia (Smith, 2010, 8-9).
2. Russia’s Gas Pipeline Diplomacy and Policy

The huge gas reserves allow Russia to take advantage of the so called “pipeline diplomacy” namely a policy towards the countries engaged in transportation of oil or gas. However the Russian energy policy cannot be examined coherently without references to country’s grand strategy.

2.1 Russia’s grand strategy

After the end of the Cold War, in 1991, when Yeltsin took control of the newly independent Russian state his government was guided by a series of liberal ideas that had been emerged in the previous period such as democracy, market power and integration with the Western economies. These liberal ideas, obviously antithetical to the communist regime, implied a clearly pro-Western and peaceful foreign policy. This foreign policy better reflects the domestic revolutionary struggle rather than Russia’s national interests. In this period, the external relations of the newly independent Russia are characterized by two fundamental choices; first, the dissolution of Soviet Union and second, the Western assistance in the reform process. This choice appears to be plausible as Yeltsin considered prosperous and capitalist democracies of Western countries as allies in his struggle against the Soviet system. However, this type of integrationist pro-Western foreign policy gradually faded as Russian expectations for the markets and democracy has been rapidly contracted. So, foreign policy drifted back to its anti-Western model of the Soviet period. It is interesting though that a liberal foreign policy has been revived when newly emerged economic interests groups (Gazprom, oil companies, mineral exporters, banks), that could exercise influence over foreign policy issues, supported peaceful relations with other countries and especially with the Western democracies. Indeed, Russian big corporations and their political allies have encouraged integration with the Western countries as Russian exporters were seeking to gain access to Western markets and Russian bankers needed the Western capital. Moreover the newly emerged Russian economic oligarchies wanted western banks and international financial institutions to engage in the country’s economic reform process in order to avoid paying more taxes. Western engagement would imply less economic burden for domestic oligarchy. So, financial institutions and international actors such as the International Monetary Fund, the World Bank, the U.S. Agency for International Development and the European Bank for Reconstruction and Development were welcomed. In that period powerful
Russian economic groups did not have any specific foreign policy interests as their main interest was to maintain access to Western capital and markets. Their engagement to foreign policy appeared when security issues placed a threat on this access, whereas these economic groups were neglecting other foreign policy issues relevant to their economic interests towards Western capital and markets. However, the maintenance of Russia’s engagement and integration with the West has been challenged by domestic and international forces. More in particular, the uneven transition to the market and democracy stimulated the emergence of illiberal political groups that were rejecting the Western integrationist strategy. These anti-Western domestic forces had only an insignificant impact on Russia’s foreign policy. The peaceful, westward orientation of Russia’s foreign policy has been also challenged by NATO expansion, but Russian economic interest groups did not allow NATO expansion to disrupt economic relations with the Western countries. Overall, in the first period of independence Russian peaceful foreign policy was not determined by its volatile and incomplete transition to democracy and capitalism. On the contrary, Russian foreign policy has been dominated by the economic interests of powerful groups. The gradual liberalization of the Russian economy has reorganized the post-Soviet economic interest groups especially benefiting oil and gas sector, and primarily Gazprom, which was country’s most profitable corporation having a monopolistic control over the transport and distribution of all Russian natural gas (McFaul, 1997, 21-31).

After the era of B. Yeltsin during the period 1991-1999 Vladimir Putin was elected president in 2000 and since then he plays a game of musical chairs with Dmitry Medvedev. In this period Russia successfully achieved to convert energy into power. Indeed the Russian economy experienced continuous economic growth led by revenues coming from the energy sector. When Putin came into power he brought back Gazprom under state control as state’s shares exceeded 51%. This was crucial as Gazprom had the monopoly of Russian gas production, pipelines and exports which accounted for 20% of the world’s production. Moreover Gazprom accounted for 8% of Russian GDP and 20% of tax income. So, Gazprom represents a crossroad of politics and economics as gas played an important role in foreign affairs. Putin transformed Russia into an energy superpower and took advantage of energy using it as a weapon in international relations. The new Russian energy-driven diplomacy had been conducted in the name of defending national interests and serving Russian strategy (Verluise, 2014). Indeed, when V. Putin came into power the foreign policy of Russia has been changed. In particular, Putin tried to restore the
leading role of Russia in Eurasia and the world and to re-establish an image of a super power. Putin taking advantage of wealth coming from oil and gas exploitation, maintaining a near-monopoly over the energy supply to major European countries and armed with outstanding military forces, seeks to restore Russia’s influence along its borders. From the Baltic countries to Central Asia through Central Europe, the Balkans and the Caucasus, Russia takes part in a geopolitical struggle against the European Union and the United States. In that struggle the aggressiveness of Putin against countries which were in the Soviet sphere of influence, such as Georgia and Ukraine, is attributed to his purpose to reverse the pro-Western trend of these countries and bring them back under Russian control. The grand strategy of Russia is to expand its power abroad. Putin blamed B. Yeltsin for his pro-Western foreign policy which led to country’s surrender to the West and resembled this strategy as something similar with the humiliating Germany’s Versailles Treaty after World War I. Gradually Russia tuned to an old fashioned foreign policy involving great-power rivalry, nationalism, battles for resources, spheres of influence and use of military power (Kagan, 2008, 15). Indeed, Russia under Putin’s leadership reverted to an authoritarian way of governance that encompasses the nationalization of energy companies and the use of energy resources to exert political influence over former Soviet countries and the EU as well (Blinick, 2008, 122).

More in particular, Russia’s strategy choices had been examined under four different perspectives. The first rests on the concept of geo-strategy and Russia’s geostrategic interests. The main characteristic of this approach is that it conceived Russian state as an under-populated territory which deals with the threat of invasion. This characteristic implies a strong central authority and highlights the significance of Eurasia in a multi-polar world order. This approach though does not have adequate explanatory power despite the fact that it facilitates Moscow’s Eurasian agenda. The second refers to the concept of strategic culture. This approach rests on the historical experiences that form a political culture which shapes strategic choices. This approach was first developed to foster the understanding of Soviet policy and it still maintains its popularity given the frequent references of Russian leaders in Russian history and culture and the fact that strategic thinking is often based on Soviet and Russian experience in security issues. This approach however cannot adequately reflect Russia’s strategic decisions. A third approach is linked with an understanding of the strategy corresponding to that of Clausewitz, whose thought has a long and profound influence on Soviet military practice. However, this approach of
strategy is limited as over the last years the Russian strategy has expanded to a broader range of not only military but also economic and political issues. This is the forth approach that refers to a grand strategy. This approach has often led to the view that Russia’s foreign policy follows the pattern of Soviet expansionism. This element is quite apparent in its energy policy. So some observers in the West point out that V. Putin tries to res-establish an empire in Eurasia and that explains the strategic conflict between Russia and the West. However, this view is doubted. In particular, according to another view, Russia does not have the ability to design and implement a coherent grand strategy owing to country specific geographic and climatic conditions that makes strategy not necessary. Indeed, post-Soviet interpretations of Russian foreign policy point out a series of factors that prevent a grand strategy formation in Russia. These factors encompass the prevailing personal interests over national interests, the opportunistic and arbitrary decision-making, the bad governance and the intra-elite disagreement. These factors combined lead to uncoordinated and incoherent policies that generate only short-term tactical decisions that are not consistent with long-term strategic approach. However, this contemporary view is oversimplified and makes misleading assumptions. Indeed, strategic planning and execution has a long history in Soviet and Russian politics. V. Putin follows this legacy and focus on strategic planning trying to bring together all national resources, military, economic, political and cultural, in order to promote Russian vital national interests. The Russian grand strategy cannot be understood without reference to those actors that plan and put it into practice. So, grand strategy implies coordination and balance between various internal actors and interests. Moreover, the long-term horizon of grand strategy should be in line with a constant adaptation to evolving and changing contexts. In particular Putin has initiated a coherent effort to rearrange Russian strategic planning. The commitment to this longer-term approach is facilitated by the establishment of a planning architecture led by the Security Council chaired by the president. The broad goal of Russia’s grand strategy is to be a leading global power at the centre of the Eurasian region (Monaghan, 2013, 1223-1226).

2.2 The Strategic Dimension of Russian Energy Policy

Energy is a crucial element of Russia’s foreign policy as it is considered to be a vital source of its political power and global prestige. In practice without its huge reserves and without its capability to produce and supply energy to other countries Russia would be less powerful and
would not have such international influence, while it would not have established privileged relations with several EU countries and especially Germany. Moreover, Russia would be less significant to China. In particular, Russia has the world’s largest natural gas reserves, the 2nd largest coal reserves and the 7th largest oil reserves. Moreover, it is the largest exporter of natural gas and one of the leading oil producers, while it has a globally significant nuclear power industry. The use of energy resources as a source of power and mean of foreign policy begun in 1960s, when the USSR had become a key oil and gas supplier to Europe. Since then Moscow’s foreign policy was always encompassing energy relations which have been broadly used for political purposes. A major shift of current Russia in comparison to the USSR era is the fact that currently Russia does not derive power from its military forces to the same degree as it did during the Cold War. So, energy relations are currently used as an important factor in Russia’s bilateral relations which often takes the form of a non-traditional and non-transparent mechanism that allow Russia to exert economic and political influence. The integration of the foreign policy and energy policy that leveraged Russia’s power is a characteristic of V. Putin governance. He fully understood that Russia’s energy resources are a tool for conducting foreign and domestic policy and that Russian geopolitical influence is largely attributed to its role in global energy markets. Indeed, Russian energy resources and their exploitation fuelled economic growth and transformed country’s international position. The overlap between Russia’s energy and foreign policies is taking place through Gazprom as the most powerful ingredient of Russia’s energy influence is gas exports (Lough, 2011, 1-4). So, it becomes clear that Russia’s energy policy does not solely aims to profit maximization of energy revenues. That would imply a standard commercial strategy. On the contrary Russia takes advantage of its energy resources and policy in order to promote, not only economic, but also broader geopolitical and foreign policy objectives. The combination of scarcity of energy resources and the rigidities of energy market allows Russia to obtain pricing power which leads to political power on its trade partners. In this context Russia seeks to control the political and foreign policy orientation of the countries next to its borders and avert other powers such as the EU and the USA to build strategic ties with these countries. Among others foreign policy instruments this strategic objective is also pursued by the Gazprom policy. Besides, Gazprom is not only a state ownership but it is also controlled by Russia’s ruling elite and hence company’s policy is in line with foreign policy objectives. The fact that Gazprom’s pricing policy is determined on apolitical rather than a commercial basis in
favor of foreign policy objectives shows the overlap of energy policy and foreign policy and the
existence of both economic and foreign policy motives. In this framework the strategic goal of
Russia is to involve its neighboring countries into an energy network which guarantees profits
and political leverage as well. It is important that this strategy does not only refer to importing
countries of Russian energy resources but also to exporters of fossil fuels (Kazakhstan and
Turkmenistan) where Russia aims to become the single buyer in order to restrain access of other
countries and mainly the European countries. Russia by locking Central Asian energy resources
can satisfy its high domestic consumption and maintain its role as an exporter of energy
resources to Europe. That policy would maintain Russia’s leading role in energy markets and
would hamper European attempts to diversify away from Russian resources (Christie, 2009, 10-
13).

Given the aforementioned insights it becomes clear that national energy should be considered in
a grand strategic context. Indeed, energy can stimulate and drive economic growth which in turn
can be transformed to political power. Russia takes advantage of its energy resources in order to
influence it international environment and achieve its national security goals. So Russia’s energy
power should be interpreted in a grand strategic framework. More in particular its energy
resources are a crucial strategic asset that allows Russia to affect the policies of those players that
are dependent on its energy supplies, such as the EU. Indeed, Russia exports more than 30% of
oil and gas and oil volumes imported to the EU. In particular in 2013 Russia exported to the EU
70% of its natural gas exports. Given the domination of piped gas the gas that Russia exports to
Europe cannot be easily redirected to other destinations as costly infrastructures are needed. On
the contrary oil trade does not have this feature and hence it is only gas dependence that has an
impact on EU energy security and Russian grand strategy. Consequently, energy resources
management becomes a critical element of Russian grand strategy. The economic aspect of
energy strategy is vital as Russia the exploitation of energy resources generate revenues.
However, energy strategy has also geopolitical applications. Russia, holding one of the largest
natural gas reserves, namely 25% of the world’s reserves, controlling energy sector through
commanding stakes in main energy companies such as Gazprom, and determining the regulatory
framework, has the opportunity to take advantage of its energy resources. However, gas and oil
prices fluctuate in the global markets whereas demand for gas depends on global economic
cycles and that has created many problems to energy companies. Indeed, Gazprom’s
capitalization has been declined since 2008. At that time its market value was $345 billion and Gazprom was ranked 3rd among the biggest companies globally. At the end of 2014 thought Gazprom’s market value had been dropped sharply $51 billion and is ranked 184th. In general energy management in Russia suffers from four structural deficiencies which are crucial in a grand strategic context. First, the lack of marketisation of the Russian gas market implies that many sectors of the Russian economy survive thanks gas rent reallocation driven the political class. This means that energy sector is drained by its own revenues and hence its reform is hampered. Second, the contracts of Russian energy companies, and especially Gazprom, with external partners are mismanaged. Third, the Russian energy sector is highly politicized and energy prices are determined in the basis of Russian strategic interests accommodation. So, cheap Russian gas is exported to many post-Soviet states, while in the same time the average price to European countries is much higher. In practice Russia offers massive discounts on gas prices to its political allies. Given the fact though, that 1/3 of gas volumes is exported Gazprom’s potential profits decline. Fourth, Russia has adopted a rather irrational approach of diversifying routes and markets of gas which implies huge infrastructure project costs. The Nord Stream and the abandoned South Stream pipelines or the recent gas deal with China are prominent examples. Overall, the fact that Russia uses its energy resources in order to reinforce the links between gas sector and its grand strategy questions the reliability of energy relations with Russia. This leads Russia’s energy partners to seek less risky and unstable energy supplies (Ćwiek-Karpowicz et al., 2015, 3-5).

On the other hand though, it should not be ignored that Russia depends to a large degree on revenues generated from the energy sector. Gazprom feeds Russia’s tax revenues and in general the energy sector represents a highly considerable percentage of Russia’s gross domestic product. In is interesting that there is an asymmetry between the revenues from sales to Europe and the volume of exports. This asymmetry lies to the fact that Gazprom subsidizes gas prices to former Soviet states and charge higher prices to its European trade partners. The behavior of Russia regarding the energy policy that it implements is controversial as it is clearly used to raise Russian prestige on the global stage, but it often disregards the potential revenues that could underpin further its domestic economy. Russia is without any doubt a peripheral giant, but it needs to let its gas and other energy resources to flow to its trade partners in order to regain some of its status as a superpower. Indeed, Russia’s aggressive gas diplomacy has forced the EU
countries to look for alternative sources for energy and diversify their energy supplies. This however would weaken Russia’s position and it would not use energy policy as a foreign policy tool to Europe. Of course it should be noticed that diversification of Europe’s supply sources and the unification of its energy policy are two very challenging tasks (Blinick, 2008, 123-124).

In this context, the importance of Russia as the main supplier of European energy market is expected to weaken. More in particular, gas trade of the USSR and then Russia was always generating fears that the European dependence on Russian gas would be a mean of promoting political goals given that gas is vital for Europe’s energy security. It is clear that Russia’s energy policy in the existing geopolitical context does not always follow a commercial logic. On the contrary it appears to play a major role in Russian grand strategy. Indeed, given that one hand gas is critical for European energy security and on the other hand that European demand guarantees high revenues for Russia, one could expect an interdependent relationship. However, the EU–Russia relationship is asymmetric and the diverging approaches to foreign policy hamper energy cooperation and mutual trust. Indeed, Russia adopts a strategic vision of becoming energy hegemony. The Russian national monopolistic gas exporter, namely Gazprom, provides Russia with advantage over its EU energy partners, namely 28 national governments sharing common institutions. The EU inevitably has to follow a multipartite approach in order to define its energy strategy after lengthy and multi-stage negotiations, while Russia can directly decide, plan and implement its energy policy. So, the EU–Russia energy relationship is defined by a liberal multilateral EU energy sector which deals with a Russian gas monopoly under political control. The fragmented European energy market is vulnerable to Russian influence which is without question an energy superpower. The volumes of the exported gas, the complexity of its transport though numerous countries, and the long-term contracts that Russia imposes further complicate the EU–Russia relationship. However, despite the attempts of Russia to secure gas demand and abolish potential competitors, the security of demand in Europe is uncertain given the constant evolution of European legal framework. What is interesting though is the way that Russia tries to influence gas trading by manipulating and threatening indirectly in order to put pressure on its European trade partners. Russia, being the producer of gas and the owner of transport pipelines, has the ability to follow such an approach and determine gas supplies and price in European energy market. The crucial element of EU–Russia energy relationship is that both parties want to seek for alternatives; the EU looks for energy security and hence stable and reliable supplies,
whereas Russia tries to secure the demand for its energy resources. However, EU and Russia are tied and they cannot break their energy bonds at least for the next years. However, despite the fact that their economic interests converge, they cannot smoothly cooperate owing to their geopolitical disputes. In conclusion, as long as Russia’s energy exports are mainly absorbed by the EU both players will remain interdependent. Russia however projects its power through energy resources management. This strategic approach of Russian gas exports is constrained but not countervailed by the EU’s capability to project its regulatory power and implement its own gas strategy (Ćwiek-Karpowicz et al., 2015, 5-6).

In particular, Russia’s new energy policy rests on three pillars. More in particular, Russia tries first to control export channels, buy assets abroad via its sovereign funds and diversify its buyers targeting Asia or the USA. Indeed Russia did not only managed to control the exploitation of raw materials and natural resources domestically by building state monopolies, but it also exerted this monopoly on transit and took advantage of liberalized European energy markets locating its activities there. This would allow Russia to establish a strong position and anchor itself to Europe. The strategy of Russia towards Europe is methodic and well organized trying to control the energy supply chain and transport infrastructures in order to secure its exports. As long as Europe is Russia’s leading customer Moscow plans to build new pipelines such as Nord Stream and South Stream, which are ingredients of this strategy. If Russia manages to control transit channels, tariffs and exports then it empowers its position as a major player in the region. So, Russia’s strategy is to secure export routes to Europe and involve in European energy market (Verluise, 2014).

Moreover, it is interesting that Russia’s strategy is such that may Europe wish to maintain the current situation of dependency on Russian gas. As long as alternative supplies of gas are costly and not in the quantity needed Europe cannot replace the Russian gas without considerable economic costs. Unlike Russian oil industry which has been privatized, in the gas industry the process of privatization has been uncompleted and Putin further secured the state owned Russian monopoly of Gazprom. Indeed, Putin refused to break up energy monopolies and open-up Russian market for western companies. The EU tries to diversify its gas supplies but it realizes the difficulties and obstacles finding alternative sources. In the meantime though, Russia also tries to diversify its export destinations. Indeed, Russia made a deal with Iran to exchange Iranian oil for industrial goods, while it made a very important deal with Turkey to supply gas to
its domestic market. These two deals however have been overshadowed by the massive deal that Russia made to supply gas to China. Despite the vast energy resources of Russia plausibly they are not infinite. That means that Russia’s deals with Turkey and more importantly China will redirect gas exports to these countries away from Europe. These deals signal Russia’s strategic decision to readdress its energy flows. When the consequences of these decisions become apparent Europe will realize the degree of its dependency on Russian gas. The likely energy shortfall in Europe will be confronted only by buying energy at a very high price. It should be underlined though that Russia will export its gas to China and Turkey in lower price compared to sales in Europe. However energy policy exceeds economic issues. Price is only one part in energy relations. Russia, by redirecting gas to China will enhance its links to a fast growing superpower that it considers as a crucial strategic ally. Moreover, by redirecting gas to Turkey, Russia strengthens its relationship with a key trading partner and improves its position in the Caucasus and the Black Sea. On the contrary redirecting Russian gas away from Europe implies that Russia downgrades an already hostile market. Given these scenarios it is likely that, while Europe desires to break its dependency and diversify its gas resources, Russia may redirect gas exports away from Europe generating a likely moderate European energy crisis (Mercouris, 2014).

It should be further noticed that during the last years the Russia’s approach to the EU is drastically changing. Indeed, Russia rebalances its foreign policy and places emphasis on its Eurasian neighbors and especially China. The prospect of an effective strategic partnership implies that the EU leaders are realizing this fundamental shift in Russia. The shifting EU-Russia relationship rest on the fact that Russia is no longer gradually approaches to Europeanization. In this framework it is likely that EU-Russia relations will become transactional. Of course, Europe and Russia matter to each other. For instance Russia is still the EU’s main supplier of natural gas. Beyond energy trade, the EU-Russia relations and interaction are important for regional stability, economic development and security. However, current key foreign policy project refers to the Eurasian integration instead of Europeanization. In particular, the customs union of Belarus, Kazakhstan, and Russia is expected to turn to a single economic space or a future economic union. Putin tries to upgrade economic integration with these countries and paves the way to a more comprehensive integration of the Eurasian area. Putin actually seeks to improve Russia’s geopolitical power in relation to its two biggest neighbors in Eurasia, namely the EU to
the west and China to the east. This policy is clearly different from 2000s foreign policy that had prioritized Russia’s integration into the EU. EU is not considered to be a model for Russia. The steps towards the four common areas of integration, agreed in 2005, namely economic; freedom, security, and justice; external security; and research, education, and culture, have been cancelled. The EU-Russia relation becomes more transactional and reveals their values gap as long as Russia focus on more conservative values including national sovereignty, religion and traditional family. Despite this growing divergence Russia is not a security risk to European countries. In the area of energy, a certain degree of mutual dependence between the EU and Russia is expected to remain, but their energy dialogue is still inadequate. In fact Russia and in particular Gazprom appears as monopolistic to the EU, whereas the EU appear bureaucratic to Russia. Moreover, Putin has also re-addressed relations with the United States. Setting aside political and military issues, Russia prioritizes trade expansion with the USA. Putin has also shifted Russian foreign policy to the Asia-Pacific signaling the current geopolitical rebalancing. Moscow highlights the importance of the rise of China and Asia in general and seeks ways to build ties with its eastern neighbors. In particular Russia makes efforts to maintain good economic relations, develop political contacts and expand energy trade with China. In Asia, following the pattern of Europe, Russia tries to capitalize on its vast energy resources. In this context the diversification of Russian energy trade away from Europe and towards Asia is under way and signals a strategic geopolitical and geo-economic shift. So, in a period that the EU tries to decrease its dependence on Russian gas supplies, Russia tries to rebalance the established European energy market with the growing Asian market (Trenin, Lipman, & Malashenko, 2013, 10-15).

2.3 Gas pipeline diplomacy: the case of Ukraine gas crisis

The aforementioned insights can be better understood by examining the case of the Russia-Ukraine disputes which manifests the way that Russia exploits is energy policy for promoting its international agenda. Indeed, a notable example of the Russian pipeline diplomacy took place in January 2006 when Gazprom Russia’s sole gas exporter, stopped sending gas to Ukraine owing to a Russia-Ukraine pricing dispute. The aim of this action was to starve Ukraine of needed energy and hence to achieve a favorable conclusion. As a response to Russia’s actions Ukraine siphoned off Russian gas that was destined for consumers of the European countries. Gas
supplies had been declined by 30% for three days in winter. Apart from Ukraine Russia had also similar pricing disputes with Moldova, Georgia, and Belarus. The pricing dispute with Ukraine though and the way that Russia took action to resolve it led European political leaders to worry about the reliability of Russia as an energy partner. This is not surprising given that 25% of Europe’s energy consumption is covered by gas and Russia has the greatest known gas reserves in the world. Furthermore, Europe’s demand for gas is expected to grow considerably faster in comparison to its domestic production. That means that in coming years it is likely that Europe’s dependence on Russian gas will increase. So the European leaders worry that Russia will take advantage of this energy relationship in order to achieve political gains by manipulating gas prices and hence exerting pressure to European countries (Blinick, 2008, 123-125). Indeed, after 2006 owing to the Russian-Ukraine disputes the issue of energy security has been re-emerged as a high priority problem for the European countries. This re-emergence reflected the anxiety of European leaders towards the reliability of Russia as energy supplier. The worries and concerns of the European countries which were highlighted already during the 2005-2006 Russia-Ukraine gas disputes had been further worsened after oil dispute between Russia and Belarus in 2006-2007 and reached their pick in January 2009 after the gas supply cuts. In particular the gas crisis between Russia and Ukraine in 2009 had crucial consequences for EU-Russia relations and the European energy security. During this crisis, Russia cut off gas exports to Ukraine and to 16 EU Member States for a period of two weeks that caused economic and humanitarian problems especially in the Balkan countries. After this major crisis the image of Russia as a reliable energy supplier and the image of Ukraine as an energy transit country have been damaged. So, after the 2009 events the efforts of the EU to diversify away from Russian gas supplies have been intensified while emphasis has been placed on bypassing Ukraine. The 2009 gas crisis underlined the vulnerability of Europe owing to energy dependence on Russia and highlighted the political dimension of energy trade. The Russia-Ukraine gas crisis deteriorated gas relations between Russia and Europe and this incidence has been interpreted as an energy security crisis. The real cause of the Russia-Ukraine gas dispute in 2009 was not actually gas prices, transit terms and mounting debts. These were just the pretext for supply cuts. Russia using energy as a foreign political instrument escalated the dispute in purpose and led to serious disruption of supplies to Europe. Russia was willing to lose hundreds of millions in European sales and damage its image in order to pursue its international policy agenda (Vahtra, 2009, 159-164).
Currently the gas crisis of Ukraine that negatively affected the EU-Russian relations has been further deteriorated owing to the crisis in Crimea that led to sanctions between Russia and the EU. Indeed the recent Ukrainian crisis has negative effects on the energy market. After the military occupation of Crimea by Russian troops the problem of energy security in Europe has been deteriorated. These rising military tensions raise fears about the gas supply of the European market and hence European leaders decided to intensify their efforts to diminish gas energy dependency through diversification via the Southern Corridor and gas imports from the USA. However, importing liquefied natural gas from the US is only a future option owing to many legal, commercial and technical obstacles. So in the short term, despite the likelihood of further sanctions at both ends of the pipelines, the pattern of gas trade would be difficult to change. Gas supplies are vulnerable though in terms of energy security. Indeed, gas is traded through extensive and costly pipelines paid by long-term contracts between trade partners. However pipelines are vulnerable to local instability as the pipelines cross several countries in order to connect the gas producer with the final consumer. The Ukrainian gas crises of 2006 and 2009 are prominent examples of this vulnerability. Currently, the Crimean crisis further underlines the importance of rapid diversification because those countries that are dependent on Russian gas imports, especially those countries that imports’ route crosses Ukraine, are subject to political pressure by Russia. This fact though weakens EU’s position towards Russia. Moreover, before the Crimean crisis Russia had plans for new pipelines projects, such as South Stream and Nord Stream that will bypass Ukraine in order to eliminate the risk of supplies cut-off. However, the logic behind these new pipelines was Russia’s desire to neutralize competing pipelines, such as the Southern Corridor from Azerbaijan, and hence to hamper EU countries from diversifying through new investment in gas infrastructure. In any case though, in the face of increased dependency on Russia and current military tensions South Stream and Nord Stream are put on hold (De Micco & Hannaoui-Saulais, 2014, 5-6).

2.4 Energy policy: the case of Balkans

Balkans was always a region of geostrategic importance as it was the crossroad between East and West. Thus, this region was a field of competition among regional and global powers. In particular currently the major players in Balkans are USA, EU, Russia and Turkey as well. The USA as the only superpower after the Cold War era tried to control this region, while the EU
tried to pursue its interest through the eastward integration process. More recently Russia tries to reestablishes its position in Balkans, while Turley’s “strategic depth” foreign policy includes also Balkans. In particular, the Russian reestablishment of its previous influence has been pursued through its energy policy but it is also led by tools such as pan-slavism and Orthodoxy (Zeljkovic, 2010, 22).

More in particular, the EU integration towards Balkans in the form of an enlargement that may include Montenegro, Serbia, the Former Yugoslav Republic of Macedonia, and Albania or Bosnia-Herzegovina is far from certain. The fact is that despite the desire of these countries to access the EU they still cannot meet the political and economic criteria for accession. Indeed, this region keeps on being characterized by corruption, lack of rule of law, crime and underdeveloped infrastructures. The Balkans however is a region that is linked to Russia and its interests. Indeed, Russia is connected to the Slavic and Orthodox parts of the Western Balkans. In this context the war in Kosovo by NATO in 1999 has been considered as a disregard of Russian interests. However, despite the fact that Russia is actively economically engaged in the region it did not challenge the EU perspective of Balkans counties. However, after the Ukraine crisis in 2014 Russia altered its foreign policy and ascribed a high degree of strategic importance to the Western Balkans considering the EU integration as something that has to be avoided. More in particular, Serbia is the main partner of Russia. The link between the two countries is traced back to the period of the czarist empire which was protecting all Slavic nations. Today Russia expressed it support to Serbia by denying recognizing Kosovo’s declaration of independence using its veto power in the UN Security Council. So, Russia and Serbia have agreed a strategic partnership since 2013 including military and intelligence issues. A major shift is taking place. Indeed, in 2014 V. Putin has been welcomed in Belgrade with highest honors and he described Serbia as Russia’s closest partner. Before 2014 such developments would be not desirable given the approach with the EU. Russia also maintains partnerships with Republika Srpska in Bosnia-Herzegovina which tries to achieve secession from the state and hence it can affect also the Bosnian state. Moreover, recently the relations between Russia and Former Yugoslav Republic of Macedonia have been enhanced owing to the fact that like Serbia and Bosnia-Herzegovina the Former Yugoslav Republic of Macedonia did not join the EU sanctions against Russia. On the contrary Montenegro is politically independent from Moscow despite the fact that its economy is highly dependent on Russia. The influence of Russia in the Balkan region is linked
to its Russia’s dominant position in the energy sector. Indeed, Serbia, Bosnia-Herzegovina, and the Former Yugoslav Republic of Macedonia are strongly dependent on Russian natural gas, while Russia also controls oil and gas distribution network and refineries. However what it was more strategic for the Western Balkans was their significance as a transit route. The terminating of the South Stream pipeline though has been considered to be as a setback for the relations between Russia and Western Balkans. This pipeline would have generated annual transit revenues to the countries of the region, however there would be still a risk that gas pricing and gas deliveries could be used from Russia as a tool of political leverage in the Western Balkans states. In general Russia acts as an alternative to EU integration for the countries of the region. However, even an EU accession of the Western Balkans countries would benefit Russia, given that the new member states would be favorably disposed towards Russia. In that way the influence of the Russian on EU would be enhanced and it would be easier to align with its interests. On the other hand, despite the fact that the EU still experiences an economic and political crisis the prospect and desire of an EU accession is widespread among the people of the Western Balkans, as the European economic promise is still greater than Russia’s. So, Russia is attractive mainly to Western Balkans elites in order to retain their power, but supporting EU accession is a precondition for those political parties that want to win state-level elections. The EU on one hand is interested in accepting the Western Balkans given that it can improve sustainable security and peace in this region, but on the other hand currently the further enlargement of the EU makes member states skeptical. In any case, meeting the accession criteria and resolving regional disputes are preconditions for any further development towards the EU accession. So, EU until today pursues a hard policy of conditionality on the Western Balkans demanding to truly meet the criteria and fully accomplish the reforms needed to make steps towards EU membership (Bieri, 2015, 1-4).

According to a London School of Economics Conference Report (2015, 2-3) for the role of Russia in the Balkans it is argued that Russia takes advantage of loopholes and blind spots of the policy of the EU and USA towards the Balkans. This report points out that Russia’s aim is not to reject the EU enlargement in the region or roll back NATO but to enhance its influence in these countries in order to use them as “door openers” to the West. In particular, Russia actually prospects and desires the Balkan countries to join Western clubs such as the EU or NATO and exploit that fact by building influence. It is argued that Russia lack a long-term strategy but it is a
very efficient tactical player which acts flexibly and rapidly shifts its policy. The influence of
Russian in Balkans is tracked back in 1990s when Russian energy firms such as Lukoil and
Gazprom have been engaged in Bulgaria, Romania, Serbia and Bosnia- Herzegovina and
gradually achieved an economic dependence of these countries which could be translated to
political leverage. However, the report claims that dependence on Russian energy resources
should not be over-estimated. The failure of South Stream project further underlines this fact.
3. EU and Russian Gas Pipeline projects

In recent years the projects for gas pipelines in south-eastern Europe have been experienced many disruptions as a result of the geopolitical and business competition between Europe and Russia. The pipeline projects advances and reversals are attributed to the shifting strategies of the main actors in the region. More in particular new energy suppliers seek for clients, traditional suppliers try to preserve their market share and avoid regulatory obstacles and energy importers seek to find reliable and diversified suppliers. In this context Europe do not implement any coherent common strategy and European countries resort to bilateral energy-driven relation adopting multiple and diverging approaches to safeguard energy security (De Micco, 2015, 1).

It is without question that natural gas pipelines network have geopolitical implications. Indeed, gas pipelines have not only commercial and economic but also geopolitical and geo-economic incentives. In global political system geo-strategic players embody natural gas trade into their strategic agenda in order to pursue their national interests reach beyond the natural gas flows. In the context of the Russian gas pipelines the geo-strategic actors involved, namely Russia, Europe have a different strategy concerning gas flows. Those geo-strategic players try to make use of their power in order to be rule-setters players, rather than rule-followers in the international political system. More in particular, Russia, still being in transition, tries to be a super power again and enhance its geo-strategic position. Russia considers the revenues from gas exports as a basis for Russian power. In Russian strategy the existing pipeline network and new pipeline corridors was not only facilitating gas trade but it always has a geopolitical dimension. This is especially apparent in Europe owing to its dependency on Russian gas. So, Russia uses gas supplies as a tool for pursuing geopolitical goals. It should be underlined that the more asymmetric is the mutual dependence of EU-Russia the more easily achievable are those geopolitical goals. On the other hand Europe is still transforming its political landscape but despite its outstanding economic power the geo-strategic stance of the EU is weak and the European geo-strategic position remains rigid. In that framework the European countries are to a considerable degree dependent on gas imports in order to fuel their economic growth. However, apart from considerations, the growing dependence on Russian gas raises major geopolitical concerns. The dependence on external gas suppliers though represents a geopolitical risk and generates concerns about potential abuse (International Gas Union, 2010, 25-43).
3.1 The South Stream gas pipeline

South Stream gas pipeline is a highly controversial challenge for the EU-Russia energy relations. This challenge has been particularly highlighted in the context of the Russia-Ukraine conflict. The building of the South Stream gas pipeline has been already started in Russia but there are numerous disputes over this project that underlines the EU structural weaknesses and rivalries and competing strategic interests between its member states. This kind of conflicts reveals the lack of a coherent European energy policy towards Moscow. Furthermore, given the political leverage of Russia’s energy resources, the EU does not have the ability to strategically respond to Russia’s energy and foreign policies. In this context the South Stream had never been considered as a project that meets European common interests. The South Stream gas pipeline has also revealed another aspect of European policy towards Russia which refers to the divergence between the European Commission and the member states. In particular the European Commission acquired more influence after Russian-Ukraine gas crises in 2006 and 2009 owing to a directive targeting the intensification of competitiveness in gas market. On the other hand EU member states underpin their national energy interests without taking into account the wider strategic and economic implications of energy projects and the South Stream gas pipeline in particular. So, the European Commission is the only European institution that takes into account long-term economic and political interests. In this framework the European Commission put the South Stream pipeline on hold but it can only regulate the pipeline and not prevent the whole project. In practice the South Stream pipeline circumvents Ukraine and facilitating Russian gas supplies to Europe enhances its geopolitical position as a dominant gas supplier, while this project blocks any alternative projects given that the European gas market stagnates. Obviously these prospects and the new gas supply contractual agreements linked with the South Stream contradict the EU declared target to reduce energy dependence on Russia. In this context the South Stream gas pipeline can make European gas companies hostage to expensive gas, deepen the existing divisions within the EU in favor of Russia, and eventually harm EU-Russian political and energy relations. It should be noticed that the South Stream project is not only grounded on economical arguments but it primarily serves geopolitical pursuits. The South Stream project does not comply with EU’s Third Energy Package (TEP) and in general violates EU’s energy regulation and hence its operation has obstacles. More in particular the Third Energy Package implies that South Stream gas pipeline can be operated 50% by Gazprom but the
other 50% has to be operated by a third party. This precondition is not accepted by Russia which desires to let Gazprom being the only company that has the right to export gas via the South Stream pipeline. Overall, South Stream gas pipeline is not a solely corporate or energy security issue but going beyond them in involves geopolitical interests and competing regional orders (Umbach, 2014). In this context is should be underlines that the US has also strategic interests in the region. In particular, the American government has understood that Russia tries to establish a political dependency of the European countries using its energy policy. There are worries though that this dependency may has a negative impact on transatlantic relationships. South Stream would be an additional pipeline project that would bring Russian gas deeper into Europe. The US worries that the Russia will leverage energy dependency and will reap political benefits. Obviously this does not serve the American interests. In the US perspective the European energy security is regarded as a neutralization of Russian energy exports tool (Baban & Shiriyev, 2010, 102). The US opposes South Stream and other pipeline projects that amplify European dependence on Russian supplies. The US energy diplomacy worries about its key allies, such as the EU, which depend largely on energy imports from Russia, which is a US geo-strategic rival. So, this energy dependence may reduce US influence and power in Eurasia and undermine its role in the international political system. In conclusion the US despite the fact that it is independent in terms of energy supplies, it worries about its ally’s gas flows and opposes gas projects that can have a negative impact on its geopolitical sphere (International Gas Union, 2010, 27-28).

It should be further noticed that the Russian energy policy is especially apparent in the Western Balkans region. Russia plays a leading role in energy supplies as it has promoted its energy businesses in this region. So, the Western Balkans can become a geostrategic partner of Russia as it represents a major transit route that connects Russia supplies to the global energy market. Recently the Western Balkans, in the context of the South Stream project, gained the attention from Russia as a significant transit route of gas transportation. If the South Stream project realizes then Western Balkans will become a Russian geopolitical bridge towards Western Europe. South Stream gas pipeline project would transform the Western Balkans geopolitics. In this framework the historical Russian-Western Balkans relations have been intensified recently following their prospected geopolitical and geostrategic interdependence. Indeed, Balkans was always a region of geostrategic interest for Russian foreign policy. So, the Western Balkans
represent geopolitical link of Russia towards Europe. In this framework Russia tries to deals with the active engagement of the EU and the US in this region. The Russian foreign policy toward the Western Balkans is dominated by its energy policy, accompanied by identity politics and security policy issues. Besides many Balkan countries are dependent on Russian gas and oil supplies and Gazprom and other Russian companies such as Lukoil plan to develop their energy supply network and expand gas exports to the Balkans. In that way Russia exercise political and economic influence in this region by manipulating energy supplies and prices. The NATO and EU eastward enlargement that included the Balkans was against the Russian economic and geopolitical interests as it was trying to convert this region into a strategic hub and sphere of influence. The growing influence of Russia and its economic importance in the Western Balkans reflected on energy, trade and investment would be further intensified by the realization of the South Stream gas pipeline project that would transform Balkans into a regional energy hub (Mulalić & Karić, 2014, 98-106). The South Stream project has been shuttered as a result of the deterioration of the EU-Russia relations and it seems difficult to revive. In this context the geopolitical importance of the Balkans is undermined.

3.2 The Southern Gas Corridor (SGC)

The realization of the Southern Gas Corridor, namely a network of pipelines which connects Caspian energy resources to Europe, is one of the most important issues of European energy security. Indeed, the SGC is considered to be an energy solution to the increasingly import-dependent Europe. The importance of the SGC has been further underlined by the Ukraine crisis which proved that Russia is not a reliable partner. The resort of the Russian foreign policy to military force suggests that the EU has take steps towards to the diversification of gas supplies. In this context the importance of the Southern Gas Corridor is highlighted. The rationale behind the SGC is the following. First, this new pipeline corridor would provide Europe with a new source of natural gas supplies from the region of Caspian Sea. The SGC has been designed in a way that allows further expansion given that additional natural gas becomes available in countries such as Azerbaijan and Turkmenistan which look for diversifying their exports. Moreover, the SGC could connect the European energy market with natural gas from the Eastern Mediterranean and Iraq as well. Second, the SGC creates a new and also competitive route for Europe allowing its countries to import gas from sources that Gazprom does not control. This
fact would further weaken the monopolistic power of Gazprom, which already feels the pressure from the emergence of gas trading hubs in Northern Europe, the increasing availability of liquefied natural gas and the efforts of the European Commission to regulate and unify the European energy market. In this framework the Southern Gas Corridor, making new sources of natural gas supply available, would hamper Gazprom to impose high natural gas prices based on long-term contractual agreements. Third, it is true that gas demand in Europe has been dropped owing to the economic crisis, but in the long-term European countries will need more natural gas and it is questionable if Russian resources can satisfy this growing demand. Forth, the Southern Gas Corridor would stabilize the volatile region in Caucasus and Caspian Sea by enhancing the links of this region to Europe. The building of the Southern Gas Corridor has been postponed many times to the past due to the complexities of this project, but recently two significant decisions has been made towards the realization of the SGC. In particular, these decisions refer first, to the Trans-Adriatic Pipeline (TAP) which has been selected as the European leg of the SGC, and second to the final investment decision on Shah Deniz II by the international consortium. The TAP crosses the Greek-Turkish borders and reaches central and southeast Europe through Albania and Italy. The TAP has been selected instead of Nabucco. This selection is grounded on commercial and political factors that eventually determined the rejection of Nabucco. In practice Nabucco was not able to alleviate anxieties concerning its financing given that it is a longer and more expensive route in comparison with the SGC. Overall, these two fundamental decisions signaled a new period in realizing the Southern Gas Corridor, however major challenges remain for the actors involved in this project. The political and commercial uncertainties and complexities that characterize the SGC project should not be underestimated. In any case though, this gigantic project has been unlocked. The Southern Gas Corridor is considered to be a decisive component in the context of Europe’s energy and gas supply security strategy. So, the EU, supported by the US, should use their power and diplomacy in order to speed up the building of this corridor. On the other hand the Southern Gas Corridor has also strategic implications. Indeed, the SGC provide Europe with new opportunities for gas supplies, which are accompanied by security challenges and other additional costs. The main gain of the development and operation of the Southern Gas Corridor would be Europe’s reduction of the dependence on Russian gas which would safeguard its medium and long-term energy security (Koranyi, 2014, 3-6).
3.3 The Nabucco Gas pipeline

The Nabucco gas pipeline was an important project of the European gas supply security strategy. In particular this pipeline has been designed to carry gas from Central Asia and the Middle East crossing four countries namely Turkey, Bulgaria, Romania, and Hungary before reaching Austria. The rationale behind the Nabucco pipeline was the increasing dependence on imported gas from Russia, Norway and Algeria and hence the lack of diversity in the EU’s gas suppliers. So, the diversification of gas supply was a principle of energy security strategy and involves gaining access to various sources of gas supply in order to eliminate any likely supply disruptions as the disputes between Russia and Ukraine highlighted. In this context the Nabucco gas pipeline would bypass Russia and would open up a new supply route to the natural gas reserves located in Central Asia and the Middle East (Endicott, 2009, 6-8). The realization though of the Nabucco Gas Pipeline was always in question. Indeed, the prospects of this project were pessimistic owing to the not guaranteed financing, the low European gas demand, the questioning about the energy sources for the Nabucco and the efforts of Russia to push Nabucco’s rival South Stream pipeline. It is without doubt that Nabucco would benefit Europe in terms of energy security, intra-EU divisions vis a vis Russia and ties with new potential supplier countries. In practice however the Nabucco Gas Pipeline project did not have the needed political push and backing (Barysch, 2010, 2-3). The rejection of the Nabucco pipeline project in the summer of 2013 revealed the divergence between the EU member states concerning energy security. Nabucco pipeline was competing with the Trans Adriatic Pipeline (TAP) which passes through Greece. TAP was supported by influential companies such as Statoil, AXPO and E.ON Ruhrgas. On the contrary behind Nabucco pipeline were less prestigious companies such as Transgaz from Romania, Bulagargas, the Austrian firm OMV, the Hungarian company MOL and Turkey's Botas. Moreover Nabucco pipeline had additional disadvantages such as that it would account for a limited proportion of the EU annual gas demand, but it would offer access to alternative supplies weakening the dependence from Gazprom and strengthening the position of EU gas companies. However, the Nabucco pipeline was overstretched and finding a reliable source of supply independent of Russia would be a difficult task. The rejection of the Nabucco pipeline project made some member states such as Romania, Hungary and Bulgaria more vulnerable to Russia’s manipulation of gas prices, but on the other side lessen the degree of conflict between Moscow and Berlin (Nitoiu, 2014).
3.4 The Nord Stream gas pipeline

The Nord Stream Gas Pipeline (NSGP) pipeline has been agreed in 2005 in order to meet the increasing demands of the EU. This project actually encompasses two parallel pipelines on the seabed connecting Russia to Germany. The Nord Stream gas pipeline has been opposed by several member countries, but Germany, the main Russia’s partner in this project argued that the Nord Stream pipeline would benefit many countries and that it would contribute to Europe’s energy security. The Nord Stream project actually reflects the tensions in EU-Russia relations and the bilateral energy deals that undermine common EU energy policy. The European Commission had supported this project as an element of a diversifying strategy but the NSGP raised numerous concerns over political, economic, environmental and security issues. In particular, the adherents of the Nord Stream Gas Pipeline consider it as a key Russian-EU infrastructure project that can enhance European energy security especially for Germany by adding one more transit route. However, there was criticism that the Nord Stream would decline energy security as it would increase the EU’s energy dependence on gas imported from Russia. Moreover, that project has been interpreted as an increased bilateralism in Germany-Russia relations against the interests of the EU as a whole (European Parliament, 2007, 1-2). Despite all these concerns Gazprom and major European energy companies agreed to double the capacity of the Nord Stream (Nord Stream II). This is regarded to be a victory of Russia in a period that the EU tries to promote energy security as a key priority. In this context energy receives an even stronger political dimension and Gazprom emerges as an effective tool of the foreign policy of the Russia government. The further development of the Nord Stream is very important in strategic terms. In particular, this deals contradicts the EU’ sanctions against Russia owing to conflict in Ukraine and reveals that EU is as a fragmented actor in international arena. On one hand the European Commission condemns Russia’s policy and on the other hand member states keep on pursuing their national interests undermining common European policy. The involved to the Nord Stream pipeline, namely Germany, Austria, France, and Netherlands claim that this is a commercial deal without any political projections, but this is clearly wrong and actually questions their political commitments to the EU. Moreover, the Nord Stream makes Germany a hub for Russian gas and this allows Moscow to exert even stronger political pressure over the EU (Hedberg, 2015, 1-2).
3.5 The Bourgas–Alexandroupolis pipeline

The Bourgas - Alexandroupolis pipeline has been designed by Russia, Bulgaria and Greece. This pipeline would connect Bourgas at Black Sea coast to Alexandroupolis in Greece hence bypassing Turkey and offering an alternative transit route for Russian oil, while adding to the geographical importance of the region (Ehrstedt & Vahtra, 2008, 14). This Russo-Bulgarian-Greek project reflects the economic and political rivalries in Balkans. The agenda of Bulgaria and Greece plausibly includes their participation in the energy field, reliable oil supplies, transit fees, and jobs creation. However the Russia’s agenda goes beyond these. Actually the Burgas-Alexandroupolis pipeline is part of the Russian energy policy in a complex trans-continental rivalry over oil and gas pipelines that involve transits from Russia, Central Asia and the Caucasus to Europe. An additional motive for the Burgas-Alexandroupolis pipeline is that Russia desires to decrease its dependence to Turkey as a passageway for its energy exports. Overall, the Bourgas-Alexandroupolis represents another energy deal which goes beyond trade. In this context the participation of Bulgaria and Greece in the project increased their dependence on Russia undermining their further European integration. Moreover, the project sets limits to Turkey’s inspirations to play a major role in energy markets as a transfer point owing to its participation in the Blue Stream, BTC and Baku-Erzurum pipeline (Blank, 2007). However, the realization of the Bourgas-Alexandroupolis pipeline project faced many difficulties. In particular, the Bulgarian government opposed the projects claiming economic, financial and environmental issues and this opposition made Russia to gradually lose its interest in the project. In 2011 Bulgaria announced its definitive decision to depart from the pipeline project. On the other side the Bourgas-Alexandroupolis pipeline had been considered to be a cornerstone for the Greece becoming a transit country for energy flows towards European markets. Moreover, the cancellation of this project combined with its severe economic crisis deteriorated Greek energy and economic strategic plans (Kottari, Popovici & Wisniewski, 2013, 25-26).

3.6 The AMBO pipeline project

The AMBO pipeline project or Burgas-Vlore project has been designed linking Burgas at the Bulgarian Black Sea with Vlore in Albania through FYROM. This project has been agreed in 2004 and it is an additional effort of bypassing Bosporus for the transit of Russian and Caspian oil reserves to European markets. Except from bypassing Turkey this trans-Balkan pipeline
implies the participation of FYROM’s and Albania’s in the European energy network infrastructure. The AMBO project is also supported by the USA. However the construction of the AMBO pipeline project has not started yet (Kottari, Popovici & Wisniewski, 2013, 27-28). According to the initial plan the construction of the pipeline would be completed by 2015. However, the project has been shelved owing to lack of financial resources and lack of oil supplies. However by the end of 2010 all the activities necessary for the realization of the AMBO pipeline project were suspended (Tsachevsky, 2013, 207).

3.7 The Turkish Stream

The Turkish Stream was announced after the South Stream project has been abandoned. Both projects aim was to bypass Ukraine and allow Russia to increase its gas leverage over the EU countries and exert pressure on Kiev. The Turkish Stream reflects a major shift of Russia’s gas transit routes as it makes Turkey a key country for its gas deliveries. The Turkish Stream would allow the redirection of Russia’s gas flow to Europe through a Turkish-Greek border hub. It is important that the Turkish Stream allows Russia to circumvent the Third Energy Package rules, namely the reason for abandoning the South Stream project. Given that the EU is not expected to give way this regulation framework and the Russia is not willing to accept it, the prospect of building new pipelines on European territory is not very likely. However, Russia can built infrastructure to the Greek-Turkish border and let the European countries link the European market with this hub of the Turkish Stream. In this context Russia implements a divide and rule strategy exploiting the diverging member state’s national interests and in the case of the Turkish Stream the pro-Russian stance of Greece. Besides, Russia will not be able to control transit routes from the point of production to the point of consumption. However the realization of this project is uncertain as, beyond its geopolitical implications in terms of energy security, there are many factors that hamper the Turkish Stream such as Gazprom’s long term contracts that specify the point of delivery (Koch, 2015, 1-5).
Conclusions

This paper examined the gas pipeline diplomacy in EU-Russia relations. In particular the paper examined the mechanisms and tools that Russia has used to implement its gas pipeline diplomacy toward EU, given that its vast energy resources is a crucial source of its political power projection. In this framework, the paper reviewed the EU energy policy and security towards Russia and placed special emphasis on the degree of the EU-Russia mutual dependency on energy and the energy security dilemmas. In addition, it examined the Russia’s gas pipeline diplomacy and underlined the strategic dimension of Russian energy policy. Finally, it presented the gas pipeline projects that refer to the EU-Russia energy relations. In this paper it has been argued that the EU–Russia relations have been described as a dichotomy between conflict and cooperation that co-exists further complicating two actors’ foreign policies. In practice there is mutual energy interdependence between EU and Russia; Europe is highly dependent on Russian gas, while Russia depends on gas revenues stemming from energy trade with Europe. However, this interdependence is highly complicated and it is hard to argue the degree to which the two actors depend to each other. However, it appears that currently this energy interdependence is asymmetrical favoring Russia. In any case, this certain degree of interdependence shapes among others the base on which both conflict and cooperation are built between the EU and Russia. It should be underlined that even if the EU cannot safeguard its energy security and remains dependent by the Russian energy supplies, Russia cannot be considered a threat for the EU.

However, it should be mentioned that the EU-Russia relations are taking place in a rather unstable international environment. Indeed, for half century the international system was characterized by polarization between the two blocks of the US and USSR. These two superpowers had created their own spheres of influence and they were implementing their policy in the context of the power of balance. This bipolar system implied a systemic stability. However, the end of the Cold War brought a fundamental shift of the world system which has been turned to a unipolar system under the dominance of the USA. This allowed the USA to take advantage of its superpower in order to promote its narrowly defined national interest across the globe. The unipolar character of the international system allowed the governments of the USA to implement a foreign policy based on military force rather than diplomacy and multilateralism. In the same time, the EU, a key ally for the USA, was absent in international politics as it was an economic giant but in the same time a political dwarf which lacked a plan for political action.
This limited European role in international politics and its inability to emerge as a political actor resulted to asymmetric euro-atlantic relations. So, the world order has been shifted from a post-bipolar world a unipolar one as there was not any state as powerful as the US to project power across the globe. However, regional powers coordinate their efforts against the USA and questioned American unipolar strategy. Entering the new century it was only the EU and Russia that could act as systemic balancers. However, the EU was a traditional ally of the US since the end of the Second World War, despite the fact that Europeans were always considering American policy as arrogant. On the contrary, Russia gradually emerged as a regional actor that was trying to re-establish a sphere of influence over a geostrategic region between the south-eastern Europe and Caucasus. In this context, Russia tried to reject the norms that characterize a USA led unipolar world, namely the Americanization of the world. However, the emergence of a multipolar world would undermine the US grand strategy and its efforts to establish a global hegemony. In this context the EU and its alliance with the US and NATO’s catalytic role in European security issues, accompanied by its incapacity to become a significant player, complicates the EU-Russian relations in an emerging multipolar world (Voskopoulos, 2008, 19-21).

The conflicts of Russia with Georgia and more recently Ukraine and the consequent crisis between Russia and the EU have revived Cold War conflict memories and create concerns about whether Russia is an important, but difficult neighbor or a threat to Europe. In addition the Russian foreign policy emerges questions concerning the degree to which the strategic interests of the two sides are broadly compatible and convergent or substantially divergent. The military conflicts in Georgia and Ukraine and other episodes such as the dispute over Kosovo’s status, the planned US missile shield in Poland and the Czech Republic, the war of pipelines and the NATO efforts to enlarge this coalition were fields of conflicts between Russia and West. These tensions, conflicts and disputes are consequences of a continuous, complex and dynamic process of reshaping the international order. The economic and hence political rise of so-called countries BRIC (Brazil, Russia, India, and China) forms new global and regional balances. In particular, Russia with its key energy resources, which it uses quite aggressively, claims more influence, respect and recognition as a rising global power. The end of the Cold War and the dissolution of the Soviet Union have been followed by a period of significant diplomatic, political, economic and military weakness of Russia, alongside the undisputed global dominance of the US. At that

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time the US attempted to disconnect almost all former Soviet republics from the influence of Moscow and converting them into Western-style democracies, attached to the American sphere of influence in Eurasia. During 1990s Moscow was forced to accept that policy owing to its weakness. However, the US-western policy, combined with the bitterness of the loss of the imperial position in the world order, created intense discomfort feelings in Russia. The political stability offered by Vladimir Putin combined with economic strengthening and the favorable geographical location in the heart of Eurasia offered Russia increased influence and allowed interventions in large parts of its former sphere of influence. Today the EU, the US and several European countries, especially in the former Eastern Europe are concerned about the combination of democratic deficit, hegemonic tendencies and the re-establishment of the influence of a great power that still takes advantage of hard power as a foreign policy instrument. Historically Russia was a great power with hegemonic ambitions and expansionist tendencies. In the same time, Russia suffers from a feeling of permanent insecurity. Possible explanations for the aggressive behavior of the Russian leadership includes the nostalgia of the period where Russia / USSR was one of the two superpowers, the desire to res-establish Russian influence and prestige, but also to ensure Russian vital interests. The fundamental question that arises refers to the degree to which the goals of Russian foreign policy converge or diverge towards those of Europe and the US. The answer depends on the issue under consideration. In any case it would be wise for all involved parties to adapt to the new geostrategic facts and review some of their goals, taking into account the interests and sensitivities of the other side.

In this context energy is a fundamental variable in West-Russia relations. A significant part of Europe’s energy needs, especially natural gas, will continue to be covered by Russia, although the EU wants to safeguard its energy security through the cooperation with several key energy suppliers, with a possible shift to the natural gas of Caspian, Central Asia and south Mediterranean, although at present there are important political and technical obstacles. The EU room for maneuver is however quite limited since Moscow has already achieved a significant degree of control of energy reserves in the former Soviet sphere of influence, while several international issues enhance its near monopoly position in the European gas market. Owing to this fact several European countries, Germany among them, have rushed to sign energy cooperation agreements with Moscow. In terms of the EU-Russia relations, the promotion of new conditions for the establishment of the European energy policy towards Russia and the
Russian effort to gain political exchanges for the uninterrupted supply of natural gas to the EU member countries are expected to dominate the EU-Russia relations in the coming years. However, it is certainly in the interests of each consumer to not be dependent on a single energy supplier and this aspiration is the basis of the European strategy to protect its energy security. The attempt by the EU and the US as well with less obvious energy related motives, for reducing Europe’s dependence on Russian natural gas clearly contradicts the Russian interests which try to maintain its favorable position as the dominant energy supplier of Europe. Clearly there is a virtually inevitable interdependence between Europe and Russia, with one side having energy supplies and the other side having funds for the modernization of energy infrastructure and the development of other sectors of the Russian economy. The recognition of this mutually interdependent relationship though is accompanied by the reluctance by both sides to achieve mutually acceptable compromises.
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Appendix

The South Stream gas pipeline

The Southern Gas Corridor (SGC)
The Nabucco Gas pipeline

The Nord Stream gas pipeline
The Bourgas–Alexandroupolis pipeline

The AMBO pipeline project
The Turkish Stream