

**INTERNATIONAL RELATIONS GRADUATION PROJECT**

**European Energy Securitization: Geopolitical  
Challenges with Russia in the Contested Neighborhood  
and the Case of the Southern Gas Corridor**

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# INDEX

<b>1. Introduction.....</b>	<b>4</b>
1.1. THE CHALLENGES OF EUROPEAN UNION ENERGY SECURITIZATION.....	4
1.2. RESEARCH QUESTIONS.....	6
1.3. METHODOLOGY .....	7
<b>2. Energy in the International Political Economy .....</b>	<b>8</b>
2.1. ENERGY STUDIES IN IPE LITERATURE .....	8
2.2. THEORIES ON ENERGY SECURITY AND GEOPOLITICS.....	9
2.2.1. <i>The Realist and Neorealist Approach to Energy Security</i> .....	10
2.2.2. <i>The Liberal Approach to Energy Security</i> .....	11
2.2.3. <i>The Constructivist Approach to Energy Security</i> .....	12
2.3. SHIFTING ENERGY PATTERNS IN THE CURRENT GEOPOLITICAL LANDSCAPE ..	14
2.4. THE ROLE OF ENERGY IN FOREIGN POLICY .....	16
<b>3. The EU Energy Securitization Strategy .....</b>	<b>17</b>
3.1. FROM THE EUROPEAN COAL AND STEEL COMMUNITY TO THE PRESENT .....	17
3.2. THE CURRENT EU ENERGY NEED .....	20
3.2. THE EUROPEAN ENERGY SECURITY STRATEGY .....	22
3.2.1. <i>The EU Energy Trilemma</i> .....	24
3.2.2. <i>The Liberalization of the Energy Market</i> .....	25
3.2.3. <i>The Diversification of Energy Supply Sources</i> .....	26
3.2.4. <i>The Internal Gap in the European Energy Security Strategy: Germany- Russia Bilateral Relation</i> .....	27
<b>4. The Geopolitical Competition of Russia and EU in the South Caucasus .....</b>	<b>30</b>
4.1. <i>The South Caucasus between Russia and the EU</i> .....	30
4.1. THE CONSTRUCTION OF THE SOUTHERN GAS CORRIDOR .....	32
4.1.1. <i>The Sangachal Terminal and Shah Deniz Field Expansion</i> .....	34
4.1.2. <i>The Russian TurkStream as a Response to the SGC</i> .....	35
4.2. <i>Russian Patterns of Behavior</i> .....	37
4.2.1. <i>Russia in the conflict of Nagorno Karabakh</i> .....	38

4.3. HYBRID CONFLICTS .....	40
<b>6. Conclusions .....</b>	<b>41</b>
<b>Bibliography.....</b>	<b>44</b>

## **Executive Summary**

In the current security environment, the EU-Russia relation is the one that has caused most uncertainty and thus it has been for long time at the center of many debates in the field of International Relations. This paper argues that energy is the main reason behind their tensions. After giving an overview on how energy is placed in the International Political Economy, we will see how the actors under analysis have used it for their political ends. Their conflict of interests has however indirectly affected their contested neighborhood. A clear example is the recent construction and inauguration of the Southern Gas Corridor, an alternative for the EU dependency on Russian oil and gas. Through this project, the EU is gaining influence in the South Caucasus, a region in the post-Soviet space. The conclusions will illustrate the real motives behind the EU strategy and the Russian response according to its past behavioral patterns.

# **The New Geopolitical Challenges of European Energy Securitization: Russia and the Southern Gas Corridor**

## **1. Introduction**

### **1.1. The Challenges of European Union Energy Securitization**

During the WWII, when Germany and United Kingdom were major enemies, the British Prime Minister Winston Churchill decided to make his fleet faster using oil instead of coal. Since then, energy security was introduced in the agenda of the group of eight highly industrialized countries (G8) and it became a question of national importance, equaled to military defense (Yergin, 2006). Today, access to energy is one of the most important aspects in modern societies, being energy the essential component for most societal activities, from industrial productions to heating our homes. Indeed, energy use and consumption are generally taken as an indicator of the wealth of a country and its standard of living.

Therefore, the concerns for energy are not only related to the quality of this source or the sufficiency of supply: the trade of energy largely impacts the political relations between the countries involved, and this is the reason why oil and gas are commodities that imply a high diplomatic, fiscal and military involvement (Graaf et al., 2016). Nevertheless, each country has its own interpretation of energy security which models its domestic and foreign policy (Yergin, 2006) and thereby, its behavior as an actor of international politics.

Some events have certainly undermined the energy security of a country more than others, causing it to be a major concern. An example was the threat of Russia to interrupt the gas flowing to Europe due to its conflict with Ukraine in 2006 and 2009. In that case, the solution was the construction of an alternative pipeline, the North Stream and Southern Stream with the purpose of avoiding Ukraine as a transit state (Stulberg, 2015). From that point onwards, energy security has been the highest priorities for NATO's member states (Bartušca et

al., 2019). Among the NATO members, in this paper the focus will be on the European Union (EU), since it is largely dependent on Russian energy imports, but also on Russia, reacting to the defensive strategy of the EU which is trying to diversify its suppliers.

At present, the European Union consumption of energy is for the 57% constituted by oil and natural gas which are largely imported from outside the EU (Eurostat, 2018b). As before mentioned, Russia is Europe's major oil and gas supplier; in 2019, the 41% of natural gas imported in Europe (almost three quarters of the EU's imports of natural gas) came from Russia as well as crude oil (27%), representing two thirds of the total EU's crude oil imports (Eurostat, 2020).

For a long time, the European Commission has warned over the risks on the EU energy supply, especially gas. For this reason, in 2015, the European Union has created the Energy Union, a strategy that aims to secure sustainable, competitive, and affordable energy for all EU member States (European Commission, 2017) , and which encompasses both internal and external dimensions of the European energy security. The Energy Union is part of a broader strategy, the one of security. Indeed, the European Global Strategy of 2015, forwarded by the ex-High Representative of the European Union for Foreign Affairs and Security Policy, Federica Mogherini, defines energy insecurity among the top threats that endanger the European people and territory (Mogherini, 2016). The need for energy security is a fundamental requirement to ensure the economic growth and social welfare of a country and becomes particularly important for those with a low level of energy self-sufficiency. Thereby, the main priorities of the Energy Union are to depend less on external suppliers and diversify the sources of energy supply.

Nonetheless, energy security remains a wide topic which encompasses several dimensions, including the security and the geopolitical ones. This paper is going to explore this connection through the study of the EU and the Russian foreign policies on energy security. This case is representative of an economic interdependence, which according to the liberal theory shall foster peace and cooperation, but in fact it is not. This is because this is the case of an

asymmetrical relation (Keohane 2009), where Europe could find itself too dependent from Russia, its major energy supplier.

Furthermore, this analysis derives its main inspiration from the recent developments on EU energy supply's alternative, meaning the construction and the inauguration of the Southern Gas Corridor – a system of pipelines that brings natural gas from Azerbaijan directly to Europe- and which constitutes the main competitor to the Russian energy. The Southern Gas Corridor is a project developed by Azerbaijan with the aid of foreign investments. This country became independent after the collapse of the Soviet Union in 1991 and for long time has been under the influence of the Russian Federal Republic. The fact that Azerbaijan now represents a direct competitor of Russia instead of being under its protection, has already exacerbated conflicts. To this has to be added the enlargement of the Shah Deniz, the gas field where the SGC takes its resources, which is causing instabilities in the concerned area and where more than fifty countries are involved (Morrison 2018). However, when referring to conflict this does not necessarily imply a military direct conflict between the main characters involved. This type of new conflicts are defined by Frank Hoffman (2007), the "Hybrid Warfare". This term is useful to define the blurring of public and private, state or non-state, formal and informal that is characteristic of new wars where states and non-state actors are involved.

Finally, it will be argued that energy – contrarily to the classical realist approach that asserts that oil is the major source of State's power, – does not necessarily constitute the major source of power. For instance, in the case of the energy power of Russia, it will become though to sell its energy with the increasing competition caused both by liberalization of the energy market and the new energy alternatives (including supplier alternatives such as SGC, and sources alternatives, such as renewables). Moreover, in the final chapter we are going to see how Europe, even not being rich on energy resources, is managing to gain geopolitical power in the Caspian region.

## **1.2. Research Questions**

The main purpose of this thesis is to predict the possible effects of the divergent energy security policies of Russia and the European Union. The departing point is the assumption that the recent developments with the diversification of energy suppliers by the EU, with the inauguration of the Southern Gas Corridor, can exacerbate the already aggressive Russian energy foreign policy. Thereby the main question is, what is going to be the response of Russia witnessing the EU's intervention in a country, being part of the post-Soviet space, where Russia had exerted its sphere of influence? Would that mean the sunset of Russia as an energy power in the international panorama?

The second point made is that the EU, with its green deal project which largely invests on renewables, is going to depend less on traditional sources of energy (coal, oil and gas) and so will be less dependent on Russia. In this case why would Europe need to secure its natural gas supply through a big investment in the SGC? Is energy security the real motive behind the involvement of Europe in this project? Is the EU actually competing with Russia or it is competing to gain geopolitical influence in the Eurasian continent?

### **1.3. Methodology**

This is a study of the implication of energy security in foreign policies and in geopolitics. It has an explorative nature and uses a conceptual framework to analyze the geopolitical tensions between the European Union and Russia from the point of view of energy securitization. To explain the assumed relationship between energy security and geopolitics, first a comprehensive literature review has been conducted since International Relations (IR) theories have mutually complementary aspects. IR theories help us to explain why a country as chosen to follow one political strategy rather than another, and so predicting its objectives. So, it will be done with the EU, we will analyze the causes and the effects of its energy diversification strategy at the external level.

In the second part it is going to be explained how energy it is used by the major actors involved to exert their influence in the international panorama through the analysis of the different and divergent perceptions on energy security of the EU and Russia. It will be showed how a diversification of the EU energy suppliers

and a decreasing dependency can result in structural changes in the energy systems that will increase the risk of conflict.

In the last chapter, through the example of the competing interests of several countries in the development Southern Gas Corridor and its sources, it is demonstrated how energy it is the main tool used by the EU to gain geopolitical power even Europe lacks energy natural resources. At the same time, we will see Russia is losing the more and more its sphere of influence post-Soviet space.

The quantitative data used in this thesis are retrieved from the major worldwide institutions and corporations that deal with the disequilibrium between energy supply and demand, the development of energy sources and technologies, and climate change issues. Among them the IEA (International Energy Agency), and the BP, a British multinational oil and gas company.

## **2. Energy in the International Political Economy**

### **2.1. Energy Studies in IPE Literature**

In the past, energy was seen as a mere economic factor, and as such was mainly studied by economists and engineers (Graaf et al., 2016). Nevertheless, more recently, by contrast to the old conceptions, political scientists began to rediscover energy as a major field of inquiry (Falkner, 2014). The subfield of IR which is responsible of studying the powerful economic, political, and technological forces that have transformed the world – including energy – and how they interact with each other's, is the International Political Economy (IPE) (Gilpin, 2011). In this chapter we are going to see more specifically how energy is placed in IPE studies and which role it plays in power politics.

Generally, the literature on IPE distinguishes between the 'old IPE' (1960s - 1970s) and the 'new IPE'. The former IPE explored the political implications of economic and political interdependence but in a loose way; in contrast, the modern IPE research is more rigorous and has the capability to make analysis on the base of comparative and international political economy into a common



framework (Keohane, 2009). Moreover, the studies on energy in IPE are very recent and thus the literature is not extensive, since the importance of energy for international politics was not fully understood. Indeed, before, energy was seen as a mere demand and supply issue, not recognizing how the ideational, institutional, and material sources of power are changing, and ignoring the diversity of the energy mix (e.g., crude oil, natural gas, renewables) (Kuzemko et al., 2019). Nowadays, energy security and geopolitics is recognized as a major theme of research in IPE (Graaf et al., 2016).

The scope of the energy market connects with many topics of the IPE such as financialization, profit-making, fairness and global solidarity. For this reason, the fast-changing patterns in the energy market and the shifting in power politics are among the five major phenomena taking place in the modern IPE<sup>1</sup> (Keohane, 2009).

## **2.2. Theories on Energy Security and Geopolitics**

What is the connection between energy security and geopolitics? How does energy shapes power politics? First of all, we must begin from defining geopolitics. According to Rudolf Kjellen (1905), “geopolitics is the study of how geography affects international relations, power and vulnerabilities”. Geopolitics is a broad term, and it can assume different aspects depending on the specific historical period. In the early twentieth century, geopolitics was about the great struggles over power and space, from imperialism to the rise of Nazi Germany. Subsequently, during the years of Cold War, geopolitics was used to describe the bipolarity between the Eastern and the Western blocs. Today, geopolitics touches all the matters that have been ignored previously in the history and that are part of the post-Cold War order, such as civilizational clashes, environmental

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<sup>1</sup> According to Keohane (2009), the five phenomena taking place in IPE are the following: (1) the economic development of underdeveloped countries -which are now the so-called developing countries- such as China and Brazil; (2) the rise of China as a potential hegemonic power; (3) the volatility in financial and energy markets; (4) the new actors in the world politics, such as NGOs and transnational companies; and (5) the effects of new technologies in political power.

degradation, social movement struggles, global finance and transnational communication (Ó Tuathail et al., 2003).

The subfield of geopolitics studying energy is geoeconomics, which analyzes the unequal distribution of resources in and between states (Austvik, 2018). According to Skinner (2006), the asymmetry of energy resources at a global level is what defines geopolitics in the twenty-first century. Energy geopolitics today has as much as importance as military geopolitics and diplomatic geopolitics (the geostrategy subfield) (Kaplan, 2014). Thereby, energy security is an important component of power politics, and the study of energy geopolitics help us describe the consequences of the unequal distribution of natural resources. These consequences have been addressed by different approaches in IR which we are going to see in the next paragraph.

### **2.2.1. The Realist and Neorealist Approach to Energy Security**

This paragraph illustrates the realist and the neorealist approach to energy security. Until now, this approach has widely dominated the research on energy security. In classical realisms, other aspects considered by constructivist academics, such as the clash of civilization, give not an adequate explanation for the current geopolitical tensions. While the neorealist approach differs from the classical one because it takes in consideration the subjectivity of statemen's decisions. Moreover, both approaches agrees on the fact that the state's power is determined by the ownership of natural resources, and in particular oil, however they may disagree on the system of analysis.

Michael Klare (2004), classical realist, asserts that geography and natural resources, particularly oil, are the factors determining the power of a state. He defines what he calls "valuable resources" meaning oil, diamonds, mineral, water, lands, deep-sea fisheries, among the most powerful triggers for starting a war. In Klare's book *'Resource Wars, Blood and Oil and Rising Powers, Shrinking Planet'*, the author argues that national power in the 21st century is determined by the capability of a country's resources and its ability to generate other sources of wealth to purchase resources, especially oil. According to the author, energy's supply and demand, and its spatial characteristics are the determinant factors of

interstate conflicts. Moreover, gas pipelines are at the center of the international geopolitical competition and are already causing frictions among states. A clear example where this is taking place is certainly the Caspian region, a region rich in terms of oil and natural gas (Klare, 2004).

Following Klare's theory, one can assume that Russia shall be therefore a very powerful state, owning all that much of oil and gas resources. However, another important major contributor of the realist literature, John Mearsheimer disagrees on the chance that Russia could become a potential hegemon in Northeast Asia by 2020. Even though he believes that resources in general are what determines power politics, energy alone is not enough since he considers military power and the capability to construct a wealthy economic to be the real strengths of a country (Mearsheimer 2001).

On the other side neorealism considers the dichotomy of the objectivity of the ownership of energy and the subjectivity of the statesmen's decisions on foreign policies (Kilinc-Pala 2021). This provides a framework for further research that sees the interplay between structural factors and agency, as this thesis aspires. Indeed, energy is a field of study that allows conducting this type of research with the hope to construct more theories based solely on energy geopolitics.

### **2.2.2. The Liberal Approach to Energy Security**

The liberal perspective on energy security states that energy interdependency leads to peace and cooperation, and much of the liberal literature believe in the power of institutionalism where economic interests would prevail on the security concerns of the states. Major historical contributors to this theory are Immanuel Kant and Adam Smith. Contrary to the expectations of liberal theories, interdependence between the EU and Russia based on energy trade, has not alleviated the European and Russian security concerns, but has exacerbated them (Krickovic, 2015).

As it will be shown in the next paragraph, this liberal approach has proven to be successful in the case of the European Coal and Steel Community established to promote the cooperation between the main antagonists during WWII, meaning

Germany and the UK. However it does not apply for the case of Russia and the EU, where interdependence has increased both sides' vulnerability and consequently also the number of actions taken in terms of security which has created a climate of distrust between both parties. Therefore, the increasing tensions between states in our times do not necessarily lead to a direct military conflict between the two main characters involved in the dispute. According to Krickovic (2015), "*interstate military conflict (especially among major powers) is increasingly rare and has been in most cases made almost unthinkable due to nuclear weapons*"; moreover the author asserts that "*increased security competition between large states can have spillover effects that generate armed conflict and civil war in smaller or less stable states*"<sup>2</sup>. Indeed, we are going to see how the tensions between the EU and Russia are reversing their effects in the region of the South Caucasus through indirect foreign policy actions.

Furthermore, other scholars such as Keohane (2009) differentiates between two types of interdependence: the *symmetrical* and the *asymmetrical* interdependence, which results in two different outcomes. In the case of the EU-Russia energy relation is certainly an asymmetrical relation where the EU is substantially more dependent. This type of interdependence gives to Russia more political leverage which stimulate an action of balancing from the other side, which could intensify tensions. This is exactly the reason why the EU has as its main objective, the diversification of energy sources: to balance the higher political leverage of Russia in their relation caused by its energy dependency.

### **2.2.3. The Constructivist Approach to Energy Security**

Another interesting approach to take in consideration to analyze the EU- Russian relations in terms of energy securitization is the constructivist approach which goes in contrast with the realist approach. As reported by constructivist scholars, the classical realist approach – where power is defined by the ownership of resources – is too simplistic (Kustova, 2015).

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<sup>2</sup> Krickovic, Andrej. (2015). "When Interdependence Produces Conflict: EU–Russia Energy Relations as a Security Dilemma." *Contemporary Security Policy* 36, no. 1, page 4. <https://doi.org/10.1080/13523260.2015.1012350>.

Martha Finnemore, an American constructivist scholar of IR spurs on the need for more problem-oriented qualitative research that goes beyond quantitative and objective methods - especially used in comparative analysis - that not necessarily give answers to the new questions on global politics. In this regard, the author asserts that human interaction is shaped primarily by ideational factors, not simply material ones, and also taking in consideration the role of human consciousness and its role in international life (Ruggie, 1998). In the constructivist analysis, we talk about agencies versus structures not in the sense that one must prevail on the other. At a first glance, as for the realists, it may seem that structure is determinant in our discussion about energy and power politics. Instead, the constructivist approach states that agencies and structures are mutually constituted, which means that empirical facts and political behaviors have to be studied in parallel and specifically case by case to understand the specific actors and their behavior based on the social structure (Finnemore & Sikkink, 2001).

The constructivist approach results to be the most suitable for the arguments under analysis in this thesis, which asserts that other factors, sometimes not rational, shall be taken in consideration. For example, in the notion of energy security, what is exactly the quantity of energy supply that a country shall own to feel secure? Surely, there is an economic quantity based on the population consumption which has been set up to determine the actual energy supply required. On the other hand, there is also the psychological notion of security, which is a feeling. Indeed, one country can be energy dependent from external supply and yet feel secure. Contrarily, another country can rely only partially on imports yet feel insecure (Skinner, 2006). In the case of the European Union, it relies almost totally on Russia's supply and even though the latter has an interest in selling energy in foreign markets because of the economic return, the EU still feel the need to securitize its energy through other means.

Thereby the sense of security could define the political interaction of two countries when trading such commodity. In the current political relationship between Europe and Russia many factors including their interdependence on energy trade or the rhetoric of political leaders can cause insecurities. Later, it is

going to be argued how the construction of a major alternative to the Russian supply, meaning the Southern Gas Corridor, is not the result of the European Union's actual need for more energy security.

### **2.3. Shifting Energy Patterns in the Current Geopolitical Landscape**

Considering energy diversity as Kuzemko (2019) suggests, it is easier to identify the shifting energy patterns in the geopolitical landscape, having a deeper understanding on who benefits from this change and who is suffering from it. The International Energy Agency (IEA) has detected an overall global decline in the demand of oil, gas, electricity (and consequently nuclear power). On the other hand, it has been posted growth in demand of renewable energy. There are two main reasons causing the decline in demand for some types of energy and the increasing demand for others. In the first place, the demand for electricity in 2020 has been affected by the global pandemic, Covid-19 which restricted industrial productions, causing a global recession. The second reason is the low operating costs of renewable energy and the advantageous installing capacity (International Energy Agency, 2020).

The main assumption thereby, is that oil and gas exporting countries are going to be the ones who will suffer the most from this new trend, while the importer countries are going to benefit from it. According to the Statistical Review of World Energy 2020, the largest producers of oil are the United States, Russia, Saudi Arabia, and Canada. In the case of natural gas, the largest producers are also the United States and Russia (BP, 2020). However, it is worthy to note that Russia holds a greater number (almost double) of oil and gas reserves than the United States but produces less than the latter. As a result, it is possible to make two assumptions: Russia has not the capability to build as much infrastructure as the United States, or it has insufficient demand of oil and gas, both at the domestic level and at the external level. Looking at the data, we see that the refining capacity of Russia is only one third of the one of the United States. Furthermore, if we look at *Figure 3* it is also possible to see that Russia exports most of its energy to Europe which is one of the largest consumers of energy in the world after the United States.

Country	Oil Reserves (thousand million barrels)	Oil Production (thousand barrels daily)	Oil Consumption (thousand barrels daily)
Total Europe (EU + UK, Ukraine, Switzerland, and Norway)	14.4	3413	14896
United States	68.9	17045	19400
Russia	107.2	11540	3317

Figure 1: Oil Reserves, Production and Consumption in 2019 in the Countries of Interest.

Source: Own elaboration. Data from: BP, 2020

Country	Natural Gas Reserves (million cubic metres)	Natural Gas Production (billion cubic metres)	Natural Gas Consumption (billion cubic metres)
Total Europe (EU + UK, Ukraine, Switzerland, and Norway)	3.4	235.9	554.1
United States	12.9	920.9	846.6
Russia	38.0	679.0	444.3

Figure 2: Natural Gas Reserves, Production and Consumption in 2019 in the Countries of Interest. Source: Own elaboration. Data from: BP, 2020

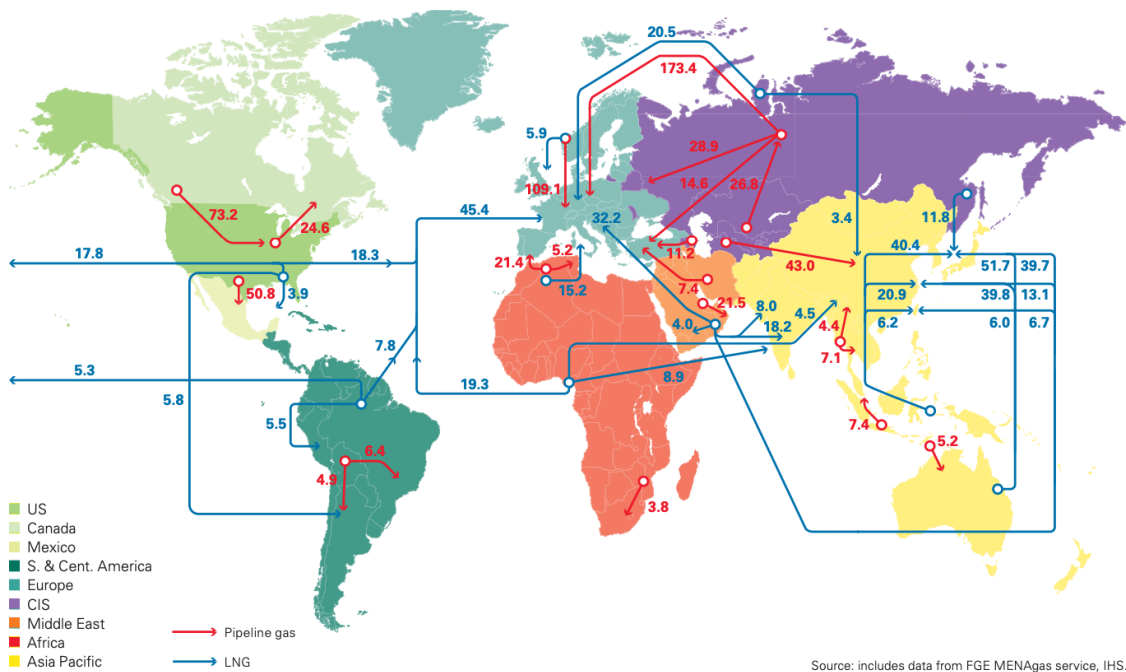


Figure 3: Major Energy Trade Movements 2019. Source BP, 2020

The main question to which we will try to give an answer is about the political and economic response of the countries who are going to negatively undergo this change, and as demonstrated, Russia is one of them. The situation has further been worsened for Russia by the downfall of its market shares in Europe also caused by the construction of the SGC. After understanding the patterns of the

international behavior of the countries under analysis, it will be possible to make predictions on how this change will affect the relations not only between the main characters, but also, we will see the effects on the other actors involved.

## **2.4. The Role of Energy in Foreign Policy**

Energy has long be vital for the develop of modern societies, yet only recently, it gained a closer attention as a significant foreign policy factor (Hadfield, 2017). Notwithstanding, the interpretation of energy security is not the same thing for an importer country which needs to ensure its energy supply, and an exporter country which needs to ensure that there is demand for its energy so that it is possible to sell it in exchange of an economic return (Austvik, 2018). As the main theme of this thesis is to explain how energy securitization shapes the relations between the EU and Russia, we must understand the role that energy plays in their respective foreign policy.

As mentioned at the beginning of this chapter, each country has its own conception of energy security. To begin with, we must assert that the role of energy both in domestic and in foreign policy is to contribute to the national prosperity and guarantee the national security. Energy security today can be compared to the military capability and the economic security that States were seeking in the past (Hadfield, 2017). Kalicki and Goldwyn (2013) define energy security as an 'assurance of the ability to access the energy resources required for the continued development of national power...and an adequate infrastructure to deliver these supplies to market'.

However, one must see the perspective from which it is being analyzed. For instance, energy security is not the same concept for an importer country and an exporter country: for the European Union (importer of energy) energy security certainly means to have the security of energy supply implying a constant delivery at an affordable price. The IEA has detected two main categories of risk for importer countries (Austvik 2018):

- the long-term risk that new supplies will be not accessible to meet growing demand for either natural, economic or political reasons;



- the risk of disruptions to existing supplies caused either by the interruption of the diplomatic relations between the importer and the exporter country disruptions, or natural catastrophes.

On the other hand, for an exporter country like Russia, energy can be used as foreign policy tool to achieve power in international politics in the forms of diplomacy, embargoes or coercion (Hadfield, 2017). Finally, for Russia, external energy demand is what has the utmost importance since they need an assurance to sell their energy products in a reliable market.

The following chapter will explore more in depth how EU and Russia shapes their respective foreign policy according to their perception of energy security. Afterwards, we are going to see the interaction of these two actors in the key region of the South Caucasus, particularly in Azerbaijan which recently became a gas supplier for the EU with the construction of the SGC and being an oil-reach country previously under the influence of Russia.

### **3. The EU Energy Securitization Strategy**

#### **3.1. From the European Coal and Steel Community to the Present**

Energy policy is without doubt one of the highest priorities within the EU, but also an extremely complex topic, being also intrinsically tied to climate change. To fully understand the evolution of the common energy policy and the importance of energy integration together with the creation of a single market, it is important to go through its history.

The first time the need for a common energy policy was recognized was after the WWII, in 1951, with the creation of the (ECSC). In the first place, according to the Treaty establishing the ECSC, or Treaty of Paris, this kind of cooperation would serve to raise the population's standard of living and guarantee the safeguard of a long-lasting peace through the control of the two commodities, that have previously caused the preconditions for warfare. The Treaty was established by the Ministers of Foreign Affairs of France, Italy, West Germany, and the three

Benelux countries. Among the Ministers, we remind of the French Robert Shuman, the Italian Carlo Sforza and the German Konrad Adenauer. Article 3 of the Treaty describes the obligations under the common energy policy, for instance, ensure an orderly supply to the common Market, ensure equal access to the sources of production, and establish the lowest prices possible (Treaty Establishing The European Coal and Steel Community, 1951).

Six years later, the 25<sup>th</sup> of March 1957 in Rome, the second European institution based on energy was created: the European Atomic Energy Community, or EURATOM. Apparently, the main goal for the creation of this union has to be seen in the context of enlargement, particularly toward Eastern European countries where nuclear energy is one of the main sources of energy. Among the main aims of the Euratom Treaty there were: the promotion of research and the dissemination of technical information; the creation of uniform safety standards to protect the public and industry workers; the facilitation of research; the assurance that civil nuclear materials were not diverted to other uses, particularly military (Euratom Treaty, 1957).

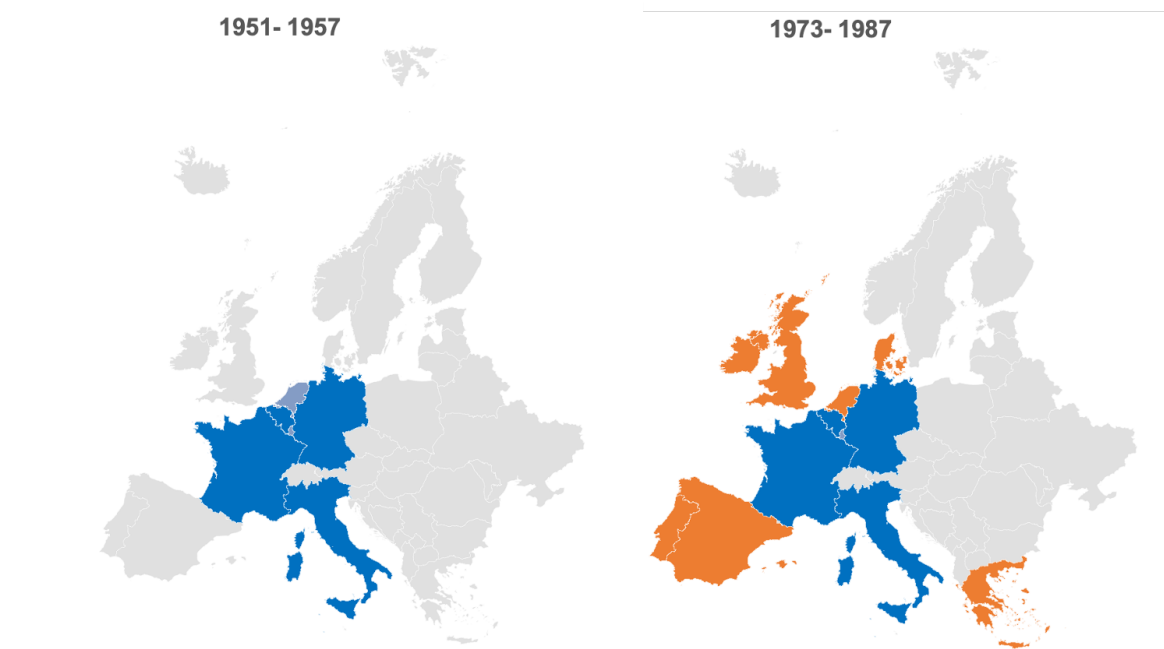


Figure 4: History of European Integration and Energy Policies. Source: own elaboration.

Data from: *The Global Energiewende Wiki*, 2018

The Treaty has then be revised in 2012, and new objectives have been added, such as the facilitation of investments through installations for the development of nuclear energy, the regular supply of ores and nuclear fuels, and the establishment of treaties for the peaceful use of nuclear energy with countries and international organizations outside the EU (Consolidated Version of the Treaty Establishing the European Atomic Energy Community, 2012).

In 2007 was finally signed by 27 countries, the treaty establishing the current European Union, the Treaty on European Union and the Treaty on the Functioning of the European Union, or more simply, the Treaty of Lisbon, entered into force the 1<sup>st</sup> of December 2009. Article 194 of this Treaty deals with energy supply securitization inside the Union. Also in Lisbon Treaty has been included a clausula which impose more solidarity of energy towards those Member countries that rely on one only external supplier, such as in the case of Poland with Russia (Consolidated Version of the Treaty on the Functioning of the European Union, 2007).

At present, the EU priorities on energy issues have changed. Apart from promoting the cooperation among Member countries, the EU has an increasing need for energy, and this implies the supply of energy by external suppliers (*figure 5*). The main issue is certainly represented by the reliability of these external suppliers. In the following paragraphs we are going to show the current need for energy supply together with the new energy security strategy that has been adopted in order to reduce the external dependency.

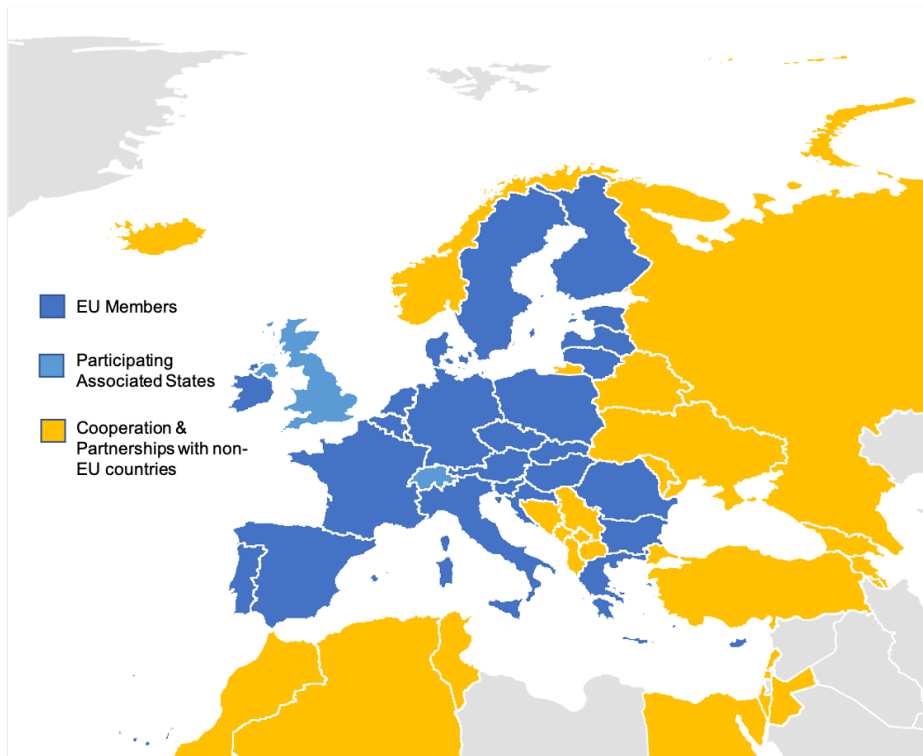


Figure 5: EU Institutional Cooperation with the Neighbours on Energy Issues.  
 Source: own elaboration. Data from: The Global Energiewende Wiki, 2018

### 3.2. The Current EU Energy Need

As mentioned in the first chapter, the European Union, being one of the world's largest economies, is consequently one of the largest consumers of energy after the United States, and Russia is its main supplier of oil and gas. Indeed, even though the EU is witnessing a continuous shift towards more renewable energy, fossil fuels still account for 72% of the EU's energy mix (*figure 6*). Moreover, the majority of fossil fuels is imported not only for the scarcity of natural resources, but also because for two decades, from 2007 to 2017, the EU experienced a steady decline in the production of this commodity (IEA, 2020). This is the reason why, the EU insists on the fact that it does not want to rely on a single supplier, especially if this one is Russia which has demonstrated an inconstant behavior through time (Russel, 2020). Indeed, energy dependency on Russia give to the latter a geopolitical, political and economic, advantage that it is used as a leverage without resorting to military means (Ratsiborynska, 2018). Consequently, the new long-term European energy securitization strategy aims

on finding new energy suppliers in the European neighborhood, being one the South Caucasus, particularly Azerbaijan, which possesses a large energy potential to be exploited.

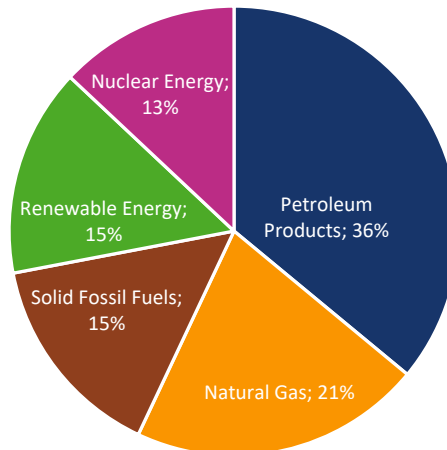


Figure 6: EU Energy Mix. Source: own elaboration. Data from Eurostat, 2018.

Besides, the EU presents a varied energy mix across its Member States. This heterogeneous energy mix in the EU is both the result of the preference of each member country – since they have the exclusive competence over the choice of energy supply –, but also the integration of energy and climate policy packages for the horizon 2020 and 2030 with the purpose of reducing carbon emissions. The climate energy targets imply the investment on new sources of energy, meaning renewables (IEA, 2020). These energy targets related with the EU ambition of becoming EU's ambition to become the first climate-neutral bloc in the world by 2050 is at the core of the European Green Deal presented by the President of the European Commission Ursula von der Leyen (European Commission, 2020). At present the EU has become a major producer of renewable energy and nuclear power and this has certainly to be seen as an opportunity for the EU to develop its own source of clean energy in the long-term and decrease the dependency on external suppliers (IEA, 2020). However, this evidence has not stopped the EU from investing on new natural gas projects and so diversifying its suppliers.

Russell (2020) justifies the EU diversification of energy suppliers with the issues related with renewables; indeed, for the author there are two main problems related with renewables. The first is that, even if the EU is investing the more and more in renewable energy, gas is likely to remain an actual need for the near future, so that we still need gas supply for the moment. Secondly, building infrastructure for solar and wind energy creation can be extremely costly, and also the output depends on weather conditions (Russel, 2020). These two points can be easily argued. In the first case, it is true that gas is going to be still needed however at the moment Russia has an interest in selling its gas to Europe and it is doing so with Germany without any problem (as we are going to see with the Nord Stream 2). Moreover, since 1970s until now, the European Union has never experienced long lasting disruptions of energy supplies; plus, the recent regulations related with the liberalization of the market (that will be elucidated later in this chapter) have already successfully diminished the monopolistic practices of Gazprom, the Russian state-owned oil company, forcing it to reduce its prices and compete with European oil companies. The second point made by Russel, can be argued by the fact that the cost of renewables is not too high, but relatively high: indeed, as a matter of fact, the EU put the SGC as a priority even before the construction of renewable energy infrastructures (contrarily to what the EU is being affirming recently), contributing to the former with an investment of €169 million<sup>3</sup>. On the other hand, taking a random example, the cost of a solar power plant has been roughly estimated to be around €800 thousand<sup>4</sup>. This means that it is not a question of money but a question of what really matters for the EU: may it be its competition with Russia? We are going to answer this later in this thesis.

### **3.2. The European Energy Security Strategy**

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<sup>3</sup> Data retrieved from the Innovation & Networks Executive Agency (INEA), 2019. "The Connecting Europe Facility: Five Years Supporting European Infrastructure," page 42. Available at: <[https://ec.europa.eu/inea/sites/inea/files/cefpub/cef\\_implementation\\_brochure\\_web\\_final.pdf](https://ec.europa.eu/inea/sites/inea/files/cefpub/cef_implementation_brochure_web_final.pdf)>

<sup>4</sup> Data retrieved from the Solgen Energy Group webpage. Available at: <<https://solgen.com.au/solar-power-plant-cost/>>

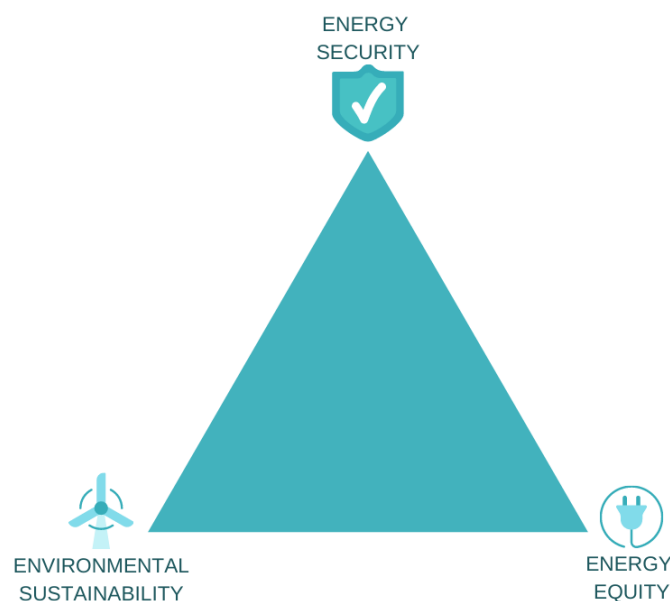
The European Energy Security Strategy is currently based on three pillars (Krickovic 2015): (1) the liberalization of energy markets; (2) keeping low prices for energy consumers; and (3) the diversification of energy supply. Those pillars are reflected in one of the latest projects of the EU for its energy securitization strategy, the Energy Union. The final purpose after describing the EU energy security strategy will be to point out the possible causes of this strategy and the consequences that this may have in its political relation with Russia, thus find out if it can potentially lead to a conflict between them.

The European Energy Union Strategy has been published on 25 February 2015 by the ex-High Representative of the European Union for Foreign Affairs and Security Policy, Federica Mogherini. The Energy Union is a project that requires a fundamental transformation of the EU energy system. To allow this to happen, the strategy has created five new dimensions where to focus: (1) the diversification of Europe's sources of energy and the insurance of energy security through solidarity and cooperation between EU countries; (2) the elimination of regulatory and technical barriers in order to allow a free flow of energy through the EU; (3) the reduction of the dependence on energy imports; (4) the decarbonization of the economy to prevent climate deterioration (which will also translate to less dependence on imports); (5) the support to research and innovation to drive energy transition and increase a healthy competitiveness in the energy market (European Commission, 2015). In order to meet these objectives, the EU has pointed out the need for more functioning markets through operative infrastructures, and the diversification of suppliers. Diversifying energy sources in the sense of geographical origin and transit routes is important for the EU in order to avoid relying on only one supplier and thus, be prepared for any adverse event (European Commission, 2007).

Below, the liberalization and the diversification of energy will be further explained. However, as already mentioned, it is important to understand the real motives behind this strategy to understand the real purpose of the EU.

### 3.2.1. The EU Energy Trilemma

In defining its energy policies, the EU has incurred in what Oliver Wyman – a leading international management consulting firm – and the World Energy Council define as the Energy Trilemma. The Trilemma is an objective evaluation of the performance of a country in its national energy system through three dimensions: energy security, energy equity and environmental sustainability. Furthermore, the Trilemma analysis is based on many factors, from the geopolitical factors to the economic factors (World Energy Council, 2019).



*Figure 7: Energy Trilemma. Source: own elaboration. Data from: World Energy Council 2019.*

This analysis identified the EU Member States' cohesion as the main cause of uncertainty in the EU, followed by the changes in the energy mix and the securitization of supply. The changing energy mix reverses its effects on the existing market structures which have to adapt their energy infrastructure to the new needs. In the case of securitization, the reliance on a single supplier, namely Russia, continues to be the cause of tensions and divisions among the Member States (World Energy Council, 2020), and, as we are going to see later, particularly in the case of Germany. Furthermore, the "Action Priorities" that need to be pursued with most urgency are the ones settled by the European Clean Energy Package and the Paris Accords regarding the decarbonization of the EU



economy for 2030, and the improvement of energy infrastructure which would enhance the overall efficiency of the European energy systems (Meeus & Nouicer, 2018).

### **3.2.2. The Liberalization of the Energy Market**

In so far, while trying to explain the EU energy security strategy, we have mentioned both the role of markets and governments. This is because since the 19<sup>th</sup> century governments have liberalized the energy market with the aim of making it more efficient (Skinner, 2006). In the EU the liberalization of the market is regulated by the gas directives of 1998 and 2003, plus the “third energy package”. For the European Union, the liberalization of the energy market does not serve solely to keep energy prices lower for the consumers, but also as a strategy to hinder the monopolistic practices of Moscow in the energy market. Indeed, the unbundling regulation of the third energy package has served the EU to unmask the illegal practices of Gazprom and to open an anti-trust case against it (Stulberg, 2015).

A liberalized market is one that involves the participation of the private sector in the energy supply, however there are some aspects that need to be controlled by the government. This is because often, the private sector is not fully transparent, and government intervention has proven to be necessary. The major difficulties faced by the liberalization of the energy market are basically the differences in the structures of energy markets, energy mixes and transport routes resulted in the differing interests of the Member States (Langsdorf, 2011), together with the lack of cohesion among them, which can result in incoherent positions on important energy matters with external nations (Russel, 2020).

According to Krickovic (2015), the liberalization of the market for the EU represents a keen strategical tool that allows the EU to take distance from the disputes that energy imports involve, including the political ones with external suppliers. For instance, as before mentioned, the EU with the third energy package, introduced the rule of “unbundling”: this rule prevents one firm own all the stages of the energy supply chain (e.g., supply and distribution). This allowed to hinder – in an indirect way – the monopolistic practices of Gazprom, the

Russian oil company, which was in control of both the supply and the pipelines which were transporting gas to Europe (Siddi, 2018). From that point forward, Gazprom entered in competition with the oil and gas private companies of the EU market, and this has forced the Russian oil company to reduce its prices. This also means that Gazprom cannot make anymore an individual use of a pipeline. This system thus, allowed a number of energy companies to share the same pipeline, reducing monopolistic practices. At the same time, the EU has encouraged Russia and other countries to apply the same rules. On the other side, Russia has not been enthusiastic of this change since its system is based on the state's state control over the energy sector. This has been worsened by the fact that the new rules also nurtured the belief that the EU liberalization strategy could lead to the control control of Russia's energy assets by European companies (Krickovic, 2015).

### **3.2.3. The Diversification of Energy Supply Sources**

The second most important point for the EU is energy independence, since it is determinant for the EU in terms of its credibility and competitiveness. The European Commission (EC) has once declared that some actors in the international system have often used energy as a political lever (European Commission, 2007). For this reason, the second strategy of the EU is the diversification of its sources of energy supply in order to develop alternatives to the Russian gas and oil. From the European point of view, its dependency on external suppliers of gas, especially Russia, makes it more vulnerable. Hence, energy diversification is posed to the top priorities of the EU's external policy. For this strategy the EU adopt a multilateral approach with all its member countries, encouraging a joint action. This multilateral framework is supported by the Energy Charter Treaty and the International Energy Agency – an intergovernmental organization based in Paris for the cooperation in the formation of energy policies (Russel, 2020).

As previously mentioned, the EU refuses to exclusively rely on some actors for its energy supply. This is because of some events from the recent past that have threatened energy supplies to the EU. The first one was the Russia-Ukraine natural gas dispute in 2009, followed by the annexation of Crimea by Russia in

2014, where the latter has received sanctions by the EU and the United States. Another reason that endangers energy security is also the depletion of energy resources in the North Sea. Such events highlight the need for a more substantive energy policy to overcome possible energy supply disruptions and to mitigate security challenges, particularly by diversifying supply options (Diyarbakirlioglu, 2019).

In this purpose, several new gas projects have been planned in different regions surrounding Europe, one of them being the Southern Gas Corridor (SGC). The establishment of the Southern Gas Corridor will not solely serve as a physical energy supply. In the concrete, it can be interpreted as an opportunity for the EU to spread its values and rules-based system to the potential energy partners. Hence the construction of the SGC and the effects that it will have on the countries involved satisfies the broader goal in what can be called the EU geopolitical agenda that encompasses the security area, which is *“the extension of the EU rules, values and governance practices onto the energy partners and by isolating energy supply from other regional security issues, which the EU prefers to avoid rather than to be engaged in”*<sup>5</sup> (Abbasov, 2014).

### **3.2.4. The Internal Gap in the European Energy Security Strategy: Germany- Russia Bilateral Relation**

The EU strategy presents of course some challenges, not only externally, but also internally. Indeed, albeit the efforts, in practice, the European integration in the field of energy policy did not develop too easily, proving to be an unsuccessful example of integration. For instance, the differences in the structures of energy markets, energy mixes and transport routes resulted in the differing interests of the Member States, are making more difficult the cooperation inside the EU- To this has to be added the exclusive competence – in the energy policymaking framework – of each Member State, to decide on its own energy mix and suppliers (Langsdorf, 2011). This allows (only in some cases) the exclusive bilateral relations of the Member States with third countries that sometimes goes

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<sup>5</sup> Abbasov, Faig Galib. (2014) “EU’s External Energy Governance: A Multidimensional Analysis of the Southern Gas Corridor.” Energy Policy 65 page 35.

in contrast with the overall strategy of the EU as a whole. One case that it is worthy to mention in this paper is the bilateral relation of Germany with Russia, and the construction of the Nord Stream 2.

*In general terms, the EU's market approach to energy security can be categorized into three components: (1) Europeanisation of the EU's domestic gas sector under the market principles; (2) Extension of the domestic norms and practices to cover the major energy corridors; and (3) Changing the mechanics of energy partnership from bilateral to multilateral framework.<sup>6</sup>*

Abbasov, 2014

As stated above, to success in its energy security strategy, the EU must stress onto eliminating bilateral energy partnerships in favor of a multilateral framework which would foster the cohesion among the Member States. However, the last report of the World Energy Council (2020) stated that EU cohesion ended to be a priority for Germany and thus it became a critical uncertainty. We can ascertain it in the Nord Stream 2 project, a project carried out by Germany with Russia and without the consent of Brussels.

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<sup>6</sup> Abbasov, Faig Galib. (2014). "EU's External Energy Governance: A Multidimensional Analysis of the Southern Gas Corridor." Energy Policy 65 page 30

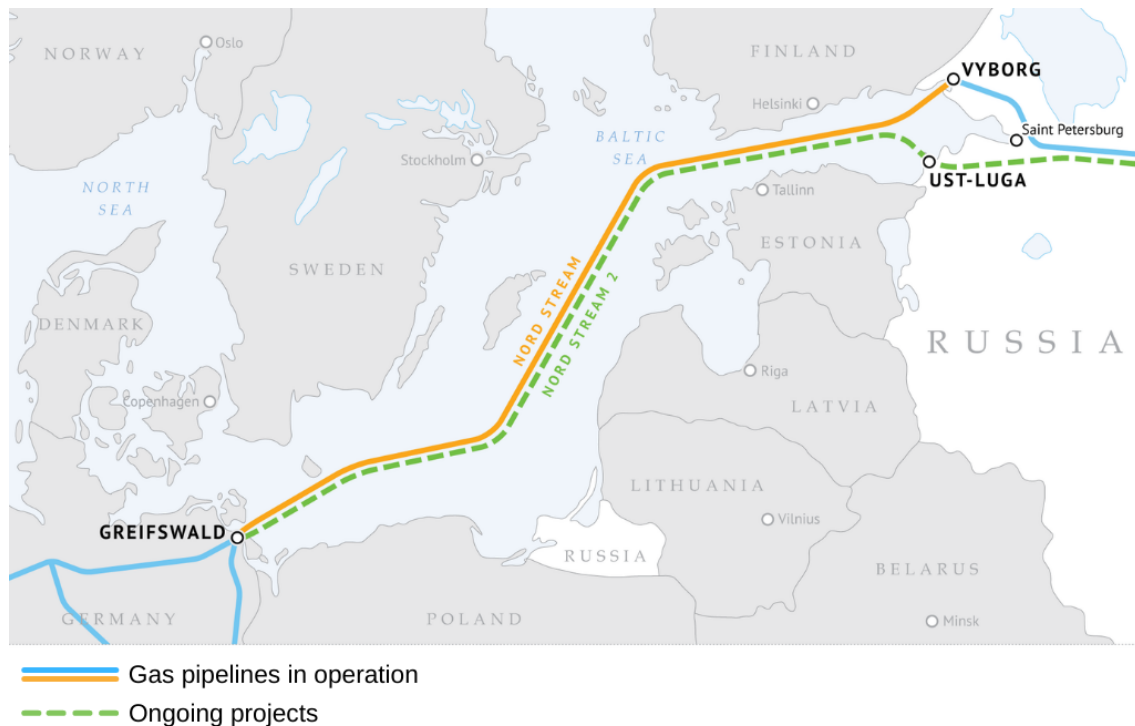


Figure 8: The Nord Stream Project. Source: PJSC Gazprom, 2017

Recent developments have heated the debate on the German behavior about undertaking the Nord Stream 2 project against the willingness of the European Commission. In response to the U.S. and the EU accusation, the German government has justified its decision as fundamental requirement to ensure the energy supply to its population (Nardelli, 2021). The Nord Stream 2 is a pipeline which connects Russia directly to Germany, favoring Moscow's objectives of bypassing rivalry transit states such as Ukraine, but also strengthening its relation with Germany (Siddi, 2016), the second main partner and energy destination of Russia after China. The bilateral relation of Germany and Russia is thereby hindering the efforts of the European Common Security and Defense Policy in favor of the Russian interests. The Nord Stream 2 is in fact capable to limit the flexibility of member states to change supply route (Ratsiborynska, 2018).

To put it another way, the EU has been powerless in enforcing its regulations throughout the Member Countries. Indeed, the EU has ever since struggled with implementation and compliance problems, meaning that the recommendations and the legislations passed by the Commission are not always enforced in the national law of all Members, or they are enforced but they record a low level of

compliance. This requires action in engaging with the culture of compliance (Nicolaidis & Oberg, 2006).

## **4. The Geopolitical Competition of Russia and EU in the South Caucasus**

### **4.1. The South Caucasus between Russia and the EU**

In 1994, the region of the Caucasus was added to the security agenda of Europe as the OSCE (Organization for Security and Co-operation in Europe) which sent peacekeeping forces to maintain the cease-fire in the conflict in Nagorno-Karabakh. This action, in some way, legitimized Europe's intervention in the post-Soviet space where Russia was exerting a certain sphere of influence. In that same year, Russia was trying to refrain Azerbaijan from signing a contract between SOCAR the State Oil Company of Azerbaijan Republic (Blank, 1995) and a consortium of eleven foreign oil companies from several nations which allowed the construction of oil and gas fields in the Azeri territorial waters of the Caspian Sea (BP, 2019). This event took place right after the collapse of the Soviet Socialist Republics (USSR), where, even though the Russian Federation remained an energy superpower, its regional influence steadily declined. The following surplus of oil in the world market, further loosened the power of energy as the traditional tool for Russia to exert its influence (Peña-Ramos, 2017).

Even if it was not ascertained at that time, the EU cannot be only described as a "civilian power" since it has been and it is still involved in military and civilian operations, and it also recognizes the fact that soft and hard power have to go hand in hand (Mogherini, 2016). In this chapter we are going to argue that the EU acts as a geopolitical power, – at least regarding the case under analysis, – even if it doesn't admit so and even if not many studies in the literature would say the same thing. We are going to see how with its strategy in the South Caucasus, the EU has directly confronted Russia in a territory which was before under influence of the latter. This may lead to the decline of the spheres of influence of Russia and thus the defeating of Russia in a geopolitical sense. At the same time there

are other implications as well to be considered and some events that are worthy to be raised in order to understand the behavioral patterns of the countries under analysis and try to predict future developments.

While the EU will certainly gain influence with the establishment of the SGC, what we have to bear in mind while going through this chapter is the fact that any movement of the EU will cause the Russian counterreaction, and secondly that any major oil and gas-related investment in the region, by evidence, is causing even more tensions than the already existing ones. Indeed, more recently, the Caspian Sea, being an area plenty of unexploited oil and gas, has attracted foreign attention and several foreign companies have invested in energy infrastructures there (U.S. EIA, 2013). The presence of unexploited resources has also caused conflicts among those who felt legitimated in having their “piece of the cake”. Consequently, any major investment in the region is causing even more tensions than the already existing ones.

Why would oil and gas- related investments would cause conflicts? To begin with, as we have seen before, the South Caucasus is a region originally pertaining to Russia, and as such it has always had and will continue to have a great importance for Russia, since it could transform in a potential competitor for the Russian energy. Moscow’s concerns regard in particular Azerbaijan as a potential bridge between Central Asia and Europe, and a key transit country for the Kazakhstan and Turkmenistan gas to Europe. Thereby, seeing the potential of the unity of the three countries composing the region, – namely Azerbaijan, Armenia and Georgia, – Russia has engaged in creating the proper environment that would foster the emergence of several conflicts between them. Instability in the region in fact, would slow down their progress as potential competitors (Strimbovschi, 2015). Consequently, the main suspect is that Russia has been behind and continues to feed the conflict in Nagorno- Karabakh, a conflict which has lasted for centuries between Armenia and Azerbaijan. Moreover, as we have already seen previously, Russia was not letting foreign investment to come into the region to build infrastructures for gas extraction. This is enough to assume that Russia wouldn’t stay in its hands while the EU tries to gain influence in the region.

On the other side, the EU affirms that it has no interest in being involved in the conflict in Nagorno-Karabakh, however we are going to argue that the establishment of a pipeline in a such instable region would foment the insurgence of conflicts. This goes directly in contrast with the values of the EU.

#### **4.1. The Construction of the Southern Gas Corridor**

As a part of its strategy, which have been described in the previous chapter, the EU allowed the construction of the Southern Gas Corridor, a route that would bring natural gas from Azerbaijan directly to Europe, bypassing the Russian pipelines. After years of waiting, the 31<sup>st</sup> of December 2020 the Southern Gas Corridor - a system which consent to export gas from the Caspian Sea directly to Europe, starting from Azerbaijan and ending to Italy -, has been inaugurated. This marks an historic milestone for energy diplomacy and energy cooperation (Morningstar et al., 2020). The SGC ranks among the world's most significant energy-related mega-projects. It is constituted by three major pipelines: the South Caucasus Pipeline (SCP), the Trans-Anatolian Pipeline (TANAP), and the Trans-Adriatic Pipeline (TAP) (Krickovic, 2015), which combined require an investment of more than 42 billion US dollars. Finally, the construction of the SGC has inevitably spurred a Russian response, since it represents the main competitor to the Russian energy exports. We are going to see more in depth later.

First of all, we must say that the construction of the SGC has initiated an intense debate not only among the parties involved but also among Non-Profit Organizations (NGOs) accusing the European Union to partner with a country that reports low scores for what concerns the respect of human rights and the environment. The main denounce put forward by the NGO CEE Bankwatch Network to the SGC project, is that it has been made possible by the financial investments of the European Bank for Reconstruction and Development (EBRD) which has lend money to the Russian oil company Lukoil which would be responsible for the extraction of gas from the Shah Deniz, a gas field in the Azeri portion of the Caspian Sea. The fact that the EBRD is financing a Russian oil company to diversify Russian energy supply may sound suspicious and ironic.



There to, the EBRD has justified its loans by claiming that this could favor a major stability in a country which government is still in transition. Nevertheless, gas and oil infrastructure are unlikely to bring stability, especially in an area of conflict such as the one of the South Caucasus. The main question are: why would Europe make such investment if according to the Energy Roadmap 2050 predicts a decline on gas need? Why would Europe import energy from an authoritarian country which has been sanctioned for negligence in the respect of human rights? Why would the EU be financing a company which has reported negative environmental records? (Bacheva-McGrath, 2015)

The most comprehensive and detailed research on the Southern Gas Corridor that can give answers to those questions is provided by Lee Morrison (2018), expert of geopolitics, geoeconomics and energy. In his research we can find out that even if Lukoil is responsible for energy extraction, it actually owns just 10% of the shares of only one (the Southern Caucasus Pipeline) of the three pipelines composing the whole Southern Gas Corridor (*figure 9*). The rest of the shares are majorly owned by the Azeri state-owned oil company, SOCAR, and the rest by oil companies from United Kingdom, Italy, Spain, Belgium, Switzerland, Turkey and Iran. In particular, Italy's involvement is the one that has proved to have the largest geopolitical impact being the European country which most receive LNG (liquefied natural gas) from the Southern Gas Corridor.



*Figure 9: Pipelines Composing the Southern Gas Corridor. Source: BP, 2018.*

Furthermore, the unexpected participation of Russia in this project, even if reduced was perhaps inevitable due to its deterrence, as we are going to see more in detail in the following subparagraph. Additionally, drawing on the analysis previously made on the EU liberalization strategy and in alignment with the unbundling rule, we can observe that even if Lukoil is responsible for energy extraction it cannot actually be participant in all the stages of the energy supply chain, and this means that it actually does not represent a big threat.

Apart from those mentioned, the SGC accounts for almost fifty nations either directly or indirectly involved in it. This makes the SGC a project with a high potential to influence global relations. These countries have been then categorized in seven different categories: (1) owner operators (e.g., oil company as SOCAR and BP); (2) financiers and capitalists; (3) producers (in this case, Azerbaijan); (4) transit states (those countries receiving revenues from the pipeline transit in their territories); (5) consumer states (mentioning the EU among the others); (6) the competitors, which are divided in supply competitors (gas-producing states such as Russia) and demand competitors (countries such as China, India and the EU with a high consumption rate); and finally (7) attendant states, the “spectators” which are either in favor or opposed to the project, for instance Armenia, the state in conflict with Azerbaijan which will suffer the consequences of an empowered Azerbaijan (Morrison, 2018).

#### **4.1.1. The Sangachal Terminal and Shah Deniz Field Expansion**

As above mentioned, the SGC has involved the participation of almost fifty countries in the region affected since the region in general is full of unexploited gas fields. The SGC is a system which comprises several elements with the potential of being improved. An instance is the Sangachal Terminal which is the primary processing station for the oil and gas extracted from the Shah Deniz field. The Sangachal was already operating before the construction of the SGC, notwithstanding, to keep pace with the amount of supply required by the project, the Sangachal Terminal together with the Shah Deniz field require a substantial

enlargement of their capacity. The problem is that the portion that is being expanded is situated in the piece of coast and the sea that is already object of the contention between Azerbaijan, Russia, Kazakhstan, and Turkmenistan (figure 10), and that leads to the assumption that the SGC will further add fuel to the existing disputes.

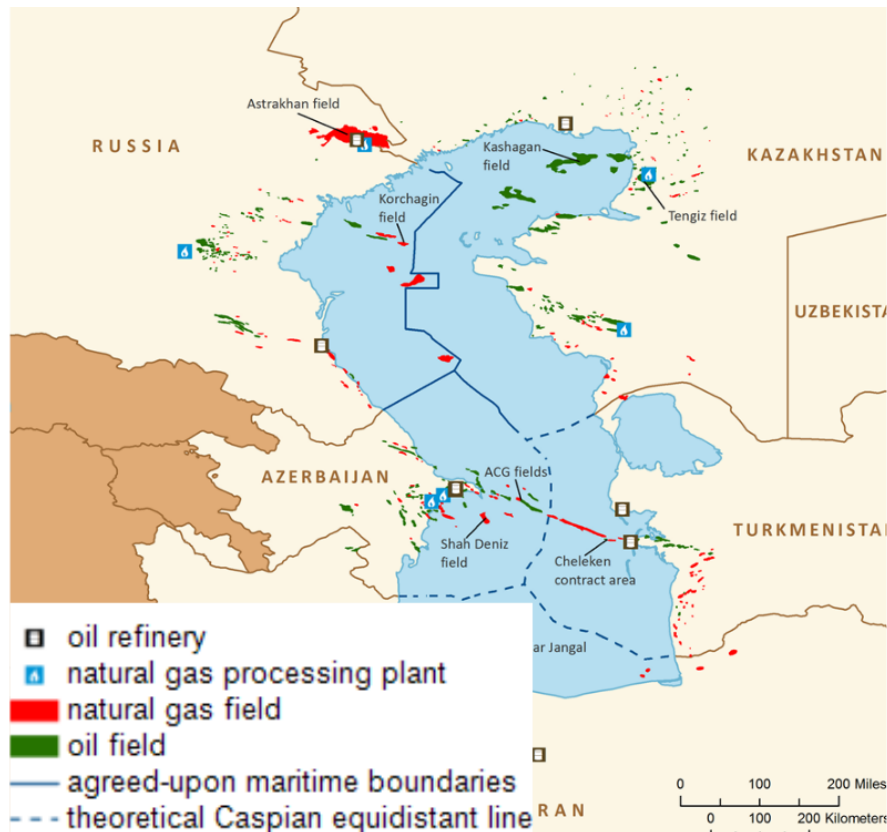


Figure 10: Caspian Border Dispute. Source: U.S. EIA, 2013

#### 4.1.2. The Russian TurkStream as a Response to the SGC

The SGC represents a new chapter (not a positive one) for the relations between Russia and the European Union by increasing the mistrust of the latter towards the former with unpredictable results for the relations between the two (Bremen & Oslo, 2011). Indeed, as a result of the inauguration of the SGC, Russia has registered lower export receipts, and has decreased the dependency on Russian energy of seven countries (The World Bank, 2021). The first and more direct response of Moscow to the SGC, has been the construction of the TurkStream

(as it can be seen in *figure 11*), a new pipeline planned in 2014 and that has been launched at the end of 2019, even one year before the SGC <sup>7</sup>.

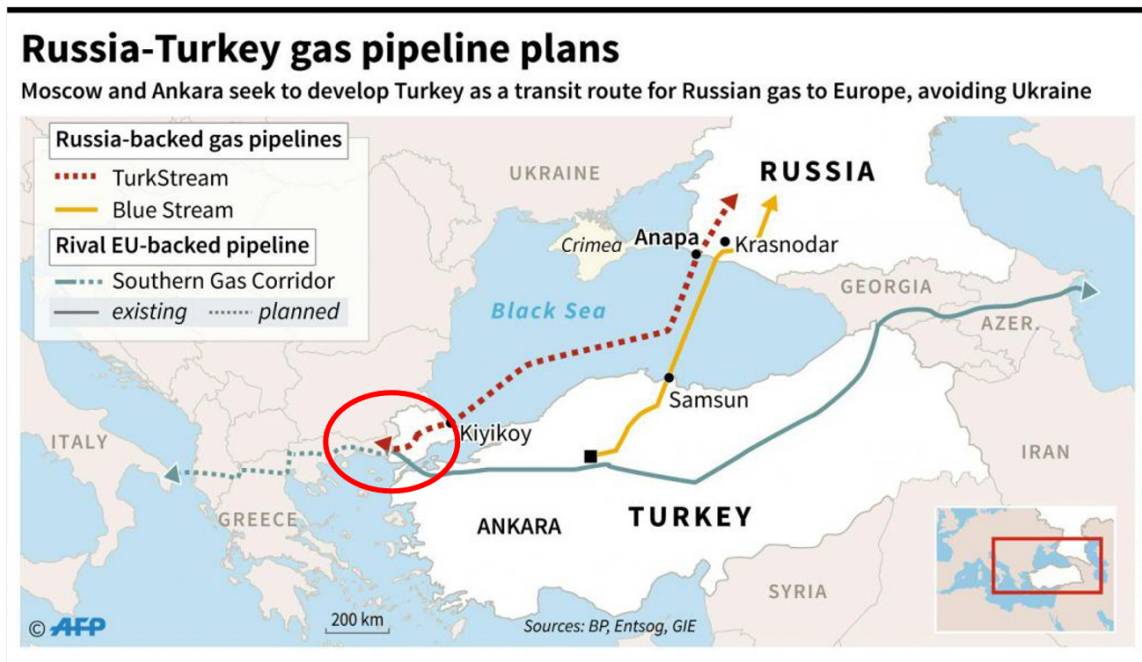


Figure 11: Russia-Turkey gas pipeline plans. Source: AFP/Kun Tian

With the TurkStream that passes across the Black Sea, Russia has been able to gain points on the geopolitical advancement of the EU implementing its sphere of influence in their shared neighborhood. With the TurkStream Russia is indeed capable of avoiding “enemy” transit states such as Ukraine, and increase the dependency of some countries of the South-Eastern Europe, Turkey, Greece, and Italy (Ratsiborynska, 2018).

Furthermore, as we have seen in the previous section Russia holds 10% of the Southern Caucasus Pipeline, and this is the result of a more indirect response from Russia. In fact, the participation, even reduced, of Russia in this project, was inevitable. Why inevitable? Among the main objective of the Russian foreign policy regarding the natural gas sector, as listed by Virag (2018), there is the one “to block potential countries of resource”, that is “to prevent natural gas extracting and/or exporter countries from direct access, i.e. access without Russian control,

<sup>7</sup> For more information consult < <https://turkstream.info/> >

to the European markets”<sup>8</sup>. This point made by Moscow has certainly a deterrent effect which has prevented the EU from totally excluding it from the project. Probably it has been the result of a diplomatic negotiation followed by the assumption that Russia will do everything in its power to prevent third countries interfere with its targeted energy market. This assumption takes its roots in the past undertakings of the Kremlin in the South Caucasus, namely its participation in the conflict of Nagorno- Karabakh as we are going to explore in the following section, after explaining the behavioral patterns of Russia’s foreign policy.

#### **4.2. Russian Patterns of Behavior**

With energy projects such as Nord Stream 2 and TurkStream, the Kremlin is aggressively pursuing its geopolitical agenda in the shared neighborhood using energy as the main instrument (Ratsiborynska, 2018).

As George Kennan<sup>9</sup> would say, the culture of Russia’s as an international actor is mainly characterized by its socialist nature which tends to go against capitalistic countries. The main aspects of this culture are the lack of transparency and frankness, mistrust and unfriendliness together with a strong discipline which allows to exploit any weaknesses of others (Kennan, 1947). Putin’s Russia today have inherited those characteristics, which mainly portrait Moscow foreign policy as Anti-Western. These and many others constitute the reasons that hinder the cooperation between Russia and the West and the consequent tensions.

In 2000, Vladimir Putin became the President of the Russian Federal Republic: Putin’s mission was to rebuild Russia and make sure it never collapses again (Cohen, 2017). Russia is portrayed nowadays as an authoritarian government that uses energy, its only weapon, as a tool to expand its influence and pursue a geopolitical agenda which would allow Russia to return to its superpower status. Goldman (2008) has defined this kind of geopolitical situation where energy represents the power of the few who owns it to exert their influence, as “Oilopoly”.

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<sup>8</sup> Virag, Attila. (2018). “The TurkStream Pipeline in Light of the Security of Demand for Russian Gas.” *European Scientific Journal*, ESJ 14, no. 29 page 9. <https://doi.org/10.19044/esj.2018.v14n29p16>.

<sup>9</sup> A renowned American diplomat during the Cold War period that analyzed the Soviet conduct.

The case of the dispute with Ukraine is a clear evidence of this theory, since in that situation Russia threatened Ukraine to cut short the energy supply in order to exert its political control. Russian influence is probably also the reason why Ukraine has refrained to be part of NATO until now (Davidzon, 2021). Indeed, Ukraine is a substantial part of the Russian international agenda. For James Sherr, it is a question of Russia defending its identity, genuinely believing Ukraine to be part of its homeland, and so extending the conflict to other areas if needed to defend its interests (LSE Ideas, 2021). With this in mind, we could say the same for the rest of the countries in the post-Soviet space, thus also for the countries in the South Caucasus. Or perhaps it is a question of security where those states – being in the proximity of Russian borders – serve as buffer states, which wouldn't allow the democratic and normative system of capitalist countries (e.g., EU and U.S.) to expand and eventually penetrate Russia.

The problem with Putin's strategy is that it is too reliant on energy, and it would work just in a world where oil and gas prices remain high, and technology changes slowly. Thereby, current global shift to cleaner fuels makes Russia's energy-export-based economy vulnerable (Clunan, 2018). According to Orttung & Overland (2011), this strong reliance on energy as a main tool to exert power is the result of a "limited toolbox". Indeed, apart from the military capability, Russia can only rely on energy as we can ascertain from its patterns of behavior mainly characterized by the cutoff of pipeline supplies, the persistent efforts to purchase energy assets in foreign countries, and the attempts to use energy to achieve its political goals. As a matter of fact, more than 50% of Russian gross domestic product and exports are made up by energy products. More in depth, in a total of 407 billion US dollars, only crude petroleum generates 123 billion US dollars (OEC, 2020). In summary, Russia's overreliance on energy as an instrument of deterrence is justified by the scarcity of tools to exert its power in global politics.

#### **4.2.1. Russia in the conflict of Nagorno Karabakh**

In the context of the of the contented neighborhood, another example that shows the effects of the aggressive Russian energy foreign policy is the Nagorno-Karabakh crisis in April 2016. A study conducted by Mary Kaldor, a British academic, currently Professor of Global Governance at the London School of

Economics, have demonstrated the “hidden motives” behind the conflict in Nagorno-Karabakh in her book “Oil Wars” (2007) where she explains the linkage between oil and wars. This linkage has changed overtime: if in the 20<sup>th</sup> century everything was about military power, today, with the so-called “New Wars”, oil is seen as a strategic commodity in determining the power of a country. According to Kaldor the real causes behind the conflict in Nagorno Karabakh have to be redirected to oil, and not only to the incompatibility of the population cultures that inhabit that territory, as most of the literature in this issue assumes. Additionally, according to the author the only way to have the power is either have oil resources or have the control over the countries - generally authoritarian states- that export this commodity (Kaldor, 2007) as Russia is trying to do. As an evidence is the fact that each escalation of conflict between Azerbaijan and Armenia put at risk the two main Azeri pipelines situated close the Nagorno-Karabakh frontlines. Being the Azeri pipelines the main competitor of Russian interests, the latter has plenty of motivation to contribute in creating a conflict environment (Ratsiborynska, 2018).



Figure 12: Azeri Pipelines in the border of Nagorno Karabakh. Source: Ratsiborynska, 2018

We therefore assume that even though the conflict in Nagorno Karabakh is century-old, Russia is contributing to heating it up through some indirect actions.

A clear example is the lack of a clear position between the two parties in conflict through the sale of weapons to both sides. Furthermore, the sale of weapons increases the dependency of the buyers. Of course, the delivery of weaponry has never been made official. This deliberate and complex balance between Armenia and Azerbaijan certainly favors Russia's geo-energy interests (Peña-Ramos, 2017).

### **4.3. Hybrid Conflicts**

The conflict in Nagorno Karabakh and the disputes in the South Caucasus regarding the expansion of the Sangachal Terminal and the Shah Deniz are a clear representation of highly internationalized conflicts. When we think to conflicts, we tend to consider only the ones that use traditional means of war. For instance, when thinking about a conflict we think about the military mobilization of a country against another. Nonetheless, military means are related with just one specific typology of conflict, the traditional one. Modern conflicts instead, encompass several dimensions (energy, cybersecurity, terrorism), and involve a multitude of actors and means. For instance, in the geoeconomics view, losing countries are not defeated by military means but by economic sanctions (Wigell & Vihma, 2016). To understand how the conflicts mentioned in this paper are related with oil and the geopolitical competition between two or more actors, as in this case Russia and the EU, it is then propaedeutic to describe and categorize modern conflicts.

The tensions caused by the construction of the SGC and the enlargement of the Shah Deniz gas field, can be defined as a "hybrid conflicts" or "new wars" since they cannot be easily identified. What are "new wars"? A good definition is provided by Frank Hoffman, defining it also as "hybrid warfare". These terms are useful to define the blurring of public and private, state or non-state, formal and informal that is characteristic of new conflicts or wars. Indeed, according to Hoffman, hybrid wars can be conducted either by states or non-state actors and they "*incorporate different modes of warfare, including conventional capabilities, irregular tactics and formations, terrorist acts including indiscriminate violence and coercion, and criminal disorder*" (Hoffman, 2007). This definition helps us imagining better the dynamics that are taking place, such as the indirect influence



of other states in the conflict, and in particular the influence of non-state actors, eventually, private oil companies.

NATO for example, referring to Russia, has described energy as an important part of its hybrid warfare toolbox. Recently this year, NATO positioned “to counter hybrid threats” among its top priorities in order to keep up with current changing security environment that have caused many ambiguities; thus developing new instruments to foster NATO awareness and response to the current challenges (Rühle & Roberts, 2021). This will serve for sure to counter Russia’s energy maneuvers against Europe. Indeed, in such dynamic environment, NATO with the EU and the other partners have to anticipate their competitor’s moves. The fact that “*energy developments can have significant political and security implications for Allies and the Alliance*” has also been stated in Warsaw Summit declaration<sup>10</sup> and NATO should pay particular attention “*to diversification of energy supply in the Euro-Atlantic region*”<sup>11</sup> (NATO, 2016) (Ratsiborynska, 2018).

## 6. Conclusions

In this thesis we have looked towards the power aspects of energy relations and the friction between the EU and Russia that this has caused. The EU has shaped its energy policy as an interplay between domestic institutional factors and international energy cooperation. On the other side Russia has implemented an aggressive geopolitical strategy using energy as a weapon to pursue its own interests in the contested neighborhood.

Russian energy supply to Europe and to the countries of the post-Soviet space have provided Moscow with a useful political lever to exert its influence in the international politics. More recently, in the eve of the construction of the SGC, a major alternative to the Russian gas supply has been created, and additionally

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<sup>10</sup> NATO. July 9, 2016. “Warsaw Summit Communiqué,” paragraph 125.

<sup>11</sup> Ibid.

new renewable sources of energy which will reduce the dependence on oil and gas are being developed. This can potentially have two effects:

1. Diminishing the European dependency on Russia and thus the political leverage of the latter towards the EU, plus diminishing the Russian control over a region that was previously under its influence by Russia, namely the South Caucasus, thus causing the sunset of Russia as main geopolitical competitor and as an energy power in the international panorama.
2. Prompt an even more aggressive Russian response, as an evidence of its previous behavioral patterns, which will result in a series of hybrid conflicts in the shared neighborhood, with disastrous consequences for the smaller states.

Cooperation on energy issues between the EU and Russia has never been possible for three main reasons:

1. The asymmetrical relation between the two where Europe was too dependent and which has thwarted the potentially conciliatory role of natural gas and oil, which according to the liberal theory should have fostered cooperation.
2. Their divergent visions of the organization of the energy market. If in one side the EU aims to liberalize the market and foster the integration of the energy market also abroad, on the other side Russia fears that liberalization could threat its state power which mainly relies on energy as the tool to exert its influence abroad. This divergency and cultural differences have fostered a climate of distrust among the two, resulting a geopolitical game where every action of the EU undergoes a counteraction by Russia, as we have seen the construction of the SGC has been retaliated with the construction of the TurkStream.
3. The behavioral patterns of Russia over time, which have been characterized by the use of energy as a political lever to attain its objectives which are part of a broader geopolitical strategy that aims to maintain the status quo of Russia as a superpower and to maintain its sphere of influence in the post-Soviet space. Plus, the inherited

characteristics of Russia as a tendential anti-Western and unfriendly country.

The following table summarize the behavioral patterns of the EU and Russia as analyzed in this thesis:

<b>EU Action</b>	<b>Russian Counteraction</b>
Construction of the SGC	TurkStream Pipeline
EU alternatives to the Russian energy	Russia bilateral relation with Germany
EU and NATO enlargement towards the South Caucasus	Russia engagement in the hybrid conflicts taking place in the region.

Notwithstanding, this counterreaction behavior by Russia can be justified by the fact that Russia has a limited toolbox – as Orttung and Overland (2011) have defined it – to exert their decisional power in the global politics. While, on the other side, there is a Europe that with the pretext of energy diversification and the project of the SGC is indirectly expanding its rule-based system towards a state previously under the Russian control. From a constructivist point of view, the extension of the EU norms in the neighborhood has – according to Prozorov (2006) – a self-legitimizing effect, which at the same time exclude those who do not share the same values or accept the integration of their rules, as it happened in the case of Russia, which has always been skeptic on the liberalization of the energy market in favor of state’s sovereignty. This is precisely what makes Russia feel the need to preserve its sovereignty and freedom of action when dealing with the EU. Therefore, the need to extend its institutional identity by the EU to other states, relies on the belief that its institutions and energy market system are the most effective, which lies its foundations on the idea of superiority.

Finally in this thesis, I argue that the real motive behind the European Energy Securitization is not simply the physical securitization of energy to cover an actual energy need. As it has previously demonstrated, the current energy need is not predicted to grow, rather with the ongoing energy transition project the EU is planning to complete the energy transition to sustainable sources of energy by 2050. Additionally, the conspicuous investment made on a natural gas project

could go in contrast to the to the EU commitment to the Paris Accord. The construction of the SGC is part of a broader EU geopolitical strategy which has been the response to the Russian political pressures through the energy means.

The EU is currently working on its hard power and has high ambitions in becoming a more important and influent actor, spreading its values and norms abroad. The construction of the SGC is certainly a mean that the EU has used to extend its norms, values and institutional identity in the contested neighborhood with Russia. However, the main obstacle of the EU in the pursuit of its objectives is the lack of cohesion among its Member States, as we have seen in the bilateral relation between Germany and Russia and the construction of the Nord Stream 2. On the other hand, the SGC has perhaps been not the wisest choice since it will foment instability in the South Caucasus as the Russian response won't probably be long in coming.

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