T.C
YEDİTEPE UNIVERSITY
GRADUATE INSTITUTE OF SOCIAL SCIENCES

FUTURE OF EU- RUSSIAN ENERGY POLITICS: COMPETITION OR COOPERATION?

by

Sıla Turaç BAYKARA

Submitted to the Graduate Institute of Social Sciences
In partial fulfillment of the requirements for the degree of
Doctorate of
Political Science and Internatioal Relations

ISTANBUL, 2014

T.C.
YEDİTEPE UNIVERSITY
GRADUATE INSTITUTE OF SOCIAL SCIENCES

FUTURE OF EU- RUSSIAN ENERGY POLITICS: COMPETITION OR COOPERATION?

by

Sıla Turaç BAYKARA

Supervisor
Prof. Dr. Mesut Hakkı CAŞIN

Submitted to the Graduate Institute of Social Sciences
In partial fulfillment of the requirements for the degree of
Doctorate of
Political Science and Internatioal Relations

ISTANBUL, 2014

T.C.
YEDİTEPE UNIVERSITY
INSTITUTE OF SOCIAL SCIENCES

The Future of European Union and Russian Energy Politics: Cooperation or Competition

by

Sıla Turaç BAYKARA

Approved by:

Prof. Dr. Mesut Hakkı CAŞIN
(Supervisor)

Prof. Dr. Cemil OKTAY

Prof. Dr. Cengiz OKMAN

Prof.Dr. Esra HATİPOĞLU

Prof.Dr. Ömer Önder ARI

Date of Approval by the Administrative Council of the Institute 09/06/2014

TABLE OF CONTENTS

Page

LIST OF ABREVIATIONS

Bbl/d Barrels per day
Bcm Billion cubic meter
BP British Petroleum
BTC Baku-Tbilisi-Ceyhan
BTE Baku-Tbilisi-Erzurum
BTS Baltic Pipeline System
CIS Common Independent States
CNPC China National Petroleum Corporation
COMECON Council for Mutual Economic Assistance
CSTO Collective Security Treaty Organization
EaP Eastern Partnership
EC European Community
ECT Energy Charter Treaty
ECTS European Coal and Steal Community
ECU Eurasian Customs Union
EEC European Economic Community
EIA Energy Information Administration
EnBW German Energie Baden-Württemberg AG
ENP European Neighborhood Policy
ESPO East Siberia – Pacific Ocean
ES-2030 Energy Strategy of Russia For The Period Up To 2030
EU European Union
EURATOM European Atomic Energy Community
FSU Former Soviet Union
GTS Gas Transmission System
IEA International Energy Agency
IGA Intergovernmental Agreement
IMF International Monetary Fund
LNG Liquefied natural gas
M/bbl Million barrels
MMcf 1,000,000 cubic feet (28,000 m3)
M/t Million Tonnes
M/toe Million Tonnes of Oil Equivalent
NATO North Atlantic Treaty Organization
NIS Newly Independent States
OPEC Organization of the Petroleum Exporting Countries
PCA Partnership and Cooperation Agreement
PSA Partnership Share Agreement
SEA Single European Act
SOCAR State Oil Company of Azerbaijan Republic
TANAP Trans- Anatolian Natural Gas Pipeline
TAP Trans- Adriatic Pipeline
Tcf Trillion cubic feet
Tcm Trillion cubic meter
TNK Tyumenskaya Neftyanaya Kompaniya

TPA Third-party access
TPAO Turkish Petroleum Corporation
UGGS Unified Gas Supply System
UN United Nations
US United States
USD United States Dollar
USSR Union of Soviet Socialist Republics
WTO World Trade Organization

LIST OF FIGURES

LIST OF TABLES

LIST OF MAPS

ACKNOWLEDGEMENT

First of all, I would like to thank Prof. Dr. Mesut Hakkı Caşın for his guidance and for his kind supports.

Second, I would like to thank my mother Sevgi, my father Sacit, my sister Gözde and my best friends Evrim, Başak, Bengi and Asena for their all supports.

I dedicate my thesis to my husband, Evrim Baykara. I do not believe that I could finish this thesis without him.

ABSTRACT

In this study it was aimed to reveal critical analysis the energy relations between the EU and Russia, by examining energy interests and dynamics supporting oil and gas relations between the EU and Russia based on the literature of two theories namely neorealism and neoliberalism in order to demonstrate that future of EU- Russia energy politics is tend to be cooperative. After providing the theoretical framework of this thesis by introducing the theories of neorealism and neoliberalism, identifying internal and external energy policies of the EU and Russia and their relations with the energy transit states, examining energy relations between the EU and Russia based on oil and gas relations, energy security concerns, legal documents aiming to strengthen their energy relations and recent developments, this study aimed to explore cooperative side in the energy relations between the EU and Russia instead of the competitive side in the future due to the high level of interdependency in energy issue between both parties.

ÖZET

Bu tezin amacı AB ve Rusya arasındaki enerji politikasının gelecekte işbirliğine dayalı olacağını neorealizm ve neoliberalizm teorilerinin temelinde, AB ve Rusya arasındaki petrol ve doğal gaz ilişkilerini destekleyen enerji çıkarlarını ve dinamiklerini inceleyerek AB ve Rusya enerji ilişkilerinin analizini yapmaktır. Bu bağlamda, bu çalışmada kullanılacak olan neorealist ve neoliberalist teoriler tanımlandıktan sonra AB ve Rusya'nın iç ve dış enerji politikaları, birbirleriyle ve enerji transit ülkeleriyle olan enerji ilişkileri petrol ve doğal gaz temelinde enerji güvenliği çekinceleri, enerji ilişkilerinin ilerletmek amacıyla imzalanan hukuki belgeler ve güncel gelişmeler analiz edilerek bu çalışmanın sonucunda AB ve Rusya arasındaki enerji ilişkilerinin taraflar arasında enerji konularındaki yüksek derecede karşılıklı bağımlılıkları sebebiyle gelecekte de çatışmacı değil işbirliği temelinde devam edeceği gösterilmeye çalışılmıştır.

1. INTRODUCTION

'We need energy, Russia needs money, we have money, Russia has energy: it's clear that our interests are coming closer together.'

Gerhard Schroeder
Former German Chancellor

In today's world, energy has huge importance in the economy of the countries. The population grows, energy reserves are decreasing and energy prices are increasing. Those challenges result in harsh struggle between energy importing countries. From the side of energy exporting countries, energy resources provide a chance in order that they could use their natural resources as economic and political leverage.

Therefore, energy issue comes to top of the agenda both for Russia and the EU. The EU aims to secure its energy supply while Russia aims to hold the EU's demand constant. The EU's dependency on external energy supplies is growing. The EU covers its energy needs mainly from the Middle East and Russia. The Middle East is problematic for the EU since it is instable region politically. In regard to Russia, the EU believes that Russia use its energy power for political and economic leverage against the EU.

Although there are certain problematic issues, energy cooperation between the EU and Russia is tend to grow in regard to oil and gas. The main reason is the energy interdependence and growing energy trade between parties. Since the energy is one of the most important elements of EU-Russian relations, both parties aim to strengthen their energy relationships under the framework of the Energy Dialogue.

Basic problem between the EU and Russia is different partnership perception of the parties. The EU aims to liberalize the Russian energy market by using its normative power while Russia gives an importance to national security.

Moreover, in order to decrease its dependency on Russia, the EU makes efforts to diversify its supply sources and routes while Russia uses its energy power towards member states by continuing its bilateral relations with them.

The EU and Russian energy relations are interdependent since Russia is the main supplier of the EU while the Union is prominent market for Russian energy. If the EU diversifies its

energy supply sources and routes, it will be huge loss for Russia in regard to energy market and its economy.

Taking the internal and external energy policies of Russia and the EU as fundamental framework, this thesis aims to reveal critical analysis the energy relations between the EU and Russia, by examining energy interests and dynamics supporting oil and gas relations between the EU and Russia based on the literature of two theories namely neorealism and neoliberalism in order to demonstrate that future of EU- Russia energy politics is tend to be cooperative. Therefore, this thesis discourses the following questions: to what extent are the internal and external energy policies of the EU and Russia compatible? What are the problematic features of the energy relations between the EU and Russia? How is the term interdependency used and understood in the energy relations between the EU and Russia? Do Russia and the EU have different perceptions in their relationship? The main problems originated from partners perception of partnership. The future perspectives of the EU-Russian energy relations: competitive or cooperative?

In order to answer research questions, this thesis is structured as follows. After a brief introduction to the energy relations between the EU and Russia, second chapter will provide the theoretical framework of this thesis by introducing the theories of neorealism (Waltz, Mearsheimer and Grieco) and neoliberalism (Keohane, Nye and Lipson) and by deriving main assumptions of neorealism with emphasis on security and balance of power and neoliberalism with emphasis on interdependency for the case study. Third chapter of this thesis aims to identify internal and external energy policies of the EU. Starting point of this chapter will be the historical evolution of the EU's energy policy and legal documents contributing the evolution of the EU's internal and external energy policies. Third chapter will also mention the diversification efforts of the EU in terms of supply of energy and supply of routes based on projects the EU has proposed. Fourth chapter of this thesis will cover the internal and external energy policies of Russia with emphasis on oil and gas sectors in Russia, Russian pipelines, energy disputes between Russia and transit states and Russian gas giant and state company Gazprom. Fifth chapter of this thesis will examine the EU- Russia energy relations based on oil and gas relations, energy security concerns, legal documents aiming to strengthen their energy relations and recent developments which could given an idea for the possible future scenarios relating to their energy relations. Sixth

chapter will try to explore cooperative side in the energy relations between the EU and Russia instead of the competitive side by using two different perspectives of neoliberalism and neorealism. Sixth chapter will take neoliberalism to prove the future cooperation tendency in the energy relations between the Russia and the EU. This thesis will conclude with an assessment to demonstrate that the future of EU- Russia energy relations is be tend to be cooperative although the EU and Russia are difficult partners and have competition to some extent.

2. THEORETICAL FRAMEWORK

Since having strengths and weaknesses, no international theory could fully explain the EU-Russia energy relations alone, generalizations could be made through the examinations of case studies. In this thesis, neorealism and neoliberalism were decided to apply on the examination of energy relations between the EU and Russia in order to form a whole framework on the research topic. In the final point, this chapter claims that neoliberalism could explain EU- Russia energy politics as interdependent and EU- Russia energy cooperation exists even though there are circumstances leading to the conflict. Therefore, this thesis defends that neoliberalism has a more explanatory than neo-realism for EU-Russia energy politics.

2.1. Neorealism

Political realism is the oldest theory of international relations. It has a deep impact on International relations discipline of the 20th century. Realist theory has emerged as a criticism to the Idealism, which emerged after the World War I and rejected the effect of the international organizations and international law on the international relations but claimed the importance of the power in the international relations. Since international organizations founded after the World War I such the League of Nations could not prevent Europe from the World War II, certain international theorists described the Idealism as utopia and Realism began to be discussed as a theory of the international relations.

The book ‘Politics among Nations’ written by Hans J. Morgenthau has a respectable contribution to the evolution of Realist discipline. According to Morgenthau, international relations are based on the pursuit of power (Morgenthau, 1967). In this regard, Morgenthau points out that power is the ultimate goal for the states.

On the one hand, Morgenthau asserts that if power is an ultimate goal for the states, there is not another goal than the power for the states. Therefore, the power for the states is independent from the power of other states since to be advantageous on the factors such as geography, population and natural resources as Morgenthau underlines, is enough in order

that states could pursue the power. In other words, the power is defined, as an ultimate goal is absolute power (Morgenthau, 1967).

On the other hand, Morgenthau points out that the power is a means for the states. If the power is accepted as a means, the power of states are not independent from other states since the state has to be more powerful than other states in order to have an influence on their behaviors. Therefore, the relative power of states looms large (Morgenthau, 1967).

According to Morgenthau, rational foreign policy means the minimization of the risk and the maximization of the benefit. From the perception of Morgenthau, factors such as ideology are not a part of the rational politics. Since realists accept the states as unitary, they claim that the policies of the states are not result of their domestic political conditions but are reactions towards the international developments.

The dilemma regarding whether the power is the ultimate goal or the means has led to a dilemma in his theorization. Therefore based on the power, Morgenthau could not place a meaningful theory and Kenneth N. Waltz has contributed to the explanation of power with a systemic theory and formulated main ideas of neorealism or structural realism, which tries to explain the behavior of the states from the perspective of structure of the international system instead of human nature (Donnelly, 2000). Therefore, Waltz theory's one of major contributions to the system theory of international relations is to strengthen the Classical realism by opting out controversial foundations of power politics in human nature and internal dynamics of state politics, namely neorealism (Buzan et al., 1998).

Both realism and neorealism point out the main actor of international politics is the state having a unitary structure. Moreover, both theories accept the states and the statespersons as rational. Finally, both theories assert that states are selfish and they are units pursuing their interests.

Neorealism has being termed by Robert W. Cox and is the systematization of Realism brought forward by Kenneth N. Waltz as Keohane mentioned. Waltz's neorealism is assumed to be more elegant form of realism in terms of theoretical basis. He asserts that

human does not pursue power as an end but as a means. In other words, Waltz brought forwards systematization to the Realism. In contrast to Morgenthau, Waltz claims that pursuit of power is a means not an ultimate goal for human. Basically, Waltz asserts that international system has a sharp structure. There are also clear-cut differences between domestic and international political systems. In other words, in contrast to Morgenthau, Waltz claims that national and international systems work with different principles and under different processes.

Moreover, according to Waltz, international system is a political structure and entity formed by the components, which are in interaction each other (Waltz in Keohane, 1986). Furthermore, Waltz defines the international system as anarchical and decentralized. In this anarchical system, the goal of the states is survival and since states could not trust in each other, self-help is the main principle for the states. Therefore, states have to rely on the arrangements they have formed (Waltz in Keohane, 1986).

In his book, *Theory of International Politics* (1979), Waltz claims that international political system with al and unit levels which are both distinct and connected should be seen as a whole. Moreover, neorealism assumes that the structure of the system influences the interacting units and the outcomes of the system (Waltz, 1990).

Waltz claims that structure identify how unit level actors are settled. Waltz does not include the unit level to this structural- level analysis (Orban, 2008). According to Waltz, in the international system, two sources could result in the change: characteristics of units and interaction between these units (Dougherty and Pfaltzgraff, 1997).

According to neorealism, effects of structure should be added to realism's unit-level explanations in order to understand the international politics. Neorealism does not accept that the will for the acquisition of power leads to war and underlines that structures affect actions and outcomes. Besides, according to neorealism, there is a causal link between interacting units and international outcomes. Based on the logic of international politics, unit-level interactions result in certain causes of international outcomes. Moreover, anticipated causes do not match very well with the observed outcomes. Since causes at the level of units interact with cause at the level of structure, explanation only at the unit level is going to be fallacious. Therefore, an approach is needed to concern on unit-level and

structural-level causes in order to overcome with the changes and the continuities in a system (Waltz, 1988).

In the international system, Waltz is not interested in the way power is used. Instead, he is interested in the results of the interaction between units. Therefore, Waltz defines the systemic changes and the outcomes not explain foreign policy decisions and manner of a specific state (Orban, 2008). Besides, Waltz only includes distribution of military capabilities and does not include economic factors to his analysis (Brooks, 1997).

According to neorealism, states are the single actors shaping the international relations (Waltz, 1979). Waltz asserts that the character of the interaction between great powers is anarchical. In contrast to realism, neorealism claims that the pursuit of power for the states does not come from the human nature but the structure of the international system since the anarchical structure of the international system will result in that all states have to struggle in a same way for the survival. However, there is also difference between states regarding their competence to realize the systemic functions. Therefore, power is a means providing competence to the states in order that they could fulfill the functions the system imposes on the states.

The concept of power of realism is also another conflictive issue for Waltz, who asserts that its definition is vague (Waltz, 1979). Although Waltz does not have detailed analysis on human nature, he clarifies that power does not represent the end in itself but the useful means (Waltz, 1990). Moreover, according to Waltz and neorealism, states mainly concern the security not the power itself (Waltz, 1979). Therefore, states do not have aggressive character in their origins and they only aim to survive. Waltz defines the ultimate goal of the states as the continuation of their survival in the system. In other words, in the state of emergency, states concern their security not their power.

Since Neorealism claims that the ultimate goal of the states is the survival in the system and guaranteeing their security, it is convenient to posit that the military power is the most important part of the national security. In other words, states need the military power for not only their defense but also their security aims while managing the system (Baldwin, 1993). Therefore, neorealism gives primary importance to the international security issues

and term them as ‘high politics’. International economic relations, per contra, have secondary importance in the system so they are called as ‘low politics’ by the neorealist.

According to neorealism, after the structure of the system is formed, this structure becomes independent and supreme power from the actors and the structure actors could not control. While states could not affect this structure, the structure could affect the behaviors of the states (Bozdağlıoğlu, 2003). As Waltz points out this structure encourages certain behaviors and punish the ones do not obey them (Waltz, 1979). In summary, states have to behave according to the requirements of the structure. This structure imposes the preferences and identities of the states from outside and their preferences and identities are stable. Similarly, the pursuit of power aim in order that states could protect their interests is imposed by the structure of the system, which has the supremacy. This deterministic approach of the neorealism is so much criticized in the international relations discipline.

For instance, constructivism, an approach Alexander Wendt leads claims that both the structure of the system and actors influence each other since they are in interaction.
Systemic change is the change of the power distribution in the system for the neorealism. If states have the capacity to change the system, systemic change is possible.

Another criticism for the neorealism is that the theory mentions the rules imposed by the system and states could not influence but obey; however, it does not give any information regarding where these rules come from or how the rules are setup. There are only rules and obeying these rules provides the states’ survival in the system.

Moreover, rules in the system are determined by the dominant power. In this regard, systemic power of the neorealism is the ability of the states to change the economic or political structure of the international system. In other words, the systemic power is indirect like the soft power. Besides, systemic power has the capacity to determine the rules of the systems and ensure to flourish the system according to rules setup. Therefore, relative power is measured with the state’s capacity to influence the system’s rules relatively to other states.

According to Mearsheimer, anarchy, the state of absence of government and absence of centralized control in the international system, constructs the framework of Waltz's neorealist theory regarding the pursuit of security in contrast to the classical realism (Mearsheimer, 2001). According to neorealism of Waltz, in international relations, only two kinds of system would be possible: hierarchical or anarchical (Chan, 2010).

Waltz asserts that the international system is a 'self-help' system since states have to provide their security by themselves in the anarchical international system. Moreover, Waltz points out that certain states in the system threaten each other's basic survival.

Therefore, states need great military and economic capabilities and relations between states are always zero-sum games. Finally, neorealism claims that since states are rational actors, they aim to maximize their own welfare and pursue aggressive and expansionist policies (Brown and Ainley, 2009). In order to realize this, states could endeavor for peaceful coexistence and prosperity, and for the protection of their sovereignty, autonomy and independence (Waltz, 1979).

In addition, Waltz admits that main principle of the international system's structure is the distribution of capabilities or power, and states could be classified based on their capabilities (Waltz, 1979). These capabilities, used by the states for their interests, could be categorized according to the military and economic power, political stability, competence, population, resources and territory size (Waltz, 1979).

However, in contrast to political realism, neorealism asserts that anarchy has very restrictive position on state behavior. Moreover, neorealism claims that if anarchy exists, states prefer to build international regimes as a result of their self-interests. Therefore, neorealism admits that international cooperation is possible; however, they claim that it is difficult to create and hard to protect. Moreover, they believe that the international cooperation is dependent on power of the state (Grieco in Baldwin, 1993).

Neorealism asserts that there are relative gains in international cooperation. Although neorealism admits that both national security and economic welfare are significant for the

states, neorealism underlines the national security. National interests and national security of the states have very close relationship with structure of the international system. Therefore, in neorealism, states are expected to have unitary manner with the belief of relative power. This manner aims to handle the distrust of states due to the fear of receiving attack by other states in the state of anarchy (Morgan, 1999).

According to neorealism, primary matters of cooperation between states such as national interests and national security are the matters of common military security as well. Lately, neorealism has begun to take security as an entirely and have claimed if one side's security degree reduces, other side's security degree reduces as well.

Since neorealism defines the power based on the conflict and military factors, they assert that the evolution of the cooperation between states in the international system is a fat chance (Miller, 2003). The criticism of these explanations of neorealist has formed the basis of Neoliberal researches, which examines the international relations and power from the economic perspective.

2.1.1. Neorealism and security

According to neorealism, in the international system, there are powerful actors. There is a competition between these actors and they try to benefit from each other but they do not believe to trust each other (Mearsheimer, 1995). Since there is no central authority in the international system, states have to pursue self- help system (Bozdağlıoğlu and Özen, 2004). In regard to the self-help system, Waltz's starting point is the structure of the international political system's definition. Waltz defines it as anarchy. In the anarchical realm, units have to estimate how they will live with another unit and how they will pursue and manage their security concerns. In this point, according to Waltz, self- help realm comes in. It means that units cannot know whether they could trust each other. Units are on them own (Waltz, 1979).

Moreover, in the anarchical international system, there is no supranational authority, which will secure their survival in the state of a possible threat (Waltz, 1979). Moreover, for a

state, to have military supremacy over others means that this state is more secure (Mearsheimer, 1995). Since states play zero-sum game in the international relations and push themselves for the maximization of their relative power, it faces with its rivals' obstacles (Glaser, 1994). In the anarchical world, states encounter for the acquisition of power.

Although there is no exact definition for the term security, several definitions were introduced by scholars studying security. According to Müller, security is the state of no threat against a state from another one (Müller, 2002). Besides, the Copenhagen school raised that there are two different groups defining the security: traditionalists and the wideners. Buzan claims that for traditionalists, security is the synonym of the military issues and the use of force (Buzan et. al., 1998). Baylis asserts that security is regarded as national security by traditionalists (Baylis, 2008).

The wideners have criticized the traditional definition of security in the last decades and they discussed to include political, economic, environmental and military perspectives in the security concept (Baylis, 2008). In regard to economic security, according to Buzan, economic security could be defined to gain the sources, finance and markets needed for having the sustainable degree of welfare and power of the state (Buzan et. al., 1998).

In tradition, Realist theories concentrate on national security in the international relations. According to Mearsheimer, the international relations are not an ongoing state of war. In contrast, he claims that international relations always include the war threat since there is a bitter security rivalry (Mearsheimer, 1995). The security concept could be divided into two as defensive and offensive. Security, in general defensive, comes from the anarchy since the anarchy coerces states to protect their own goals and national security (Waltz, 1979). However, in this thesis, the energy security is offensive since it is the only vulnerable point of the energy importer states, namely EU and its member states. They aim to gain the optimized benefit in relative to other actors they enter into relations (Bely, 2011).

2.1.2. Neorealism and concept of ‘balance of power’

According to Morgenthau, the power desire of group of weaker states has them maintained to keep or destroy the status- quo and hence, they need to raise the balance of power and to form the policies in order to sustain the balance of power (Morgenthau, 1978). Similarly, Waltz’s neorealism points out that balance of power come from the structure of the international system. Neorealism points out two questions: Why do balances of power come to the scene of international politics and which one is tend to be great power: bipolarity or multipolarity (Taliaferro, 2000).

In order to secure peace and stability in the international relations, balance of power theorists argue that power is needed to distribute equally. Otherwise, hegemony actor uses its power in order to threaten other actors. Moreover, the hegemony state or state coalitions have tendency to use their exceeding power over the weaker states and start a war against them (Paul et. al., 2004).

According to Paul, in order to gain the balance of power, weaker states should get together against the hegemony state threatening them. Moreover, weaker states generally prefer other weaker states for a coalition since stronger states could regard them less in relative to other weaker states (Paul et. al., 2004). In contrast, Neorealism assumes that the balance of power takes place automatically in the system so systemic change does not seem so possible.

What is more, in the realist realms, cooperation is limited since national security and competition dominate the international politics. Realism argues that there are two expectations shaping the cooperation between states: relative gain and fear of being swindled. According to Mearsheimer, states gain balance of power in order to have relative gains as well. Hence, according to realism, cooperation is very difficult to establish and sustain as well (Mearsheimer, 1995). However, Waltz assumes that the cooperation between states in the international system could occur only to achieve the balance of power (Little, 2007).

Similarly, neorealism does not claim that states behave according to the worst case like war. Instead, neorealism claims that system punishes the states if they disrespect permanently. This punishment could be even the disappearance of the state (Orban, 2008). According to neorealism, the main reason of lack of confidence between states is their concern on the relative gains of power. However, neorealism also believes the cooperation if the relative gains the cooperation creates are accepted by the parties (Orban, 2008).

Finally, neorealism assumes that power which is a tool to gain and conserve the national security and balance of powers which is a tool to ensure international security arrange the international relations in regard to peaceful coexistence, international order and security (Baldwin, 1993).

To sum up, according to neorealism, preferences are born from the imperatives of anarchy. Survival is the dominant objective and self-help is the fatal returning. Therefore, expansionist and defensive manner could be expected as result of defensive nature of the actors. Moreover, the manner of the actor depends on its capabilities in the system. Stronger actors within power imbalances will not allow challengers to rise to keep their favorable situations. State preferences could impermanent come closer stable structure such as hegemony, bipolarity, or multi-polarity and differ again after system structure comes apart and turns to be an unstable structure (Morgan, 1999).

2.2. Neoliberalism

According to Lamy, Neoliberalism, developed by Keohane and Nye, mostly is seen as the most persuasive theory throwing down the gauntlet to Neorealism (Lamy, 2001). Current international relations' all processes and phenomenon are taken account of the neoliberalism. Neoliberalism basically aims to give overall explanation in order that international relations could be more peaceful and cooperative (Jackson and Sørensen, 2007).

Neoliberalism's significant challenge to the realism is the pluralism, which emphasizes the existence of plurality of actors in the international system since non-state factors are important for pluralism (Lawson, 2003).

Keohane and Nye (1977) start to define neoliberalism by criticizing the inadequacy of realism-based theories in regard to the explanation of the importance of economic integration on international relations. They also underline the changing nature of the international system. Besides, they assume that internal and external policy could not be separated from each other. Keohane and Nye (1977) admit that 'Interdependence affects world politics and the behavior of states'. Moreover, they assert that 'governmental actions also influence patterns of interdependence'. They accept interdependence as mutual dependence and they define the interdependence in world politics as 'reciprocal effects among countries or among actors in different countries'. According to Keohane and Nye (1977), interdependent relationship brings cost to all parties since it limits the autonomy of all parties. The dependency is sensitive and sometimes vulnerable to outside pressures. In the ultimate point, the relationship becomes complex interdependency, which means that multiple channels connect societies, multiple issues connect the country and the role of military force is decreased (Sakwa, 2012).

Neoliberalism brings a new point of view to the security issues and asserts that states are not the main actor of the international relations. Moreover, neoliberalism claims that cross-border activities are necessary for the built of common values and identities among different states' citizens and this could provide the construction of peaceful and cooperative relations in the international relations. Since there is interdependence between states, according to neoliberalism, states are willing to create international institutions and cooperation across international borders (Jackson and Sørensen, 2007).

Moreover, neoliberals assume that solving security related matters is necessitated to create international institutions and solidify them, build up international law's norms, and follow the recognized moral norms. In other words, they believe in cooperative security.

Neoliberalism, developed by Keohane and Nye in the early 1980s also does not reject the neorealist claims totally. For instance, neoliberalism accepts that the international system is anarchical and cooperation under anarchy tends to be fragile. Moreover, neoliberalism agrees with neorealism regarding that states are rational actors and do not trust each other.

Therefore, states are not willing to follow strategies that could benefit for both in case it would benefit for another. However, in the ultimate point, neoliberals assert that international regimes could soften anarchy and construct international collaboration. Even, the strongest version of this international collaboration could be established by the hegemonic power of the regimes. Furthermore, although the hegemonic power declines, regimes could survive since states are symmetrically interdependent on each other (Keohane and Nye, 1987). This symmetrical interdependence will demonstrate that states could pursue a collaborative strategy and benefit absolute gains (Little, 2010).

Neoliberalism accepts anarchy assumption of neorealism. However, according to neoliberalism, anarchical structure of the system is not such considerable obstacle to achieve the cooperation as neorealism assumes. Neorealist assert that interdependence has increased between states especially on economic issues and states give an importance to the economic dimension of the power instead of the military one. Therefore, neoliberals claim that states strive for the cooperation more on economic issues become successful (Baldwin, 1993; Lipson in Baldwin, 1993).

One of the main interests of neoliberalism is economic matter. Neoliberals encourage free market economy and believe that the state's role in the market should be minimal since free trade returns an economic growth and a competition, which provide that resources, people and capital could be used efficiently (Burchill et al., 2005).

Similarly, Joseph S. Nye mentions that in the contemporary world, the sources of the power concentrate on the technology, education and economic growth instead of the military superiority, population, geography and raw materials (Nye in Kegley and Eugene, 1992). Therefore in contrast to neorealist claims, states do not have freedom to give decisions or behave independent from each other's in order to maximize their interests.

Neoliberals differ from the neorealist from the point of view that the power is not always zero-sum issue. In other words, if a state is powerful, other one does not necessarily have to be weak. Therefore, neoliberalism concentrates on absolute gains while neorealism emphasizes on relative gains. Neoliberalism engages to absolute gains, which mean that states focus on their own welfare independent from their competitors (Burchill et al.,

2005). Because neoliberalism claims that states could receive mutual benefits through cooperation.

Another reason why the power is not zero-sum issue is that neoliberals point out the increase on the interdependence results in the cooperation between states. There is a direct connection between the power and cooperation process. In which terms that the interdependent relationship could be an effective tool and becomes a factor of power depends on the volume of asymmetry the interdependence relationship includes. The term interdependence neoliberalism point out is the continuation of classical power concept through another tools.

One of the main differences between neoliberalism and the liberalism is that neoliberalism does not depend on the dominant state directly but an international system composed of international regimes network.

There is a debate about the definition and the content of power between neorealism and neoliberalism. In international relations, neorealism underlines the importance of security issues while neoliberals emphasize the economic relations. However, systemic power concept demonstrates that neoliberalism's definition of power is the continuation of neorealism. This continuation appears when states change the international system in conformity with maximization of their power. In other words, a state could have the capacity to change the behaviors of other states if that state could change the structure of the system. The indirect influence the state having systemic power distributes the responsibility and behavior other states have to obey becomes the requirement the system creates. Moreover, this requirement makes other states' participation to the cooperation volunteer. Finally, in accordance with the system the state having the systemic power, it establishes asymmetrical relationship with other states and benefits achieved as a result of this asymmetrical relationship contributes to the absolute power of the state.

Neorealism and neoliberalism have different perceptions regarding the nature of relations between states and international organizations. Neo-realism of Waltz concentrates on the anarchical structure of the international system and this creates security primacy in states' behaviors. Therefore, international relations are perceived as a zero-sum game by the states

and if one party would like to benefit from the system, other one has to lose. In contrast to the neorealism, neoliberalism of Robert Keohane and Joseph Nye assumes that international organizations or regimes could construct cooperation in the system and this could decrease the tension of anarchy in the system. Therefore, neorealism claims that mutual benefits are possible through cooperation.

Neoliberalism believes in the importance of cooperation in international relations. Hence, neoliberalists concentrate on interdependency not anarchy. Globalization in the world requires the dependency between states in order that they could realize their interests and objectives. Interdependency is very common concept used in international political and economic issues since it fits well for explaining cooperative and competitive issues happening between states' relationships (Proedrou, 2007).

Finally, neorealism accepts Regions and Empires approach instead of multilateral and market-based energy cooperation. It means that there is a balance of power in the world both diplomatically and militarily and political and regional blocks are in rivalry. In this world, it is hard to create integrated markets or perpetuate them. Moreover, neorealism asserts that security and military concerns, bilateral relations and regionalism prevail in the world and are obstacle to the international economic integration. Furthermore, trade is a part of geopolitics and relative gains are more important than absolute gains (Finon and Locatelli, 2008).

2.2.1. Neoliberal theory of interdependence

Limitations of the notion of anarchy have directed the neo-liberals to new term called as interdependence. Today, states are dependent each other to reach their goals. While the interactions between states are increasing, interdependence between states is rising in international arena. In the interdependent relationship, if a party does not define its interests and stakes in this relationship, it cannot achieve everlasting conclusions (Keohane and Nye, 2001).

In the 1970s, an increase on the economic interdependencies and the globalization of the world promoted neo-liberalist explanations of the developments in world politics. Among these neo-liberalist explanations, theory of interdependence is one of the most prominent

theories and was brought forward by the liberal institutionalism theorists Robert O. Keohane and Joseph S. Nye.

First of all, interdependency means a mutual dependency in international politics and represents reciprocal interactions between the actors. Reciprocal interaction is useful to increase transaction between actors such as money flow, good flow and people flow. Meanwhile, interdependency is not interconnectedness which occurs if the reciprocal interaction does not create valuable effect on both actors (Keohane and Nye, 2001).

Moreover, the concept of interdependency refuses anarchical international system and asserts that states are dependent on each other. According to Keohane and Nye, at end of the Cold War, effectiveness of traditional military power has decreased and competition on economic issues has increased in international realm. In other words, different matters necessitate different types of power. Keohane and Nye do not claim that interdependency ends the conflict but transforms it (Keohane and Nye, 2001).

Second, Keohane and Nye claim that 'multiple channels of access' shaped the modern states and hence foreign policy making by central decision makers decreased (Keohane and Nye, 1973). Neoliberal theory of interdependence confronts with the Realism regarding that military power is an influential tool of policy and military advantage is prominent in international politics. In contrast, Neoliberal theory of interdependence assumes that one issue –military security for the realists- could not always be at the top of the international agenda since an issue could dominate the agenda suddenly such as diplomacy, trade etc.

According to Keohane and Nye interdependence takes place as a result of mutual interaction between states or between actors in different states (Keohane and Nye, 1989). This mutual interaction could bring gains or losses to the actors (Binhack and Tichy, 2012).

According to Keohane and Nye, anarchy is not main principle of international relations and could be substituted with the interdependence. Although interdependence supports the existence of peace in general, Keohane and Nye underline, this does not mean that interdependence prevents the international arena from the possibility of the war.

According to Keohane and Nye, interdependence has two sides: sensitivity and vulnerability. Sensitivity demonstrates how one actor is affected from the changes of other actors. Vulnerability measures the cost an actor affords when the relationship terminated.

Neoliberal theory of interdependence claims that agenda in politics does change not only according to the shift in balance of power and security threat as realism asserts but also according to changes in the distribution of power resources in any issue. Therefore, changes in the system, the role of individuals and environmental factors define the interdependency in the state system and integration of the communities in the globalized world. Finally, in contrast to the realism, Neoliberal theory of interdependence admits that international organization have significant influence in terms of setting the agenda and built of coalitions.

2.2.1.1. Sensitivity and vulnerability

Sensitivity, which exists as a result of interactions in interdependence, includes responsiveness levels of the parties under a policy framework (Keohane and Nye, 1989). It means that sensitivity adverts to the costs that each party has to bear if the other party does not provide the benefits born from the nature of the relationship (Proedrou, 2007). Moreover, if the sensitivity is high, it could be a chance for the more dependent part to change since it realizes negative effects of being highly dependent and tries to find the ways to decrease the level of its dependence and searches for the alternatives (Proedrou, 2007).

Vulnerability in interdependence refers to each party's liability to handle the costs created by third parties and its degree is determined through the party's capacity to adjust itself to the changes by suffering the costs in a certain time period (Keohane and Nye, 1989). In other words, vulnerability demonstrates the dependent party's weakness level when the other party terminates their interdependent relationship (Proedrou, 2007). If one of the interdependent party's vulnerability is high, this party prefers to cooperate more tightly in order to prevent the interdependency from any withdrawal possibility.

2.2.1.2. Asymmetrical interdependence

The theory of interdependence underlines the interconnectivity or interdependency between two parties even though one of the parties is more powerful and the interdependence is asymmetrical. In this asymmetrical interdependency, one party bears higher costs and thus becomes more dependent (Lilliestam and Ellenbeck, 2011). In asymmetric interdependence, powerful state benefits from less powerful or weaker state's dependence (Nye, 2003).

Nevertheless, sooner or later, this interdependence turns into asymmetrical interdependence and asymmetric interdependence becomes the main source of power since stronger party tries to benefit from the dependence of the weaker (Proedrou, 2007). Thereof, as Keohane and Nye assert that asymmetrical interdependence provides that one actor could create an influence on another and stronger actor has the bargaining power through the use of dependency as power source (Keohane and Nye, 1989).
As a result of the nature of asymmetrical interdependency, more dependent actor affords much more costs and thus this interdependency always includes a possibility of tension (Casier, 2011).

Moreover, Keohane and Nye suggest that asymmetrical interdependency, which demonstrates the actor's ability to take hold what it needs from other actors. Interdependency means reciprocal dependency but this dependency does not have to be distributed as balanced. Therefore, asymmetrical interdependence could be the advantage of the less dependent actor while dealing with another actor.

Since trade in an interdependent relationship has always threat of termination, parties are aware of possibility of future conflicts. More dependent party is more sensitive to changes and makes efforts to decrease its dependence. No matter the asymmetry occurs between parties either in the beginning or then in terms of the existence of serious conflicts between them (Lilliestam and Ellenbeck, 2011).

Since gains and expenses are not distributed equally due to the nature of asymmetrical interdependence, less dependency becomes the source of power. In order to demonstrate the importance of holding the power in interdependent relationship, sensitivity and vulnerability notions can be examined (Binhack and Tichy, 2012).

Keohane and Nye aims to define the power in the state of asymmetric interdependence by using the concepts of sensitivity and vulnerability. Sensitivity defines the costs of the state, which arise if the state could not get the benefit promised from the relationship with other state such as the cutoff of the energy supplies. Vulnerability demonstrates to what extent the interdependent state is weak in case of the finish in the interdependent relationship with other state such as cutoff of gas supply to a state, which does not have any alternative energy sources (Keohane and Nye, 2001).

If the sensitivity is high, states have a tendency to decrease their dependence since they could perceive negative effects of over-dependence on another state and aim to find alternative cooperation areas or actors to reduce their dependence.

In the case of high sensitivity, this situation is vice versa for the powerful actors since they aim to increase other state's dependence on them and its sensitivity as well. This opposition could create conflict between parties regarding the policies (Keohane and Nye, 2001).

Regarding high vulnerability, powerful state tries to benefit from the weaker state for gaining interest in other areas. This also could lead to a conflict. On the other hand, if the states are dependent each other in a way mutually high vulnerable, both sides support to increase the cooperation and the degree of their interdependent relationship and aim to decrease the possibility of a unilateral withdrawal (Keohane and Nye, 2001).

Therefore, in the interdependent relationship, the component determining the power of the actors is their positions and mobility capabilities in the system. In other words, it is not possible that actors are not affected by each other in the state of interdependency. Even, the weaker actor could coerce the most powerful party of the interdependent relationship for a change in its policy. The most important thing here is whether or not the mighty state could avoid the costs when it changes its policy. Finally, sensitivity defines the freedom of action

states have in the system while vulnerability demonstrates that states having limited action capabilities have to tolerate costs imposed by the external factors.

2.2.1.3. Positive and negative interdependence

Positive interdependence means that both sides have almost the same values for exchanging and each side takes actions in the benefit of other. Thus, the good action it takes for its own benefit brings the good action in the benefit of other side (Keohane, 1986). Therefore, in the state of positive interdependence, both parties prefer this dependency between each other (Belyi 2012).

In contrast, in the negative interdependence, parties are not willing to depend on each other since such relationship is not mutually beneficial for one party due to the clash with its self- interest (Keohane, 1986; Belyi 2012).

Positive or negative interdependence could be seen in policies of both parties. If one party's policy puts an obstacle on the construction of the interdependent relationship, the partnership fails. Therefore, policies of the parties demonstrate if they are willing to establish positive interdependence or reject it.

In order to promote positive interdependence, both parties are needed to establish a helpful relationship with each other. If not, asymmetrical interdependence could occur and the party feeling under threat could finish the interdependence through the search for alternative partnerships or a charge of more needs.

2.3. Comparing Two Theories

Although challenge between neorealism and neoliberalism created an impact on the international relations studies in the last decades, the neoliberals did not purpose to explain neoliberalism as a totally clashing theory with neorealism (Powell, 1994). In the heart of the clashing between neorealism and neoliberalism, there was the cooperation possibility in an anarchical order and the contribution of the institutions to the cooperation (Powell, 1994).

First of all, neorealism matters that the absence of supranational authority creates anarchy and in the state of anarchy, states have to struggle on their own. This self-help situation creates untrustworthy between the states and they do not tend to cooperate (Proedrou, 2007). In contrast to neorealism, neoliberalism asserts that the absence of supranational authority does not cause to war. Therefore, According to Baldwin, neorealism claims that anarchy restrains the state behavior more than do neoliberals (Baldwin, 1993).

Furthermore, neorealism defends the existence of relative gains in the cooperation between states. In other words, the reason why states do not want to cooperate with another state is that states assume that another state will maximize its own benefit (Proedrou, 2007). On the contrary, neoliberalism maintains the absolute gains. For neoliberalism self- interest is gained when states having common interests maximize their absolute gains. Relative gains become more important if the issue is security rather than being economic (Baldwin, 1993). However, neoliberalism suggests that welfare would be more important for the states than security. Hence, war is not certain result but just probability and absolute gains require the cooperation. According to neo- realism, states have to give an importance to relative gains due to the anarchy. In other words, states do not want to make cooperation in order that other states will get more benefits (Waltz, 1993). However, according to neo-liberalism, in the global world, war is not immediate but a possibility since states concern about their welfare not their security. Therefore, neo-liberals believe that absolute gains could be earned through cooperation.

Moreover, neoliberalism admits that the international system is anarchical; however, it does not mean that there is war and chaos. Instead, neoliberalism assures that states have chance to maximize their benefits. Finally, neoliberals do not reject the existence of the conflict but are against the argument defining the international politics as a struggle for power (Proedrou, 2007).

Contrary to neorealism, neoliberalism does not accept the anarchy as the principle of the international system since the anarchy only exists in the absence of a supranational authority and dominates the actors of the states. Thereof, neoliberalism rejects basic assumption of the neo-realism (Keohane, 1984).

Moreover, for neoliberalism, war is not the ultimate result if there is no world government (Nye, 2003). Contrary to neoliberalism, neorealism asserts that the lack of a supranational authority, states feel insecure and threatened. Therefore, states feel that they have to provide their own security and do not let other states' having superior capabilities. Moreover, states do not trust each other under the uncertainty anarchy has created and this makes the cooperation impossible (Grieco, 1993; Keohane in Baldwin, 1993).

Contrary to neorealism, neoliberalism asserts that cooperation is possible between states if they believe that the benefits of this cooperation are high and its costs are low. In other words, cooperation is related with the costs and benefits not the anarchy. This means that the existence of anarchy does not show that conflict or cooperation will take place (Lipson, 1993).

There is a common point between neoliberalism and neorealism, which is about the form of world politics. Both theories assert that world politics is not a continuous struggle for power since cooperation and conflict could take place together. Neorealism, in this point, differs from the classical realism since neo-realism claims that anarchy means the case of disturbances in world politics while classical realism proclaims that human nature causes the anarchy in world politics which includes conflicts and war within it. Moreover, defensive realism as part of neorealism argues that technological, geographical and economic realities force states to the prohibition of the use of force and therefore, the conflict is prevented. The basic motive lies under this behavior is that main target of the states are to pursue their goals and serve their interests in the international realm and it is not important whether this happens as a result of the conflict or cooperation. In other words, sometimes wars take place and sometimes disputes are solved through peaceful ways such as diplomacy. Moreover, security does not always have to be the primary concern of the states and they could prefer the welfare if there is not an immediate war threat.

Finally, in contrast to neo-realism's anarchy, neoliberalism believes in interdependence due to the fact that complex nature of states' relationships makes conflict harder in the international arena. In other words, on one hand, neo-liberalism broadens its scope of analysis, aims to form theories in order to define cooperation but does not ignore the conflict in world politics. On the other hand, neo-realism limits itself since it recognizes

just the conflict except for post-classical realism, which accepts the existence of cooperation in certain cases.

In contrast to neoliberalism, neorealism asserts that anarchy has generally significant effect on state behavior. Moreover, even though both neoliberalism and neorealism accept that the international system is anarchical in a sense, they do not agree on its meaning and the reason. According to Keohane and Axelrod, anarchy as the absence of government is permanent in world politics so during its existence, there would be interaction between states in different ways. Moreover, Joseph M. Grieco asserts that neoliberalism and neorealism disagree on the nature and consequences of anarchy. He also claims that neoliberalism does not give an importance enough to the notion of survival which is basic motivation in state behavior and main result of anarchy (Baldwin, 1993).

Both neorealism and neoliberalism agree on that international cooperation is possible; however, according to Grieco, in contrast to neoliberalism, neorealism claims that international cooperation is "harder to achieve, more difficult to maintain, and more dependent on state power" (Baldwin, 1993).

In general, neorealism asserts relative gains while neoliberalism emphasizes the absolute gains from international cooperation. According to Stein, self-interest is defined as the maximization of the absolute gains of the actors having common interests in neoliberalism. If actors aim to maximize relative gains, it means that they do not have common interests. Lipson asserts that relative gains are given importance in security considerations than in economic issues. Grieco posits that neoliberalism overrates the absolute gains of the international cooperation and ignores the prominence of relative gains. According to Snidal, neorealism's relative gains do not obstruct the cooperation in the state of dipole relationships between states. He also adds that there is no strict difference between relative gains and absolute gains. Keohane admits that neoliberalism minimizes the prominence of relative gains in world politics in some circumstances. Although Keohane proposes to determine these circumstances, he also admits that differentiating the states behaviors following relative gains and absolute gains might not be so easy (Baldwin, 1993).

Both neoliberalism and neorealism accept that national security and economic welfare have significant place in priorities of the states. However, they have different views on their placements. Neorealism generally refers to military security matters while neoliberalism refers to political economy in general. Thereof, it is assumed that their views on the existence of the cooperation could depend on the issues each theory refers. According to Lipson, international cooperation exists on economic issues rather than in military security. For instance, according to Grieco, anarchy necessitates that states are related with relative power, security, and survival (Baldwin, 1993).

Since future intentions and interests of the states are not certain, Grieco claims that in neorealism, statesmen put an emphasis on the capabilities more than intentions. Moreover, according to Krasner, neorealism claims that the neoliberals overrate intentions, interests, and information and ignore the distribution of capabilities (Baldwin, 1993). In contrast, Keohane claims that intentions of states affect the sensitivity of states to other states' relative gains seriously. Therefore, for the states, relative gains of states' enemies are more intimidating than relative gains of states' allies. Finally, according to Stein, capabilities are important only if they influence the preferences and intentions of states (Baldwin, 1993).

Since 1945, many international regimes and institutions have emerged. Neorealism and neoliberalism have different views about the importance of those international regimes and institutions. According to Keohane, neoliberalism asserts that importance of international regimes and institutions in world politics are outspreading (Baldwin, 1993). In contrast, according to Grieco, neorealism claims that international regimes and institutions do not have such great importance on the decrease of anarchy's restrictive effect on inter-state cooperation (Baldwin, 1993).

Comparing to neoliberalism, neorealism has serious defects. First of all, the anarchy does not have to have the effects neorealism assumes. For instance, the anarchy does not have to result in distrust between states although there are several examples of those states. Therefore, there must be other variables. The EU demonstrates that states could establish a high level of cooperation and that could decrease the security issues to low levels. Second, neorealist definition of international politics is stable and not open to the change; however,

international politics changes. Besides, neorealism expects a multi-polarity and in the Western Europe less cooperation and more competition. However, there is a movement towards unipolarity in the Western Europe and development of collective actors such as NATO and cooperation. Therefore, neorealism has limited explanation for today's security situation of the West (Morgan, 1999).

Finally, Both neorealism and neoliberalism make contributions to the conflict and cooperation, which are basic components of national politics even though neorealism tends to emphasize conflict and neoliberals are tend to emphasize cooperation.

3. INTERNAL AND EXTERNAL ENERGY POLICIES OF THE EUROPEAN UNION

The energy situation of the EU is vulnerable from both political and economic point of view due to indigenous and non-indigenous factors. First, the EU has limited indigenous energy resources hence member states are dependent on imported energy. Second, stable and reliable energy supplies are interfered by sudden increases on the oil and gas, which are vital for the EU's energy security.

EU is the world's largest energy importer. Although the EU consumed 14 percent of the world's energy supply in 2009, its production is only 7 percent of the world's energy production (IEA, 2012). Besides, between 1995- 2010, the EU's energy import dependency increased by 10 percent in oil imports and 20 percent in gas imports (Eurostat, 2012). In other words, the EU could not meet its energy demands and energy producer members of the EU could cover only small portion of the EU's energy need.

Table 3.1

Import Dependency	**1995**	**2000**	**2005**	**2010**
Total	43.2 %	46.7 %	52.5 %	52.7 %
Oil	74.3 %	75.7 %	82.3 %	84.3 %
Gas	43.5 %	48.9 %	57.7 %	62.4 %

EU energy import dependency
Source: Eurostat, 2012

As a result of economic development and newcomers to the EU such as the membership of Croatia, energy demand of the EU is increasing hence the EU's energy imports from suppliers are also increasing.

The EU needs energy to endure its strong economy, to preserve its wealth and to provide high living standards to its citizens. Hence, the increase in energy scarcity within the EU and the world is huge threat for the Union. Now, more than 50 per cent of the EU's energy need is covered through energy imports and almost 64 per cent of natural gas and 84 per

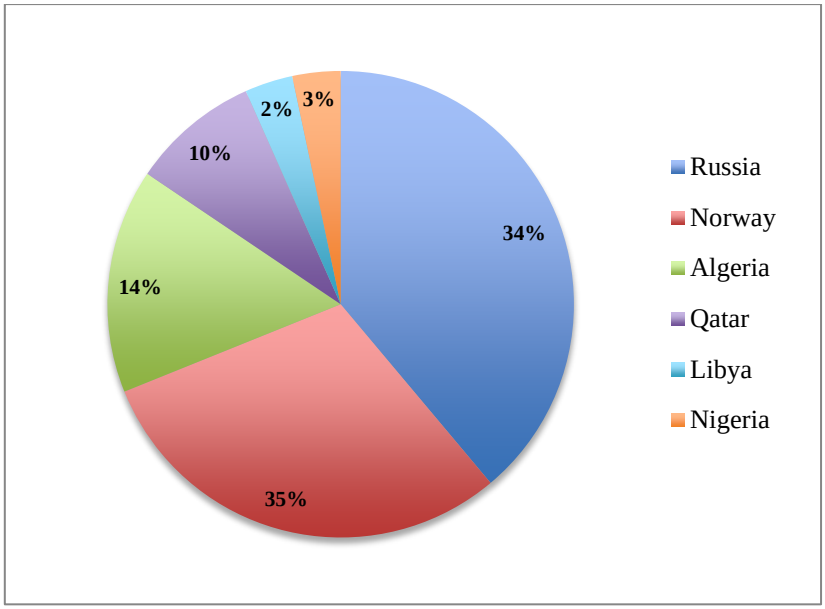
cent of oil the EU members use come from external suppliers (Europen Commission, 2011). In 2011, the EU's primary energy consumption was composed of Natural gas as 24 per cent, oil as 37 per cent, coal as 18 per cent and nuclear as 12 per cent. In regard to natural gas, this percent is expected to reach to almost 30 in 2030 (Eurogas, 2010). Even, the European Commission forecasts that more than 80 per cent of the EU's natural gas demand will be imported in 2030 (Ratner et. al., 2013).

Moreover, the amount of natural gas and oil imports are expected to increase in the next years since the EU's domestic resources are going to decrease while domestic demand in gas and oil is increasing. The one of the particular reasons why EU's natural gas demand is increasing is to reduce carbon dioxide and greenhouse gas emissions. The EU is mainly dependent on Russia for oil and gas imports. Hence, the EU has vulnerable position against Russia in terms of energy.

In the EU, there are debates on the shale gas. Opponents claim that shale gas damages the environment seriously since hydraulic fracturing process needs the chemical usage, which is a risk of water contamination. Supporters, in contrast, assert that shale gas is a chance to enhance the EU's energy security although costs of initial production are much higher than the costs for the exploration of conventional natural-gas fields (Ćwiek-Karpowicz, 2012). Since some EU members discuss the close of nuclear power plants in 2020 and the ban of the shale gas, there could be a rapid increase on natural gas imports. Therefore, Russia will continue to be the key supplier of natural gas to the EU.

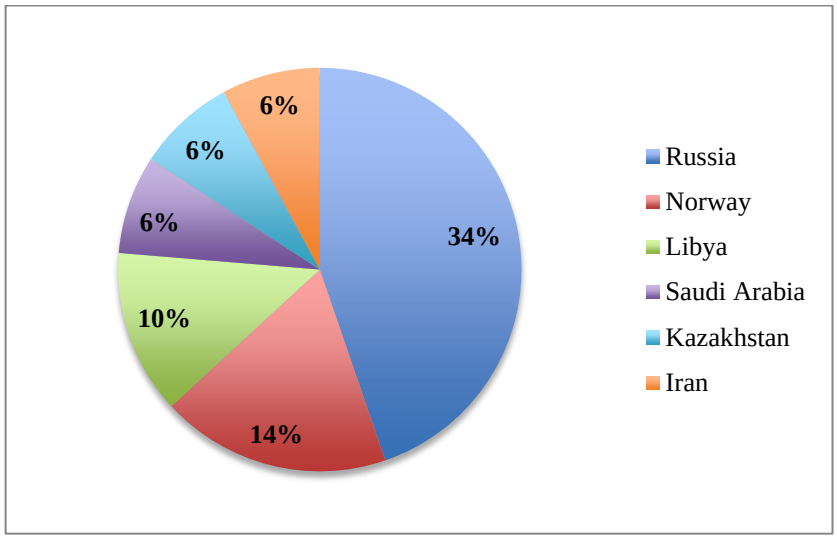
In 2012, with 35 percent, Norway has been the lead natural gas supplier of the EU. Russia has followed Norway with 34 per cent. Algeria has been the third supplier to the EU with 14 per cent (BP, 2013).

Figure 3.1



EU imports of natural gas in 2012
Source: BP, 2013

Figure 3.2



EU imports of crude oil in 2010
Source: Eurostat, 2012

Before continuing the EU's internal and external energy policies, it in necessary to mention the historical evolution of the EU's energy policy in order to understand the actions regarding energy the EU has taken until now.

3.1. Historical Evolution of the Energy Policy of the EU

The EU came into existence on November 1st, 1993 with the Maastricht Treaty and was eventually abandoned on 1 December 2009 upon the entry into force of the Treaty of Lisbon, legally comprised three pillars. The European Community (EC), which was in place since 1957, belongs to first pillar of the EU now (Dinan, 1999). In this thesis, the name EU will be used as the only name for the Community.

The Treaty on the European Community on Steel and Coal (ECSC) of 1952 is the first treaty in formation of energy policy of the EU. Along with this treaty, European Atomic Energy Community Treaty (EURATOM) in 1957 and the Rome Treaty on the European Economic Community (EEC) in 1957 are regarded as the founding treaties of the European Community signed by founding members of the Union: France, Germany, Netherlands, Belgium, Luxembourg and Italy.

The European Coal and Steel Community (ECSC) and European Atomic Energy Community (EURATOM) treaties were the first ones in the way to establish a European common energy policy. They were signed to give the control of national coal and steel industries to a supranational institution and coordinate the nuclear energy. However, upcoming events demonstrated that the energy policy of the EU did not become a good example of the integration since member states were not willing to create a common energy policy due their national concerns. Moreover, treaties following the ECSC and the EURATOM which are the Maastricht, Amsterdam and Lisbon Treaties did not go beyond a weak form of energy cooperation. For instance, Maastricht and Amsterdam treaties did not have a separated chapter for energy and Lisbon Treaty only introduced ‘energy solidarity clause’. Besides the creation of a single market for energy was not planned in any of the Treaties and in the Single European Act, which established the EU's single market. In other words, the evolution of the energy policy never became a real part of the integration of Europe since decisions relating to energy issues were always left to member states themselves due to their willingness to give their control on energy policy to a supranational structure. Instead, the energy policy of the EU has evolved as a response to the supply of energy crises. Therefore, while mentioning the evolution of the energy policy

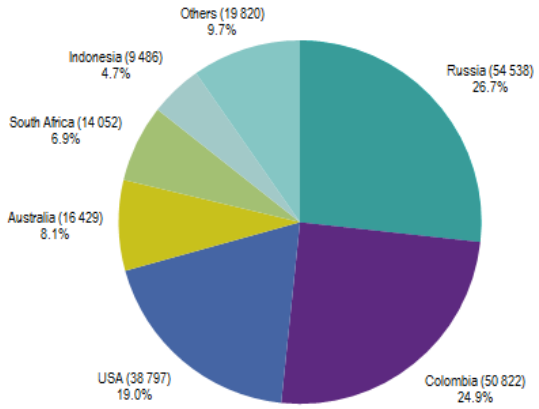
for the EU, in one hand, not only legal documents the EU executes but also major social and economic events especially crises occurring within Europe and especially in the countries supplying the energy are necessary to be taken into account. On the other hand, internal energy policies of the EU should be examined in order to see the place of the EU in the world as a major energy consumer.

3.1.1. European Coal and Steel Community (ECSC)

Today, within the energy resources the EU has used, coal has a special place in terms of providing the energy security and low cost energy. Main problem in the use of coal as primary energy supply is that coal is the biggest obstacle in reducing greenhouse gas emissions. Although the EU has taken important steps to reduce the greenhouse emissions by working on the use of renewable energy, energy security issue could change the direction towards the coal use to some extent.

Germany and Poland are major coal producers in the EU. Therefore, the Polish government aims to expand coal consumption in the Union. Poland produces 158 million tons of coal in a year and its electricity generation from the coal constitutes almost 75 percent of Poland's electricity. That is why Poland is not dependent on Russia as much as other Eastern European countries are. However, Russia is the biggest coal supplier of the EU.

Figure 3.3



Hard coal imports into the EU-27 by country of origin, 2012
Source:
http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Hard_coal_imports_into_the_EU-27_by_country_of_origin,_2012_(in_kt).png&filetimestamp=20130604084756

The treaty on ECSC (Paris Treaty) was signed on 18 April 1951, entered into force on 23 July 1952 and expired on 23 July 2002, fifty years after it entered into force. The aim of the treaty was to give the control of national coal and steel industries of member countries to a supranational institution. In this regard, the ECSC could be accepted as a success although six founding members gave small part of their national sovereignty to a supranational authority, namely High Authority. The father of this plan is the French economist: Jean Monnet. The first reason why the transfer of the control of the coal and steel to a supranational structure was such important that coal and steel were vital for armament industries of states and there was intense coal production coal and large amount of iron in Saar and Ruhr regions which were border regions of France and Germany and where these countries' interests clashed in controlling coal and iron materials. Therefore unequal distribution of these materials could have led to another war, first between Germany and France and then in whole world (Egenhofer et al., 2011). Second reason was removing the trade obstacles due to the fact that there were differences between national tariffs of countries. Thence, the ECSC provided that the member states could restore themselves economically in a peaceful climate not in rivalry. As a result, the iron and steel production increased by 75 per cent in the member states of the ECSC from 1952 to 1960

and the increase in the production in the industry was 58 per cent (Egenhofer et al., 2011). Therefore, although main aim of the ECSC treaty was to keep Germany small, economic benefit of the treaty became more prominent and steel production of the members of the ECSC treaty increased especially smaller economies such as Belgium and Italy. Germany meanwhile became the driving force of the development of the Western economy.

Although there are no clear signs, Marshall Plan of 1948 and the Berlin Blockade of 1948-1949, which is also the most obvious example of the Cold War, contributed to the creation of ECSC and EURATOM. On one hand, the Berlin Blockade demonstrated that the coal is so important for the West and the Soviet Union's communism is also threat for the West. On the other hand, Marshall Plan aimed to reconstruction of Europe after the World War II in order to prevent Europe from the Communism and secure coal production since coal was also so important for the US.

Moreover, politically, the ECTS treaty enhanced political cooperation between founding members. The treaty expired in 2002 and was not extended (Egenhofer et al., 2011). Therefore, the EURATOM Treaty has been the only treaty carrying energy legacy. Yet, it is covering just the nuclear energy.

The reason why ECTS treaty is the first legal document in formation of energy policy of the EU is that the treaty secured the supply of the coal and steel to the member states especially for the ones not having reserves of these materials and prevented coal and steel rich regions from the monopoly of Germany and France. Moreover, this structure created a free and open market for coal and steel between the six founding members. Therefore, the ECTS treaty was created as a result of the need for dependency.

Article 3 of the ECSC treaty underlines that the EC should supply raw materials to the market regularly. This is the first time energy security concept was mentioned in legal documents of the EU. Moreover, the Article required that energy prices should be affordable to reach for the members on equality basis. Finally, the Article took an attention to the rational usage of natural sources (Andoura et al., 2010).

One of the objectives of High Authority of the ECSC was keep the balance between supply and demand. Besides, Article 58 of the ECSC Treaty gave right to decide on the production quotas and over-productions. Moreover, High Authority could determine minimum or maximum prices. It also has to guarantee the competition rules (Andoura et al., 2010).

Nevertheless, the treaty establishing ECSC did not include a specific article for energy policy and economical issues although the ECSC was established for coal and steel, which are two precious energy resources but basically addressed the political and military issues.

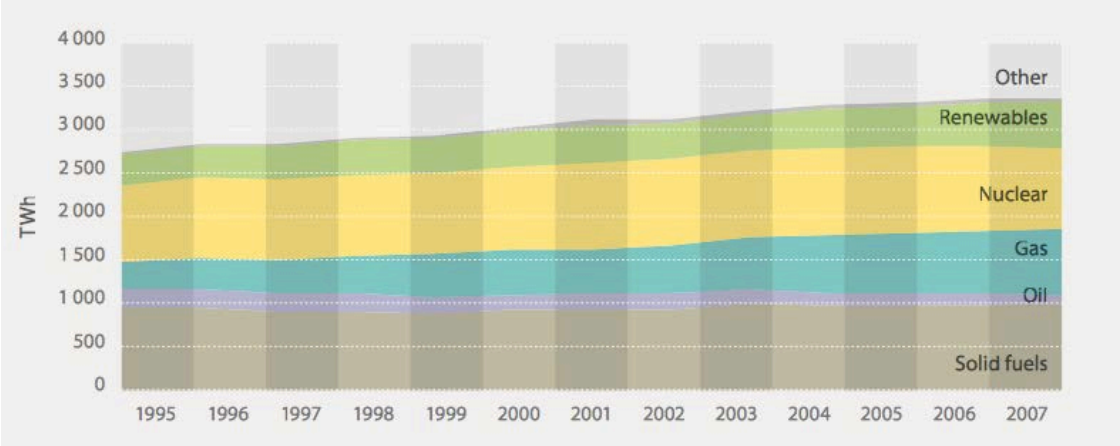
3.1.2. Treaties of Rome

Second step in formation of energy policy of the EU is the Rome Treaties, officially the Treaties establishing the European Atomic Energy Community (EURATOM) and the European Economic Community (EEC). The Rome Treaties was signed on 25 March 1957 and entered into force on 1 January 1958.

3.1.2.1. European Atomic Energy Community (EURATOM)

Within the EU, the decision of the choice of the energy mix belongs to the member states within the EU. Today, within the EU-27, 14 EU Member States use nuclear energy for power generation. This means that nuclear energy generates nearly one third of all electricity in the EU (ENSREG, 2012).

Figure 3.4



EU-27, Electricity Generation (in TWh) (1995-2007)
Source: Eurostat, http://www.energy.eu/publications/KOAE09001_002.pdf

The biggest problem in regard to the use of nuclear energy in the EU is safety concerns. After the Chernobyl and Fukushima disasters took place, the society concerned the threat of having nuclear power plant and the governments concerned the negative impact of such a disaster on national economies of the member states. That is why three former Eastern Bloc countries, namely Bulgaria, Slovakia and Lithuania could join to the EU after accepting to close eight nuclear power reactors produced by older Soviet technology.

However, nuclear power is a reliable energy source while the world's energy demand is growing fast and traditional raw materials are decreasing. Moreover, although building the nuclear power plant is expensive, generating energy from nuclear power brings lower costs in CO2 emission and decreases the dependency of the country on unreliable or unstable suppliers.

Today, Central and Eastern European countries have begun to prefer nuclear power to meet their future energy needs. Hungary is one of the leading countries planning a nuclear future. Moreover, Lithuania and Poland plan to construct new plants although the society is against the nuclear power. Furthermore, the Czech Republic, Slovakia, Romania and Bulgaria are planning for new reactors (DW, 2013).

In regard to the Western Europe, countries have different approaches towards nuclear power. Member states such as Germany and Spain declared to finish the nuclear power

gradually while member states such as the UK and Italy aim to construct new nuclear power plants.

In addition to being reliable energy supplier, today, nuclear power stations in the EU produce amost 1/3 of the electricity and 15 per cent of the energy consumed by the Union. Besides, nuclear power is a way to decrease carbon levels and fight the climate change. In 2011, France wass in leading position in generating energy from the nucler power with 77.7 per cent. Belgium and Slovakia followed France with 54 per cent and then Ukraine with 47.2 per cent (Euronuclear, 2014).

According to the 2014 numbers, 'there is 185 nuclear power plant units with an installed electric net capacity of 162 GWe in operation in Europe (five thereof in the Asian part of the Russian Federation) and 17 units with an electric net capacity 15 GWe are under construction in five countries' (Euronuclear, 2014).

Figure 3.5

Country	in operation		under construction	
	number	net capacity MWe	number	net capacity MWe
Belarus	-	-	1	1,109
Belgium	7	5,927	-	-
Bulgaria	2	1,906	-	-
Czech Repuplic	6	3,804	-	-
Finland	4	2,752	1	1,600
France	58	63,130	1	1,630
Germany	9	12,068	-	-
Hungary	4	1,889	-	-
Netherlands	1	482	-	-
Romania	2	1,300	-	-
Russia	33	23,643	10	8,382
Slovakia	4	1,815	2	880
Slovenia	1	688	-	-
Spain	7	7,121	-	-
Sweden	10	9,474	-	-
Switzerland	5	3,308	-	-
Ukraine	15	13,107	2	1,900
United Kingdom	16	9,231	-	-
total	**184**	**162,100**	**17**	**15,501**

Nuclear power plants in Europe, in operation and under construction, 2014
Source: http://www.euronuclear.org/info/encyclopedia/n/nuclear-power-plant-europe.htm

During the 1950's, the six founding countries were struggling with the shortage of conventional energy. In order to invest in nuclear energy and achieve for energy

independence, they had to form cooperation. The EURATOM Treaty aimed to bring the use of nuclear energy in a peaceful way under the EC. Moreover, Suez crisis of late 1956 demonstrated that the EU should reduce its growing energy import dependence on the Middle East since the Suez Canal was a strategic road for the transport of oil to Europe and losing Suez was meaning that Europe would have lost its oil imports. Therefore, the EURATOM would secure EU's energy supply by promoting Europe's nuclear industries.

Moreover, the EURATOM was targeting to secure the supplies of the EU and this would increase the people's prosperity and peace promotion. EURATOM is a still valid agreement and helped to the development of nuclear industry in the EU and Member States benefited from nuclear energy especially in the electricity field. Therefore, the EURATOM treaty contributed to the promotion of the security of energy supply. Although there are member states which are against the nuclear energy usage, the EURATOM treaty does not force the member states to use the nuclear energy but aims to ensure high level of standards and security of the public.

Signatories of the Treaty describe the specific tasks of the EURATOM as promoting research and ensuring the dissemination of technical information, establishing uniform safety standards to protect the health of workers and of the general public and ensure that they are applied, facilitating investment and ensuring the establishment of the basic installations necessary for the development of nuclear energy in the EU, ensuring that all users in the EU receive a regular and equitable supply of ores and nuclear fuel, making certain civil nuclear materials are not diverted to other (particularly military) purposes, exercising the right of ownership concerned upon it with respect special fissile materials, fostering progress in the peaceful uses of nuclear energy by working with other countries and international organizations and establishing joint undertakings (Egenhofer et al., 2011).

When the military and political hegemony of the US and the USSR is taken into account for those years, EURATOM was also established for the Europe's counter-balance in the international arena (Egenhofer et al., 2011).

The EURATOM has been effective for ensuring fair supply of uranium and nuclear fuels through monitoring of supply contracts by the EURATOM Supply Agency. Therefore, it has ensured the security of supply and helped to create a European market for nuclear energy.

Moreover, the EURATOM helped to sign nuclear cooperation agreements with the US, Japan, Australia and Canada and these cooperation agreements has promoted the shared security in the world.

Through the EURATOM Treaty, the EU aims to ensure safe and sustainable use of nuclear energy by developing and implementing a common EU legal framework that meets the highest standards of safety, security and non-proliferation. It also helps countries outside the bloc to meet these standards (SEA, 1987).

In contrast to the EC treaty, the EURATOM Treaty did not include big structural changes and had a separate legal personality from the Union and was established with its own independent institutions, but Institutional structures of EURATOM, the ECSC and the EC was brought together with Merger Treaty in 1967. In 2004, EURATOM Treaty was not included as part of the Treaty establishing a Constitution for Europe, not ratified international treaty seeking to merge all previous treaties since it was thought that people could resist to a treaty including nuclear power. Therefore, EURATOM Treaty is still in force today as a separate legal treaty.

The reason why it is claimed that EURATOM has ensured energy security is that EURATOM has had an important role to differentiate the energy sources and provided the continuation of energy supplies not only based on coal and oil but also based on a nuclear energy.

Finally, since EU establishes a direct relation between energy policy and the energy security, the ECSC and EURATOM treaties are the first steps to the EU's common energy (Eikeland 2004).

3.1.2.2. European Economic Community (EEC)

The treaties of Rome also established the European Economic Community (EEC). European Economic Community (EEC) was formed by minister of foreign affairs of the ECSC member states in the Messina Conference of 1955. The aim was to create a common market.

The EEC did not have a separate energy chapter although the draft document of the EEC, the Spaak report (Brussels Report on the General Common Market), which was drafted by the Spaak Committee, headed by Paul-Henri Spaak in 1956, underlined that energy issue needed an urgent attention (Andoura et al., 2010). The reason why member states did not accept the energy chapter in the EEC Treaty is that they were not willing to lose their autonomy over energy policy. Although there was not a separate energy chapter in the Treaty, the Commission succeeded to put a few EU competencies such as the single market provision (technical and tax harmonization and public procurement) and competition policy to the document for a certain energy policy.

When the EU faced with a real or perceived supply crisis, a few attempts were taken to construct a common energy policy. For instance, during the 1970s crisis in the world (namely the 1973 oil crisis and the 1979 energy crisis), the EU put the promotion of research on coal and exploration activities in the North Sea through Community funds into its agenda. Moreover, as a result of 1980s oil glut, in the middle of 1980s, the EU defined its common energy objectives in order to increase its energy efficiency and to decrease its import dependency. However, when the prices fell down in 1986, these objectives were ignored.

3.1.3. Single European Act (SEA)

Main steps on the formation of common energy policy within the EU were taken through the Single European Act (SEA), which was on 17 February 1986 in Luxembourg and on 28 February 1986 in The Hague (SEA, 1987). The SEA treaty entered into force on 1 July 1987. Certain provisions of the SEA treaty affected the energy sector directly. Following

the Delors Commission, which arranged a program for the formation of an internal market at the end of 1992, White Paper on 'Completing the Internal Market', was launched and energy sector was included in the legal frame of the EU's internal market (Pointvogl, 2009). Besides, the SEA treaty brought an extension on the qualified majority system of voting in the Council, hence the possibility to deal on energy issues increased (Andoura et al., 2010).

3.1.4. The Maastricht Treaty

In 1993, the European Union was established based on the Treaty on the European Union, which was signed in 1992 and entered into force on 1 November 1993 (The Maastricht Treaty, 1993).

The Maastricht Treaty did not have any chapter on energy policy. The treaty only mentioned the energy and underlined that energy is at the same level with civil protection and tourism. General provisions of the treaty did not refer to the policy development on the issues the energy was placed (Andoura et al, 2010).

There were several reasons why the treaty of Maastricht did not include any chapter on energy. First, member states were not willing to lose their autonomy in the energy field. Especially, the UK, the Netherlands and Germany had resistance to a common policy since they have own reserves (Geden et al., 2006).

Second reason was that national energy systems of member states differ from each other. For example, the UK rests upon market, but France rests more upon the government intervention (Geden et al., 2006).

Third reason is that member states have different interest and choices regarding primary energy fuels supplies since traditionally, Southern member states have tendency to the Mediterranean supplies, but Central and Northern European countries have tendency to the Eastern cooperation (Geden et al., 2006).

Forth reason was that there are significant differences between member states regarding the environmental legislation. On one hand, Northern members having higher standards on environmental legislation such as Denmark, Germany and the Netherlands were afraid of decreasing their standards when they accept a common energy policy. On the other hand, member states having low standards in terms of environmental legislation were afraid of being uncompetitive in their industries.

Finally, fifth reason was that since Jaques Delors, president of the Commission understood that a common policy on energy would have weaken the French structure of gas and electricity industries so he did not give much interest to the energy policy (Egenhofer, 2000).

3.1.5. The Amsterdam Treaty

The Amsterdam Treaty (officially named as the Treaty of Amsterdam amending the Treaty of the European Union) was signed on 2 October 1997, and entered into force on 1 May 1999. The Amsterdam Treaty brought significant changes to the Maastricht Treaty; however, it did not bring any developments for the energy policy because of the same reasons with the Maastricht Treaty.

Ratification debates of the Maastricht Treaty in member states demonstrated the mistrust of governments and citizens to new competencies of the Community. Maastricht had been the last Intergovernmental Conference touching on many points. Regarding the energy case, since member states were not willing to discuss any issue if it had not been part of the Maastricht Treaty and this holds true for energy, there was no demand to add an Energy Chapter to the Amsterdam Treaty. On the one hand, the Maastricht Treaty brought a relative weakening to the European Commission, which was the most enthusiastic supporter of an Energy Chapter. On the other hand, the European Parliament (EP), which is gaining power could atone this. However, it then became obvious that the EP would not stand out against the unwillingness of the member states for adding an Energy Chapter since the European Parliament was mainly interested in broadening the issues having co-decision power. Moreover, first documents of the Intergovernmental Conference

demonstrated that there was not Energy Chapter but a part proposing to enhance co-operation mechanisms (Treaty of Amsterdam, 1997).

Among the EU members, Finland and France were supporting an energy chapter initially. Finland requested an energy chapter to fasten the implementation of gas and electricity liberalization. Therefore, harmonization of energy legislation and deregulation would have been realized based on reciprocity. The reason why France supported an energy chapter is that France wanted to safeguard its utilities since Community Law is guaranteeing that utilities have to obey the EU's single market and competition policy. France was hoping to add a section to the Treaty in order to exempt utilities from the single market and competition provisions. However; this attempt was not seemed as probable and France lost its interest in an Energy Chapter.

EU Members, which do not have their own resources, supported an Energy Chapter since they expected that a common energy policy in the EU would increase the solidarity and flexibility in the single market and the energy security as well (Bindi, 2010). Belgium was one of those countries since its natural gas imports from the Netherlands were blocked in 1978 and Belgium experienced an energy crisis.

The European Parliament has been one of the strongest supporters of an energy chapter. Actually, behind this demand, there was Parliament’s desire for having further co-decision power on the issues of the Intergovernmental Conference since the Parliament's right to co-decision in the ECSC and EURATOM Treaties has been limited. However, it was decided that the Intergovernmental Conference had to discuss more important topics.

On the one hand, before the Intergovernmental Conference of Amsterdam, the Commission spent effort for re-launching the agenda in order to add an Energy chapter; however, an Energy Chapter did not be a part of the Amsterdam agenda. On the other hand, as a result of the discussions made on an energy chapter, the Commission has attempted to create a formal co-ordination mechanism between member states. Since member states are reluctant on energy issue, the Commission aimed to set a strategy based on existing competencies. Therefore, ‘White Paper: An Energy policy for the European Union’ was presented by the Commission on December 1995.

The White Paper aimed to demonstrate that the existing competencies in the field of single market regulations, competition policy, environment or external relations could not establish an energy policy formulation. In other words, there was lack of competency within the EU regarding the security of supply. As a result, the security of supply could have been left to the direction of environmental or competition policy. Therefore, the European Commission has proposed the creation of a formal co-ordination mechanism in order to control the energy policy objectives and four key objectives were drawn up by the White Paper for the EU energy policy: competition, external relations, environment and research (Treaty of Amsterdam, 1997).

Although this initiative could not provide the co-ordination mechanism, the European Commission succeeded to place an agreement for the energy policy. Moreover, through the White Paper, the Commission got a chance to get support from the European Parliament and member states which were against the EU energy policy (Egenhofer, 2000).

3.1.6. The Treaty of Nice

The Treaty of Nice, signed in February 2001 and entered into force in 2003, was purposed to reform the institutions in order that the EU could function efficiently after the EU becomes 25-countries Union. Main changes of the Treaty of Nice are methods for changing the composition of the Commission and redefinition of the voting system in the Council. The Nice Treaty is the only treaty before the Treaty of Lisbon having a general chapter on energy. Art. 3 of TEC of the Nice Treaty determined energy as a field the EU could act to reach to its objectives (Treaty of Nice, 2003).

3.1.7. The Lisbon Treaty

The Treaty of Lisbon (the Treaty on the Functioning of the European Union or TFEU), signed in December 2007 and entered into force in December 2009, was purposed to make the EU more democratic, more efficient and better able to direct to global problems, like climate change, with one voice. The Treaty gave more power to the European Parliament, changed the voting procedures in the Council and citizens' initiative. Moreover, the European Council had a permanent president and a new High Representative for Foreign

Affairs and a new EU diplomatic service were formed. Moreover, the Lisbon treaty clarified the share of the powers between the EU and the EU members.

The Lisbon Treaty included energy as a separate chapter, called as XXI with one article, which is the Article 194, locates energy in a shared competence. Therefore, the EU law could make void national laws of its members and the EU has the legislation right in energy area. On the other hand, the decision on the choice of energy source will belong to a national competence (Braun, 2011).

Moreover, according to the treaty, 15 per cent of the EU energy would be gained from renewables; however, the decision about the choice of renewables would remain in member states (Braun, 2011).

In regard to the founding treaties, the EURATOM Treaty will continue. The Treaty of Lisbon supports the nuclear energy usage; however, no treaty could force the member states to confirm nuclear power plants inside their borders.

Furthermore, the Lisbon treaty gives competence to the EU over the energy policy for promoting the internal market, trans- European networks and environmental policy. Along with the Lisbon Treaty's entering into force in the end of 2009, the institutional arrangements the Treaty has made new applications apparent in EU energy policy making process like all areas which are in the shared competences between the EU and the member states (Braun, 2011).

The significant change the Lisbon treaty has brought to the energy field is that a specific chapter has being included in European primary law. First of all, Art. 194(1) of the Lisbon Treaty determines objectives for the energy policy of the EU such as guaranteeing the energy market functioning, providing the security of supply in the EU, increasing the energy efficiency and energy saving, and promoting new and renewable energy types, and increasing the interconnection of energy networks (Andoura et al., 2010).

Art. 122(1) of the Lisbon Treaty underlines that these aims are realized in a spirit of solidarity. This article demonstrates that the EU has a competence to determine preventive

measures to reduce security threats and aims to set a legal framework for possible preventive measures in the future (Andoura et al., 2010). Nevertheless, in order to solidify the solidarity, legal obligation on member states is needed. For instance, Regulation No. 994/2010/EU on the security of gas supply, adopted at the end of 2010, was raised due to short term developments such as the Ukrainian-Russian dispute, which necessitated the amelioration of the solidarity state (Andoura et al., 2010).

According to the EU, Art. 194 of the Lisbon Treaty corrected important oversights. Art. 194(2) and 194(3) of the Treaty underline that measures in energy taxation, the choice of member states on conditions to exploit their energy sources, choice of the different energy sources and their energy supply are the decision of unanimity. Moreover, member states keep their right to continue their bilateral energy relations with non-EU states despite the fact that these relations are under the general obligation of cooperation and competition rules such as the import and energy transit (Lisbon Treaty, 2009). Besides, the basis of the EURATOM Treaty has not changed. The reason why it is important is that nuclear power plants generate almost a quarter of the EU's electricity.

In summary, the Lisbon Treaty has brought a legal basis to the shared competency of the EU energy policy between the EU institutions and the member states except for the vital issues such as national resources and energy taxation which are related with national sovereignty of the member states (Andoura et al., 2010).

In regard to the external action, the Lisbon Treaty brought a few changes, which would have influence on the energy issue between the EU and its member states. According to the Maastricht Treaty of 1993, the Commission is the representative of the EU in external relations except for the common foreign and security policy, and certain other issues highlighted in the Treaty and the Commission is responsible from the description and the pursuit of common policies for cooperation in international arena including 'sustainable management of global resources' (Maastricht Treaty, 1993).

As underlined in the Lisbon Treaty, energy is a matter of horizontal policy. In other words, energy policy of the EU is a part of other policy areas. For instance, it is part of foreign

policy in regard to promote long-lasting and sustainable relationships with suppliers and transit countries. The EU aims to apply a package system with suppliers and transit countries, namely Russia, Ukraine and Azerbaijan. The package system targets to realize more comprehensive negotiations in energy issues such as the inclusion of visa arrangements.

Energy policy of the EU is also a part of environmental and climate changes since a reduction on CO2 and fostering renewables' investments are matters related with energy. Last instance is the competition since the EU has to find energy resources with reasonable prices in order to guarantee the competitiveness of European industries.

Although energy has been a specific chapter in European primary law through the Lisbon treaty, there have not been dramatic changes in the energy policy of the EU. Energy provisions, which included in primary law with the Lisbon Treaty have formalized the shared ownership in the energy area, added a few issues to the intergovernmental level and ignored the solidarity. Regarding the EU's cooperation and dialogue with non- European states, the Lisbon Treaty has introduced new institutional actors such as the high representative and the European Council president, which are related with the energy issues since the EU's approach towards energy has not only internal dimension such as the internal market but also external dimension since energy is also prominent in the international politics. However, the coordination of the energy policy and international representation in energy matters has been so effective after the Treaty of Lisbon since the distribution of tasks between the European Commission, the high representative and the Council presidency could not be carried out as decided in the Treaty due to the difficulties of politics' daily life practice. The shared competence in energy field has demonstrated dependency of the institutions on each other through the Treaty of Lisbon. In this context, in Energy 2020 Communication, the Commission has emphasized that more effective cooperation between the EU and its member states (Braun, 2011).

In conclusion, under the framework of the Lisbon Treaty, the coordination method of the EU's energy policy could be defined as a combination of the Community method and member states' coordinated action (Braun, 2011). In other words, on one hand, member

states hold the right to manage their national energy policies. On the other hand, the EU takes coordinated action in common fields such as the guarantee of effective functioning of internal market in energy and security of supply and the realization of the infrastructure projects.

Finally, since the EU treaty does not include an energy chapter, the EU energy policy is conducted under EU competencies, which are competition, environment and external relations. The Commission also has determined three key objectives, which are liberalization, better conduct in external relations and environmental policy under the management of these EU competencies. Moreover, since the external identity of the EU is rising, the EU has more chance to be more significant actor in relations with energy producing countries.

3.2. The EU's Internal Energy Policy: Energy Liberalization

The need for energy policy has increased since the beginning of 1900s. Main reasons of this need have been taxation, pollution and then safety and environmental concerns due to the increase on coal and oil usage. World War I demonstrated that the supply security became an issue in the international relations since supply network was under the external threats such as wars, commercial restrictions etc. In mid-1900s, access to energy at reasonable prices also became important for the customers.

First steps for the formation of energy policy were taken during the 1956- 57 Suez Crisis, which demonstrated that energy importing states were fragile. Therefore, the European Council launched the Directive 68/414/EEC, which compelled the member states to stock oil and petroleum products for 65-days usage in the state of emergency (Andoura et al, 2010).

Second step for the energy policy was taken in third Arab- Israeli dispute in 1967 and fourth Arab- Israeli dispute in 1973 since both disputes resulted in price and supply shocks. Therefore, in 1968 the European Commission launched 'First Guidelines for a Community Energy Policy' in order to take common action for enhancing the supply security and

development of common energy market. Moreover, in 1972, the European Commission launched a Communication and the European Council launched two Directives. The Communication was on the 'Necessary Progress in Community Energy Policy 1975- 1985 and two Directives were relating to inform the Commission about hydrocarbon imports of member states and investment projects in the oil, gas and electricity sectors of member states (Andoura et al, 2010).

Since the Commission could not gain a real success through proposals and Directives it launched, in 1973, it adopted 'Guidelines and priority Actions under the Community Energy Policy'; however, the Council could not be successful in convincing the clash of interests between member states (Andoura et al, 2010).

In 1977, the EU constructed a system to be used in the case of emergency through two Decisions: crude oil and petroleum products' export between member states and primary energy sources consumption's decrease in the state of supply shortage (Andoura et al, 2010).

In 1980s, the EU's efforts for the construction of common energy policy continued. In 1981, the Commission launched the communication on the 'Development of an Energy Strategy for Europe'. New point of view was developed by the EU in this communication and decided to follow a decentralized energy policy within the member states (Andoura et al, 2010).

EU Members understood that energy dependence was a problem when the oil price rises occurred in the 1970s and early 1980s. Since the EU depends on the energy imports and vulnerable price increases and shortages, the Community aimed to take measures for decreasing the energy demand –especially oil- increasing the diversification on energy sources. Since the recent past, EU's energy policy has been formed by global warming concern and efforts to create a single market for gas and electricity. Moreover, high oil prices and cutoff on the gas supply from Russia has demonstrated that the EU has to give an importance to the energy on its agenda.

In regard to the European energy market, its first focus is on Europeanization, which is over against the national governance. Second focus is on liberalization, which means the integration of competitive and non- competitive modes in the market. Third focus is on industrial integration. Integration is argued at the trade level, the capital market level and the business strategy level. The trade level covers electricity and gas trade between members. The capital market level refers to mergers and acquisitions within national border. The business strategy level covers the targets of companies (Finon and Midttun, 2004).

The efforts to establish and internal energy market started with the Single European Act in 1986. Immediately after, the European Commission launched a report namely 'The Internal Energy Market' in order to determine obstacles ahead the formation of internal energy market and measures to reduce these obstacles.

Therefore, it is not wrong to say that this report is also one of the building blocks of the energy market liberalization. The suggestions of this report were also included in the first Directives of the energy market liberalization in early 1990s. However, these first directives were only relating to limited issues such as transparency in the gas and electricity prices, and gas and electricity transport via EU networks (Directive 90/377/EEC and 90/547/EEC, 1990). Therefore, the necessity of the single energy market was understood when the legislation of the single market influenced the energy market and the single energy market construction started at the end of 1988. Main parts of the legislation especially the ones related with the public procurement, tax harmonization and environment created deep impact in the energy sector. The deepest impact, nevertheless, came from the competition rules.

In the EU, people and companies are free to determine their energy supplier in theory; however, in practice, there is no a single, Internal Market for energy in the EU. The EU's started to work on liberalization of its gas and electricity markets in the 1990s.

The Delors Commission, which arranged a program for the formation of an internal market at the end of 1992, White Paper on 'Completing the Internal Market', was launched and energy sector was included in the legal frame of the EU's internal market.

After a discussion on energy policy in the Maastricht Treaty in 1993 was made, the Green Paper 'For a European Union Energy Policy' (COM (94) 659) in January 1995 and White Paper 'on Energy Policy for the EU' (COM (95) 682) in December 1995 were published by the European Commission. Therefore, the EU's energy policy was first launched.

'White Paper on Energy Policy for the EU' underlined that the treaties give an important role to the EU in the energy field and it is only to create a coherent energy policy framework at EU level and achieve maximum benefits at both the EU and Member State levels. Moreover, White Paper declared that the Commission set up a five-year work program to create an energy policy in order to meet the aims of competitiveness, security of supplies and protection of the environment. This work program namely 'Action Plan' was adopted through first Electricity Directive in 1996 and first Gas Directive in 1998. These two Directives also were the beginning of the liberalization of electricity and gas markets (Andoura et al, 2010).

The draft of the Directive on common rules for the internal gas market the European Commission proposed was adopted unanimously by the EU Energy Council adopted on 9 December 1997. The Directive entered into force in most of EU member states on 10 August 2000, eight years later. However, some of the EU member states applied liberalization measures temporarily (Hancher in Arentsen and Künneke, 2003).

In order to discuss the developments on the implementation of the Directives, which established internal markets of electricity and gas, the European Electricity Regulation Forum (EERF- the Florence Forum) and the European Gas Regulatory Forum of Madrid (Madrid Forum) were organized. The Florence Forum first was gathered in 1998 in Florence and continues to meet once or twice a year in Rome, and aimed to share the experiences on the implementation of the EU Electricity Directive. Stakeholders, national regulatory authorities, the Commission, electricity traders and consumers are parties of the Florence Forum (The European Commission, 1998). The European Gas Regulatory Forum of Madrid (Madrid Forum) first got together in 1999 in Madrid and continues to meet once or twice a year in Madrid and aimed to share experiences about a competitive natural gas market construction (The European Commission, 1999).

An agreement on electricity was reached on the Florence European Council Summit in June 1996 and was accepted by the European Parliament on 11 December 1996. The adopted Directive (96/92/EC) was deliberate on the competition area.

The liberalization of the EU's internal market needed national initiatives in order to be fastened. In regard to the Nordic countries, which are Sweden, Norway and Finland, they have already had a competitive environment. Regarding the Netherlands, Spain and Germany, they started new initiatives. Liberalization in the gas sector was expected to affect mostly the power sector. The initiative for the electricity sector's liberalization also fastened the initiations for the gas sector's liberalization. Hence, the Energy Council declared the gas market liberalization's inception on 3 December 1996 and the final agreement was reached on 8 December 1997.

Liberalization on the EU's energy policy's first repercussion was the transformation of national energy policies of the EU's member states. The transformation began with primary fuel supply and generation technologies.

Second, on one hand, the liberalization damaged the positions of the governments. Hence, instead of governments, markets and anticipated profits started to affect the decisions of the investors. On the other hand, liberalization did not change the necessity to make regulation on the competition at least in the transition period. Besides, liberalization did not make economic regulations and competition policies in other fields unnecessary but those were realized at the EU level.

The liberalization process in the EU's electricity and gas markets started gradually. In other words, domestic markets of member states were aimed to open competition part by part. Even though the liberalization process affected the member states less than the Commission expected, member states at different levels started the process. Therefore, the European Council took this difference into attention and underlined that member states should speed up in Lisbon on 23-24 March 2000 (Andoura et al, 2010).

Furthermore, the application of the liberalization at national level has changed from state to another state in the EU. Several member states have been willing to liberalize their energy

markets since their domestic structure is eligible for it. For example, in Spain, since energy sector is privatized, oligarchies do not have acquired rights from the government. As another example, the UK finished its energy market liberalization mostly and market holders are content to see the liberalization in whole Single market. Finally, member states, which are highly dependent on Russian supply, would also support market liberalization on domestic level (Belyi, 2009; Youngs, 2009). Member states, which do not support the liberalization hold significant asset in their hands and accept to negotiate with suppliers like Gazprom on equal terms (Barysch, 2007; McGowan, 2008). For instance, in France, the government supported the merging of Gaz de France and Suez (Youngs, 2009).

An important attempt towards shaping common energy policy in the EU was "Green Paper on Energy Security" prepared by the European Commission's Directorate General on Transport and Energy. Since in 1999, the price of crude oil was tripled, the Commission asserted that this demonstrated the structural weaknesses of the EU on energy supply and proved that an active energy policy is sine qua non for the EU to decrease the increasing energy dependence (COM (2000) 769). According to the figures indicated in the Green Paper, the share of the energy in the EU's total imports is 6 per cent. Moreover, 45 per cent of oil import comes from the Middle East and 40 per cent of natural gas import comes from Russia (COM (2000) 769). A Final report on the Green Paper was published in June 2002 as COM (2002) 321 and in the Paper, the Commission underlined that energy policy had to be a concern of the EU and needed initiatives at EU level.

Therefore, the document was truly efficient in pointing out the extent of the EU's energy dependency, especially in relations with Russia, claiming it to be rising. Tichy (2012) sees the main goal of this document to increase the EU's energy security by gradually bringing question of energy security under the competence of the European Communities, at the expense of member-states' sovereignty. As pointed out by Dimitrova (2012), this multilateral tactic employed by the EU in this Green Paper, may be viewed as the turning point in EU-Russian interdependency from positive to negative.

In order to complete the liberalization process in internal gas and electricity markets, the Second Electricity and Gas Directives were launched on 26 June 2003. According to Directives, national electricity and gas market liberalization would be applied on large consumers by 1st July 2004 and on all consumers by 1st July 2007 (Andoura et al, 2010).

However, liberalization in the EU's internal market could reach only 66 per cent for electricity and 57 per cent for gas (Dehousse et al., 2007). The reason was that sixteen EU member states did not complete to apply for the second Electricity and Gas Directives. Therefore, the Commission declared to start both sector inquiry in the electricity and gas sectors on 13 June 2005 and the violation procedures against those states, namely Austria, Belgium, the Czech Republic, Germany, Estonia, Spain, France, Greece, Ireland, Italy, Lithuania, Latvia, Poland, Sweden, Slovakia, and the UK, on 4 April 2006 (Andoura et al, 2010).

Besides, 'Prospects for the internal gas and electricity market' was issued by the Commission in order to experience the main findings of the competitive European electricity and gas market (COM (2006) 841).

The Commission on 10 January 2007 issued final Report on 'Energy Sector Inquiry'. Shortcomings and four areas determined for an urgent action were providing an effective unbundling of network and supply activities, reducing the regulatory gaps –especially on cross border issues-, giving an importance to the market concentration and barriers to entry and increasing transparency in market operations.

When Putin decided to cut off gas supplies to Ukraine not to the EU on 1 January 2006, the opponents of North European pipeline, namely Sweden, Poland and Baltic states joined to states criticizing overdependence on Gazprom, namely the Czech Republic, the Netherlands and Italy. They supported liberalization of the gas market and started to press on the EU for a new energy policy. The policy was outlined as a 'Green Paper' on the European Strategy for Sustainable, Competitive and Secure Energy on 2006. Although the Green Paper did not bring a different perspective, it became a driving force for the de-monopolization of Gazprom (Baev, 2008).

Green Paper 'A European Strategy for Sustainable, Competitive and Secure Energy' plotted the draft for the EU to achieve three main objectives: sustainable development (climate change), competitiveness (opening energy market), and security of supply (diversification of energy sources, ensuring access to energy) (European Commission 2006). Moreover, Green Paper 'A European Strategy for Sustainable, Competitive and Secure Energy' is one of the legal documents underlining that the necessity of a new

European energy policy consisting of common solutions the EU members have to found for common energy challenges such as the completion of the internal market, the fight against climate change, and supply security. Exactly as the previous one, this Green Paper also argues that energy security can be obtained by constructing a 'pan-European energy community' (Dimitrova 2012). Many scholars believe that there is more in this Green Paper than visible at the first glance. Diversifying its energy mix from Russia refers to EU's clear will to decrease or avoid interdependency (Dimitrova 2012). Hadfield (2008) stresses that the following Green Paper denies foreign policy implications of energy security and avoids the uncomfortable truth of Europe's own energy market, which is rather problematic on both supply and demand sides.

Furthermore, Green Paper 'A European Strategy for Sustainable, Competitive and Secure Energy' proposed to submit a regular Strategic Energy Review as "a regular stocktaking and action plan for the European Council and Parliament, monitoring progress and identifying new challenges and responses on all aspects of energy policy" (COM (2006) 105).

Green Paper 'A European Strategy for Sustainable, Competitive and Secure Energy' fastened the publication of the 'Energy and Climate Change Package', the Commission introduced in January 2007. The Green paper was composed of two Communications. First one was 'An energy policy for Europe'. It was also first of the Strategic Energy Reviews decided in the 2006 Green Paper and issued as (COM (2007) 1). Second one was 'Limiting Climate Change to 2° - Policy Options for the EU and the world for 2020 and beyond' (COM (2007) 2).

In market economies, natural gas imports are held by business enterprises, and the state is not a part of this transaction. Part three of the EU's 2006 Green Paper 'A European Strategy for Sustainable, Competitive and Secure Energy' proposes that the EU should ameliorate the conditions in order that the EU companies could easily access to the world resources (Lévêque et. al., 2010).

The European Commission's 2007 strategic energy review "An Energy Policy for Europe" approaches energy security and competitiveness in the context of climate change. It indicates reductions in energy consumption and once again stresses sustainability,

competitiveness and security of supply as core energy objectives for Europe. Moreover, according to 'An energy policy for Europe', energy future of the EU depends on 5 objectives: increase on the energy efficiency, the role of renewable energy sources and the amount of energy taken from clean hydrocarbons, reinforcement of the EU's carbon market and securing an open and competitive internal energy market (COM (2007) 1).

'An energy policy for Europe' also propound that a European Energy Policy should support a unilateral EU commitment to reduce greenhouse gases by at least 20 per cent in 2020 and global emissions by 50 per cent in 2050 compared to 1990 (COM (2007) 1).

Moreover, according to 'An energy policy for Europe', it is necessary that energy issues should be mentioned by other policy areas. Finally 'An energy policy for Europe' introduced an Action Plan, which has 10 measures such as submitting a report on Member States' implementation of the internal market for gas and electricity, giving proposals for promoting sustainable power generation from fossil fuels, preparing a roadmap to support renewables and making an analysis of the situation of nuclear energy in Europe in order that the EU could achieve its new strategic objective (COM (2007) 1).

In parallel with the decisions proposed in 'Limiting Climate Change to 2° - Policy Options for the EU and the world for 2020 and beyond', the Spring European Council, which was held in 8- 9 March 2007, adopted an Energy Action Plan for the period 2007-2009. According to the Action Plan, the European Council asked for "an integrated approach to climate and energy policy" in order to realize "the strategic objective of limiting the global average temperature increase to not more than 2°C above pre-industrial levels" since leading reasons of greenhouse gas emissions are energy production and energy usage (COM (2007) 2).

Other important document from the year of 2007 is "A European Strategic Energy Technology Plan" sees the security of supply as an inter-related challenge with climate change and competitiveness, which requires a coordinated response by the EU members. Da Graca Carvalho (2012) believes that this plan indicates the shift towards approaching energy security in the strong relation with environmental concerns.

Although Spring European Council of 2007 decided that gas and electricity markets would be opened for the internal energy market throughout the EU in order to provide

competitiveness and increase security of supply, ‘Resolution on prospects for the internal gas and electricity market’, which was issued by the European Parliament on 10 July 2007, demonstrated that only twenty member states fully implemented Directives 2003/54/EC and 2003/55/EC, determined common rules to open the gas and electricity markets.

Thereof, the Action Plan called as ‘Energy Policy for Europe’ was published in Annex 1 of the Presidency Conclusions and underlined five leading issues: internal market for gas and electricity, security of supply, international energy policy, energy efficiency and renewable energies and energy technologies. The Action Plan was decided to review regularly and the Commission was called to arrange a revised Strategic Energy Review in the beginning of 2009 in order to be the groundwork of the new Energy Action Plan, which is going to be adopted by the European Council in spring 2010.

These developments resulted in the adoption of the third legislative package on the gas and electricity markets in July 2009 by the European Parliament and the Council and entered into force in September 2009 although most of member states were infringing the existing legislation of the EU in regard to electricity and gas such as the second Electricity and Gas Directives launched in 2003. Member states were given 18 months to transfer it into their national law.

Third legislative package on the gas and electricity markets was actually proposed by the Commission in September 2007 with five measures: a Regulation for an EU Agency, which would assist to the National Energy Regulators to cooperate, a new Electricity Directive, a new Electricity Regulation, a new Gas Directive and a new Gas Regulation. Furthermore, EU member states committed for continuing to realize the full implementation of the liberalization directive at the end of 2014.

Third package, launched in 2007 after the 2006 gas crisis, aimed further liberalization and introduced the term called as ‘ownership unbundling’. According to the ownership unbundling, energy companies have to choose from selling their supply networks and leaving them in a management, which has to be wholly independent. Moreover, third energy package presented the reciprocity principle, which set up a condition that companies from non-EU member states have to obey the same unbundling rules and separate the holders of the production, transportation and gas sales if they would like to run

a business in EU market (Closson, 2009). However, Russia highly criticized the reciprocity clause due to the fact that the clause's requirements disrupt the access of Gazprom to the EU's markets (Mandil, 2008; McGowan, 2008). Moreover, unbundling clashed with the Gazprom's strategy, which is not only hold the upstream (raw material producing) assets but also the acquisition of more downstream assets in the EU markets and the domination of the sales to the EU's customers like in Germany (Romanova, 2008; Pleines, 2009). In order to acquire a share from the downstream distribution business in the EU and intense its relations with the EU, Russia proposes the barter of assets with the EU. Russia believes that such a trade is fair (Trenin, 2007).

Hence, Third Package could have an impact on the long-term contracts between Gazprom and the EU's member states as a result of the competition the liberalization maneuvers of the European Commission created. Besides, third package would negatively affect Gazprom's downstream assets and its 'take-or-pay and destination clauses' which enforce costumer member states of the EU to make payment to Gazprom for particular amount of gas even if it not taken and it is not allowed that customer member state re-sells the gas even if it does not need (Energy Charter, 2008).

Although third package mainly concerned on reducing or at least decreasing the domination of Gazprom and Russia in the energy market of the EU, undertaking between the EU and Russia in terms of long-term cooperation continues under the principle of reciprocity.

Finally, since March 2011, the Gas and Electricity Directives of the third legislative package on the gas and electricity markets are transferred into national law by Members States and the three Regulations are applicable.

Probably the most important step towards shaping Common Energy Policy is the "Lisbon Treaty", which for the first time formally proposed to constitute a European energy policy in the context of primary law. Energy is addressed in the Lisbon Treaty in Article 194, Title XXI. EU energy policy is designed in a spirit of solidarity between Member States in order to create a unified energy market, to ensure security of energy supply in the Union, to

promote use of renewable energy sources and to build the interconnection of energy networks in the EU (Treaty of Lisbon, 2008).

To sum up, in order to realize the liberalization and competitiveness of the internal gas and electricity markets by all means, and to ensure its energy security, the European Commission decided to use serious potential of the Union's internal market. By liberalizing the EU energy market, it was aimed to increase the competition and the diversification within suppliers in order to increase infrastructure investments and make gas stocks more mobile in the EU. Hence, sudden supply interruptions would damage less to the EU and energy solidarity would be formed at the Community level that also means the formation of common external energy policy through 'spill-over effect' as Ernst Haas claimed (Youngs, 2009). According to neo-functionalism of Haas, cooperation in a policy field within the EU enables cooperation in another policy fields and help to the integration though spill- over effect (Haas, 2004).

In other words, liberal bias of the EU could be first seen in the liberalization of the EU's gas sector and then whole energy market since the EU believes that the energy market liberalization would contribute to sustainability, competitiveness and security of supply. Nevertheless, the Commission has limited competences in regard to the security of supply, which is in the competence of the member states and the way they provide the supply security differs (Meulen, 2009).

Moreover, since the environmental concerns and consumer protection have become more important for the EU, the Community concentrates on the transparency, citizen rights and in general what the citizens demand from the EU.

Finally, in order to create a common energy policy, the EU has made efforts since the ECSC and EURATOM Treaties, which consisted of several arrangements in terms of coal, steel and nuclear energy. Although there had been no energy chapter in the EU's treaties until the Lisbon Treaty, the internal energy market was completed in regard to common regulation, tax harmonization, environmental legislation, etc.

3.3. The EU's Foreign Energy Policy

The EU's foreign energy policy is two fold in terms of energy relations with Russia. One is shaped based on integration discourse, which means the development of the liberalization for the EU's internal energy market. Second is on the basis of securitization or diversification, which takes energy security as a distinctive concept of the EU's foreign policy (Khasson, 2009).

In official documents, the EU's policy refers to the integration discourse in regard to its energy relation with Russia while in practice, the securitization discourse is prominent in the EU- Russia energy relations (Khasson, 2009).

The EU has settled its place in the international arena as a civilian power, which means that the EU does not use the coercion for influence but its soft power such as economic promoting, its norms and ideals (Diez, 2005). In other words, the EU aims to produce an effect in the international realms via its values, norms and ideals, which are also defined as a normative power (Manners, 2002). Thereof, the foreign policy of the EU aims to bring the identity of other parties to Community norms (Prozorov, 2006; Keukeleire and MacNaughtan, 2008).

However, the EU's assertion of its normative power is not only related with ideals and norms the EU aims to spread but also its interests included in its external policies. Put another way, while promoting its internal standards and norms beyond its borders, the EU is increasing its economic and political cooperation with non- EU member states and this contributes to its foreign policy goals (Zielonka, 2008).

On one hand, non- EU member states having prospect for the accession to the EU spend efforts for the application of the EU norms and standards. In other words, the EU's foreign policy including integrationist perspective works for these groups of countries (Monaghan, 2007).

On the other hand, the EU does not have alternative foreign policy towards states having no membership prospects to the EU. Therefore, there has been a problem in the EU's foreign policy towards these states since they do not have to implement the EU decisions.

The EU- Russia energy relation is an example to the problem abovementioned. Russia does not see obligatory to apply the EU principles, solidarity and democracy since Russia does not expect any benefit from this application.

Although energy played an important role in the foundation of the European Union (EU) since it brought together the founding members of the EU in order to secure the supply of the coal, the development of a common energy policy in the EU has been a difficult process. The main reason in the center of the difficulties is the clash of national interests of the member states and common interests of the EU as a supranational structure since member states are not willing to lose their decisions rights on controlling the energy. For instance, France tries to find a common ground in order to be a part of European integration process without losing its national interests (Meritet, 2007). Especially producer countries do not want to be directed by the EU in their policies. In other words, member states of the EU follow their own national interest in external energy affairs; however, the EU aims to speak with single voice in the external energy relations through common external energy policy.

Barroso defines common energy policy of the EU as a great European integration project, which will provide safe, secure, sustainable and affordable energy supply in order that the EU's could realize its economic and strategic interests and the EU becomes a global player (Barroso, 2011). However, the energy policy is still in the competence of member states of the Union and EU member states have their own interests in regard to energy relations with suppliers. Therefore, it is very difficult for the EU to speak one voice in the energy issues.

3.3.1. EU's energy security

There are indeed many definitions of energy security and they need to be highlighted in order to understand how countries interpret their energy security, and stemming from it, when does energy security become an issue between two partners. Energy security may

refer to “a reliable and uninterrupted supply of energy sufficient to meet the needs of the economy at the same time, coming at a reasonable price” (Jun et al., 2009) or simply, the availability of a regular supply of energy at an affordable price (Costantini et al., 2007). Based on that definition, the European Commission (2000) suggested four dimensions of energy security: physical, economic, social, and environmental; and also long- and short-term dimensions.

A physical dimension can be described with the situation when an energy source is exhausted or production is stopped, temporarily or permanently. The unsteady prices of energy products on the world markets, which in turn can be caused by a threat of a physical disruption of supplies illustrates the economic dimension of energy security. Speculative price movements in expectancy of a potential disruption of supplies can also be a great problem, since it leads to panic buying even when supply and demand are apparently in balance. It results in sharp price rises, which directly affect business costs and the purchasing power of private consumers.

The instability of energy supplies may also cause serious social disruption. Since oil still remains vital for the functioning of the economy, any disruption of supply is likely to lead to social demands, and possible social conflict. Also, there are many environmental concerns about damage to the ecosystems caused by the energy chain. These concerns include accidents, such as oil spills, nuclear accidents and methane leaks, or results of polluting emissions (urban pollution and greenhouse gas emissions).

Also, the definition of energy security can be seen from a short-term perspective or a long-term perspective. In the short term, the concern is with the impact of an unexpected cut in supply or rise in price. In the long term, the concern is more with the availability of sufficient energy that allows stable and sustainable economic development.

Energy security is an issue not only for energy importing countries but also for energy exporting countries since security of supply is important for countries importing energy while security of demand is important for countries exporting energy. On one hand, cutting

the energy flow towards a country depending on energy import would create financial tensions on the economy and even serious economic problems in the long term.

On the other hand, countries depending on energy import need continuously guaranteed energy sales for their economic welfare. Therefore, it is not interesting that an increase in oil prices is not an advantage for countries exporting energy in the long terms since high oil prices would direct importing countries to the diversification of their energy suppliers on energy sources. Nevertheless, it is not wrong to say that ultimately, importing country is in more risky situation than the exporting country.

The energy security is basically related with supply and pricing. The term is used in security studies frequently. Although its definition is generally referred to economic issues, it could be regarded as an effort of countries demanding energy for securing sufficient supply and purchasing energy at affordable prices (Palonkorpi, 2008).

Increase in energy demand, instable energy prices and nationalization of energy in supplier countries have increased the importance of energy security for the states. The main reason why energy security is prominent for the EU is that the EU does not have indigenous energy sources and is dependent on energy supplier countries. The EU aims to develop market-based relations to construct stable and secure energy market in the world while energy supplier countries use energy as geopolitical tool (Doukas et al., 2008).
The European Commission has taken energy security into its account from the economic point of view until 2006. According to the Commission, energy security was necessary in order to guarantee the welfare of the people of the Union, functioning of economy and affordable energy prices not for ensuring energy self-sufficiency and reducing the energy dependency. The issue, which demonstrated to the EU that energy security, has also political point of view occurred in 2006: gas conflict between Russia and Ukraine. Since Russia cut off the gas export to Ukraine, transit country for the gas transporting to the EU, due to a dispute over gas price and transit issues, the EU realized its high dependency on Russian energy.

In terms of the energy supply security, the solidarity in the EU refers the interests of the individual member states not collective EU interests while the rhetoric of 'solidarity' refers to the European Commission's interests, one of which is to increase its role in foreign energy policy of the EU (Schmidt- Felzmann, 2011).

From supplier's point of view, energy security is to guarantee the security of demand since the supplier needs reliable markets for its energy and the continuity of the income coined from energy export (Monaghan and Jankovski, 2006). For instance, Russia, as an energy producer, aims to hold the primacy over the main pipelines and market network since Russia needs them to export its energy to international markets.

Three components are determinative in energy security: affordable energy, availability and accessibility. In terms of affordable energy, energy security is related with price and market since in the market, energy products and services should be at affordable prices for all customers. Sustainable and reasonable energy prices are important for the peace and prosperity of the EU (Lowe, 2011).

In regard to the availability and accessibility of the energy, for sustainable energy, reliable energy suppliers and differentiated supply sources and transportation routes, and transparent distribution and delivery of supply to the customer are necessary (Chevalier, 2006).
Since the number of EU's member states has reached twenty-eight, the supply security of energy becomes more important. Moreover, EU's dependency on foreign energy supply especially the Russian one demonstrates that energy security related issues place into high level on the agenda of the EU. When the increase on energy demand, unstable prices of the energy and potential risks in energy supply are added to the reasons above, it became obligatory to set up a common and coherent energy policy for the EU.

Besides, EU member states are industrialized and industrializing countries of the world, which means that they are dependent on oil and gas supplier countries for its energy security, to set up an external energy policy has been very significant for the EU from the

beginning as it could be seen in the founding treaties of the EU. Today's EU gives significant importance to energy in terms of economics and geopolitics (Delors, 2010).

Moreover, the European Council (2006) specifies challenges the European countries encounter in regard to energy as unsuccessful energy diversification efforts although there has been growing import dependency, high and unstable energy prices, increase on energy demand in the worlds and security risks related with energy producing countries, transit countries and transport routes of energy.

Both EU member states and the European Commission underline that the EU encounters energy dilemma and energy security is the matter having high priority in the Common Foreign and Security Policy (CFSP) (Youngs, 2007). Thereof, energy issue is under the framework of the European Energy Policy (EEP) and CFSP. Javier Solana, former high representative for the CFSP, stressed in his speech that the EU needed more credible external energy policy based on 'solidarity and trust, dialogue and practical co-operation' and a policy giving a priority to the European interests than national interests (Solana, 2008).

For many years, the EU has aimed to create to an external identity. The driving motives behind the EU's will to develop its external identity were the security concerns since the EU was aware that it had to play more important role in energy security. European Energy Charter is the precedence of the Energy Charter Treaty (ECT), which aimed to establish a partnership having energy security dimension (Nowak, 2010).

European Energy Charter was a declaration and had non-binding character. It was adopted and signed by 51 countries on 17 December 1991, at The Hague (Nowak, 2010). In 1991, at the Dublin European Council, the proposal to setup cooperation with the Eastern European countries and the former Soviet Union (SU) countries in the energy sector was launched by Ruud Lubbers, who was the Prime Minister of the Netherlands. The reason why he made this suggestion was that the end of the Cold war at the end of the 1980's, the fall of the Soviet Union and end of the isolation of former Soviet states to the West were

seen as an opportunity to finish the economic division, sustain the economic growth and increase the supply security of the EU.

The Energy Charter Treaty was signed by 51 countries in Lisbon on 17 December 1994 (Nowak, 2010). The European Commission, one of the signatories of the ECT, has the biggest contributor to the signature of the ECT; however, energy issues did not fall into the EU's competencies. The signature of the ECT by the EU member states on bilateral basis also demonstrated that energy issues falls into the competencies of nation states.

It was decided that there was a need for a commonly accepted foundation in order to cooperate mutually in the energy sector and enhance energy cooperation among the states of Eurasia (Energy Charter, 2008).

The reason why the European Council looked for mutual cooperation is that the energy is very important for the economy; energy products could be very helpful for the recovery of developing countries' transition economies through the export and tax revenues; and developed countries could meet their increasing energy demands through energy supply from the resource-rich countries without depending on one particular region (Energy Charter, 2008).

Besides, the EU aimed to use it to expand the EU's shared norms and set of rules to Russia (Kirchner and Berk, 2010). It also intends to promote the foreseeability and trustworthiness of the EU's energy supply and reduce the risks price-cartels and of non-economic elements could induce towards current energy supplies. Basically, all of these efforts of the EU are intended to de-politicize energy relations with Russia and increase the EU's energy security (Aalto, 2009).

Therefore, in 1991 the Commission proposed the European Energy Charter to the Council in order to establish the mutual cooperation. The document was signed in 17 December 1991 and then the Energy Charter Treaty (ECT) was launched in 1994. ECT entered into legal force in April 1998. To date, the Treaty has been signed or acceded to by 51 states plus the EC and EURATOM.

The European Energy Charter has evolved into a global forum for energy cooperation. Since the interdependence between net exporters of energy and net importers are increasing day bay day, multilateral rules become more necessary to provide the energy security under the framework of the principles of open, competitive markets and sustainable development. So, the Energy Charter Treaty has an important role in constructing a legal foundation for energy security. The main target of the ECT is to promote the rule of law on energy- related issues.

Moreover, the Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects (PEEREA) was also signed in addition to the ECT in 1994. The objectives of PEEREA are to increase energy efficiency policies compatible with sustainable development, to provide the conditions for producers and consumers in order that they could use energy in more economic, efficient and environmental-friendly way and to support the cooperation in the field of energy efficiency (Encharter.org).

On one hand, since the EU was the initiator and the promoter of the European Energy Charter, the EU acted as an international actor within international politics in energy area. On the other hand, it is important to note that not the EU but the Energy Charter Conference has the political responsibility for the implementation of the Energy Charter and the ECT.

3.3.2. Legal steps towards the common foreign energy policy of the EU

The European Commission (2011) decided to move the structure of its internal energy policy to its external policy although there were problems with the internal one. Since it is playing central role in the European integration, the European Commission aimed to build a common approach in the EU's internal energy policy under the framework of cooperation, solidarity and well-defined series of rules (Westphal, 2006).

The legal document in which the common external energy policy was clearly mentioned was the Green Paper 'A European Strategy for Sustainable, Competitive and Secure Energy'. It launched by the European Commission (2006) in March 2006 as a roadmap for the energy policy of the EU. Besides being the roadmap of the European energy policy, Green Paper 'A European Strategy for Sustainable, Competitive and Secure Energy'

agreed to integrate energy issue more into the EU's relations with third countries (Youngs, 2007). The political aim of the Green Paper 'A European Strategy for Sustainable, Competitive and Secure Energy' was to get its member states together under the framework of the common European external energy policy and to convince them for pursuing the EU's common interests (Youngs, 2007). Finally, Green Paper 'A European Strategy for Sustainable, Competitive and Secure Energy' underlined that common external energy policy was obligatory in order that the EU could provide sustainability, competitiveness and security of its energy supply (Belkin, 2008). However, although this green paper was launched as a result of an external event, five out of six points proposed in the green paper were targeting the issues in the domestic level. In other words, the green paper of 2006 launched the establishment of the EU's internal energy market.

One year after the Green Paper 'A European Strategy for Sustainable, Competitive and Secure Energy', in 2007, EU member states accepted an 'Energy Policy for Europe' after underlining the need for the formation of the common energy policy for the EU (Belkin, 2008). 'Increasing European energy security, increasing sustainability and fostering the achievement competitiveness' were three main objectives of an 'Energy Policy for Europe' (Belkin, 2008).

From EU's point of view, ensuring the energy security has direct effect on the energy geopolitics; hence the European Commission aims to provide the solidarity between EU member states and diversify energy suppliers and transportation routes. The gas crisis of 2006 and oil crisis of 2007 were concrete examples demonstrating that the Commission and the member states needed to promote foreign policy planning for the supply security and supply diversification. They especially concentrate on the promotion of energy efficiency, renewable energy usage and alternative fuels and energy related technologies (Belkin, 2008).

Moreover, art. 194(1) of the Lisbon Treaty defines the four major objectives for the EU's external energy policy: guaranteeing supply security and functioning of the energy market in the EU, increasing energy efficiency and energy saving and promoting alternative and

renewable energy resources; and developing energy networks connection (Treaty of Lisbon, 2008).

To sum up, the best way to ensure energy supply security is to diversify supply sources; hence the EU shifted its route towards new possibilities such as the Central Asia, Caspian Sea and Black Sea regions (Belkin, 2008).

3.3.3. EU's diversification efforts of the energy suppliers and the transit routes

As basic priority of the external energy policy of the EU, energy supply source and transit route diversification aims to reduce the risks EU's dependency on unstable energy supply created (Mankoff, 2009). Based on this aim, the EU has planned to build new transportation networks and increase energy supply from Scandinavia, North Africa, the Middle East, Caspian region and Central Asia (Mankoff, 2009). According to Larsson, the EU needs common foreign energy policy to realize its supply diversification aim (Larsson, 2008). Therefore, by speaking with single voice though common foreign energy policy, the EU could enhance the stability and security of its supplies.

However, the EU's diversification efforts for gas routes and sources challenge both to Russian interests and the status quo of the Russian, Algerian, and Norwegian oligopoly in the gas suppliers of the EU (Ćwiek-Karpowicz, 2012).

The Caspian Sea region and Central Asian countries, namely Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan have rich energy reserves. Moreover, South Caucasus transit corridor has emerged as an important route for the European market (Clawson, 1998).

Since Azerbaijan's oil production has increased in Azeri-Chirag-Guneschli field and the transportation capacity of Baku- Novorossiysk and Baku-Supsa, which was 11 million tons in a year, have become inadequate, the built of new pipelines came to the agenda. This initiative resulted in the built of Baku-Tbilisi-Ceyhan (BTC) Pipeline, bypassing Russia. The BTC pipeline was built in 2005. The BTC Pipeline's length is more than 1,730 km and its capacity is up to 50 million tons of oil in a year. At the same time, the BTC oil pipeline

is a chance for other Caspian countries in terms of providing alternative routes to carry their oil to Europe. For instance, the BTC oil pipeline has carried the Kazakhstani oil since 2008 and Turkmenistan oil since 2010 (Ibrahimov, 2010).

Moreover, there are alternative gas pipelines to Russia such as Baku-Tbilisi-Erzurum (BTE) or South Caucasus Pipeline (SCP), transporting gas from Shah Deniz to Europe (Ibrahimov, 2010). However, all these oil and gas pipelines could not be adequate alternatives Russian energy supply. For example, BTC oil pipeline could reach almost 10 percent of Russia's oil exports and BTE gas pipelines could reach only 2 percent of Russia's gas export capacity (Papava and Tokmazishvili, 2010).

Map 3.1

BTC Oil Pipeline (Green Line) and BTE Gas Pipeline (Yellow Line)
Source: SOCAR

In order to diversify gas supply routes and sources, the EU also aimed to increase the liquefied natural gas (LNG) capacity and then to promote the Southern Gas Corridor, which would transport natural gas from the Caspian and Middle East region bypassing Russia.

3.3.3.1. EU's energy relations with Central Asia

Central Asia has been more important for the EU due to the fact that the EU's dependency on gas imports has increased and the EU has had difficulties on the formation of a common European energy policy. Central Asia's gas reserves are twofold for the EU. On one hand, it could decrease the level of dependency of the EU on Russian energy in regard to gas

supply and gas transit. On the other hand, EU's penetration to the Central Asia could create dispute between the EU and Russia.

The importance of the Central Asia was also underlined in the European Commission (2006)'s first communication on external energy relations in 2006 and "The EU Energy Policy: Engaging with partners beyond our borders". Although it was not a legally binding document, it aims to give some strategies and ideas to increase energy cooperation between the EU and its neighbors.

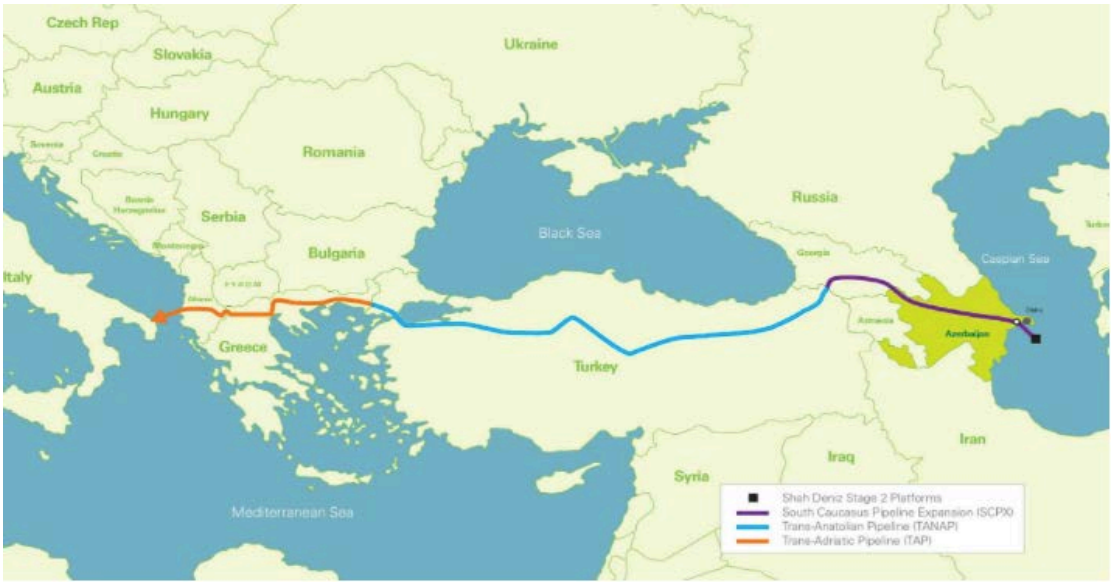
The Commission's communication suggested mainly two projects in the region. First one was Trans-Caspian pipeline project, carrying gas from Turkmenistan and Azerbaijan to the EU via a submarine pipeline, would bypass Iran and Russia. However, Russia and Iran could be an obstacle against the construction of the pipeline through using the unclear legal status of the Caspian Sea (Closson, 2009).

Map 3.2

Proposed Trans- Caspian Gas Pipeline
Source: Energy Delta Institute, 2011

Second project of the Commission suggested is the Southern Corridor project, which prospects to bring the gas via several pipelines from the Caspian Region and the Middle East to the EU. The European Commission (2011) assumes that the project could meet 10 to 20 per cent of the EU's gas import demand by 2020. The project also clashes with the Russia's interests in the region.

Map 3.3



Shah Deniz Stage II project and the southern gas corridor
Source: BP magazine, issue 1, 2014

3.3.3.1.1. Southern gas corridor

The Southern Gas Corridor defines the infrastructure projects planning to deliver gas from the Caspian and Middle Eastern sources to the EU for the supply security of the EU. It was termed by the European Commission. According to the Prague Summit Declaration, which was signed on 8 May 2009, Southern Corridor was envisaged as the modern version of ancient Silk Road. The Prague Summit was realized to discuss the Caspian oil and gas supplies namely, the trans-Caspian energy transit projects, systems for the transit of sufficient volumes via Southern Corridor, and the formation of direct routes between the EU and Caspian Sea region for further energy cooperation (Prague Summit, 2009).

For now, Southern Gas Corridor is planned to consist of six units, which are gas production wells in the Caspian Sea, the offshore platforms, extension of the Sangachal Terminal, and the three pipeline projects in Azerbaijan and Georgia, which is Extended South Caucasus Pipeline (SCPX), in Turkey, which is Trans Anatolian Natural Gas Pipeline (TANAP) and in the EU, which is Trans Adriatic Pipeline (TAP) under the Shah Deniz II project.

Key partners of the Southern Gas Corridor are Azerbaijan, which has natural gas and Turkey, which is the gate to the EU (Roberts, 2004). The driving force behind the EU's

interest in opening the Southern Gas Corridor is rich gas reserves in Azerbaijan and Turkmenistan. Therefore, the EU aimed to bypass the Northern Corridor, which transports the gas from Russia through transit countries. The Shah Deniz gas is huge gas field in Azerbaijan and its prominence comes from both its size and its easy-accessibility to whole Caspian Sea reserves. The Shah Deniz consortium is aimed to design the structure of the Southern Gas Corridor. Currently, Nabucco West and TAP are competing to be the pipeline of the Southern Gas Corridor. Two projects have different advantages from each other. Nabucco West is strategically more important while TAP is economically more important.

Moreover, Nabucco West transports the Shah Deniz gas to Austria while TAP delivers the Shah Deniz gas to Italy. Both projects adopt their shareholders and objectives based on the changes on economic and geopolitical circumstances in Eurasia. For instance, in early 2012, Turkey and Azerbaijan declared a transit tariff for the Azerbaijani gas and that they plan to build TANAP, which will go through Turkey to Bulgaria and Greece in the EU. The estimated capacity of the pipeline is planned to begin with 6 bcm in a 30 bcm capacity pipeline and then to add a second line in order to increase the capacity to 60 bcm in a year (Rzayeva in Financial Times, 2012).

3.3.3.1.1.1. Nabucco and Nabucco West

The Nabucco pipeline is the lead off pipeline project of the Southern Corridor. The Nabucco pipeline was planned to transport gas of Azerbaijan, Kazakhstan and Turkmenistan by bypassing the Gazprom's channels from Turkey to Austria.

There could be two problems in regard to the sustainability of the Nabucco pipeline. First, it is not precise whether there is adequate amount of gas in gas reserves of these three countries. Second, Russia probably does not look and seeks to dominate these sources (Mandil, 2008).

The reason why the EU as the community and most of its member states support the Nabucco pipeline project despite its ambiguity is the political point of view of the project for the EU since the Nabucco pipeline would have been show of strength of the EU towards to Russia and the Central Asia as well (Mandil, 2008).

Map 3.4

Initial Nabucco gas pipeline project
Source: Nabucco gas pipeline international GmbH, 2007

Although it was agreed on gas supply from Azerbaijan to the EU with the joint declaration signed in 2011 during the European Commission president Jose Manuel Barroso's visit to Baku, it is claimed that Azerbaijan's gas supply could not supersede Italy-Turkey-Greece-Interconnection (ITGI) and Nabucco project as well (CRS, 2012). This reality directed the European Council to negotiate with Azerbaijan and Turkmenistan on the built of Trans-Caspian-Pipeline (TCP), which would transport gas from Central Asia to Baku and supply natural gas instead of Nabucco (Ibrahimov, 2010).

Nabucco, ambitiously supported by the EU, the US and Germany, has been in the scene since the beginning of the Southern Corridor's coming into existence. It has been regarded as a strategic pipeline for the energy security of the EU. Intended aim of Nabucco was transport the Azerbaijani gas to Baumgarten, Austria with 31 bcm capacity in a year. Initial length of the Nabucco was 3900 kilometers for going through Turkey to Austria; however, the Nabucco had to be narrowed to the Nabucco West since Turkey and Azerbaijan declared that they decided to build TANAP (Ibrahimov, 2010).

The Nabucco West is designated as a pipeline with 1300 kilometers length and 23 bcm

capacity in a year to go through Bulgaria, Romania, Hungary and Austria in the EU and to be connected to TANAP in the border between Turkey and Bulgaria. Its shareholders are OMV, FGSZ, Transgaz, Bulgargaz Holding, and RWE (Sartori, 2012).

Map 3.5

Nabucco West gas pipeline project
Source: http://www.nabucco-pipeline.com

The Nabucco project was always criticized both in geopolitical and economic terms. In economic terms, it was claimed that Shah Deniz gas was not enough for filling up Nabucco, which is enormous pipeline (Roberts, 2010). In geopolitical terms, Nabucco is a threat for Russia since Russia aims to supply gas to South Eastern European states, especially Bulgaria through Gazprom.

On one hand, the initially planned Nabucco was not feasible since it was not so possible to supply gas from Iraq and Iran. Trans-Caspian pipeline supplying Nabucco with Turkmen gas was not also so possible to realize since Iran and Russia would have definitely been against this project. On the other hand, on 28 June 2013, Shah Deniz Consortium decided on TAP as the transit route of Caspian gas to the EU. Therefore, in the short-term, the Nabucco West pipeline seems to become obsolete.

3.3.3.1.1.2. Trans Adriatic Pipeline (TAP)

Trans Adriatic Pipeline (TAP) is going to deliver the gas from Shah Deniz II field in Azerbaijan to South Italy and then the rest of the EU through Greece, Albenia and Adriatic Sea. In addition the connection point of TAP with the Trans Anatolian Pipeline (TANAP) will be a place near Kipoi on the border of Turkey and Greece. The length of TAP is

estimated almost 870 kilometers.

TAP whose final route was decided in March 2007 was introduced in 2003. On 13 February 2008, Statoil, Norwegian oil and Gas Company, joined the TAP consortium and along with EGL, Swiss company and now Axpo, decided to promote TAP pipeline. In 2008, after an intergovernmental contract Greece and Italy was included in, the built of an onshore and offshore pipelines were decided. While the offshore pipeline was a joint venture between Greek DEPA and Italian Edison, onshore pipeline was decided to develop by the Greek DESFA in Greece. In addition, Turkish BOTAS agreed on modernize the network in Turkey to be able to transport the Shah Deniz gas to the EU as 10 bcm per year (Livanios, 2013).

The 2010 were the year TAP project gained momentum. First, the Shareholders signed Cooperation and Equity Option Agreements with Shah Deniz. Second, German E. ON Ruhrgas joined the TAP consortium with the expectation that the cooperation between Statoil and E. ON Ruhrgas contributed to the EU's and especially Germany's political support to the project. In addition, the participation of Eon- Ruhrgas in the TAP consortium could enhance TAP's economic credibility and commerciality. TAP economically claims that it will be built through only private funds.

In February 2012, Shah Deniz consortium declared that TAP's route for the gas transportation could be to Italy trough Greece. However, the Italian and Greek debt crisis and its effect on the Eurozone are regarded to create negative effect on the credibility of DEPA, DESFA and Edison (Livanios, 2013).

Map 3.6

Trans Adriatic Pipeline-TAP
Source: https://www.trans-adriatic-pipeline.com

On one hand, today, in order to take the advantage against the Nabucco West in terms of gaining the transit of the Azerbaijani gas, TAP aims to use its advantage of commerciality since TAP is claimed to be the most viable pipeline with the lowest cost and the fastest most efficient route to EU for the Shah Deniz gas.

On the other hand, today's Nabucco West is expected to be much less expensive than the original Nabucco, is more reasonable in regard to its transit capacity, and deliver the Shah Deniz gas to Baumgarten, is in the center of the EU, in Austria. Besides, the EU sees the Nabucco West very strategic for its energy security since the Nabucco West could transport gas to Bulgaria, Romania, and Hungary that are very dependent on Russia's Gazprom.

However, TAP got more political support. For instance, on 13 February 2013, TAP signed an Intergovernmental Agreement (IGA) with Greece, Italy and Albania in Athens (Livanios, 2013). Actually, TAP is much more important to Greece than to Italy since TAP will be an international pipeline delivering the Azerbaijani gas, be a part of the Southern Corridor and develop Greece both geopolitically and economically while Italy already has several international pipelines such as the Green Stream, which delivers the Libyan gas.

In December 2013, shareholders of TAP agreed on the construction and accepted the Resolution to Construct. In the meantime, the Shah Deniz Consortium took the Final Investment Decision on the Stage II project. Therefore, the construction of TAP is planned to start in the beginning of 2015. Furthermore, gas sale is estimated to start to Georgia and Turkey at the end of 2018 and to the EU at the end of 2019.

3.3.3.1.1.3. Trans Anatolian Natural Gas Pipeline (TANAP)

Trans Anatolia Natural Gas Pipeline (TANAP) has created a deep impact on the Southern Gas Corridor's pipeline rivalry (Rzayeva, 2012). TANAP is planned to transport the natural gas from Shah Deniz to the EU via Turkey. On 24 December 2011, Turkey and Azerbaijan signed the Memorandum of Understanding in Ankara, Turkey. Both parties also decided to form a joint consortium including the companies, namely State Oil Company of Azerbaijan (SOCAR), Petroleum Pipeline Corporation of Turkey (BOTAS) and/or Turkish Petroleum Corporation (TPAO) (TANAP, 2014).

Turkey and Azerbaijan signed the Intergovernmental Agreement of TANAP project on 26 June 2012 in Istanbul, Turkey. TANAP is aimed to start from the border between Georgia and Turkey and go through Turkish cities, namely Ardahan, Kars, Erzurum, Bayburt, Gümüşhane, Erzincan, Sivas, Yozgat, Kırıkkale, Ankara, Eskişehir, Bilecik, Kütahya, Bursa, Balıkesir, Çanakkale, Tekirdağ and Edirne. The construction of the project is planned to complete in 2018 (TANAP, 2014).

Map 3.7

TANAP and TAP
Source: Hurriyet Daily News

TANAP is the project making the Turkish part of initial Nabucco Project nonfunctional. Therefore, Nabucco Project narrowed its route to the EU land only and was planned to connect with TANAP at Turkey-Bulgaria border to deliver the Shah Deniz gas to Baumgarten in Austria. However, since the Shah Deniz Consortium has decided to continue with TAP project, for now, TANAP seems to be connected with TAP instead of Nabucco.

The decision of Azerbaijan and Turkey to establish TANAP lies on their historical strategic partnership. Azerbaijan's SOCAR has 80 per cent of the shares in TANAP. Remaining 20 per cent is divided into two equally between Turkish TPAO and Botas. There are several reasons why Turkey accepted this deal. First of all, there is long-lasting trustful between Turkey and Azerbaijan. Second, by enhancing its relationship with Azerbaijan, Turkey aims to be a part of a formation determining the future energy policy of

Eurasia. From another point of view, this is exactly the reason why Russia has failed in the construction of the South Stream Pipeline, which envisaged transporting the gas to Italy through Greece. Gazprom cancelled this project since it rejected to give up its majority stake (Goldman, 2008).

From Azerbaijan's point of view, Azerbaijan aims to become key transit country of the Caspian Sea's other side in the long-term. In other words, Azerbaijan has geopolitical and economic interests in transporting the Turkmen gas to the EU. Therefore, Azerbaijan aims to have strategic gas transit routes.

Moreover, TANAP project is profitable for Turkey since the pipeline going through Turkey will bring transit fees, taxes, job opportunities, more geopolitical influence and enhanced gas supply security to Turkey.

There are three main risks in the realization of Southern Gas Corridor. First, postponing the construction of the project connecting the Shah Deniz in Azerbaijan to Europe leads to economic and geopolitical losses, which menace the European energy security. Second, Russia's promotion of South Stream, which is ahead of the Southern Gas Corridor Project since Gazprom launched it in December 2012, is also another threat in accordance with the transit of the Azerbaijani gas to the EU through the Southern Gas Corridor. After building the South Stream, Gazprom plans to sign new gas supply agreements with the South Eastern European countries and undermine pipeline projects of Nabucco West, Trans Adriatic Pipeline (TAP) and Trans Anatolian Pipeline (TANAP) geopolitically and economically. Third, economic crisis in Europe is a threat for the future of the Southern Gas Corridor since gas infrastructure is costly and this could decrease the political will of the Southern Gas Corridor. For instance, the debt crisis in Greece has additional cost on the Eurozone. Besides, Gazprom aims to get a share from the privatization of the Greek gas industry, namely DEPA and DESFA. If Gazprom becomes successful, Russian gas monopoly will hold the Greek gas industry in its hands. Another point here is that Greece has strategic position in regard to the transit of Azerbaijani gas to the EU since it has two entries for the pipelines.

Finally, from the EU's side, the EU energy policy aims to enhance free market competition in the EU market and ensure the security both for supply and demand since the Caspian gas

resources very important for the energy security of the EU. The EU is needed to establish a strong leadership and the effective decision making mechanism in order to guarantee its future energy security.

The diversification policy of the EU faced with the counter attack of Russia, proposed South and North stream pipeline projects. The reason of Russia's counter attack goes back the Russian main objective since 2000: being an energy superpower (Papava and Tokmazishvili, 2010).

To sum up, two main problems should be settled before accepting the Central Asia's energy supplies as alternative. First, the Central Asia should become a stable region as politically. Second, Central Asian countries should reach an agreement over the Caspian Sea's situation in legal terms (Wisnievski, 2011).

The Commission's Communication (2011) also emphasizes that the EU should establish bilateral relations with the Central Asian countries in order to establish long-term economic and political relationship with those countries. Besides, the built of long- term relationship politically and economically with the Caspian region countries could contribute to the EU's interests since if these countries could be stable economically and politically, an appraisable energy relationship could be formed between energy- importing and energy- exporting parties. This also contributes to the energy security of the EU in regard to the sustainability of the energy supplies. For instance, what the EU understood from the Georgian war in 2008 is that oil pipelines could be target in the state of war (Umbach, 2010).

From Russia's point of view, the Caspian region is accepted as sphere of influence by Russia. Hence, the EU's involvement attempts to the region disturb Russia. Moreover, the importance of the Caspian region for Russia is related with maintaining the EU's energy dependency on Russia (Nanay, 2009). Besides, Russia is dependent on Turkmen gas in order to meet its domestic energy needs (Feklyunina, 2008). Energy interests of the EU and Russia in the Caspian region clash each other.

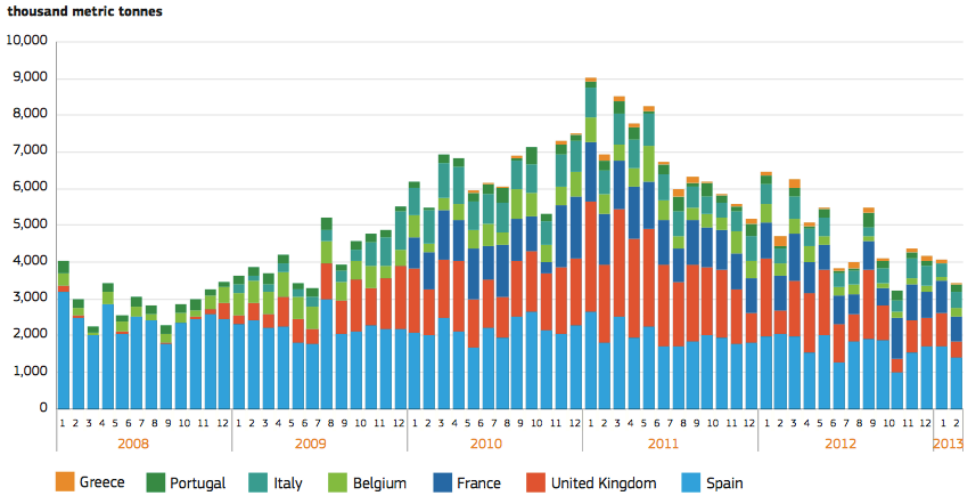
According to Aalto, although the EU aims to penetrate the Caspian region in order to diversification its gas suppliers and maintain its energy security, the Caspian energy reserves could only be complimentary to the Russia's energy supplies (Aalto, 2009). Therefore, the EU has to continue establish cooperative relations with Russia. Moreover, the EU's energy supplier diversification efforts could lead to Russia's search for new energy importers apart from the EU.

3.3.3.2. EU and liquefied natural gas (LNG) imports

The trade of the Liquefied Natural Gas (LNG) is peculiar to the trade of oil and formed 20 per cent of the EU imports in 2011 (ENI, 2012). LNG helps to increase the EU's supply diversification efforts (Kecse, 2010).

Currently, seven member states namely Greece, Portugal, Italy, France, the UK, Spain and Belgium, have 22 LNG import terminals. Besides, there is LNG terminal projects in Poland, Estonia and Lithuania, which are very dependent on Russian energy. Those countries could distribute LNG imports to the Northern and Eastern Europe. Therefore, those projects are political important as well.

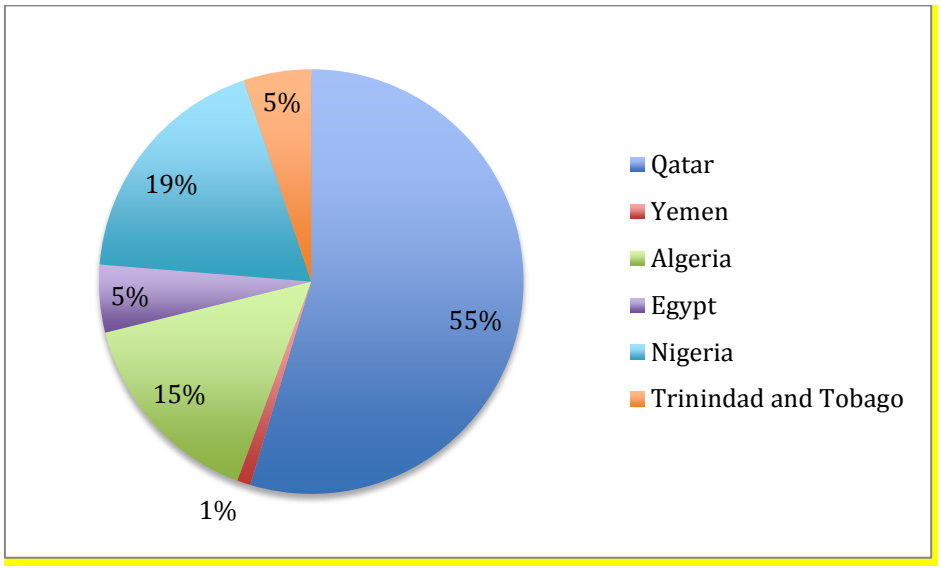
Figure 3.6



EU LNG imports by member states
Source: Eurostat

In regard to the cost, the transporting the gas through pipeline depends on the distance covered, however; LNG necessitates liquefaction and regasification. These processes are expensive, however; the cost of these processes does not change according to the distance. Therefore, pipelines are lucrative for the short distances while LNG is lucrative for the long distances (Jensen, 2004). The EU imports the LNG mainly from Qatar, Algeria and Nigeria.

Figure 3.7



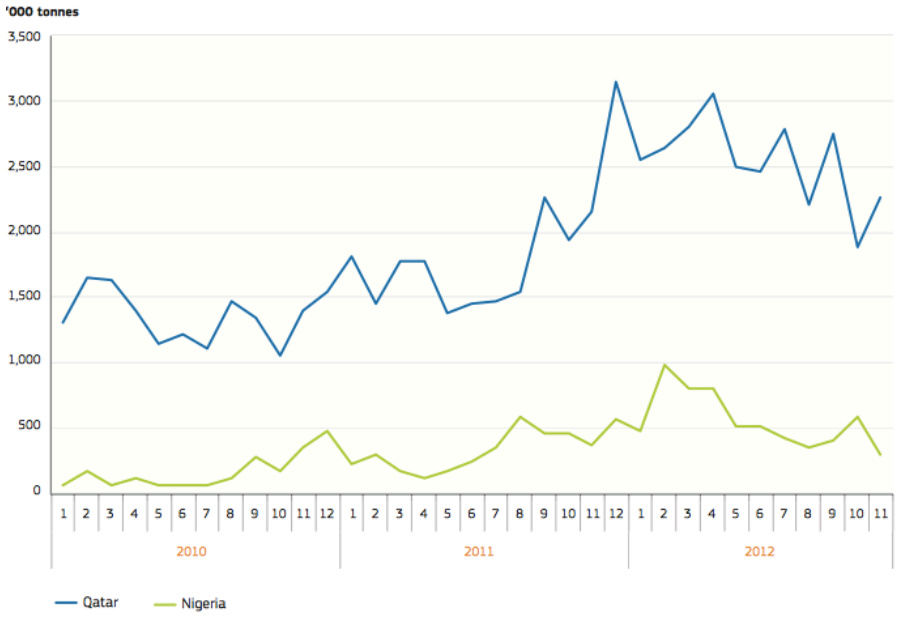
EU LNG imports from non-EU sources in 2011
Source: ENI 2012

In addition to the LNG imports, the EU also could increase domestic natural gas production in the Netherlands and Norway. For instance, 24 percent of the gas Germany uses comes from Norway. Besides 23 percent comes from the Netherlands and 11 percent is from Germany's own gas resources. If Norway could produce an additional 20 billion cubic meters, Germany's LNG imports double (DW Akademi, 2014).

After the Crimean crisis between Russia and Ukraine took place in late February and continues since Crimea incorporated to Russia in 18 March 2014 even though Ukraine calls it as Russian seizure of Crimea, the U.S. President, Barack Obama went to Brussels to discuss the crisis and trade relations with the EU. He announced that the U.S. LNG would eventually decrease the gas prices against Russia. Obama also added that a new trans-Atlantic trade agreement was being negotiated and it could help to the transport of the U.S. LNG exports to the EU although it could not happen now (Reuters, 2014).

Although LNG is becoming more preferable by the day for the EU, global demand of the LNG also increases especially in Asian region. LNG imports to the EU are estimated to decrease by 70 per cent in 2015 as a result of the excess demand in the Asian market, namely Japan, China and India (Reuters, 2012). For instance, after Fukishima disaster took place, Japan directed to LNG mostly from Qatar, the biggest non- EU LNG supplier of the Union. Therefore, it is expected that LNG prices will rise (BBC, 2013).

Figure 3.8



LNG imports from Qatar and Nigeria to Japan, Korea and China
Source: Thomson- Reuters; Waterborne

In regard to the shale gas, during Obama's visit after the Crimean crisis of 2014, British Prime Minister David Cameron brought the extraction of the shale gas up through fracking process from the Southeastern Europe, Poland and the UK in order to decrease the dependency on Russian gas. He also asked Obama for exporting more shale gas to the EU (Euractiv, 2014).

3.3.4. Problems and solutions in the development of EU's foreign energy policy

The EU's external identity is growing. In the long- term, this growth will be advantageous for the EU regarding its supply security and its energy relations with the supply countries

in the world. The European Energy Charter demonstrates that there is collective responsibility awareness within the EU in terms of energy security.

In order that the EU could be an efficient political union, it is necessary that the member states of the EU have common approaches in various areas. In terms of energy policy, common energy policy is a much-debated question inside the EU. Debates on the common energy policy reached a top position within the EU just after the 2004 and 2007 enlargements. Since the number of member states increased and all member states in the EU has their own interests and priorities in terms of energy, policy-making process was obstructed. In other words, member states rejected “to speak with single voice” although it was included in the Green Paper of 2006. The EU has started to be important player in the European energy policy, serious change in regard to the prominence of energy policy occurred in the EU’s agenda (Matlary, 1997).

One of the most important negative impacts the lack of coherent energy policy in the EU created occurred in the energy supply security issue. For instance, member states follow their nationals interests not the Union. Even, member states reinforce their bilateral relations with Russia by ignoring the main objective of the EU in terms of issue of energy supply: reducing its dependency on Russia’s energy exports and building potential alternative pipelines.

Since the EU has not a coherent energy policy, it faces with difficulties while diversifying its energy supplier partners. The manner of the member states towards common energy policy makes the EU more fragile in terms of energy and helps Russian energy policy towards the EU.

Besides, within the EU, member states are under different level of risks on basis of energy types they need. These differences also affect the creation and application of the EU common energy policy (Le Coq and Paltseva, 2009).

Besides, the EU is dependent on energy imports and imports almost 80 percent oil and 60 percent gas especially from the regions politically instable. However, security related problems of the EU mostly come from its high dependency on Russian energy. Although

Russia is the largest energy supplier of the EU since 88 percent of Russian total oil and 70 percent of Russian gas are exported to the EU, Russia is not a reliable partner since it uses energy as leverage in political issues towards the EU, the post-soviet and transit countries (Papava and Tokmazishvili, 2010).

In order to decrease the possible security threats, the EU should take some measures. The most important measure for a secure and sustainable energy supply in the EU should be the EU's energy supply sources diversification. Most prominent alternatives are Caspian and central Asian countries; however, the EU has problems to transport the Caspian energy reserves to EU. Besides, Russia pursues a monopolistic policy in the Caspian region and challenges against the EU in the Asian market. Finally, the lack of a common energy policy in the EU has negative effect on the EU's energy diversification policies.

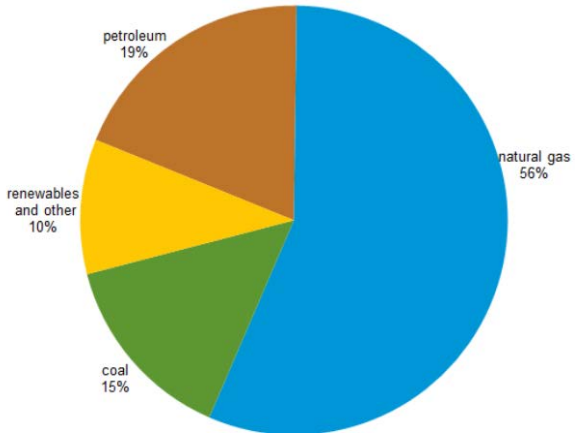
Finally, since new natural gas supplies are emerging in the world such as LNG, shale gas and natural gas searches in the Mediterranean, there could be unintended change in the supply and demand balance. These changes will affect the European gas industry in terms of supply security and gas pricing mechanism in the EU (Dickel, 2013).

Finally, main obstacle to the formation a coherent energy policy within the EU is that member states have different choices of energy and interests as well. While Northern part of the EU is against the nuclear and coal due to CO2 Emissions and environmental concerns and concentrate on the use of renewables, member states having coal reserves such as Poland prefer to use coal for the power generation or member states having nuclear power plan such as France choice it for the power generation. Besides, Germany since having good relations with Russia prefer to have bilateral energy relationship with Russia.

4. INTERNAL AND EXTERNAL ENERGY POLICIES OF RUSSIA

Energy resources are vital for a country's development. Giant oil and gas resources either have a prominent influence on Russia's development or give a central role to Russia in terms of energy security in the world. Geographical position of Russia also makes significant contribution to the place of Russia for energy importing countries. Besides, Caspian Sea region and Central Asia, which rich energy resources are also geographically so close to Russia and this increases Russia's importance as a transit country. Thereof, Russia is a major energy producer, consumer and significant transit state (Monaghan and Jankovski, 2006).

Figure 4.1



Russia's primary energy consumption 2011
Source: U.S. Energy Information Administration, International Energy Statistics

Although Asian demand for Russian energy leads to a competition between Asian countries and the EU, the EU is the most important importer of Russian energy. Hence, the EU is mainly dependent on Russian energy exports and this creates significant Russian impact on EU energy security (Monaghan, 2007).

Besides Russia's giant energy resources, it also has found significant reserves as not fully explored in different areas of the country like East Siberia (EIA, 2014). Now, oil production in Russia is controlled by the state owned companies. After the Soviet demise, government started to direct the oil industry's privatization and efforts of foreign companies to invest more in Russia's oil industry became unsuccessful. Hence, Rosneft,

state owned company, gained in most of oil fields and became the biggest oil producer of Russia (EIA, 2014).

Table 4.1

Producers	**Mt**	**% of world total**
Saudi Arabia	517	12.9
Russian Federation	510	12.7
United States	346	8.6
Islamic Rep. of Iran	215	5.4
People's Rep. of China	203	5.1
Canada	169	4.2
United Arab Emirates	149	3.7
Venezuela	148	3.7
Mexico	144	3.6
Nigeria	139	3.5
Rest of the world	1.471	36.6
World	**4.011**	**100.0**

World crude oil producers
IEA Key World Statistics, 2012

Russia has a large domestic distribution and export pipeline network. Russia's pipeline network is almost owned by Transneft, hold by Russian government. Transneft transports 88 percent of crude oil and 27 percent of oil products of Russia.

Russia transports oil through pipelines mostly and then through the railway and seaway. The most prominent pipeline system is Druzhba (Friendship), exporting oil to the EU. Second is Baltic Pipeline System, reducing transit state dependency of Russia.

Map 4.1

Druzhba pipeline, BPS I and BPS II
Source: eurodialogue.org

Moreover, export terminals such as Novorossiysk on the Black Sea and Primorsk on the Baltic Sea deliver oil to western European markets. Besides, Russian export pipelines include North-West Pipeline System, Tengiz-Novorossiysk, and Baku-Novorossiysk. All of these pipelines, with the exception of the Tengiz-Novorossiysk, are Transneft-controlled (EIA, 2014). Russia has the second biggest crude oil producer of the world with 510 Mt, which is 12.7 percent of the world total according to 2011 data (IEA, 2012).

Table 4.2

Region	**Thousand bbl/d**
Western Siberia	6.422
Urals- Volga	2.312
Krasnoyarsk	368
Sakhalin	283
Komi Republic	259
Arkhangelsk	249
Irkutsk	201
Yakutiya	133
North Caucasus	64
Kaliningrad	26
Total	10.317

Russia's oil production by region
Source: Eastern Bloc Energy, 2012

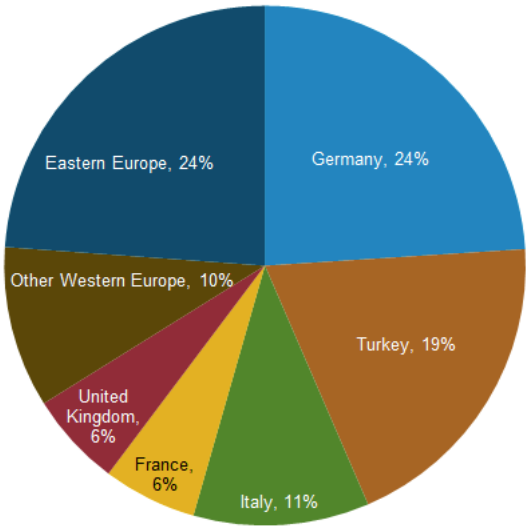
Besides oil, Russia has the biggest natural gas reserves of the world with 47 trillion cubic meters (Tcm) proven gas reserves and potential ones in Siberia. Russia also is the biggest natural gas producer of the world with 67 bcm, which is 20 percent of the world total according to 2011 data (EIA, 2012). Russia exports its natural gas mostly to the Commonwealth of Independent States (CIS), namely Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Uzbekistan and Ukraine. Moreover, as a result of increasing gas demand of the EU, Turkey, Japan and other Asian countries, Gazprom exports much of its natural gas to these regions (EIA, 2014).

Table 4.3

Producers	**bcm**	**% of world total**
Russian Federation	677	20.0
United States	651	19.2
Canada	160	4.7
Qatar	151	4.5
Islamic Rep. of Iran	149	4.4
Norway	106	3.1
People's Rep. of China	103	3.0
Saudi Arabia	92	2.7
Indonesia	92	2.7
Netherlands	81	2.4
Rest of the world	1.126	33.3
World	**3.388**	**100.0**

World natural gas producers
IEA Key World Statistics, 2012

Figure 4.2



Share of Russia's natural gas exports by destination

Source: Eastern Block Energy, 2012

4.1. Russia's Natural Gas Pipelines

There are ten major pipelines in Russia and eight of them are export pipelines. Five pipelines namely the Yamal-Europe I, Northern Lights, Soyuz, Bratstvo, and Nord Stream transport Russia's natural gas to European markets through Ukraine, Belarus, and across the Baltic Sea with 6 Tcf daily capacities. Other three pipelines namely Blue Stream, North Caucasus, and Mozdok-Gazi-Magomed carry Russian gas to the markets in Turkey and the republics of Former Soviet Union (FSU) (EIA, 2014).

Gazprom controls Russia's domestic gas pipeline system, called as Unified Gas Supply System. Unified Gas Supply System has almost 167,500 kilometers gas pipelines, 268 compressor stations, 6 gas processing facilities and 25 underground gas storage facilities whose capacity is 2.4 Tcf (EIA, 2014).

Yamal-Europe I transports Russian gas to Poland and Germany through Belarus. Its annual capacity is 1.2 Tcf. Yamal-Europe II, newly planned, targets to increase the current pipeline's capacity by 1 Tcf,. However, Poland and Gazprom have not agreed on the route of the pipeline yet.

Map 4.2

Yamal- Europe I
Source: Polinares Working Paper No. 73

Blue Stream carries the Russian gas from Izobilnoye in Russia to Samsun in Turkey over the Black Sea with almost 560 Bcf annual capacity.

North Caucasus transports the gas to Georgia and Armenia with almost 500 Bcf annual capacities. However, the pipeline is under the threat of Sabotage from the North Caucasia.

Four pipelines namely Yamburg-Uzhgorod, Orenburg-Uzhgorod, Urengoy-Uzhgorod and Dolina-Uzhgorod run to Western Europe mainly Germany, Italy and France over Ukraine with around 700 Bcf- 1 Tcf annual capacity.

Gazi-Magomed-Mozdok pipeline was planned to carry Russian gas from southern part of Russia to Azerbaijan; however, now the pipeline transports the gas from Azerbaijan to Russia with 200 Bcf annual capacities.

Nord Stream transports the gas from Vyborg in Russia to Greifswald in Germany over the Baltic Sea. This twin pipeline has 1.9 Tcf capacity per year. Its first part started in in November 2011 and the second part started late 2012. The North European gas pipeline, which is the European part of the Nord Stream and goes through the Baltic Sea, connected Russia and Germany and became operational in 2012 (Trenin, 2007).

South Stream pipeline is planned to carry Russian gas from Izobilnoye in Russia to Bulgaria and then to Greece, Italy and Austria. The construction of the pipeline started in late 2012 and is planned to complete in 2018. However, the EU sees the South Stream as a rival to the EU's Nabucco pipeline project and stands against the project. The South Stream pipeline project also targets to bypass Ukraine and passing over Turkish waters. The first gas is planned to flow through the pipeline by 2015.

Map 4.3

Routes of South Stream, Nord Stream and Nabucco pipelines
Source: http://www.marketoracle.co.uk/Article20953.html

Table 4.4

Region	**Bcf/d**
Siberia	59.6
Tyumen	55.9
Yamalo- Nenets	52.4
Khanti-Mansiisk	3.5
Tomsk	0.4
Krasnoyarsk	0.2
Irkutsk	0.2
Yakutsk	0.2
Sakhalin	2.7
Urals Volga	3.3
Orenburg	1.5
Astrakhan	1.1
Others	0.7
Komi Republic	0.3
North Caucasus	0.1
Total	10.317

Russia's natural gas production by region

Source: Eastern Bloc Energy, 2012

4.2. Oil and Natural Gas Sector in Russia

Energy sector has been important for Russia since 1950s. Russia began to gain revenues from energy export at the end of 1800s and revenues coming from oil export constituted 7 per cent of whole export revenues. This percentage rose to 14 at the end of 1920s and to 50 in 1950s (Goodrich and Lanthemann, 2013).

At the end of 1800s, Russian Empire realized the importance of Russian energy; however, monarchy did not have the required capital and technology to develop the energy sector and allowed foreign investment held by European and U.S. companies to enter into the Baku and Volga oil fields. Therefore, relations between the Russian Empire and the

Western countries especially the UK, France and the US became closer. All parties realized that it is necessary to make the Russian Empire a massive produce and the Russian Empire increased its production to 31 per cent of world oil exports (Goodrich and Lanthemann, 2013).

When the prominence of energy sector for the Russian Empire increased, the political stability of the Empire also became important since the Bolsheviks used the energy sector for their uprising against the monarchy in the beginning of 1900s. They used the energy sector in two ways. First, they used the organized workers of the energy sector. Second, they used the oil rail network to make heard their voices inside and outside of the Empire. For instance, the protesters set the Baku oil fields on fire in 1904 (Goodrich and Lanthemann, 2013).

Russia started modern energy strategies after World War II. As one of two hegemons of the world, Russia aimed to dominate the global energy sector. From 1950s to the end of 1960s, Soviet Union became the second-largest oil producer in the world and primary supplier of Europe. Since the labor costs were low in the Soviet Union, it exported oil at prices nearly half price of the oil from the Middle East. The Soviet Union also subsidized the Soviet Bloc and the Western Europe in order to enhance its presence in the region (Goodrich and Lanthemann, 2013).

Energy is very important part of the internal and external policy of Russia. In 1980s, the privatization of Russian energy industry created energy oligarchs and social injustice. Until 2000s, as rent seekers, energy oligarchs established a monopoly over energy sources and exploited assets. When the infrastructure perished, they started to compete with each other and invest in production (Khasson, 2009).

Crude oil and gas have been one of the soft powers of Russian foreign policy especially towards the Eastern Europe and FSU. Therefore, after Russia lost its possession in those regions, oil and gas have helped Russia to continue its relations with its neighbors. From these regions point of view, they have had to be dependent on Russia due to the lack of alternatives (Vatansever, 2006).

Russian economy is resource-oriented in its whole history (Sidorenko, 2011). Alexander Novak, Minister of Energy of the Russian Federation underlines that Russia's budget revenue's almost 50 per cent came from oil and gas in 2012 (National Oil and Gas Forum, 2014). The contribution of the gas to the budget revenue is less than oil does. Since the beginning of 1960s, Russia explored huge resources in Siberia; hence Russian economy relieved through these oil and more importantly gas resources.

When the oil prices increased sharply in the 1970s due to instability in the Middle East, Soviet leader Leonid Brezhnev had to make a decision between selling the oil at global prices which were really high, the development of the Soviet economy and subsidizing the Eastern bloc for securing its sphere of influence. The Soviet Union chose the first decision and increased the oil prices in 1975. The Soviet Union continued to get high revenues from energy until mid- 1980s' oil price collapse, embargo of the West on the Soviet oil and the West's direction towards Saudi Arabia for the oil. After the Soviet Union stayed behind the West in energy technology, the Soviet Union directed to market-based energy economy and called for the foreign companies to its energy sector. However, this direction could not prevent the fall of the Soviet Union and the Russian energy industry was in disaster. The energy liberalization Mikhail Gorbachev started in the 1980s was exaggerated by Boris Yeltsin in the 1990s. Therefore, the production decreased and the Russian energy sector was managed by foreign companies and Russian oligarch class (Goodrich and Lanthemann, 2013).

The current form of Russian energy policy was built on the found of Gazprom after the demise of the Soviet Union. Russia had had close relationship with the Europe even before Gazprom. In the beginning of 1955, during the Cold War, the Soviet Union and West Germany established relations based on the import of the Soviet energy. Not only West Germany was enforced politically and economically to import Soviet energy but also companies from West Germany claimed that trading between the Soviet Union and West Germany would have made economic contribution even parties had clashing ideologies. Besides, importing cheap energy from the Soviet Union would have been advantageous for the country and companies producing steel pipes were making pressure since they would have benefited through building new pipelines. Although the Soviet gas would be accepted

to import to only Bavaria, West Germany realized to establish energy relationship with the Soviet Union for covering long-term energy demand (Högselius, 2013).

After West Germany, Italy intended to establish new energy relationship with the Soviet Union. This demonstrated that pragmatism in political and economic issues overthrew the Western ideology (Högselius, 2013). During the energy relationship between the Soviet Union and Europe, the Soviet Union never cut off energy supplies to European states (Daly, 2007). The reason is still the same: like the Soviet times, both parties need each other. While the Soviet Union needed money of the West, the West needs Soviet energy.

In terms of Eastern Block states, the Soviet Union was bargaining with them. The reason why Eastern Block states had bargain power in energy issues even it is very little is the vulnerability of weaker states. While Eastern Block states needed Soviet energy, the Soviet Union needed governments of weaker satellite states for the revenue gained.

Vladimir Putin changed all of them in 2000s, brought the energy sector to the state control and nationalized the energy sector under Gazprom, Rosneft and Transneft. Putin made long-term contracts at higher prices with the European states since they had not alternative energy suppliers.

In regard to oil, private companies increased oil production in early 2000s. When the increase on oil prices was added to this, energy became the driving force of Russia's economic recovery and promoted Russia's place in the international realm. Therefore, Russian government reinforced its control over the industry. Until the Yukos case in 2003, government control was held through the placement of state officials to the energy companies and the nationalization of energy companies was held limited (Khasson, 2009). Therefore, the change to positive direction in energy production began in last 1990s and the beginning of 2000s thanks to Russian energy companies adopting modern technologies while extracting natural resources. Hence, in terms of oil, the extraction increased almost 50 percent (Grama, 2012). Increase on oil extraction also increased the crude oil production from 323.2 million tons in 2000 to 511.3 million tons in 2011 (Kononczuk, 2012).

Similar development took place for the natural gas production in Russia. Last 1980s saw 800 billion cubic meters natural gas production of Russia. This amount was accounting almost 40 per cent of world production. Nevertheless, things changed during the years between 1990 and 1992, and annual natural gas production in Russia was 641-643 billion cubic meters. This decline continued until the beginning of 2000s (Korzhubaev, 2010).

Finally, new natural gas deposits were constructed and the production started to increase in 2002. The production reached at top level in 2006- 2008 with 655-656 billion cubic meters. However, as a result of the decrease on exports the 2008 economic crisis brought, in 2009, gas production decreased to 582 billion cubic meters.

During the Cold War, two superpowers namely the US and the USSR used energy due to geopolitical reasons and the formation of coalitions against each other. The USSR aimed to develop its international energy relations through three state-centered companies: Soyuznefteexport, which was established in 1931, Soyuzgasexport, which was established in 1973 and Zarubezhneft, which was established in 1967 (Lagendijk and Vleuten, 2008).

While Soyuznefteexport and Soyuzgazexport concentrated on crude oil exports and production of USSR's natural gas, Zarubezhneft was relating with oil and gas production the USSR's faithful partner countries like Angola, Cuba, Iraq, Iran, Libya, Syria and Vietnam (Zarubezhneft, 2013).

Crude oil and gas exports, vital income resource for the USSR's domestic economy, were transported through Druzhba and Bratstvo pipelines abroad. Druzhba was both the longest oil pipeline and the biggest pipeline network of the world. Druzhba pipeline's first part was built in 1960- 1964 for the transportation of the Soviet crude oil to the East Germany, Poland, Czechoslovakia and Hungary. Second part of the Druzhba pipeline was constructed in 1969-1974 for increasing crude oil transport abroad by 100 per cent. (RIAN, 2007).

Like Druzhba pipeline, Bratstvo pipeline, in the European direction for exporting gas, started to transport gas to Czechoslovakia in 1967 and to Austria in 1968. Later on, Soviet

gas started to be delivered to Germany, France, and Finland in 1973- 1974 (Poussenkova, 2010).

The fall of the USSR ended Russia's superpower position hence, Russia had to transform its domestic economic and political systems. Since unintended changes occurred in the market in the beginning of 1990s, when Russia was in transition period, Russia took the first step by partially or completely privatizing its state energy companies (Poussenkova 2012).

During the transition period, Russia faced with harsh economic and political conditions since Russia does not have a realist energy strategy and oil and gas production reduced suddenly. Therefore, Russian energy companies did not find a chance to grow internationally. Another reason why Russian energy companies could not develop in the international realm was the Europe's skepticism towards Russia.

To sum up, end of 1900s witnessed Russia's high-level dependency on oil and gas exports to Europe for Russian businesses, Russia's domestic economy and political stability of Russia. As a result, Russia realized the need for the growth of oil and gas industries and transportation systems. It is the main reason how Russia achieved a successful economic and political transition.

The USSR Ministry of Oil Industry Main Production Department for Oil Transportation and Supplies (Glavtransneft) split into two companies in 1992 as Transnefteprodukt related with pipelines carrying oil products and Transneft, related with the pipelines carrying crude oil (Danks, 2009).

Construction of oil pipelines became important especially in 1960s and 1970s in order to transport oil of the Western Siberia to refineries within the USSR and to export. Besides, from 1975 to 1987, the length of Soviet oil pipelines increased from 42,000 kilometers to 82,000 kilometers. After the Soviet Union fell down, the length of pipelines within Russian borders was almost 50,000 kilometers (Belkin, 2009).

Between 1985- 2000, existing oil pipelines were enough as capacity due to severe decrease on the production and no pipeline was constructed by the state. Therefore, Transneft could not attempt to construct new routes due to the fact that economy fell down in the country. Transneft could only finance the perishable equipment maintenance. Things started to chance in the beginning of 2000s. Semen Vainshtock became the president of Transneft in 1999 and the company started to be used as foreign policy means. This happened at the same time with Putin's becoming the President of Russia. Moreover, in the 2000s, Transneft built the Baltic Pipeline System, whose first part started to operate in 2001. The aim of the built of the Baltic Pipeline System was to increase the domination of the Baltic countries since they were dependent on Russian oil transport. Baltic Pipeline System II was completed in 2011 by Transneft and entered in function in the end of March 2012. Its aim was to transport Russian oil to Europe directly by bypassing Ukraine and Belarus.

Russian oil companies possessed certain assets in Eastern Europe and the FSU for ensuring Russia's existence and leverage in the regions. While doing this, companies pursued different growth strategies and had different interests in terms of their foreign expansion. Russian companies used advantage of the boom in Russian petroleum sector and sudden price increases on crude oil; however, interestingly, LUKoil completed its foreign expansion before those developments (Vatansever, 2006).

In regard to the Russian government's role on Russian oil companies' foreign expansion decisions, Russian government supported the expansion for instance, in Bulgaria but with the lack of coordination. In the Eastern Europe and the FSU, Russian oil companies became each other's rival in order to push up the price (Vatansever, 2006).

Therefore, until Putin's period, there was the lack of coordination between Russian government and Russian oil companies in regard to foreign expansion. For instance, LUKoil was ignoring most part of Russia's priorities while determining its strategies. Now, on the contrary, Putin transformed LUKoil into state-centered oil company and demonstrated that future expansions of Russian companies will be coordinated by the state and even gone beyond the cooperation since Putin sees oil and gas industry as important tool for foreign policy making (Vatansever, 2006). Therefore, according to Putin, there is a

symbiotic relationship between the centralization of the domestic power and increase on foreign influence (Hadfield, 2008).

Improvement of oil and gas pipeline network in Russia allows the government to secure its political and economic position by founding new production centers for oil and gas such as huge oil and gas reserves dawere in Russia's Northwestern Region. While, Russian gas and oil is sufficient for domestic energy needs and export projects for the Western markets now, current pipeline infrastructure and network could afford only 25 million tons of crude oil for a year (Ledovsckikh, 2012**).**

The case is similar for the gas sector. Any thing in the benefit of Gazprom is also in the benefit of Russian state. Like Transneft, Gazprom's pipeline policy, which aims to dominate foreign consumers and transit states, is used as foreign policy tool of Russia. The reason why this is more important for Gazprom than improvement of gas fields is that Gazprom's domestic lobby for the pipeline is really strong (Poussenkova, 2010).

Since Gazprom controls the Russian pipeline system, independent gas producers do not have an access to the system through a third-party access (TPA) mechanism. Although the Russian government announced to allow TPA to the domestic pipeline system, there is no real change yet.

When Putin came to power, he also announced that there would be changes on domestic energy subsidization system; however, Russian citizens thought that they could not afford the increase on domestic energy prices to heat their houses in the winter. Therefore, they supported Russian government's price subsidies to its customers in the domestic energy market. However, Putin's one of main objectives was to move the domestic energy prices to the world price levels (Rose and Munro, 2002).

Russia also exports liquefied natural gas (LNG). The Sakhalin Energy has been operating its LNG plant since 2009 and annually, the company's LNG export capacity has been up to 788 MMcf with two trains (EIA, 2014). In 2012, Sakhalin LNG's 76 percent was exported to Japan. South Korea with 20 percent, China with 3.5 percent and Taiwan with 0.6 percent followed Japan (PFC Energy, 2012). A third train is also planned to add to the route in

2017 or 2018 for the Sakhalin LNG plant. Nevertheless, an additional train is required new gas reserves since Lunskoye and Piltun-Astonkhskoye fields are not enough. Therefore, Gazprom is exploring the Kirinskoye Block in Sakhalin III.

Besides, new LNG terminals in Russia are planned to construct such as Yamal LNG. Russia aims to add three trains for Yamal LNG with 1.3 Bcf of LNG as total liquefaction capacity and use South Tambey gas condensate field for storing (EIA, 2014). Partners of Yamal LNG Project are Novatek with 80 percent share and a French company, Total with 20 percent share. The Arctic Yamal peninsula has many difficulties since the region is permafrost. Besides, shipping is going to be made through Kara Sea, which is mostly icebound during the year. Moreover, Russia declared to reduce the export monopoly. Correspondingly, several banks declared their possibility to give financial support to the project. Therefore, the Yamal LNG project is technologically, politically, and economically a real challenge.

Another LNG project is Shtokman LNG, headed by Gazprom. Shtokman LNG project aims to create 3.9 Tcf Shtokman gas field in the Barents Sea and carry the LNG through two trains. It is 591 MMcf of LNG project; however, the realization possibility of the project is unclear for now.

Map 4.4

Russia/ Gazprom LNG projects
Rusnet, 2009

4.3. General Look to Russian Domestic and Foreign Energy Policy

In contrast to the Soviet Union's foreign policy instruments, namely ideology and hard power based on military, Russia gave an importance to energy to be powerful politically and economically; and to the soft power based on non-military (Bochkarev, 2006). Energy could be used as hard power by Russia if only Russia could combine it with its military capacity and diplomatic bargaining (Rutland, 2008).

Russia has indigenous energy resources and owns important energy reserves and uses them for its economic development. Energy policy of Russia basically aims integration into the world circulation of energy resources, an international cooperation in the field of developing and producing fuel and energy reserves, to raise efficiency of their use and to enter new energy markets" (Yanovsky, 2004).

Regarding the Russian energy strategy towards rest of the world is based on holding its privileges in the world's energy market; increase the profitability and compatibility of its exports in the world (Yanovsky, 2004).

According to Monaghan, external energy policy of Russia targets three groups of countries: New Independent States (NIS), the EU and Asian countries. First, Russia- NIS energy relations are directed through punishment method by Russia. In other words, Russia punishes NIS states if they stay away Russia's sphere of influence and follow pro-western policies (Monaghan, 2007). After the demise of the USSR in 1991, Russia used economical tools for taking concessions from newly independent states (NIS). However, Russia could not take concessions at the same level from all NIS. For instance, Russia could take many concessions from Belarus and the Central Asian states while it could take fewer concessions from Ukraine and the Baltic States although Russia coerced them more (Drezner, 1997). Second, Russia, instead of agreeing with the EU as a political union, prefers to establish bilateral relations with the EU member countries individually since Russia's fundamental aims is to reinforce its domination in the EU's energy market.

Besides, in order to keep its position in the EU's energy market, Russia makes efforts to create a perception as a reliable supplier and continue for being the main gas supplier of the EU by signing long- term contracts with the EU member countries and building infrastructure networks with them like the Baltic Sea pipeline project (Monaghan, 2007). Basically, Russian energy strategy covers the improvement energy cooperation with the EU and the smooth the path for the foreign investment flow Russia (Yanovsky, 2004).

Third, since the EU is the only potential market for Russia in the short term, Russia targets to differentiate its energy markets and gives an importance to cooperate with the Asian countries in terms of its long- term energy strategy.

Russia's oil and gas sector occupies significant place in the state's whole foreign policy not only energy and makes Russian foreign policy really sensitive since Russia is not only producer and exporter, but also consumer, importer and transit country.

After the fall of the USSR, Russian energy policy has transformed from the lack of energy policy, which would penetrate the country to the world oil and gas markets to pragmatic foreign energy relations.

In the 1990s, Russian government preferred to interfere to state or private oil companies instead of supporting them. For instance, in the mid-1990s, Rosneft, Surgutneftegas and Megionneftegas, Russian oil companies, became both stakeholders and oil suppliers of the Leuna-2000 refinery, settled in Eastern Germany in order to start the facility in it. However, Russian government could not supply the official papers and now no Russian energy company is involved in the Leuna-2000 refinery (Benzol, 2009).

When Vladimir Putin came to power in the early 2000s, Russian foreign policy has started to chance and foreign energy policy as well. Putin's energy policy is based on usage of energy as a weapon in order to enhance Russia's interests in the world politics.

Putin's energy policy also changed the gas sector and export strategy in the beginning of 2000s. Before 2000s, gas was supplied from Russia's own natural gas reserves and Europe

was content with this strategy. Putin changed its gas strategy and diversified the gas market and gas transit routes towards Central Asian countries and Caspian region. Besides, he gave primary importance to profit maximization and promotion of Gazprom in the international energy markets.

As a result of Putin's successful diversification policy in terms of gas import- export and gas transit routes, Russia exported its natural gas to Kazakhstan, Azerbaijan, Turkmenistan and Uzbekistan at European prices. Besides, in 2003, Russia signed an agreement with Turkmenistan to buy all Turkmen gas production until 2028 apart from volumes needed for Turkmenistan-Iran pipeline (Susic and Zivkovic 2012).

Again, as a part of Putin's new energy policy, foreign investment opportunities in Russia ended in 2003 and Yukos Oil Company, which was a private company of oligarch Mikhail Khodorkovskiy and the largest oil company in Russia was nationalized. By the way, Khodorkovskiy and Yukos' top executives were blamed for fraud and were send to the prison.

In the beginning, Europe ignored Russian government's nationalization efforts in the energy sector since TNK (Tyumenskaya Neftyanaya Kompaniya) and BP (British Petroleum) formed a strategic partnership on September 2003 called as TNK-BP, which was main example of vertical integration. It was Russia's third-largest oil producer. In 2013, TNK- BP joined to Russian oil company Rosneft.

After the 2004 presidential elections were held in Russia, Europe realized the threat relating to the international energy companies since Putin announced some changes on the Sakhalin Island Shelf, where foreign companies such as Chevron-Texaco, Exxon-Mobil and Shell had serious contributions since the beginning of 1990s (The Economist, 2006).

Russian government's nationalization of energy sector aimed to increase Russia's influence on Europe's gas market, increase export oil volumes to the US, use the opportunity occurring as a result of a rise on oil and gas demand in the Far East and South-East Asia, increase oil and gas imports from Central Asia, bypass the transit countries such

as Ukraine, Belarus, the Baltic states and Poland, and increasing production by exploring new reserves like East Siberia, Yamal and NWR in Russia (Ebel, 2009).

In order that realize its aims, Russian government tried to interfere global energy sector more and influence other countries' foreign policies such as Russia's opposition to the Orange Revolution in Ukraine and Rose Revolution in Georgia in 2000s.

Finally, although there have been certain disputes between Russia and the EU, Putin continues to have close links with the EU (Sakwa, 2008).

4.4. Russian Energy Policy Documents

4.4.1. Energy strategy for Russia for the period up to the year 2020

After the fall of the Soviet Union, Boris Yeltsin, President of Russia, agreed Russia's first energy strategy on May 7, 1995. The title of the Russia's energy strategy was "On the Main Directions of Energy Policy and Restructuring of the Fuel and Energy Industry of the Russian Federation for the period up to the year 2020" (Fredholm, 2005). The document was approved as "Main Provisions of the Russian Energy Strategy" by the Russian government on October 13, 1995 (Fredholm, 2005). When Vladimir Putin became the President of Russia, first changes on the document were made on November 23, 2000 (Fredholm, 2005). The name of the document was changed to "Main Provisions of the Russian Energy Strategy to 2020" and on September 2003, the document, which determined technical details of the energy strategy for the energy production growth, was enlarged by including the period up to 2020 (Tkachenko, 2008).

Basically, Russian energy strategy is two fold: moderate and optimistic. Optimistic scenario claims that in 2020, Russia's GDP growth will be 3.3 times more than 2000, the physical investment on the fixed capital will increase seven times and prices for oil and gas of Urals will increase for the same period. According to the moderate scenario, in 2020, Russia's GDP growth will be 2.3 times more than 2000, the physical investment on the fixed capital will increase 3.6 times and prices for oil and gas of Urals will increase for the same period as well (ES- 2020, 2003).

Moreover, the national energy strategy for the period up to 2020 document estimates that natural gas production increases from 598 bcm in 2005 to 730 bcm for the optimistic case and to 680 bcm for the pessimistic case in 2020. For the oil supply, it is expected that it is 520 m/t for the optimistic case and it is 450m/t r the pessimistic case (Juurikkala and Ollus, 2006).

According to the national energy strategy for the period up to 2020 document, primary objectives of the energy policy are exporting energy resources, captivating FDI to the domestic energy sector, carrying energy, increasing the Russian fuel-energy sector activities in terms of exploring and producing abroad, and promoting Russian companies in foreign markets in not only upstream but also downstream sectors (Bochkarev, 2006).

For Russia, energy policy is also a security issue since energy is used to increase Russia's sphere of influence abroad and secure its independence through non-military ways (Leijonhielms and Larsson, 2004). Therefore, the Putin government, based on its energy strategy up to 2020, aims to increase Russia's political power through Russia's own energy resources and fuel-energy industry. In other words, energy resources are vital for Russia's geopolitical perspective and foreign policy (Smith, 2004). In summary, Russia's national energy strategy for the period up to 2020 document underlines that natural resources are crucial not only for Russia's energy security but also to its domestic energy security and to lasting economic growth.

Finally, Energy is a vital security issue for Russia due to two reasons. First, energy is a tool, which increases Russia's power in the international realm. Second, energy is a threat since countries, which do not have energy resources, could coerce Russia to obtain its resources (De Haas, 2010).

4.4.2. Energy strategy for Russia for the period up to the year 2030 (ES-2030)

The main reason why Russia replaced its energy strategy document with new one is the 2008 economic crisis, which affected expectations of Russia on production, exploration and investment. The 2008 economic crisis decreased the national consumption and energy

exports hence Russian budget was badly affected. Russian government launched new energy strategy document in order to ameliorate its energy sector quickly.

According to ‘’Energy Strategy of Russia For The Period Up To 2030’’document, Russian energy policy includes maximizing energy sources’ effectual usage, sustaining economic growth through energy sector, raising life standards of its citizens and improve the quality of life of the population and enhancing economic power of Russia abroad (ES-2030, 2010). ‘’Energy Strategy of Russia For The Period Up To 2030’’document’s main objectives are increasing the efficiency of energy resources’ production, extraction and processing in order to supply energy in both nationally and internationally, building new energy infrastructure and modernizing the current ones by using technology on the energy sector in Russia, founding steady institutions in the energy sector, raising energy and efficacy of economy and energy industry in Russia, making necessary structural regulations in order to realize technological energy saving and integrating the energy industry in Russia to the world energy market deeply (ES-2030, 2010).

Energy Strategy of Russia For The Period Up to 2030 document divides Russian energy strategy into three terms of years up to 2030: 2013- 2015, 2015- 2022 and 2022- 2030. First terms of years between 2013- 2015 explains that a new organization is needed for further improvement and for getting over the negative effects of the 2008 economic crisis. Moreover, first term concentrates on taking measures against the decrease on production and forming necessary environment for the further improvement and modernization of the energy industry in Russia. Second terms of years between 2015- 2022 aims to take the fuel-based market to the most efficient level, to bring modern innovative technologies to the energy field and to establish the new oil and gas production centers in Far East, Eastern Siberia. Third terms of years between 2022- 2030 underlines that Russian economy will increase the usage of alternative energy sources while decreasing dependency on hydrocarbon exports almost 50 per cent (ES-2030, 2010).

Energy Strategy of Russia For The Period Up to 2030 document also gives some forecasts for oil and gas. In regard to oil, document expects that oil reserves will increase to 5,122 m/t in 2030. Moreover, Western Siberian resources is expected to increase to 1,205 m/t-

2,500 m/t and Eastern Siberian resources will increase to 165 m/t- 1,200 m/t in 2030. Oil production also will increase to 530- 535 m/t in 2030. Russia, in addition, aims to invest $609- 625 billion to the oil sector. Regarding the gas, reserves are expected as 6,500 bcm in 2030. Within 6,500 bcm, Western Siberia is 3,000 bcm, Eastern Siberia is 1,200 bcm and Seas of Russia is 2,000 bcm. Energy Strategy of Russia For The Period Up to 2030 document envisages that the contribution of new reserves to the total gas production will be 15 per cent in 2030. The gas production also will increase to 885-940 bcm (ES-2030, 2010).

Furthermore, Energy Strategy of Russia For The Period Up to 2030 document focuses on the Russian foreign energy policy up to 2030. In the document, the goal of the foreign energy policy of Russia is defined as empowering Russia in the energy market and achieving the maximum profit from the energy export in the advantage of domestic economy through the sales of oil and gas at highest prices (ES-2030, 2010).

The reason why Russia gives an importance to steady relations with its current big customers and new customers, respectively Europe and Asia is that Russia needs markets in order to adopt its energy strategy.

To sum up, Energy Strategy of Russia For The Period Up to 2030 document is intended to be a road map for Russian foreign energy policy. The document focuses on energy sector priorities, necessities for developing competitive and functional economy, energy exports as a financial source for ameliorating the wealth of Russian citizens and the exploration of new reserves. Finally, according to the document, pipelines are most important part of Russian foreign energy policy and Russia's one of main goals is to build direct pipelines to western and Eastern directions for bypassing transit countries (Kaveshnikov, 2010).

4.5. Gazprom as a Part of Russian Energy Policy

Gazprom is not only a commercial entity but also is strategically important company for Russian government. Gazprom is in a monopoly position on natural gas exports and has the control of domestic pipelines. Hence, it has a special place as a state controlled natural

gas company. Besides, Russian government always supports the Gazprom in international conflicts like pricing disputes with Ukraine and the EU. It does not mean that the economical motives are not important for the company; however, its direct connection with Russian government means that political motives are prominent for Gazprom.

Although Gazprom is a commercial enterprise, it is directed by both political and economic motives and political motives sometimes affect negatively profits of Gazprom. In the ultimate point, both Gazprom and Russian government target a rise in revenues. From Gazprom's point of view, shareholders of Gazprom care the profit. Hence, Gazprom's primary objective is to maximize its profits. From the Russian government's point of view, profits of the Gazprom could be resent to Russian economy in order to be used in strategically important areas. The problem here is that the profit received from Gazprom becomes domestic price subsidies in the natural gas sector of Russia. Since domestic price subsidies are held aside from the bottom line of the company, Gazprom could not reach to the required funds for developing projects. Although Gazprom tried to find a ways to cope with this strategy such as increasing prices in Russia, bringing down the supply chain, differentiating its assets; surprisingly, new sources of natural gas in the EU have overtaken the Gazprom and Russia as well.

Moreover, Gazprom both works commercially and fulfills the political requirements Russian government determines although it has to give its profit back. For instance, in Russia, natural gas prices are subsidized. In 2012, prices in Russia were 55 per cent less than the EU market prices. During last decade, Gazprom lost 49 billion USD due to these subsidies (Fang et. al., 2012).

Table 4.5

Financial Results	2007	2008	2009	2010	2011	2012
Net sales, million RR	2,423,245	3,285,486	2,991,001	3,597,054	4,637,090	4,764,411
Sales profit million RR	701,778	1,260,306	856,912	1,113,822	1,656,843	1,289,176
Net profit million RR	694,985	771,380	793,793	997,993	1,342,442	1,210,556
Net assets million RR	4,313,097	4,913,099	5,649,321	6,536,361	7,760,991	8,701,094

Financial factsheet of Gazprom
Source: http://www.gazprom.com/investors/info/

Finally, Gazprom exports Russian gas to the EU through its Gazexport company, which realizes the gas sales via three ways: direct sales held by local companies, which are connected to Gazprom such as Polish SlovRusGaz, sales through subsidiaries and joint ventures, which are also connected to Gazprom such as German Wintershall Erdgas and sales through intermediaries, which sell gas to retailers in the EU like Hungarian Emfesz and are directly connected to Gazprom such as Itera (Arınç, 2007).

4.5.1. History of natural gas and Gazprom in Russia

Natural gas has importance during the modernization period of the Soviet Union at the end of World War II. However, due to its infrastructure need and common use of oil and coal, natural gas could not be more important than the oil and coal (Bahgat, 2010). Russia's gas export has started with Poland in the beginning of 1940s. The name of the company exporting Russian gas was '*Gazovaiapromyshlennost'* and Gazprom's name also comes

from this company's name (Yang et al., 2011). The gas export to Poland was at low volumes. Big amount of gas export started in 1967 with the Czechoslovakia through pipeline (Lee, 2009). In 1968, an Austrian company, OMV signed a long- term contract with the Soviet Union and became the first state from the West importing Russian gas (Poussenkova, 2010). An Italian company, ENI and West Germany were added to the list in the middle of 1970s (Poussenkova, 2010).

The end of 1960s and beginning of 1970s witnessed the rapid development of gas industry in the Soviet Union. During the 1970s, coal and oil production decreased and Leonid Brezhnev, General Secretary of the Soviet Union, made efforts for increasing the natural gas production. Hence, gas met the target amount in 1980 and central planners began to be interested on it (Gustafson, 1989). Besides, gas exports gained importance within the Soviet Union since it balanced the loss at target energy volumes. The 1973 oil crisis in the world became an opportunity for the Soviet Union in order to improve value of gas since oil prices rose and oil volumes decreased (Bahgat, 2010).

Like today, the Soviet Union applied different gas prices to the states. For instance, Comecon states in Easter Europe paid fewer prices as a prize of their friendship while Western European countries were paid much higher prices to enhance economy through hard currency. Although the Soviet Union aimed to keep its sphere of influence among Comecon states, this strategy did not only give political leverage to the Soviet Union against Comecon states but also resulted in financial losses in the gas industry of the Soviet Union (Closson, 2011). Besides, primary energy resource Comecon states are dependent is lignite not natural gas and secondary importance of gas for Comecon states has been an obstacle for the Soviet Union in order that it could use the gas as a geopolitical means.

Even though the Soviet Union saw that subsidizing states with fewer gas prices is not enough to receive their political support, Gazprom and Russian government have continued to pursue this strategy nowadays. After the demise of the Soviet Union, Russian economy was disaster since the government could not pay the taxes and wages. Furthermore, contiguous states to Russia aimed to increase autonomy. Thereof, Russia used subsidized gas prices as a means to keep Russia and former alliances within CIS

together. Fortunately, subsidized domestic gas prices did not become obstacle on Gazprom's revenues since slowdown in Russian economy declined the gas consumption in Russia more than the gas production and Russia could export natural gas at bigger volumes than expected (Bahgat, 2010).

Since Russian government could not privatize the gas industry, Gazprom's prominence has increased after the demise of the Soviet Union. This demonstrated that privatization and market liberalization are required in order to decrease gas market dependency to the EU. Therefore, in the beginning of 1990s, Russia has started to make efforts for privatization and market liberalization through the support of IMF and specialists from the West. Besides energy strategy was developed under Boris Yeltsin presidency for the privatization and de-monopolization and Gazprom became a commercial entity in 1992.

However, the privatization of the Gazprom has never been full-scale and liberalization in the gas industry has never been realized (Åslund, 2008). Besides, both Boris Yeltsin and Vladimir Putin used Gazprom as a means to solve the political issues.

When Putin became president in 1999, Russian government started to make decisions under the control of oligarchs and the Gazprom became more profit- driven company. However, the Gazprom never gained more autonomy then it has. Since Putin believed that 1990s damaged the powerful image of Russia in the world, he started make efforts to regain this image of Russia and changed Soviet period managers of important industries in Russia. For instance, in 2001, Aleksei Miller became the manager of the Gazprom and he mainly concentrated on increasing prices and revenues of the Gazprom (Åslund, 2008).

All of these developments did increase the state-centric structure of the Gazprom under the Putin Presidency. Besides, natural gas continued to be subsidized for the development of the domestic industry. Putin could get political support; however, the Gazprom's benefit decreased at the lowest level. Even, Russian market price sometimes became less than production cost of the Gazprom (Abdelal, 2012).

When Putin became president for the second time, Russian government secured its domination on the Gazprom. Since Putin realized that energy is very well used for the acquisition of political power, he left to follow Boris Yeltsin's privatization efforts (Åslund, 2008). First, Putin started with the oil industry and took on YUKOS and Mikhail Khodorkovsky went to the jail in 2004. Second, in regard to the gas industry, Russia took over the majority share in the Gazprom (Yang et al., 2011).

4.5.2. Gazprom and foreign policy of Russia

Today Gazprom is not very effective and strong as a geopolitical tool in contrast to the previous years. However, Putin continues to be interested in foreign relations and conflicts of the Gazprom in Europe. The reasons why Russian government continues to do this are geopolitics, rents, and Putin's view towards natural resources.

Natural gas is a means for domestic policy not only in the Soviet Union but also in Russia since it has been used for subsidizing industries in Russia, Ukraine, Belarus and the Baltics. Subsidization policy has continued after the fall of the Soviet Union and Soviet domestic policy has been the foreign policy of Russia. However, Russia has not influenced geopolitics as much as it did before by exporting natural gas. For instance, today Russia's disputes with its neighbors are related with profit maximization not mainly geopolitics (Goldthau, 2008).

Russia's politicization of gas disputes between the Gazprom and the customers from the EU does not make a contribution to the solution of the dispute. Besides, it is not necessary for Russia to use natural gas for the geopolitical domination since Russia has to enhance its relations with the EU customers not destroy (Goldthau, 2008). Therefore, Gazprom prefers long-term contracts and pipeline construction in order to provide the stability, which is advantageous for both the exporter and importer. In other words, Russia's aim is not to be subordinated gas transit states and European customers (Goldthau, 2008).

The construction of pipeline could give two different impressions to the customers of Russia. First, Russia's gas transit infrastructure initiations could demonstrate that Russia is

willing to establish long-lasting trade relationship with its gas trading partners. Second is that Russia aims to create high dependency of its neighbors to its gas supply hence Russia could use its natural resources to threaten its customers for example by stopping the gas flow from the pipelines (The Voice of Russia, 2013). However, such arguments could be invalidated by two examples. First, Russia is dependent on gas exports in order to survive. Second, Gazprom and European importers have good relations and sign contracts for Russian gas.

Gazprom has seen reaction when it stopped gas flow to Ukraine; however, Russia did not lose its relative trustworthy as a supplier. Nevertheless, pipelines surpassing from the Eastern Mediterranean are under the threat of terrorist groups and governments. For instance, in 2010, terrorist attacks to the Arab-Israeli gas pipeline caused to the permanent closure of the pipeline and Israel experienced gas scarcity (The BBC, 2010). In contrast, Gazprom continued supply gas via existing pipelines and aimed to construction pipelines which could provide that Russia could reach the same partners even transit states stopped the gas flow. Finally, Gazprom gives an importance to the geopolitical considerations within the context of profit maximization.

In regard to the pricing policy of Gazprom, after oil revenues started to decrease in the 1970s, gas exports have become important in Russia. This development did not change the volume of oil sales and gas was settled in the second place in Russia's budget. Regarding the oil equivalent, amount of Russia's oil production and natural gas production are almost the same. This amount is more or less 10 million barrels per day (Gustafson, 2012).

In Europe and Asia apart from the Great Britain, oil-indexation is used for the calculation of natural gas prices. Hence, price changes on oil products mean price change on natural gas (Barnes, 2012). However, Gazprom still has a provision in its contracts protecting itself against the price decrease risks oil-indexation could lead (Stern and Rogers, 2013).

Besides, Gazprom does not prefer sales at spot prices, which are not going to necessitate the oil-indexation since oil indexation acts as a price stabilizer. Nevertheless, when the EU

diversifies its energy supplies more, oil indexation is going to lose its validity for Gazprom's customers.

Pricing is important for Gazprom in regard to not only export contracts but also domestic sales. The reason is Gazprom's subsidies to the Russian market and several CIS states' markets. Under the head of Alexei Miller, Gazprom increased prices in its all subsidized markets in order to catch up the prices in Europe (Åslund, 2013). However, this attempt could not be so successful since gas pricing is under the control of Russian government's Federal Tariff Services.

There has continually been dispute between Gazprom and Russian government about pricing issue. In 2006, Putin brought in a policy, which aimed to gradually equalize domestic gas prices with the EU prices though a five-year plan (Locatelli, 2008). Thus, domestic gas market would be profitable and Gazprom could support future investments and finally liberalize its gas market (Henderson, 2011). Besides, higher prices in the domestic market would support the Russian government to modernize the economy and to reduce the insufficient industries since they will not be promoted through subsidized prices. From Gazprom's side, there are two advantageous of price increases. First, Gazprom's revenue increases and second, Gazprom does not need for gas export profits in order to make energy efficiency workings.

Although gas prices have gradually risen starting from 2006, growth of Russian gas market has faced with several obstacles such as low speed movement in electricity reform, emergence of new independent producers, which provide gas at lower costs and increase on spot- market pricing tendency in Europe (Henderson, 2011). These problems have been obstacles against the formation of liberalized natural gas market in Russia.

Since the Russian government could not increase domestic gas prices, Gazprom tries to decrease the risks born from the low price sales within Russia while foreign prices are increasing. For instance, it supported energy efficiency and bought electricity generators in order to enhance its lobbying power for electricity reforms. Hence, electricity-producing companies would buy gas at more expensive prices (Henderson, 2011). Moreover, in 2009,

during Medvedev's presidency, energy efficiency bill was signed; however, they failed to take long steps and hence Gazprom had to continue to support insufficient industries. Finally, Gazprom and Russian government have the same aims but different means.

Based on the Russia's subsidization policy, there is the manner of Russian politicians towards Russia and the CIS since they let them supplying cheap gas in order not to let them dissolving. However, this policy caused to insufficient usage of energy sources in the long-term period.

Table 4.6

Gas Pricing in the Eastern Europe in 2014	
Country	Gas Price (per thousand cubic metres)
Belarus	167 USD
Ukraine	268.50 USD
Poland	about 500 USD
Lithuania	about 500 USD

Sources: Mass media publications

Gazprom follows take-or-pay contracts out of Russia. In the gas trade, there is price risk for the exporter and the volume risk for the buyer. Moreover, Gazprom prefers contractually binding customers since gas storage is expensive. In other words, Gazprom aims to see that it is under guaranteed economically before extracting the discovered gas. Even there has been guaranteed Gazprom required, there is always the risk to invest in infrastructure projects such as pipeline projects for not only Gazprom but also the customers. Hence, mutual trust should also be guaranteed for both parties.

Take-or-pay principle of Gazprom aims to decrease the price risk it could encounter. Another way Gazprom follows in order to decrease the price risk is long term contracts with big import companies from the EU by receiving a certain amount of money irrespective of changes in demand. Hence Gazprom tries to protect itself from the price and volume risk (Locatelli, 2008). Besides, Gazprom shares its risk with the customer with this method and gains the required capital for the investments of upstream projects (Locatelli, 2008).

Since Gazprom has been primary gas supplier, the EU customers give an importance for long-term contracts. Besides, Gazprom has had long-lasting relationships with downstream

companies and downstream companies see the Gazprom as a stable supplier (Abdelal and Mitrova, 2013). It is also very important for Russia to supply regular gas flow to the EU as a trustable partner in the natural gas market.

On one hand, several partners see Gazprom as a reliable supplier and encourage Gazprom to increase its import routes for Russian gas (Abdelal and Mitrova, 2013). On the other hand, LNG has started to outspread more in the EU and could decrease Russia's natural gas prices in certain markets (The Economist, 2012). Besides, new gas pipelines emerge to carry the gas. Gazprom should demonstrate its trustworthiness as a gas supplier since there are competitive prices in its contracts against LNG. Moreover, Gazprom uses oil-indexed prices. Therefore, Gazprom should assert that its gas prices are more stable and trusted than the prices of spot markets.

The degree of relationship between EU companies and Gazprom is decreasing although in spite of Gazprom's claims on oil-indexed prices and long-term contracts. Besides, the EU companies and the European Commission look into the inside of Gazprom's contracts. Finally, Gazprom's model is under threat due to the fact that Russian gas, dependent on the EU market, could lose its place in the market as a result of an increase on supplies and price risk, and low domestic prices within Russia.

4.5.3. Gazprom and Russian economy

In order to understand Gazprom's place in Russian's economy, it is necessary to evaluate it with the role of rents in the Russian economy (Gaddy and Ickes, 2005). Natural gas, which has been growing rent source for the Russian economy since 1992, forms almost one third of total rents between 1991 and 2005 (Gaddy and Ickes, 2005). The biggest role in this rent growth belongs to Putin since he increased taxation and hence rents from the oil industry (Gaddy and Ickes, 2005). Besides, he used rents from gas industry for subsidizing the domestic economy.

The reason why Russia uses rents to subsidize the domestic economy is that government has tendency to keep gas prices at low goes back the beginning of 1990s when economic

difficulties within the country and people's perception to the natural gas a basic social good resulted in Russian government's unwillingness to increase the natural gas prices (Pirani, 2013). Actually, starting from 1990s, Russian government has aimed to increase on domestic gas prices except for the residential use, which today composes of 19 percent in Gazprom's supplies (Gazprom, 2013). However, Russian government did not include the residential and the municipal use in the liberalization process in 2007 (Pirani, 2013).
2008- 2009 Economic crisis in the world, government elections in 2010 in Russia and Putin's return to the presidency in 2012 in Russia also did not create a chance to increase domestic gas prices for the residential use. Before 2012 presidential elections, Putin promised that he would stop the domestic natural gas increase. This electoral promise has just political aim but damage the profits of the Gazprom.

The reasons behind natural resources' usage as rent- seeking and monopoly vary. This monopoly starts from historical experience and arrives the usage of the gas as a foreign policy tool and the importance of gas revenues for Russia's economy, which is based on rents. Actually, rent system is a part of Soviet Union heritage. Since the Soviet period, Russian policy makers have believed that Russia's natural sources are unending (Gaddy and Ickes, 2005). Hence, Russia is still dependent on natural resource rents. Moreover, there is uncertainty between the state and the company in Russia's natural resources sector.

This uncertainty, which leads to rent- seeking and corruption, does not derive from Russia's approach towards natural resources sector but policymakers and businessmen, who claim that natural sources are decisive on the outcomes (Wright and Czelusta, 2004). In this point, it is important to understand Russian government especially Putin's view towards natural gas wealth.

Russian policymakers also claimed that the state has the right to regulate and use natural sources. Therefore, natural resources are very significant for the wealth of Russia. Although Russian government has attempted to realize liberalization, it also believes that Russia's natural resources belong to Russian citizens not companies and as the representative of the Russian citizens, Russian government has the right to control the natural resources.

However, decrease on natural resources damaged the system. Russia's oil production fell down and gas came to oil's place. Hence, starting from middle of 1990s until 1999, when oil price was ameliorated and Gazprom realized profits from export revenues, natural gas rents boosted Russian economy (Gaddy and Ickes, 2005).

Since institutions are not well developed in Russia, it needs allies and rent distribution is a good way to establish allies (Gaddy and Ickes, 2005). When Putin came to power, he dissolved certain oligarchs of 1990s in the rent-distribution system. Even though Putin did not remove rent- distribution wholly, he established a control mechanism over the system.

Hence, if anybody would like to be a part of the system, it should have made contribution to the system via informal rents. By the way, in order to establish permanent domination on the gas industry, Putin located his allies in top positions of Gazprom. This strategy not only secured the Russian government's control over the gas industry but also provided that Putin could control over many other sectors such as television (Milov, 2006). Finally, allies of the Russian government at top positions of Gazprom enabled that Russian government could manipulate rents from Gazprom.

Taking those steps in the hydrocarbon sector for ensuring the rents could be problematic since placing influential persons to top positions increases the lobbying power of the gas sector. When gas sector becomes more powerful, persons aim to get more power as well. Then, lobbying power prefers the more rent and more profit to the more efficiency. In order to guarantee revenue's return, hydrocarbon companies in Russia should follow Russian government's agenda, which is also funded by these companies. In other words, in Russia, hydrocarbon companies both pay for and receive the rent. Therefore, there is symbiotic relationship between these companies and Putin.

Oil and gas elite of Russia emerged in 2001 when Putin came to power. They support continuation of Putin's presidency. Hence, they get the right to influence the government's policy (Bukkvoll, 2003). Before Putin's presidency, gas lobby's influence increased between 1993- 1998 during Prime Minister Viktor Chernomyrdin, former Gazprom Chairman and decreased between 1998- 2001 during Prime Minister Yevgenii Primakov,

aimed to subsidize the other sectors in Russian economy in order to pep them up through the revenue coming from oil and gas export (Bukkvoll, 2003).

Finally, Russia and Gazprom's historical tendency towards rents have led to insufficiency and corruption. Hence, expenditures have been made for increasing briberies not long-term capital investment (Åslund, 2008).

Today, Gazprom's exports aim to finance the subsidized gas prices in the Russian domestic economy. Besides, exports to Europe constitute most part of Gazprom's foreign sales. In order of volume size, Ukraine, Germany, Turkey and Italy have been the leading importers from Gazprom. The major counterparts of Gazprom Group in Western Europe include the following companies: E.ON Ruhrgas, Wingas and WIEH in Germany, Eni in Italy, Botaş in Turkey, PGNiG in Poland, GDF Suez in France, Panrusgas in Hungary, RWE Transgas in the Czech Republic, SPP in Slovakia, EconGas in Austria and GasTerra in the Netherlands (Gazprom, 2014).

4.5.4. Gazprom, Novatek and Rosneft

In Russia, economics is under the domination of rent-seeking system and rent-seekers supports state-controlled market since their rents come through this system. Therefore, this system is against reforms and self-enhancing in order that rent-seekers could gain short-term advantageous although it causes long-term losses for citizens.

Moreover, global economic crisis, which has been a threat to Russian system, did not change the state intervention in the market. In contrast, it empowered the centralization behavior of the government, which rejected all modernization efforts (Johnson, 2012).

Although the centralization efforts continue, new companies entered in to the gas market. Most two important ones are Novatek and Rosneft, which have reduced the share of Gazprom in the gas market. On one hand, Gazprom supported the promotion of these companies by increasing its prices. On the other hand, surprisingly, Russian government also supported these companies although Gazprom is rent-source for them. These new

producers are challenge to the exports of Gazprom; however, the question is whether this liberalization step is a threat to the Russian government in terms of rents and geopolitical strategies.

Until new companies have entered into the market, Gazprom was controlling the transportation in Russia and choosing the source of its production from its own production, from third party Russian producers, or from Central Asia (Henderson, 2010).

Since 2007, Gazprom's domination has decreased due to unregulated prices at which Russian gas was sold. However, since deregulation of prices provided that the company made profit in 2009 domestic sales, ultimately Gazprom benefited from the change commercially (Henderson, 2010).

Therefore, newcomers are actually a threat to Gazprom even though they have not yet sold directly to end-buyers since they decreased Gazprom's export monopoly. It could demonstrate that Russian government will change its relationship with Gazprom if Russian government's search for new alternatives to Gazprom in the domestic market is taken into consideration. Even, Putin aims to finish Gazprom's monopoly on exports gradually via new LNG exports to companies excluding Gazprom (Shiryaevskaya and Bierman, 2013).

By the way, both Rosneft and Novatek, challenging Gazprom's domination in the market, have similar relationships with the Russian government in regard to political strategies of the government. Abdelal claims that even the state has bigger share in the company, it does not mean that state's influence in the company's decision-making is increasing. Instead, he asserts that the degree of relations between companies and policy-makers of the government sets the company's decision-making (Abdelal, 2011).

Table 4.7

Company	**Bcf/d**
Gazprom	47.1
Rosneft	1.2
LUKoil	1.6
Surgutneftegaz	1.2
TNK- BP	1.3
Others	1.6
ITERA	1.2
Novatek	5.5
PSA Operators	2.6
Total	**63.4**

Russia's natural gas production by company, 2012
Source: Eastern Bloc Energy

Rosneft, leaded by Igor' Sechin, is Russia's biggest oil producer but not an independent company. Rosneft's 69.5 percent of shares are owned by OJSC Rosneftegaz, held by Russian government (Rosneft, 2014). Although former president Dmitry Medvedev and Deputy Prime Minister responsible from oil and gas, Arkady Dvorkovich aimed to liberalize the Rosneft, Igor' Sechin was against it vigorously (Lough, 2013). Then, Putin became president again and Rosneftegaz, managed by Sechin has been the company incorporating hydrocarbon companies (Buckley, 2013).

Since energy policy in Russia is traditionally made by a group of people who are very close to Putin such as high-profile manager of leader companies, Sechin as one of those people involved in decisions on energy issues of Russia (Lough, 2013).

In other words, nongovernmental actors are influential on foreign policy making of Russia. For instance, the Russian business community has influence on Russian government's EU policy making, especially in the energy sector (Hopf, 2008).

Rosneft with Sechin enhanced its domination in the hydrocarbon field and its position in the sector started to penetrate to Gazprom's sphere of influence. In addition, Rosneft aims

to penetrate its associated gas remaining from its oil projects to the market. This objective also serves to the Russian government, which aims to increase efficient use of energy in the hydrocarbon sector and decreasing gas flaring in the oil sector.

OAO Novatek, founded in 1994 and held by Gennady Timchenko, is second biggest gas producer in Russia. It is also largest independent gas producer of Russia. In 2012, while Gazprom's production decreased by 15 percent, Novatek's production increased by 19 per cent (Åslund, 2013). Novatek through its investments and long-term export contracts with end-customers demonstrated that it could support Russian economy and contribute to the holding investors.

Moreover, Timchenko chose the vertical integration in Novatek as chosen in Gazprom. For instance, Timchenko has the Gunvor Group Ltd., founded in 2000, operating in the trade, transport, storage and optimization of petroleum and other energy products. In addition, Stroitransgaz, which is one of the top-level companies in the gas infrastructure construction sector, is under the control of Timchenko, who also has big shares in two largest gas fields, Southern Tambeisk (Yamal) and Angero-Lensk (Novatek, 2014).
Furthermore, Novatek has been the first company finishing Gazprom's gas export and signed 10- year agreement with German Energie Baden-Württemberg AG (EnBW) in August 2012 (Novinite, 2012).

Besides, Novatek is the only independent company gaining from LNG exports. Main reason of this privilege is Novatek's commercially and politically successful actions. Therefore, both Novatek and the Russian government benefit from this relationship and their relationship is similar to the one of Gazprom.

To sum up, ultimately, Gazprom would benefit from the competition occurred as a result of liberalization in the domestic market since Gazprom could be more relaxed in pricing in exports which is the most profitable market of Gazprom (Locatelli, 2008).

The only disadvantage side of this development for Gazprom is the finish of its protected position in the export market. Furthermore, newcomers have the chance to demonstrate

their abilities. Hence, they could make pressure through their lobbies to gain the export market sales. Novatek is good example for this. From Russian government's point of view, leading team of both Rosneft and Novatek are out of being threat to Russia since they have good relationships with Putin.

Since Gazprom's dominance in the market reduces, in order to be competitive in the market, it has to demonstrate that it is a trusted supplier to its European customers. Gazprom tries to demonstrate its trustworthiness in two ways. First, Gazprom strives for being more integrated with its European customers in order to ensure its position. Second, Gazprom makes investments amounting huge numbers in order bypass transit states such as Ukraine since the disputes with transit states damage its reliability.

In order to ensure its export markets, Russia's primary strategy was vertical and horizontal integration in 2006- 2007. After the first dispute between Ukraine and Russia occurred in 2006, Russia increased the number of its joint ventures by 100 per cent (Yang et al, 2011). Therefore, Gazprom could be involved in different steps of supply chain. This strategy has also been foundation block of its export mechanism since 1980 and Gazprom has aimed to co-opt some transmission companies, distribution companies and even its end customers (Locatelli, 2008).

Vertical integration strategy of Gazprom disturbed antitrust commissions of the EU and the EC launched third energy package in order to direct such integrations to unbundling and keep Russia in the competition (Locatelli, 2008).

Hence, Russia demonstrated that it took a few steps by including new gas suppliers to the market for exporting. However, Gazprom's interest in the EU market went on through an increase on the number of supply routes to the EU in order to increase the number of countries having direct connection. In addition, Gazprom initiated the promotion of new reserves such as Yamal Peninsula. The production in Yamal Peninsula started in 2011 and the target volume is almost 360 bcm by 2030 (Gazprom, 2014).

In general, since Gazprom has the domination in gas supply, it could determine the rules such as oversupplying gas for decreasing prices and increasing prices for disadvantageous of LNG suppliers (Ryan, 2013).

Today, Russia exports the gas via the Yamal Pipeline, the Ukrainian Corridor, Nord Stream, Blue Stream and a planned South Stream pipeline (Gazprom, 2014). Among these pipelines, the Nord Stream pipeline accesses Germany by bypassing transit countries and planned South Stream pipeline is proposed a direct access to Bulgaria over the Black Sea in Turkish waters by bypassing other Southeastern European countries. It is not certain but South Stream is planned to reach to Austria from Bulgaria via Serbia, Hungary, Slovenia, and Austria (Gazprom, 2014). Nord Stream is the rival pipeline project of the Nabucco pipeline project; however, all South Stream, Nord Stream and Blue Stream pipeline projects are the biggest challenges of Russia in regard to decrease it dependency on transit countries and increase its energy leverage on the buyers.

Figure 4.3

Gas Pipelines
Source: http://www.gazprom.com/about/production/projects/pipelines/

On one hand, from commercial point of view, for the long-term benefit, Gazprom prefers to be trusted even it covers the immediate costs of the construction of the pipelines since trustworthiness in the price and purchase would bring benefit to Gazprom for its long-term

capital investments. On the other hand, from political point of view, Russian policy makers claim that more pipelines will increase Russia's geopolitical stand against the EU and compel Ukraine in order that it returns to gas trade under Russia's circumstances since Ukraine is important for Russia due to the Black Sea naval base in Sevastopol (UPI, 2012). Finally, both Russian government and Gazprom would like to benefit from the natural gas sales. Russia both tries to diversify the suppliers and support Gazprom while Gazprom aims to diversify the supply routes.

4.6. Russia's Energy Disputes with Ukraine and Belarus: Impact on Russian Foreign Energy Policy

After the demise of the USSR, Belarus and Ukraine followed different ways in the region. Belarus continued its close relations with Russia while Ukraine aimed to be more independent from Russia. Therefore, Russian government punished Ukraine via the increase on energy prices while they rewarded Belarus (Abdelal, 2002).
Although Gazprom is a commercial entity, Russian government continues to use it as a geopolitical tool and controls tariffs on gas exports. Hence, Russian government manipulates Gazprom's businesses for its own benefit. On one hand, since Russian government politicizes the gas disputes between Gazprom and its customer states, the EU also perceives Gazprom as the geopolitical tool of Russian government and there has been negative perception within the Gazprom's export markets. On the other hand, despite these perceptions, the EU trusts the Gazprom since it needs Russian gas and Gazprom is historically trustworthy supplier for the EU. In the recent past, the EU market has not had chance to change its dependency policy towards Gazprom; however, now, the aims to diversify its gas imports in order to decrease its dependency on Russian supplies.

The reason why the EU feels unreliable towards Gazprom and takes some measures against it now is the high-density gas disputes between Russia and Ukraine in 2006, 2008 and 2009.

The Gas Transmission System (GTS) of Ukraine is an integrated part of the Unified Gas Supply System (UGSS) of the former Soviet Union. The UGSS includes operation of gas

production, transmission, storage and distribution facilities. The Gas Transmission System (GTS) of Ukraine was developed as a terminal for exporting Russian gas to Europe in 1970s. After the fall of the Soviet Union, the UGSS was divided; however, the gas supply systems of Russia and Ukraine continued to work together until the 2006 supply disruption. The 2008 and the 2009 gas disruptions followed it (Hafner, 2012).

To begin with, it is obvious that the demise of the USSR created new states while dividing the unified system of the USSR (Dusseault in Liuhto (ed.), 2009). After the demise of the USSR, newly independent states shared the gas infrastructure of the Soviet Union and assets were transferred to those states. In this sharing, Ukraine had a 1,100 km natural gas pipeline system. 97 per cent of Russian gas was transported via this system. After the Yamal-Europe pipeline arrived at full capacity in the 2000s, this percentage fell to 80 (Abdelal, 2013).

Both systems of Ukraine and Russia are not separate pipelines. For instance, the transit pipelines Urengoy-Uzhgorod, Yamburg- Western border and Orenburg Western border are also delivering gas to Ukraine. Moreover, the Balkan pipeline receives gas from Ananiev-Tiraspol-Izmail and Shebelinka-Krivoi Rog-Izmail. Furthermore, gas is transported from the Yelets-Kremenchug-Krovoi Rog and the Kremenchug-Ananiev pipeline to the Ananiev station (Hafner, 2012).

Although Ukraine is still prominent transit route for Russian gas today, the amount of gas going through Ukraine has been decreasing for four years. The most obvious decrease was seen in autumn 2012 and gas amount decreased almost by 50 per cent. The reason of this decrease is supply increase on Nord Stream and Belarus routes (Hafner, 2012).
Hence, on one hand, Gazprom was dependent on Ukraine. On the other hand, Ukrainian gas reserves decreased in 1970s and it was also dependent on Gazprom, having west Siberian gas (Nygren, 2008). Both sides were dependent on each other after the fall of the Soviet Union especially between the years 1991- 1997 since they were in economic crisis (Pirani et al., 2009). Besides, Ukraine was dependent on Russian gas since it did not have alternative energy supplier and Russia was dependent on Ukraine since it had to export gas to the EU in order to subsidize the energy prices in the domestic economy. Therefore, the

biggest challenges for Russian gas export strategy are Russia's high level of dependency on the GTS of Ukraine, certain transit disputes and political instability in Ukraine (Hafner, 2012).

However, mutual dependency between Russia and Ukraine did not prevent them enter into a dispute. During the 1990s, Ukraine could neither make payment for gas to Russia nor convince Russia to pay through different means. Besides, Russia was accusing Ukraine of stealing gas for Europe (Pirani et al., 2009). All of these problems increased the hostility between both parties. However, these problems did not lead to Russia's blockade transit via Ukraine since Russia's gas transit dependency occurring as a result of the fall of the Soviet Union gave a bargaining power to Ukraine. Therefore, Ukraine access to the Russian gas at convenient prices by allowing transit of Russian gas to Europe via Ukrainian territories (Abdelal, 2013) From Russia's side, Russia found two solutions in order to decrease the burden Ukraine caused.

First, Gazprom aimed to diversify supply in Ukraine by convincing another suppliers on selling gas to Ukraine like Turkmenistan. Second, Russia founded firms, which would be act as an intermediary between Ukraine and Gazprom for transporting the gas like Itera, Eural Trans Gas, and RosUkrEnergo. These buffer firms disturbed the EU and Ukraine due to two reasons. First, buffer firms were not transparent the EU and Ukraine claimed. Second, managers of these buffer firms were receiving really high salaries and customers of Gazprom were feeling that these expenditures were charging to the customers of Gazprom.

Map 4.5

Key Gas Pipelines in Ukraine
Source: East European Gas Analysis, National Gas Union of Ukraine

In regard to Belarus, Belarus is a transit country for Russian gas due to Yamal pipeline (Balmaceda, 2006). Gazprom also supply gas for Belarus itself. Russian companies take part of oil and gas areas in the economy of Belarus. In terms of Russia-Belarus transit relations, the pipelines travelling from Belarus transport approximately Russian gas as 20 per cent and Russian oil as 50 per cent to the EU. Moreover, Belarus provides the transit of oil to Germany and Poland, since energy relations between Russia and Belarus depend on the immediate political and economic interests of their ruling elites (Balmaceda, 2013). The issues and problems in terms of gas and oil transit from Russia to the EU are almost the same for Belarus.

Map 4.6

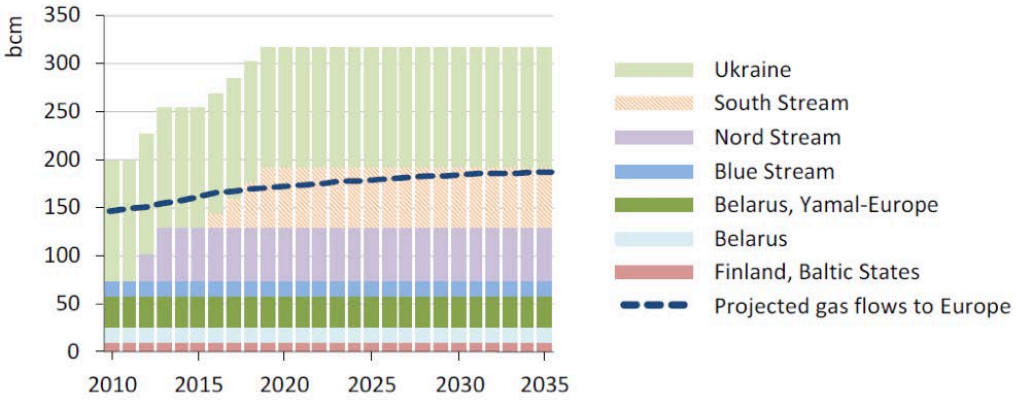
Gas Network in Belarus
Source: www.gazprom.com

4.6.1. Ukrainian case

There are three main gas disputes affecting Russian- EU energy relations. All three of them took place between Russia and Ukraine. Gas disputes occurred in 2006, 2008 and 2009 respectively. For three gas disputes, main problem was on transit tariffs then Russia cut off the gas supply to Ukraine and the gas delivery of the EU stopped. Among those three disputes, the one, which occurred in 2009, caused more negative results than the one occurred in 2006 and 2008 since Russia cut off to supply gas to sixteen EU member states and Moldova. During two weeks, especially in the Balkan, humanitarian problems took place (Pirani et. al., 2009). Moreover, Hungary and Slovakia experienced economic problems. Finally, the crisis finished through the Early Warning Mechanism, including oil, natural gas and electricity, under the Energy Dialogue between Russia and the EU. The Early Warning Mechanism is composed of three levels. First of all, notification has to be given in the state of supply interruption in energy. As second and third levels, a common plan has to be submitted for a solution through the consultation and implementation. Although those three gas disputes had strong negative effects on the EU, the EU and Russia did not come up necessarily against during these gas disputes since those disputes occurred between Ukraine and Russia.

On one hand, no increase on Russia's bargaining power against the EU in energy related matters occurred since Russia is dependent on energy exports to the EU. However, Gazprom succeeded to get more support in regard to the pipeline projects, which would enable Russia's bypassing Ukraine although this support is harmonized with EU's efforts to diversify its energy sources and routes.

Figure 4.4



Projected gas flows from Russia to Europe and growth in gas pipeline capacity
Source: WEO2011, IEA

On the other hand, the EU understood that Russia was not always a reliable energy supplier and started to search for alternatives in order to diversify its energy suppliers, routes and energy sources. However, it could be asserted that the 2006, the 2008 and the 2009 gas disputes did not necessarily affect the EU- Russia energy relations.

After the gas disputes, Ukraine had to buy gas from Russia at full price and Turkmenistan at discounted price. However, those disputes demonstrated the EU the risk of being overly dependent on one source of supply.

First dramatic dispute between Russia and Ukraine was the 2006 gas dispute. The 2006 dispute had both political and economic incentives. All of disagreements and problems between both parties peaked in 2005 and Gazprom and Ukraine could not agree on a contract for transit gas prices. In addition, in 2005, energy prices were increasing fast. For the natural gas, prices increased in 2005 and were expected to go on increasing in the next years. From economic point of view, while increase on energy prices provided the fast growth of Gazprom and Russia, Ukraine was paying to gas under the market prices. Therefore, Gazprom decided to increase prices Ukraine paid to energy.

Russia's pricing policy towards CIS was differing country-by-country and year-by-year until 2005 (Closson, 2011). Due to the fact that natural gas prices in the EU increased in last three years, Russia reflected this change to its pricing policy towards CIS and

increased prices. New pricing system aimed at reach to netback market prices: “Germany’s gas prices minus transportation costs plus an X factor of profit for Gazprom” (Energy Charter Secretariat, 2007). In 2006, this policy failed but is still alive.

Although Russia claimed that market-based pricing to CIS has a commercial base, Russia took some steps demonstrating that this policy change also has also political base. For instance, payment timetables Gazprom scheduled were changing from a country to another one depending on political closeness of countries to Russia. Hence, countries like Belarus and Armenia have longer timetables for payment since they have good relationship with Russian government while countries such as Ukraine and Georgia had to make payment in lesser time period since they have tendency to the European countries (Pirani et al., 2009). All of commercial and political actions of Gazprom and Russia towards CIS also damaged their position in the European market.

During the negotiations between Ukraine and Russia, Ukraine did accept neither higher price for 2006 nor a contract asserting that Ukraine would give a stake to Gazprom in its gas transport system to Gazprom. Therefore, not only parties did not sign a new agreement but also the existing contract expired on January 1, 2006 and Russia cut off the gas supply to Ukraine during three days (Abdelal, 2013). At the end of crisis, parties agreed on the prices and the position of new intermediaries within the gas trade between two parties. When Gazprom proclaimed that it had to increase natural gas sale prices to Ukraine as a result of the increase on natural gas prices in the international markets in 2006, natural gas prices for Ukrainian consumers increased by four times (Fikret, 2011).

From political point of view, gas dispute occurred just after the Orange Revolution in Ukraine, taking place after last turn of the presidential election of 2004 since turning point of Russian- Ukrainian relations has been the 2004 presidential elections in Ukraine. Since Ukrainians did not elect Viktor Yanukovich, supported by Russia in the 2004 elections, which is called as Orange Revolution, Russian government punished the country due to its western- backed choice.

At the end of the presidential election of 2004, votes were divided between Viktor Yushchenko, supported by the West and Viktor Yanukovych, supported by Russia. Following the protests, strikes and electoral fraud and corruption claims, last turn was made again and Viktor Yushchenko became the president.

On one hand, it is obvious that Russia rejects developing democracies in the states, which were under its sphere of influence in the previous times. On the other hand, Gazprom has right to cut off its supplies if its customer does not make payment.

After 2006, oil prices increased again and the European gas prices as well. However, 2006 gas crisis demonstrated that Ukraine has power –even it is limited- on gas disputes with Russia: blockage of delivery to Europe. Although this risk could convince Russia in order not to cut off the gas delivery to Ukraine, Yulia Tymoshenko, the Prime Minister in Ukraine, made efforts to eliminate the RosUkrEnergo from the market in order to split business and politics up and Gazprom decided to take an action against Ukraine (Pirani et al., 2009).

From the EU's side, the 2006 gas dispute demonstrated that Europe has to be skeptical about Gazprom's reliability as an energy supplier. After the dispute, Germany, France and Italy declared that Ukraine should go on making the shipments to Europe. Moreover, the EU showed its willingness to establish closer relations with Russia in order to secure its energy in the long-term. Finally, the World Trade Organization drew the attention of former Soviet states in order that they should save themselves from Russian energy subsidies (Woehrel, 2007).

While Russia reduced the volumes of gas delivery to Ukraine in January 2006, Russia reduced the shipment of volumes meant for the Ukrainian market in January 2006, it send the ones paid in advance by the European customers. However, European customers delivered 25- 40 per cent less gas they paid since Ukraine held certain amount of gas (Abdelal, 2013). Hence, Europe accused Russia of being unsuccessful to supply gas while Russia accused Ukraine of stealing gas sent to Europe.

From Russia's side, the dispute demonstrated that transit states especially Ukraine should be bypassed through new gas pipelines. Therefore, in 2006, Gazprom and Germany agreed on the Baltic Sea Pipeline called as Nord Stream. Besides, the Blue Stream and South Stream pipeline projects started to be discussed.

Although Russia's cut off gas supply to newly independent states are not very unfamiliar due to lack of these states' paybacks Russia claims such as Russia's first cut off gas supply to Ukraine in 1992, the reason why the 2006 gas cut off to Ukraine was known as common is that gas disputed has started to be in international community's interest and very politicized (Closson, 2011).

From the US' point of view, the US regarded the dispute as a reaction to the Orange Revolution. The Bush administration called in Ukraine to NATO membership. Moreover, the US blamed Russia for being part of the disputes in Ukraine presidential elections (Åslund and McFaul, 2006). All these events escalated the Ukraine-Russia gas dispute of 2008.

Finally, at the end of the 2006 gas dispute, the EU members required from Russia to ensure their energy security in order not to be affected by such disputes between Russia and transit countries. In response, Russia announced that it would ensure the demand of the EU members (Fikret, 2011).

Second challenging dispute between Russia and Ukraine was the 2008 gas dispute. Ukraine-Russia gas dispute of 2008 was almost the repeat of the 2006 dispute. Fortunately, the solution in the 2006 gas dispute was temporary and it was agreed on that Ukraine would have paid half of the price the European countries paid. However, long-term pricing deal could not be reached between Russia and Ukraine.

Since Ukraine has debt to Gazprom amounting to $1.3 billion, Gazprom forewarned Ukraine to cut off gas supply in October 2007 (Balmaceda, 2013). Gazprom gave the second warning to Ukraine in the beginning of January 2008 and required advance payment for gas for 2008 in February 2008. After Ukraine rejected to make payment,

Gazprom cut off gas supply on March 3, 2008 (Balmaceda, 2013). The 2008 gas dispute finished in several days like the 2006 gas dispute.
After the dispute, the US and Eastern European Countries supported Ukraine again. Gazprom declared that it was a commercial entity and had right to cut off the gas supply if the customer did not meet the financial requirements. Pipeline projects bypassing Ukraine were mentioned again. The EU tried to get the parties together for a long-term deal (Andres and Kofman, 2011).

Since Ukraine could not pay for the gas even at price agreed on the end of the 2008 gas dispute, in 2009, new gas crisis occurred due to the fact that Gazprom and Ukraine disagreed on the amount Ukraine would pay for the gas in 2009 and the payback of Ukraine's debts and Russia blamed Ukraine for stealing gas again. Although Ukraine accepted to make payment for a part of its debts at the end of 2008, pricing dispute of gas for 2009 could not be solved and Gazprom cut off supplies to Ukraine on January 1, 2009.

The gas volume Gazprom cut off was equal to the quantity Ukraine used for its domestic consumption and the gas pre-paid by the European customers was transmitted. Hence, Putin claimed that the gas dispute occurred due to totally commercial concerns. While Ukraine asserted that Gazprom decreased the gas for Europe, Gazprom asserted that Ukraine stole gas belonging to Europe (Abdelal, 2013). Since the parties could not reach on a deal, Gazprom stopped all supplies to Ukraine on January 7, 2009.

The EU's efforts to resume flow to Europe by sending monitors to gas metering stations were rejected by Gazprom. A few days later, the EU and Russia agreed on flows to Europe via Ukraine on January 12 2009 (Abdelal, 2013). Finally, Putin and Prime Minister of Ukraine Yulia Timoşenko signed a new contract on January 19, 2009 (Abdelal, 2013). Ukraine accepted a ten-year agreement stating that it would pay discounted prices for gas in 2009 and market prices starting from 2010 (Abdelal, 2013).

On February 2010, pro-Russian Viktor Yanukovich became the President of Ukraine. Yanukovich signed an agreement with Medvedev extending Russian presence in the Black Sea Naval in Crimea to 30 years. He received discount on gas price covering several years

in return. Besides, Russia made payment for the Black Sea Naval in Crimea. After a while, Yanukovich started to question the amount of money Ukraine paid to Russia for the natural gas and demanded from Russia to decrease the price under 200 USD (Kısacık, 2013).

The aftermath of the 2009 crisis came about quickly and was much more severe than after the previous two disputes. Nearly all of Gazprom's European customers were adversely affected. After the 2009 dispute, the EU, for the first time, maintained a unified attitude towards Russia, the Gazprom and Ukraine in terms of energy security.

Therefore, the 2009 dispute was the first one the EU chose its side since the solution of the dispute took longer time hence, the dispute led to much more negative effects on the EU members as a customer.

After the 2009 gas dispute, the EU declared that Russia was an unreliable supplier and Ukraine was an unreliable transit for the European energy (Feklyunina, 2012). However, not unified manner of the EU but the agreement between Russia and Ukraine finished the dispute.

There are two parties benefited from three disputes: the EU countries such as Germany and Italy and Gazprom. First, the EU countries such as Germany and Italy started to make agreements on individual basis with Gazprom for gas supply.

From Gazprom's point of view, the gas disputes with Ukraine demonstrated that Ukraine would not be a reliable transit country for Russia (Abdelal, 2013). Besides, Gazprom and Russian government experienced disagreement on negative influence of gas dispute Gazprom's commercial relations due to Russian government's usage of politics in those relations. Thereof, after the disputes, Gazprom decided to bypass Ukraine by directing its supply routes towards Nord stream and South stream while Russian government did not give up its interests on Ukraine such as the Black Sea naval base in Sevastopol, Crimea.

This Russian naval base's rent contract with Ukraine finished in 2010 and Dmitry Medvedev, Russian president between the years of 2008- 2012, put forward a deal to

Viktor Yanukovich, the President of Ukraine, including cash payment and gas discount in order to renew the rent contract of the Black Sea base. Nevertheless, the gas discount Medvedev proposed was including a drop off Gazprom's duties for export to Ukraine not a reduction in the gas price.

Mutual discontent on gas prices between Russia and Ukraine still continues even the leaders change. On one hand, Ukraine insists on the gas discount. On the other hand, Gazprom billed $7 billion to Ukraine for the gas it did not deliver in 2012 due to Gazprom's take-or-pay principle (Steelguru, 2013). The west perceives this strategy as a political tactic aiming to create Russia's sphere of influence in the consumer and transit states via energy infrastructure. Ukraine rejected to be a part of this strategy and made efforts for energy diversification in order to import energy except from Russia such as importing Russia's resold gas from Poland and more coal and increasing domestic gas production. Naftogaz, national oil and gas company of Ukraine and founded in 1991, signed agreements for the exploration of possible shale gas, the construction of its own LNG terminal and in December 2012, with China's CNPC for receiving assistance to finance its projects (SDC, 2014). Therefore, Ukraine's gas imports from Russia reduced by half in 2012 relatively to one year before.

By the way, in order to bypass Ukraine, Gazprom constructed new pipelines. Therefore, Russia would be a reliable natural supplier. However, the construction of new pipelines is slow and costly process. Therefore, Gazprom suggested barter to Ukraine: Ukraine's sell of its infrastructure to Gazprom in return, Gazprom's remission to Ukraine's debts. For Ukraine, increase on gas prices and the sale of gas infrastructure cause the decrease on revenue and political influence.

From the US side, the Bush administration supported Ukraine during the dispute. The US claimed that the crisis was Russia's alert in order to prevent Ukraine from being a member of neither NATO nor the EU.

To sum up, gas disputes between Ukraine and Russia could not be defined as only political or only commercial. Both concerns play role in these disputes. Public opinion in the West

towards gas disputes believed that Gazprom was a political tool of the Russian government, which punished Ukraine since the West- backed president Viktor Yushchenko came to power through the victory of the Orange Revolution (Abdelal, 2013). Surprisingly, when the 2006 and 2009 gas disputes took place, the US extracted new reserves and the European market benefit from the gas abundance of the US.

The Carnegie Endowment Center for International Peace's Moscow Center claimed that the crisis was arranged in order to reduce the power of Yushchenko, Ukrainian President between 2005- 2010 since he supported Georgia in the 2008 Georgia- Russia crisis and had an aim that Ukraine became the member of NATO and the EU (Åslund and McFaul, 2006). Therefore, Russia used Gazprom as its foreign policy tool through the 2009 dispute.

After the gas dispute between Ukraine and Russia, in 2009, the EC underlined the importance of solving EU's import dependency on Russia and Gazprom since it creates a security threat for the EU. The EC's expression has demonstrated that the EU sees natural gas trade with Russia having political inherent.

The Directorate General (DG) of Competition in the European Commission (EC) has concerned Russia due to not only lack of confidence towards Gazprom but also intensive disputes between Russia and Ukraine.

By the way, the EC has been focusing on electricity and gas market liberalization since 1990s and issued electricity liberalization directive in 1996 and gas liberalization directive in 1998. It was decided that member states should adopt them to their legal systems for electricity in 1998 and for gas in 2000. Second liberalization directive were issued in 2003 and its application on legal systems of member states would have been in 2004. It entered into force in 2007 with certain provisions (The European Commission, 2014). In addition to these directives, the EC took steps for specific issues like a sector inquiry in June 2005 mentioning the barricades becoming obstacles against more competition in these markets and results were published in 2007 (The European Commission, 2014).

Finally, third liberalization directive called as third energy package was discussed in 2009 and aimed to adopt in 2013. During this process, many European energy companies such as EDF, E.ON, and RWE were examined (Riley, 2012). The Commission targeted the companies directing its route towards East since Gazprom is a part of the gas contracts in this region. Moreover, the Third Energy Package required the unbundling of energy supply from distribution. Thus, the EC aimed to reduce vertical integrations natural gas companies like Gazprom preferred in order not to be affected from market changes (Locatelli, 2008).

Unbundling policy aimed to reduce Gazprom's power to influence the prices in the EU market and to provide that Gazprom pursues more transparent pricing policy. By the way, the EC announced its concern that Gazprom's contracts were not transparent and claimed that Gazprom did not respect competitive gas market rules in the Central and Eastern European Countries. Besides, first Lithuania and then Poland reported that Gazprom did not regulate natural gas costs fairly (Amos, 2012). In short, the EC's aim is to understand the volume of gas supplied by Gazprom as free of charge to the EU member states in order to prevent them from changing their suppliers and the amount of unfair prices Gazprom's applied on its customers through oil-indexed deals (White, 2012).

Now, the European customers strive for changing their long-term oil indexed gas deals with Gazprom since they are discontent with Gazprom's political side and gas prices in the EU market decreased as a result of new gas supplies and economic crisis (Goldthau and Hoxtell, 2012). These efforts were operated outside of the EC's Gazprom investigation and actually based on the provision in the long-term deals guaranteeing that the contracts could be reopened and the prices could be reevaluated, but have been threat to Gazprom in the EU market since if the prices are seen unfair, the arbitration could result in serious fines for Gazprom.

From Gazprom's point of view, it criticizes the EC and claims that the EC turned the commercial dispute between Gazprom and Ukraine into a political dispute. Therefore, Russian government decided to increase its control over Gazprom in order to prevent it from politically motivated decisions and Putin signed a presidential decree named as "Measures to Protect the Interests of the Russian Federation in Foreign Economic

Activities Conducted by Russian Legal Entities". According to this decree, revision of all contracts with Gazprom would pass through the approval of Russian government. Moreover, Russian government underlined that Gazprom does not fall into the EC jurisdiction since Gazprom is a strategic company controlled by the Russian government (Amos, 2012).

In the beginning of fair price investigation towards Gazprom, Gazprom and Russian government did not have the same approach to the investigation. On one hand, Gazprom saw the investigation as an effort to understand the legal side of contracts and to see the practice of setting long-term pricing under oil-indexed system (Neff, 2012). On the other hand, Russian government claimed that the investigation was totally political and aimed to use Russian gas for subsidizing weak members of the EU through cheap gas (Neff, 2012). However, after while, Gazprom and Russian government supported the Russian government's approach.

To sum up, turning issues into political terms from the economic one result that the discussion between parties could not be realized based on economic terms.

4.6.2. Belarusian Case

Belarus and Russia encountered certain energy disputes in February 2004, January 2007 and January 2010 and in June 2010. Among them, only the 2004 gas dispute and the 2007 oil dispute experienced supply cut off for the transit (Caldioli, 2012).

The main reason of all these oil and gas disputes were Russia's changed strategy towards Belarus beginning from 2000s. Since the Russian government's dream of political integration with Belarus failed, the Russian government decided to establish commercial based oil and gas relationship with Russia. In other words, Russia finished to subsidize Belarusian domestic gas and oil prices. This end negatively affected Belarusian economy and Belarus was badly affected by the economic crisis of 2008 (Yafimava, 2010).

First of all, in terms of the June 2010 gas dispute, Russia sent an ultimatum to Belarus to pay its debt back in order that Russia did not cut off gas supply to Belarus. Belarus counter-attacked and announced to increase on transit rate paid by Russia. Otherwise, Belarus claimed to stop gas transit to the EU from Russia (Yafimava, 2010).

By the way, energy Commissioner Günther Oettinger announced that Lithuania was the country worst affected from the dispute. He also stated that Russian gas supplies through Belarus decreased by around 50 percent in 23 June 2010 (The European Commission, 2010). At the end of the dispute, first Belarus paid most part of its debts and Russia increased the transit rate not to the level Belarus required.

Besides gas disputes, Russia and Belarus experienced certain oil disputes. First one occurred in 2007 due to the fact that Belarus increased transit tariff to Russia in regard to the transport of Russia's oil to Poland and Germany via the Druzhba pipeline. In addition, Russia claimed that Belarus made illegal oil siphonage from the pipeline. Therefore, Transneft, the Russian pipeline company, cut off oil supplies. The dispute was solved in two days (Yafimava, 2010).

In general, when Russia experiences a transit problem, it plays its card called as 'bypassing the transit country through new route'. It was the same for Belarus and after the energy dispute in 2007, Russia decided to construct Baltic pipeline System II (BPS II) through Transneft. The construction started in 2009 and finished in 2011. The route of the BPS II is from Unecha, near the Russia-Belarus border, to Ust Luga in the Gulf of Finland (Hafner, 2012).

Map 4.7

Baltic Pipeline System II
Source: http://www.velesstroy.com

Second oil dispute between Russia and Belarus took place in January 2010. As a result of expiration of the January 2007 agreement between two parties in late 2009. In order to renew the agreement, Russia demanded 100 percent customs duty from Belarus excluding the domestic consumption of Belarus and Belarus rejected to sign this agreement depending on the Customs Union agreement of 1995 between Russia and Belarus. The Russian state oil transport company Transneft did not declare any cut off for the supplies officially; however, the EU felt insecure. Finally, on 27 January 2010, Belarus and Russia signed a protocol to the 2007 intergovernmental agreement including the provisions for the increase on transit tariffs paid by Russia and customs duty on export paid by Belarus. According to the IMF, Belarus lost in this protocol (Yafimava, 2010).

To sum up, Russia and Belarus experiences energy disputes on different issues such as energy prices, debts of Belarus to Russia, and transit fees Russia paid for the transit of oil and gas through pipelines of Belarus. Therefore, temporary oil and gas supply cutoff occurred towards Belarus and neighboring countries. However, in contrast to the Ukrainian case, Russia succeeded to dominate the gas infrastructure in Belarus. In December 2011, Gazprom agreed on gaining 50 per cent of Beltransgaz, which is the natural gas pipeline transport company of Belarus, in payment for sending gas at discounted prices. Now, the

Yamal-Europe gas pipeline, passing over Belarus and Poland, transports almost 20 percent of Russian gas exports to the EU. Gazprom's aim is to increase the gas transit capacity of the Yamal-Europe gas pipeline in order to make more pressure on Ukraine (Ratner et al., 2012).

4.7. Russian- Georgian War of August 2009 and Effect on the EU- Russia Energy Relations

Russia conflicted with Georgia on energy prices as well. During dispute, Gazprom threatened Georgian government to cut off the supplies. The agreement was reached in December 2006 and gas price to Georgia was doubled. As a result, Georgia started to search for alternative gas supplies and agreed with Turkey and Azerbaijan in order to transit Azeri gas via Turkey to Georgia in 2007. This dispute was not the first one between Georgia and Russia. They encountered the conflict before. For instance, Russia boycotted Georgian spirits. Moreover, Georgia arrested four Russian by accusing them of being Russian spies. However, the most prominent conflict between Russia and Georgia in August 2008, namely Russian- Georgian War as a result of the escalation of the conflict between parties (CFR, 2010).

On August 8, during the Olympic Games held in Beijing, Russia as world leaders gathered in Beijing to watch the opening ceremony of the Olympic Games, Russian tanks went into the Georgian borders as a reaction to the respond of the Georgian forces to the attacks of secessionist groups of South Ossetia, ethnic group settled in northern part of Georgia (Nichol, 2008).

Map 4.8

Map of South Ossetia
Source: lib.utexas.edu/maps/Georgia_republic.html

Russian government supports the secessionist movements in Georgia through military assistance. Abkhazia, settled in northwestern Georgia is another example of this support. Even Russian military forces settled in these regions as peacekeeper forces with Georgia's approval (Nichol, 2009).

During the five-day war, hundreds died and thousands of refugees lived in temporary shelters (Nichol, 2009). From Georgia's side, this war was the reaction to the 2003 Rose Revolution in Georgia, supported by the U.S. for the formation of democratic institutions in Georgia.

Map 4.9

Map of Russian- Georgian war of August 2008
Source: stratfor.com/weekly/russo_georgian_war_and_balance_power

The U.S. and the EU immediately condemned Russian intervention in Georgia. The West also blamed Russia for damaging the democratization process in Georgia and claimed that main aim of Russia was to dominate oil and gas networks in Eurasia. However, Russia went ahead and recognized Abkhazia and South Ossetia on August 26 (Nichol, 2009).

After the war, it was obvious that the Abkhazia and South Ossetia was not under the Georgian control anymore. Both groups are under the protection of Russian troops. Abkhazia and the South Ossetia still demand international recognition.

The ceasefire agreement was adopted by Russia under the intermediary of Nicolas Sarkozy, French President in a month following the war (Nichol, 2009). As an immediate reaction, the EU declared to agree with the U.S. in regard to adopt certain sanctions on Russia such as freezing the EU- Russia relations, questioning of Russia's WTO membership, withdrawal of G-8 meeting invitation to Russia and boycotting the 2014 Winter Olympics, held in Sochi, Russia (Cohen, 2008). However, none of them were realized.

The most prominent impact of the war on Russian foreign policy has been its relations with former Soviet states, which established closer relations with Russia. For instance, Ukraine gave up its NATO membership efforts. Moreover, Belarus, Armenia and Kyrgyzstan enhanced their security relations with Russia. Bidzina Ivanishvili, Georgia's Prime Minister since 2012 announced that Georgia would follow pro-Russian policy.

The Russian- Georgian War of 2009 demonstrated that strategies were changing in the Caspian Region and Russia was becoming arbiter in the region while the West was becoming weaker in regard to the interests of the parties.

However, both the negative effect of the 2008 world financial crisis on Russia and Russia's gas dispute with Ukraine in January 2009 decreased Russia's strengthening existence in the region. Moreover, both developments decreased Russia's reliability as energy supplier.

If the problems in Abkhazia and Georgia escalate in the near future, it would be natural that the EU will make much more efforts to decrease its energy dependency on Russian energy exports and Russia's transit infrastructure in Caspian and Central Asia regions. Therefore, Russia's strategic position could decrease in the EU and Central Asia.

Finally, the Russian- Georgian War of 2009 demonstrated that there were several risks about the functioning of Southern gas corridor from the EU's point of view and Nabucco project would fail if the security could not be guaranteed in the region. Therefore, although energy crisis between Ukraine- Russia and Belarus- Russia, and the Russian- Georgian War of 2009 decreased the reliability of Russia in terms of being energy supplier, the disappointed in regard to decrease its energy dependency on Russia.

4.8. Liquefied Natural Gas (LNG), Shale Gas and Russian Foreign Energy Policy

According to Exxon Mobil predictions, by 2025, natural gas will be second most demanded energy after crude oil and by 2040; gas demand will reach to 65 percent (Snow, 2012). Gazprom will benefit from these numbers of amount since it is the biggest gas producer in the world. Gazprom meets 78 percent of Russia's domestic gas demand and 15 percent of world's gas needs (Gazprom, 2014).

Although Gazprom with its pipelines covering the territory from former Soviet Union to Europe, it could not succeed to construct a dominated market in the East. From the European side, it could not diversify its energy supplies. Therefore, there has been a mutual dependence between Russia and the EU.

Recently, the EU has directed its route towards liquefied natural gas (LNG) imports in order to decrease its dependence on Russia's natural gas. For instance, there is a decrease to some extent on the EU's gas imports from 2009 to 2010- 2011 (Likvern, 2010). Within the EU, the most dependent countries on Russian gas are the Eastern European countries since they do not link to regasification terminals where LNG is converted back to gas, or pipelines spreading to the East. Another reason is geographical proximity between Russia and Eastern European countries. In other words, the EU does not have many gas deposits except for Norway and the Netherlands and Eastern Europe is very convenient as a market for Russian gas due its closeness to Russia (Yang et al., 2011).

Although Gazprom is still content with its export strategy since its export revenues finance its domestic sales strategies and other facilities, diversification strategy in the EU's gas market damages positions of both Gazprom and Russia.

There was a reduction of the gas demand of the EU's gas market due to the economic crisis in 2008. At the same time, there has been the U.S. shale gas revolution, which was the result of the U.S. investments in gas extraction technologies in the 1970s (Yergin and Ineson, 2009). Hence, the U.S. had enough recoverable gas in 2011 estimated that the

reserves could be enough almost 100 years with demands at 2010 quantities (Goldthau and Hoxtell, 2012).

Although gas production in the North America is growing, giant shale gas reserves are found in the world and these developments is expected to decrease Russia's leading position in the gas suppliers; however, it seems that Russian government does not give so much importance to these developments. For instance, in the Thirteenth Annual General Assembly of the European Business Congress in Cannes on June 10, 2010, Alexey Miller mentioned the shale gas revolution as ''no news for the gas industry'' and added that the shale gas could cover only the local energy demand (Ćwiek-Karpowicz, 2012).

Since the U.S. became self-supporting nation, LNG exporters supplying LNG to the U.S. in the Middle East, North Africa and Nigeria started to search for another markets. This reduced spot prices at NetConnect Germany (NCG) and the UK National Balancing Point (NBP), the EU's main gas hubs and LNG imports increased while Russian gas imports decreased (Boussena and Locatelli, 2011).

Since there has been gas glut in the country, the U.S. started to use cheap natural gas in its power generation instead of the coal, which more expensive than the U.S. natural gas but cheaper than the EU's coal. Consequently, the U.S. exported its coal to the EU. Another reason of the U.S. decision on exporting its coal to the EU is Germany, which preferred to leave nuclear power, used for its electricity generation, after the disaster in Fukushima, in Japan. Finally, from 2010 to 2012, U.S. coal's imports of the EU increased by 72 per cent (Kayakıran, 2012). Therefore, increase on coal imports and the U.S. shale gas revolution decreased the Russian gas imports to the EU. Therefore, in 2012, Gazprom exports to the EU reached only 138.8 bcm although Gazprom was planning to reach at 150 bcm (Bierman, 2012; Platts, 2013). In addition, natural gas supply is increasing throughout the world since besides the U.S., Australia, Indonesia, Argentina and others are going to be suppliers soon (IEA, 2012). Supplier increase on the market will have negative effect on Gazprom exports since it will be difficult for Gazprom to ensure its long-term contracts. Thereof, Gazprom no more could dominate the European gas market but will be dependent on it.

4.9. Russian Energy Policy Towards the East

According to "The Energy Strategy of Russia to 2030", which was launched at the end of 2009, the share of the EU markets in the Russian energy exports would decrease since Russia would diversify its energy exports towards the Eastern energy markets such as China, Japan, Republic of Korea and the Asia-Pacific region. Ultimate percentage export target of Russia was 22- 25 per cent from 6 per cent in regard to oil and oil products, and 19- 20 per cent from 0 per cent in regard to natural gas (Poussenkova, 2013).

Russia's decision to penetrate the East Asian oil and gas market in 2005 and 2006 has both political and economic roots (Mareš and Laryš, 2012). Today, although there is no gas export pipeline to Asia, Russian Energy Strategy to 2030 targets transportation of 19- 20 per cent of Russian natural gas to Asia (ES-2030, 2010).

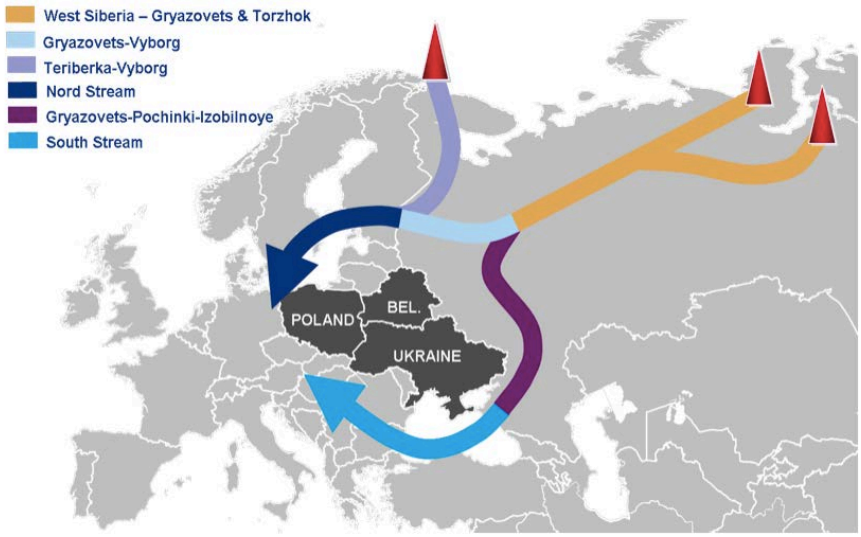
Although energy networks between Russia and China would be benefited for the gas sustainability in the world, both Gazprom and Russian government are not willing to find new gas markets in Asia since China and Russia are skeptical towards each other based on geopolitical reasons (Kuchins, 2011). In theory, Russia and China are very convenient partners to each other since Russia is oil and gas giant while China is second largest energy consumer. Nevertheless, the EU is still most important oil and gas customer of Russia since Russian gas transported through its pipelines only goes to Europe and CIS. There is only small portion of LNG export from Sakhalin to Japan, China, South Korea, Thailand and Taiwan. Moreover, China is cooperating with other petroleum-producing states (Poussenkova, 2013).

In 2012, while gas cooperation could not be established between Russia's Gazprom and China since Gazprom could not cope with that, oil cooperation between Russia's Rosneft and China is developed with the help of Rosneft. Rosneft as a state oil company is a tool of Russian foreign policy and hence, Russian foreign policy is in accordance with the Rosneft's company interests (Poussenkova, 2013).

Since there are difficulties in the formation of a resource area in the East part of Russia, gas trading with the East Asia could not be come through (Kuchins, 2011). However, problems Gazprom have experienced in the European market have been impulsion for

Gazprom's diversification of export supplies to the East and China as a fast growing market would be the best choice for Gazprom.

Map 4.10



Gazprom's strategy to diversify supply routes and bypass transit countries
Source: Wood Mackenzie

Like oil's transportation to the East via ESPO pipeline, gas could be transported to the East (Chun, 2008). There have been some initiations of Gazprom to shift to the Eastern market such as opening of an office in Singapore in 2010 by Gazprom Marketing and Trading for the promotion of sustainable carbon trade between the parties (Gazprommt, 2013). Moreover, Gazprom aims to increase gas production in eastern Siberia and the Far East almost tenfold by 2030. Besides the Sakhalin field, which is the building block of Russian gas production in the East, Kovykta field in Irkutsk, the Chayandan field in the Sakha Republic, and the Yurubcheno-Takhomsk field in Krasnoyarsk would be planned to add for the production (Kuchins, 2011).

If Gazprom could supply capital for the project, Russia will have an opportunity to promote its East Siberia region. The impulsion to realize this project for Russia could be the political interests.

Russian gas in Far Eastern is in the Sakhalin Islands. The gas in the Sakhalin Islands is transported to Vladivostok in order to use in domestic consumption or export as LNG to

Japan, South Korea, and North America (Gazprom, 2013). Sakhalin II is the only LNG facility of Russia and Russia exports LNG to East Asia through it.

The 2007 program launched a possible pipeline, the promotion of gas transit system, new gas production areas in Krasnoyarsk, Irkutsk, the Sakha Republic, Sakhalin and Kamchatka, and new gas processing fields in the Eastern part of Russia. In addition, the pipeline is aimed to export 20-50 bcma to Korea and China by 2020. When 21 bcma comes from LNG at the same time, Russia could be able to reach to the targeted export volumes (Kuchins, 2011).

However, the cost of such investment is at really high rates since Russia's East has very difficult condition geographically. Therefore, Russian government could finance this investment by charging the costs to the consumers. For instance, Russia could increase the electricity prices.

The Sakhalin-2 project's 50 per cent belongs to Gazprom and gas extracted from there are under the long-term contract for Japan. Hence, new projects aim to export energy to China, which could not deal on gas prices with Russia in general (Locatelli, 2008).

Eastern fields are really important for the development of Far East and Eastern Siberia of Russia since Gazprom will have another channel for its revenues in case its European exports are cut. In contrast to the European importers, China diversified its gas supplies by signing contracts with Myanmar, Kazakhstan, Uzbekistan, and Turkmenistan (Cutler, 2012).

In October 2009, Gazprom and CNPC, China's largest petroleum company owned by the state and one of the leading integrated oil and gas production companies in the world agreed on the Framework Agreement for natural gas supplies from Russia to China. The Framework Agreement envisaged exports up to 68 billion cubic meters of gas to the Chinese market annually. In March 2013 Gazprom and CNPC signed the Memorandum of Understanding for cooperation between the two companies in pipeline gas deliveries to China for 30 years. Finally, in September 2013, parties signed an agreement, which is

legally binding with the same provisions determined in March 2013 (Gazprom, 2014). These developments are so important both for Russia and Gazprom since it will demonstrate whether they could adopt themselves to new gas markets in innovative terms.

Therefore, new gas projects in East Asia are important for Russia and Gazprom due to several reasons. First, Gazprom needs new markets for long-term contracts since Europe is not very willing to do it anymore. Second, Gazprom- Russian government relationship could change in terms of pipelines to China since Russian government could undertake several costs of the projects if it believes their political benefits. Gazprom is also willing to fulfill these projects since it will make profits.

Finally, although there has been geographical proximity between Russia and China, oil relations between Russia and China are not very stable due to old resource bases, high production costs and rivalry in oil prices newcomers caused (Poussenkova, 2013). In the long-term, China and Russia could increase their energy cooperation; however, for now, there is no supply shortage in the oil suppliers although Rosneft needs China since Rosneft does not have alternative customers in the market. Besides, since China is now growing economically rapidly and much stronger than Russia, it is obvious that China will want to impose its own conditions in the energy cooperation with Russia. Finally, Russian oil industry is regressing and Russian oil sources are decreasing. Hence, China is going to be more dominating part of this relationship in the long-term. Therefore, the EU is going to be an important customer of Russia in the future (Poussenkova, 2013).

5. EU- RUSSIA ENERGY RELATIONS

Basically, energy and the common neighborhood policy are two issues having significant impact on the bilateral relations between Russia and the EU (Barysch, 2006).

From the end of the Cold War to the Putin's period, Russia- EU Relations were transformed. Ideological parameters of the Cold War finished and major state of conflicts became irrelevant since Russia aimed to increase economic relations with the EU in order to restore its position in domestic and world market and gain respected international status (Baranovsky in Brown, 2001).

During the Yeltsin administration, Russia was underlining to be in the European direction. Yeltsin aimed to increase economic relations with the EU for the transition period of Russia. Russia- EU relations were strengthened during the Yeltsin Period; however, both side had reservations towards each other (Sakwa, 2002).

When Putin came to power in 2000, Russian foreign policy changed appreciably. Putin announced that Russia would be great power again. Although most of parts were the same before, Putin's foreign policy was called more realistic than the previous one (Sakwa, 2002). On one hand, 'the Common Strategy of the EU on Russia', which had four basic targets, was adopted in June 1999. One of those targets was relating to the integration of Russia to the EU's economic and social space. Another one was common energy policy for the EU (Adomeit et al., 2000). On the other hand, Russia announced its perspective on Russia- EU relations through the document, namely 'Medium Term Strategy for the Development of Relations Between the RF and the EU (2000- 2010)'. The document was mainly related with the results of the EU enlargement (Gowan, 2000). However, this shift did not lead a substantial affect on energy relations between Russia and the EU.

The energy relations between the EU and Russia are vital in terms of gas and oil issues. Both the EU and Russia need each other for maintaining their economies. The reason is that the EU is secure market for Russian energy exports in order to subsidize its domestic market while the EU needs stability in terms of energy supply in order to sustain its industry, transportation systems, heating, lighting and fuelling activities.

EU is the world's largest energy importer. The EU is mainly dependent on Russia for oil and gas imports. In regard to Russia, more than half of Russian oil and natural gas exports go to the EU. The reason why Russia chooses Europe for the transportation of its natural gas and oil exports and for the investment in energy infrastructure via pipelines, sea, road and rail routes is that the EU is the most important energy partner of Russia.

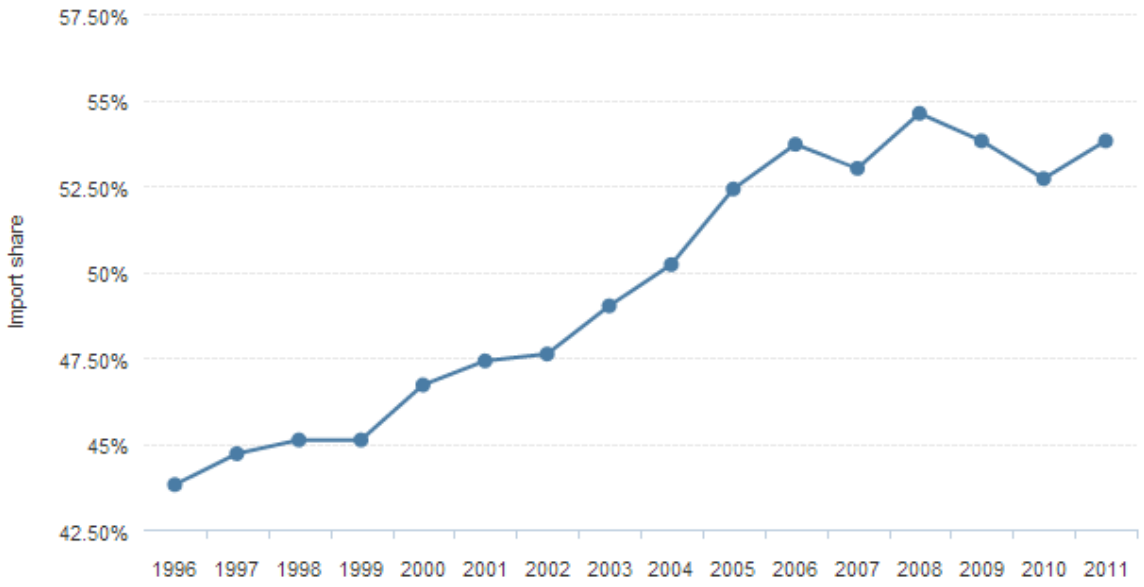
This section examines the history and the importance of the EU- Russia energy relations based on the challenges to the oil and gas supply deliveries transit states like Ukraine and Belarus caused, the political and economic significance of the built of new oil and gas export pipelines for both parties and the evaluation of the future cooperation between the EU and Russia by taking existing and possible conflict into account.

Although it does not seem like that, the EU- Russian relations have never been conflicting (Smith, 2012). Historically, the EU- Russian relations are mainly commercial especially in terms of oil and gas supply. The main reason of the close commercial relations is the geographic proximity between parties, geopolitical position and cultural contact.

In 1993, there had been dramatic shift in Russia's trade partners within the EU from the Eastern Europe to the Western Europe. The EU became the biggest export market of Russia. However, official EU- Russian relations started in 1994 when the Agreement on Partnership and Cooperation entered into force. However, in regard to energy issue, main political interactions go back to 2000 when energy was determined most important driving force to develop deeper bilateral relation between both parties in Paris during the EU-Russia Summit as stated in the 'Roadmap of the EU-Russia Energy Cooperation until 2050' (2011). Today, trade between the EU and Russia is operated based on the most-favored-nation terms (Leal- Arcas, 2009).

Among the energy relationship between the EU and Russia, the EU is more sensitive part. The EU is dependent on imported natural resources for its energy needs. After the Central and Eastern European countries joined to the EU in 2004, the EU's dependency on Russia increase too much since they purchase almost all of their natural gas from Russia. In addition, energy dependency of the old EU members such as Germany, Italy, Austria, France, Greece and the UK is growing constantly.

Figure 5.1



Dependency on energy imports in the EU between 1996 and 2011
Source: Eurostat.

Besides the economic impact, there has also been political impact of the 2004 enlargement of the EU on the EU- Russia energy relations since parties encountered tensions in relations (Kalniete, 2010). Russia traditionally is against the Eastern Europe's proximity to the EU. Today, the same problem is available for the Caspian region. That is why the EU aims to find alternative oil and gas suppliers since the EU tries to decrease its Russian energy dependency starting from the mid-2000s.

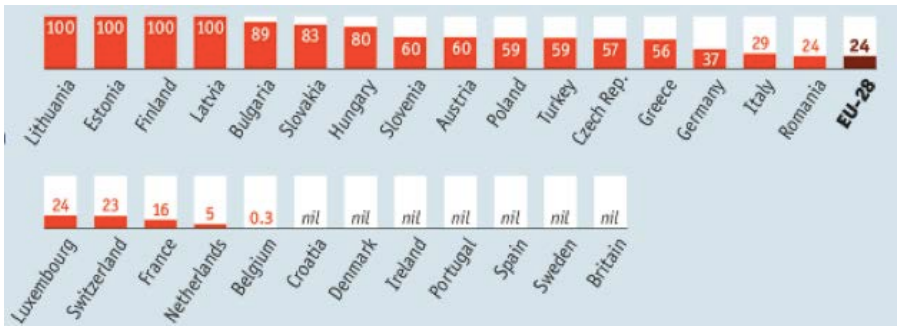
After the 2004 enlargement of the EU, the Russian government moved its gas diplomacy a step ahead (Baev, 2008). Russian government could not persuade the Czech Republic and Poland; however, it made important deals with Bulgaria and Hungary. For instance, in June 2006, Gazprom signed an agreement with MOL Company of Hungary in order to make Hungary a hub for Russian gas in the Southern Eastern Europe (Dempsey, 2006).

Meanwhile, the Eastern European states becoming the members of the EU also have negative political stance towards Russia. Therefore, there is resentment, which means 'a state of hostility maintained by the memory of an offence which it aspires to avenge', between Russia and Eastern European members of the EU such as Baltic Countries and

Poland (Fitzpatrick, 2001). The same resentment in regard to energy is available for the transit countries, namely Ukraine and Belarus, carrying Russian oil and gas to the EU.

Moreover, the International Energy Agency (IEA) forecasts that EU's dependency on natural resources imports will grow in the next decades (IEA, 2012). Therefore, main target of the EU energy policy is to meet its energy needs through the contracts signed with energy producing countries. In this regard, Russia's importance is significant since first of all, Russia has one third of global natural gas reserves and one tenth of global oil reserves (IEA, 2012).

Figure 5.2



Gas supplied by Russia, percent of total, 2012
Source: EIA

Second reason why Russia is so important in regard to the increase on EU's energy needs in the near future is that the Middle East, which is the richest region in terms of the energy most energy-rich region, has not stability. This means that there is a supply cutoff risk and this threatens the midterm sustainability of imported energy supplies for the EU. Third, European states' energy resources are decreasing. Moreover, the energy resources of European states are decreasing while Russian energy sources could be increased through a good investment and infrastructure. Finally, geographic proximity between the EU and Russia makes Russia so important for the EU.

Since there has been no exact substitute of fossil fuel in the near future and the EU member states having nuclear energy are planning to reduce their nuclear power plants in the long-term, the EU needs that Russia secure and stabilize its energy supply to the EU. It is obvious that energy is going to continue to be an important part of military and political relations in the future (Paillard, 2010).

From the Russia's side, energy is the most important boost for the development of the Russian economy and the preservation of Russian national security. Thereof, on one hand, in regard to the energy resources, the state of scarcity provides a comparative advantage to Russia in the world market. On the other hand, the sale of this much amount of energy has to bring huge income to Russia. In other words, the energy market Russia will sell its energy has to be lucrative for Russia. In this point, the existence of the EU market has significant importance for Russia and Russia has dependency on the EU's energy market since the EU has wide market power and big potential. There is high oil and gas demand in Japan and China; however, due to technical and economic reasons, Russia has not enough capacity to supply such big energy quantities to those regions, at least for the near future.

Besides, there is a reality that the highest price for gas imports is provided by the EU member states. In summary, Russia needs the EU market and if EU members decrease their energy import volumes significantly, great amount of oil and gas of Russia remains on Russia's hand (Stern in Mabro and Wybrew-Bond, 1999). This means that Russia loses its privileges gained from energy sale.

Helen stressed that after the EU started to liberalization process in order to provide its energy security, Russia started to use the energy as a political tool in order to put obstacle against the EU's formation of a common energy policy (Helen, 2010).

Since officially expressed targets of Russian foreign policy has demonstrated that there is need for a legally binding framework for energy cooperation in the international arena, a 'Conceptual Approach' was launched for a new legal framework for international energy cooperation in 2009 by Medvedev, Russian President (Gupta, 2010). Although the 'Conceptual Approach' is expected to be delimitation on Russia's usage of energy as a tool like cutoff gas and oil supplies and sudden changes on pricing policies, it should be underlined that the Russian Government might not obey the rules if the issue is economic advantages of the country.

5.1. EU- Russia energy relations and oil

Although oil is stated as the most important source of energy for the EU in the Roadmap of the EU-Russia Energy Cooperation Progress Report until 2050, its share as primary energy source in the EU is expected to decrease from 35 per cent in 2008 to 29 per cent in 2035 (2011).

In addition being the most important energy source for the EU, oil is more flexible to transport and could be changed to alternative destination to transport (Haighighi, 2006).

There are several reasons why there has been an increase on the demand for gas although oil is more important and easier to transport than oil. First of all, oil shock occurred in 1970s demonstrated that oil importing countries should mix the energy resources in order to decrease the negative effects of oil crisis since there more importers than suppliers for oil. Moreover, leading European countries namely the Netherlands, Norway and the UK found large gas fields. Furthermore, gas is the cleanest fossil fuel with less CO2 emissions damages the environment less than oil (Gas Naturally, 2012).

Although it is expected that oil demand will decrease in the future, according to the Roadmap of the EU-Russia Energy Cooperation Progress Report until 2050, external supplies of oil is forecasted to increase from 82 per cent in 2005 to 94 per cent in 2030 (2011). It means that Russia will continue to be strategic supplier of oil to the EU.

From Russia's point of view, Russia aims to continue to diversify its transit routes to the EU by building new oil export facilities such as Novorossiysk and Usty-Luga and increasing the capacities. Besides, Russian interest on oil supplies to the EU is increasing since Russian oil corporations continue to be a part of the EU refinery industry.

5.2. EU- Russia energy relations and natural gas

Unlike oil, gas is more difficult to store and transport (Haighighi, 2006). The traditional transport way of gas is pipeline, however; building pipeline routes is really rigid and regionally restricted. According to the Roadmap of the EU-Russia Energy Cooperation Progress Report until 2050, the EU's gas imports will grow by 10 per cent from 2010 to 2030 (2011).

Although the European Commission (2012) launched 'Europe 2020 Strategy', which aims to decrease energy consumption by 20 per cent until 2020, this objective mainly covers the solution for long-term energy dependency. Hence current situation for the EU's energy dependency does not change since the initiative of the European Commission targets to decrease long- term energy dependency to natural gas exporters not short- term.

Therefore, the significant role of the natural gas between the EU- Russia relations will continue to increase. In regard to transport of Russia natural gas, Russian and European companies continue to invest to extend the infrastructure network. Natural gas needs and imports of the EU countries vary. For instance, in 2012, Russia has been the biggest natural gas supplier of Germany (35 percent) while Spain has not imported any natural gas from Russia. Since Nord Stream Pipeline was opened at the end of 2011 and Germany plans to close its nuclear power plants, Germany probably depend on Russia much more than before. Now, Nord Stream uses almost 80 percent of its 2 tcf (trillion cubic feet) capacity (Ratner, et. al., 2013).

There are several reasons why the EU perceives the gas dependency on Russia as a threat: eastern enlargement of the EU, the regional facet of gas trading and the issue of energy security.

First, eastern enlargements of 2004 and 2007 brought the membership of central and eastern European countries, which are wholly dependent on gas imports coming from Russia due to the problems of Soviet period. These countries have also political clashes with Russia. For instance, Baltic States of the EU have problems with Russia about Russian-speaking minorities and Russian military installations within their border. Those problems have historical roots since the USSR annexed the territory of Baltic countries and they fought for the independence of their territories (Mouritzen, 1998). Another example is Poland, which has problems with Russia since the Soviet Union dominated Poland politically and economically (Raszewski, 2012). Hence, those enlargements increased both the EU's dependency degree to the Russian gas and the sphere of influence of Russia in the former Soviet countries, which also could lead to geopolitical disputes in terms of energy relations (Hughes, 2007).

Second reason why the EU perceives the gas dependency on Russia as a threat is regional facet of gas trading. The problem here is that the gas could be delivered only through pipelines, which give little space to the consumers and suppliers regarding alternative trade routes, transit countries and partners in contrast to oil trading which could be realized in a global market oneself. In other words, if there were an interruption on the gas supply, it would have an immediate effect on energy delivery of the consumer country (Kirchner and Berk 2010). Therefore, the EU members' dependency on regional transport infrastructure increases the power of Gazprom, which has and controls more than 90 per cent of Russian gas reserves and infrastructure. In other words, Gazprom, 51 per cent state- owned company, has monopoly over all process about Russian gas exports (Kirchner and Berk 2010).

Therefore, turning point demonstrating that gas cooperation with Russia is a threat to the EU's energy security has been the 2006 crisis. Before the 2006 crisis, the EU was aware of its dependency on Russian gas supply, the dilemma in Central and Eastern Europe shared interests created and the threat domination of Gazprom in the market led. All of these problems clashes with nature of the regional trading and did not leave any rooms for alternative suppliers to the EU due to supply interruption risks (Stern, 2006; Hughes, 2007).

The 2006 gas crisis occurred between Gazprom and Ukraine because of a disagreement on transit fees Ukraine applied for gas transported to the EU through Ukraine, which is the main country for the eastern European transit. Hence, Russia changed its subsidized price policy to Ukraine and increased gas prices up to the European prices. When the parties could not agree even after a while, Russia cut off gas supplies to Ukraine on 1st January 2006. The EU was affected by the cut of gas supply immediately since approximately 80 per cent of the EU's gas imports from Russia are transported via pipelines going through Ukrainian territories. Hence, Russian gas supplies to Hungary decreased by 40 per cent on 2nd January 2006; Austria, Romania, Slovakia and France lost about 30 per cent; Poland lost about 14 per cent; and Russian gas amount to Italy decreased by 25 per cent beginning from 1st January 2006 until 3rd January 2006 (Aalto, 2008).

The 2006 gas dispute demonstrated the threat supply and transit dependency of the EU and that the EU members have to include the geopolitics in their energy relations with Russia (Westphal, 2006). Moreover, the perception of the EU's about Russia's being reliable gas supplier since 1970s, when Soviet period was, has changed negatively (Hughes, 2007). Several EU members claimed that Russia uses energy as leverage against the EU and Ukraine in order to punish Ukraine on its choice of the West (Bahgat, 2006). Finally, the 2006 gas crisis between Gazprom and the EU revealed the vulnerabilities of the EU on its energy security and geopolitics in the EU- Russia energy relations.

The growing existence of Gazprom in the European energy market through distribution ownership and storage infrastructure is seen as obstacle for the EU in terms of formation of energy policy. For instance, Nabucco Gas Pipeline project, which aimed to establish Southern Gas Corridor, was opposed by Russia and the EU claims that Russia does not want to lose the EU's dependency on Russia's transit routes for the delivery of the natural gas. Hence, as a reaction to the EU's search for new supply routes for the gas delivery, Russia put forward the South Stream pipeline.

Finally, since the European Commission and member states of the EU have different perspectives on the energy cooperation with Russia, the EU faces difficulties in forming a coherent multilateral stance with Russia. On one hand, the dependency of the Northern Europe on Russian gas is expected to increase in the future since its own production will be exhausted. On the other hand, Southern Europe could be dependent on Northern African gas supplies due to cheaper delivery cost. However, the main problem is that there might not be a balance between gas demand of the EU and gas exports of Russia in the future since Russia might not be able to cover the EU's gas demand. There are mainly two reasons why Russia might not be able to cover the EU's gas demand in the future. First, Russia's gas extraction is insufficient and cost of gas extraction development is increasing. Second, Russia has oriented its export to other markets especially Asia (Yegorov and Wirl, 2008).

5.3. EU- Russia energy relations based on energy security

Since the EU has high import dependency on Russia's energy supply, its energy security encounters several risk possibilities, which could be categorized as short-term and long-term risks. According to Egenhofer and Legge, the example for the short-term risks could be an accident, a terrorist attack and technical problems causing to causing to the sudden supply cut off. In regard to long-term risks, Egenhofer and Legge (2001) basically classify them as economic and political ones. However, long-term risks could have deepened roots such as "imbalance of supply and demand".

In the Green Paper of the European Commission, in 2000, four risks were mentioned: physical risk, economic risk, social risk and environmental risk. First of all, the physical risk could be permanent or temporary. If energy resources exhaust or the production stops, this risk could be called as permanent risk. For instance, the EU has encountered with such kind of risk in the last decades since indigenous energy sources of the EU are decreasing hence, the EU's dependence on non-indigenous energy supply is augmenting. The temporary risk could occur as a result of a geopolitical crisis or a natural disaster (Green Paper, 2000). Russian- Ukrainian and Russian- Belarus energy disputes could be an example of the temporary risk.

Second, economic risk affects the energy security supply since it is directly related with the energy price and any change in the price affects the consumers and energy exporting countries. Hence, the price of the energy expected to be at reasonable level and stable (Egenhofer et. al., 2006). In Russian case, for example, energy incomes account for the biggest part of Russian national budget and any decrease on energy price has negative effect on Russian economy.

Third, in regard to the social and environmental risks, any negative situation in supply of energy has direct impact on the country socially, politically, economically and environmentally (Green Paper, 2000).

Russia is main energy supplier of the EU since there is geographical proximity between the EU and Russia, having big amount of energy reserves and monopoly in the energy infrastructures. First reason why energy supply security is not stable and effective due to Russia is that new investments for the extraction of Russian oil and gas are necessary in order not to fall into energy shortage; however, Russia not only has inadequate capital for new investments but also its monopolized stand does not let foreign investment in the country since companies, namely Gazprom and Rosneft, under the state control cover all energy production, exportation and transportation facilities (Mankoff, 2009). Second reason is that energy is a part of geopolitical strategy of Russia; hence energy has been a political and economic tool in Russian foreign policy since 2001 (Milov, 2006).

Furthermore, Russian engages energy to its foreign policy for promoting its interest in various countries through four ways: usage of energy dependence of the countries especially post-Soviet ones importing energy from Russia, usage of pipeline diplomacy which means the supply expansion by launching new oil and gas pipeline projects, promotion of bilateral relations with certain energy importing countries by providing partial access of their investors and the controlling the downstream energy assets of the energy importing countries especially post-Soviet ones (Milov, 2006).

Main examples demonstrating that Russia uses energy as a political tool is the gas price disputes between Russia and Ukraine and the oil crisis between Russia and Belarus.
Third reason why energy supply security is not stable and effective due to Russia is that there is a growing demand for Russia's hydrocarbons in the Asian countries besides very close relationship of Russia with China and Japan (Kuchins, 2014).

Therefore, from the EU's point of view, energy security could be regarded as the possession of energy in demanded quantity at reasonable prices. Besides, delivery of energy should not damage the environment and the delivery service should be sustainable and should not be interrupted (Kirchner and Berk 2010).

Gas trade between the EU members and suppliers has been arranged under the framework of long-term take-or-pay contracts since 1970s. These contracts share the risks that could

be born from the prices and quantities between the customers and suppliers. Therefore, these contracts have helped to ensure the security of the EU gas supply. However, on the competitive liberalist basis, the EU should decrease its need to such contracts for ensuring its supply security since those contracts are main obstacles for potential new comers. In addition, they are barriers to the development of efficient liquid spot markets, which are the groundwork of the competition policy the EU supported (Locatelli, 2010).

Therefore, in order to efficiency of the EU gas market liberalization, short-term transactions should be formed around spot markets since they are liquid enough to form a reference price for balancing the supply and demand. Take-or-pay contracts are designed under bilateral framework between the supplier and the customer; hence they do not help for the formation of single gas market (Locatelli, 2010).

From Russia's point of view, in contrast, energy security, in regard to its energy relations with the EU, is relating to security of energy demand since the EU is a market which Russia exports its energy products for increasing its government revenues (Kirchner and Berk 2010). In summary, energy security constructs the basis of the EU- Russia energy relations and their different point of views on energy security demonstrates that they have conflict in their interests in their energy cooperation.

5.4. The EU- Russia energy relations: legal documents

The demise of the Soviet Union has been the beginning of a new era for the EU-Russia energy cooperation and the EU endeavored to increase its cooperation with Russia and to create common norms, values and rules with Russia. The EU- Russia cooperation is held under different legal, institutional, economic and political arrangements. The EU and Russia have common economic and political interests hence cooperation is vital for them.

Moreover, energy security is significant both for the EU and Russia. Cooperation is also important between the EU and Russia since they have vital interest in energy. Basically, the EU needs to secure its energy supply while Russia needs to sell its energy to the EU and increase the investment. Since the EU whose indigenous energy production is decreasing and its dependency on Russian energy is rising, need to cooperation with Russia

while Russia needs to big energy market of the EU, energy cooperation each other is advantageous for both parties (Smith and Kempe, 2006).

Energy relations between the EU and Russia is perpetuating with conflictive and cooperative sides through Partnership and Cooperation Agreement (PCA), Common Space, Energy Dialogue, Energy Charter Treaty and several new agreements.

5.4.1. Partnership and Cooperation Agreement (PCA)

Legal basis for the EU- Russia relations is constructed by the Partnership and Co-operation Agreement (PCA), which was signed in 1994 and entered into force on 1st December 1997 (Sakwa, 2002).

The PCA aimed to establish political and economic dialogue between the EU and Russia. Political dialogue, cooperation and trade were three main headings of the proposed agreement. Besides economic and political dialogue, the PCA created a dialogue for the development of the EU- Russia relations at institutional level. For instance, Head of States Summit decided to be held at ministerial and parliamentary level (Maican, 2009).

The PCA was aimed to be a good starting point for enhancing the EU- Russia relations, however, the Chechen campaign of January 1995 postponed its ratification in the EU member states and an Interim Agreement remained as the basis of the relations. After three years of postponed period, the PCA entered into on 1 December 1997 (Malgin, 2001).

Before the PCA, Trade and Co-operation Agreement (TCA), which was signed in 1989, and a single technical instrument – the TACIS program, which was launched in 1991 were arranging the EU- Russia relations.

Art. 106 of the PCA determined the duration of agreement as ten years and automatic extension of this duration unless one of the parties terminates the agreement (Haghighi, 2007).

The objectives of the PCA were to create a free trade area between Russia and the EU, to establish an economic and technical assistance frame and to make Russia's participation to the World Trade Organization (WTO) easier (Haghighi, 2007). According to the Art. 65 of the PCA, the EU-Russia energy cooperation should advance the energy supply's quality and security; cultivate management and regulation in the energy area and develop a formulation in energy policy.

After Russia rejected the ratification of the new agreement replacing the PCA namely the ECT, the PCA was aimed to include basic Charter principles and legally binding provisions further economic cooperation on trade, investment and energy. Nonetheless, it did not work in practice and was removed during the negotiations.

For the negotiations of the new agreement, Russian Permanent Representative and Chief Operating Officer of the European External Action Service formed four working groups and the energy issue was included in the group of sectorial economic issues (Permanent Mission of the RF to the EU, 2012).

During the EU- Russia Summit in May 2006, in Sochi, it was decided to start the negotiations but then postponed since Poland and Lithuania rejected the starting negotiations. The reason why Poland vetoed was that Russia did not ratify the ECT and put interdiction on Polish meat (Euobserver, 2006). Besides, Lithuania rejected since Russia declared that it would shut down the Druzhba-1 pipeline, transporting the Russian oil to the only refinery in Lithuania, and Russia did not respect for territorial integrity of Georgia and Moldova (Vitkus, 2007). Therefore, after the 2008 Summit between the EU and Russia, in Khanty- Mansiysk, negotiations have started.

Besides energy, several issues were discussed during the negotiations such as the war between Russia and Georgia in August 2008, problems about the human rights and visa cancellation, internal changes the Treaty of Lisbon brought to the EU about institutions and responsibilities, and the change in the customs regime between Russia, Belarus and Kazakhstan starting from July 2011 (Zagorski, 2011).

According to Zagorski, the main problem on the negotiation process was that Russia and the EU had different views on the comprehension of the agreement. On one hand, the EU was expecting a package including all detailed issues and directly applicable norms

(Zagorski, 2011). On the other hand, Russia found sufficient a framework agreement underlining only the general principles of cooperation. For further details, Russia was aiming complementary specific area based agreements to the treaty (Zagorski, 2011).

At the end of 2010, the number of the negotiations reached to twelve and thirteenth one started. The negotiations stopped in 2010 due to the lack of progress in the Trade and Investment part (The European Commission, 2014). Then both parties agreed on leaving the continuation of the negotiations to after the Russian accession to the WTO (Zagorski, 2011).

Finally, on 22 August 2012, Russia became the 156th member of the WTO. The EU expects that Russia's WTO membership could increase the level of the economic relationship between the EU and Russia. Besides, Russia' membership to WTO could prevent Russia from adopting unilateral tariffs. However, Russia does not apply all WTO regulations (The European Commission, 2014).

Today, new agreement's future is not clear due to the Eurasian Economic Community Customs Union, whose members are Belarus, Kazakhstan, and Russia, came into and Russian resistance to adopt the WTO regulations.

Finally, like PCA, four common spaces were formed in order to contribute to the EU-Russia energy cooperation although it is not directly related with the energy title. After Putin refused to be a part of the European Neighborhood Policy (ENP), in May 2003. Russia rejected to be one of other 'European neighbors', which is the label put forward by the EU and named its relation with the EU as bilateral 'strategic partnership' (Ganzle and Sens, 2007). It demonstrated that the EU is selective while choosing its neighbors to export its norms. For instance, the EU has more leverage in Ukraine and Moldova relatively to Russia (Laidi, 2008).

Therefore, the EU and Russia agreed on a framework of cooperation, 'Four Common Spaces': economy, foreign and security policy, justice and home affairs and culture, information and education. In 2005, four 'Road Maps' was launched in order to adopt the Common Spaces. Since it was a general framework agreement, cooperation was limited (Kausch, 2007).

Russia refusal to the EU's initiations to include Russia in its ENP was due to Russian claims on the EU's attempts to adopt the ENP are the result of EU's aims to export its kind of democracy to the region. Russian rhetoric on this concern gave legitimacy to Russian government to build its leadership in the region. Thus, Russia has brought its rhetoric in practice and started to offer certain incentives to its neighbors in order to attract them such as supplying cheap gas, signing energy agreements in exchange for control of energy infrastructure and placing pro-Russian people to top positions. However, the return of these incentives to the neighbors has not been only positive since they became very dependent on Russia (Nitoiu, 2011).

5.4.2. Energy Charter Treaty (ECT)

The Energy Charter Treaty (ECT) has been the EU's first initiative to establish reciprocal cooperation with the east in energy area. The ECT and its Protocol on Energy Efficiency and Related Environmental aspects, confirmed in December 1994, was created as the first agreement establishing economic cooperation by gathering fifty-two states including Russia, Central and Eastern European Countries, the EU, Norway, Switzerland, Turkey, Australia and Japan. Although Russia signed the treaty, it did not ratify (Aalto, 2008). Hence, the ECT and its Protocol on Energy Efficiency and Related Environmental Aspects entered into force in April 1998 through 30 countries' ratification.

The ECT basically aimed to increase the foreign investment in the energy area and the free trade in energy goods, to enable the energy transit via pipelines and networks, to augment energy efficiency and environmental protection, assist to solve conflicts between states or between an investor and state (ECT, 1998). Moreover, in accordance with the World Trade Organization (WTO) provisions, the ECT objectives to realize energy transit, to improve energy efficiency, to contribute to the international dispute settlements both in the state and between states and to increase legal transparency (Energy Charter Secretariat, 2008).

Russia signed the ECT and its ratification process of the ECT started in 1996 but Russia never ratified it. Although Russia applied the ECT on a provisional basis in consistent with Art.45 (1) of the ECT, it terminated the provisional application of the ECT on October 19, 2009 and became just a signatory.

Konoplyanik claims that Gazprom was influencing the Russian politics especially at the end of 1990s. Gazprom lobbied to restrain the early ratification of the ECT. In other words, the reason why Russia never ratified the ECT and terminated it is the Gazprom, which was against the ECT since the electric power and oil industries; and the Russian government was supporting the ECT (Konoplyanik, 2002). Russia through the influence of the Gazprom objected mainly three provisions: trade with nuclear materials, non-discriminatory third party access to Russia's gas pipelines and long-term gas supply contracts (Konoplyanik, 2010).

Therefore, Russia refused to ratify the ECT and its transit protocol since they did not compromise with its and Gazprom's interests. In order to ratify them, Russia demanded some changes or adds to the original document.

Moreover, the reason why Russia did not ratify the ECT was the Protocol on Transit part of the ECT (Art. 7). According to Pami Aalto, Russia was against Art. 7 since it brought the necessity to apply the freedom of transit "without distinction of the origin, destination or ownership of energy, and non-discrimination pricing" (Aalto and Westphal, 2008). In other words, if the ECT and its transit protocol came into force, the EU would have had free access to the Russian pipelines to import central Asian energy resources since the most convenient way the Central Asian states could export energy resources was Russian pipelines (Aalto, 2008). Surprisingly, in January 2001, Russia adopted a protocol on transit (Konoplyanik, 2011). Now, the ECT ratification was coupled on the ratification of the Transit Protocol.

Problems relating to the Transit Protocol were solved in 2003 apart from two issues which were the ones between the EU and Russia: the right of first refusal and the Regional Integration clause (REIO) (Konoplyanik, 2011).

The right of first refusal was included in Part III on 'Utilization of Available Capacity' of Art.8 (4) in the 2003 Draft on Energy Charter Protocol on Transit. According to the right of first refusal, if a state's transit contract expires before its supply contract's expiration, first, the state using the expiring transit contract has the right for the new transit contract (Konoplyanik, 2011).

In regard to the regional integration clause (REIO), it was part of the Art.20 in the 2003 Draft on Energy Charter Protocol on Transit and the Art.7 (10) (a) of the ECT. The EU's objective with this clause was to be recognized as one and to bypass some ECT provisions (Haghighi, 2007). As a result of these unsolved issues between the EU and Russia, since 2003, the negotiations on the Transit Protocol have been suspended.

According to Talseth, there were two main reasons why Russia rejected the application of the ECT were the gas dispute between Russia and Ukraine in January 2009 and the Yukos affair (Talseth, 2012). In regard to the Russian- Ukrainian gas dispute, Russia criticized the functioning of the ECT since it claimed that the ECT would let Ukraine to violate transit provisions; and both the EU and the Energy Charter Secretariat were not objective on this issue (Konoplyanik, 2011).

Regarding the Yukos affair, which was a court case between the shareholders of the Yukos Company and Russia, claimed that Russia applied discriminatory measures on Yukos Company and wanted to nationalize its investments. According to the Art. 26 ECT, foreign investors could take a 'direct action' against the host country in the international arbitration courts. Therefore, Russia did not want to experience similar court cases (Konoplyanik, 2011). However, Arbitrators gave their decision on Yukos Case on 30 November 2009 and applied the ECT for Russia as Russia ratified the Charter. However, Russia argued that the ECT could not be applied for Russia since Russian government signed the ECT but never ratified it. It is interesting that this victory of Yukos took place after Russia withdrew from provisional application of the Charter in October 2009. Therefore, this ECT case could create an impact on the EU-Russia energy relationship in the future and provide that Russian reconsideration its view towards the Charter (Riley, 2009).

In 2009, both Putin as the Prime Minister and Medvedev as the President declared in their separate speeches that the ECT could not meet the expectations in fixing new problems and a new international legal framework for energy security – a new version of the ECT is needed. According to Medvedev, new treaty should cover not only expectations of the customers but also the expectations of the producers and the transit countries (Medvedev, 2009). Energy charter negotiations between Russia and the EU was also criticized by Putin since he claimed that there was inequality between the outcomes of the agreement for the EU and Russia (Thorun, 2009).

In summary, there had been no cooperation between the years 1991 and 1994 and the ECT was not applied. In contrast, limited cooperation was formed between the years 1994 and 2009 since Russia signed the treaty and accepted the ECT's provisional application. Nevertheless, since 2009, the cooperation has disappeared since Russia stopped the provisional application of the ECT. Although since 2009, Russia has stopped the provisional application of the ECT, retroactivity could not be applied on this issue since according to the Art. 45 (3-b), Russia has had to accept the ECT provisions on the implementation of the investment and the procedures for resolution in disputes until the year of 2029 (Konoplyanik, 2011). Since Russia is against to any limitation on its energy policy, therefore, it does not seem as logical to make pressure on Russia for adopting the Energy Charter (Kulhanek, 2010).

Finally, the ECT would have been a good starting point for this target and the EU could have de-monopolized its energy trade with Russia and a third party could have found a a chance to access to infrastructure of Russia. Therefore, a transit corridor would have transported gas from the Caspian region over Russia but independent from the interference of Gazprom and Russia would have lost its advantageous of being key supplier of the EU (Hughes, 2007; Belyi, 2009). Even, according to Umbach, energy market liberalization would have been a threat for monopolistic policies and market share of Russia in the EU markets. It would have also been a risk for long-term contractual prices Gazprom determined (Umbach, 2010). Thereof, it is not outrageous that Russia rejected to be a party of the ECT in August 2009.

5.4.3. Energy Dialogue (ED)

Russian rejection to ratify the transit protocol of the ECT demonstrated that the ECT was not effective enough for the development of EU- Russia energy cooperation. Thereof, based on its energy supply security need, the EU launched the energy dialogue (ED) with Russia. By launching the ED, the EU's main aim was to build a stable, promoted and in-depth partnership with Russia and augment its energy security.

The EU- Russia Energy Dialogue was formed at the sixth EU-Russia Summit in Paris on 30 October 2000 with the attempts of Romano Prodi, the President of the European

Commission in order that the necessity of a dialogue was seen in terms of an expectation of an increase on Russia's fuel supplies to the EU as a result of the investment and technology transfer (Voloshin, 2004).

Presidents Chirac and Putin and the Commissioner Prodi initiated the energy dialogue between the EU and Russia. In the energy dialogue, Russia and the EU were defined as natural partners having common interests in the energy area and for the energy security of whole continent (Genç, 2009).

Pami Aalto states that energy dialogue has typical diplomatic goals, which are enabling the energy trade flow and investment through a political and institutional structure, hence deepening the energy trade between the EU and Russia (Aalto, 2008).

The EU- Russian Energy Dialogue was expected to be a forum for discussing the energy-related issues based on common interests. Hence, this forum was established for ensuring 'the reliability, security and predictability of energy relations on the free market in the long term and to increase confidence and transparency on both sides' (DG for Energy, 2009).

Under Energy Dialogue, there are three to four groups on different fields. The groups are composed of representatives from energy, economic, trade and financial departments of the EU and Russia. Senior officials from the European Commission and Russia coordinate these groups (The European Commission DG for Energy, 2011). The Dialogue is evaluated through progress reports published at the end of each year.

Moreover, the EU aims to finish the monopoly of the Gazprom over the gas and pipeline network and Russia's closed energy market policy towards foreign companies (Aalto, 2008). From the Russian point of view, the importance of the ED for Russia is to increase its energy exports and modernize its energy infrastructure by receiving investments.

Although the expectations from and priorities for the cooperation of the parties differ, the joint progress reports beginning from the year of 2000 demonstrate that the ED has constructive effects on the energy cooperation between the EU and Russia especially in regard to the creation of a legal structure in solving several disputes in energy cooperation

between the EU and Russia. While Russia aims to receive more investment and modernize its energy infrastructure, the EU targets to liberalize its market (Monaghan and Jankovski, 2006).

On one hand, Energy Dialogue meetings have limited outcomes since it has been established as a platform in order that parties could discuss their common interests on a political level and main issues in energy have been left to the energy companies such as energy infrastructure, long-term gas contracts and new energy transportation ways (Haghighi, 2007). Therefore, decisions in energy trade from Russian side have been left to government representatives of energy companies mainly Gazprom and from the EU side to the national governments (Talseth, 2012).

On the other hand, the Energy Dialogue has contributed to the energy cooperation between Russia and the EU. For instance, in 2004, the EU and Russia agreed upon the subsidized energy prices, the EU was calling down for closing up to the world level in the long term, in the internal market of Russia (Voloshin, 2004; Haghighi, 2007). Furthermore, as a result of the Energy Dialogue, Russia guaranteed the long-term contracts of the gas trade in 2005 and the EU was relieved on the destination clause issue restraining the re-export of the gas imported from Russia by importing countries (European Commission DG for Energy, 2011; Talseth, 2012).

Since there are no legally binding agreements entered into force, the EU- Russia gas relations cannot be defined as high cooperation. Although both parties spent efforts for enhancing their cooperation degree during 1990s through the ECT and the PCA, those initiations did not create a real legal basis for gas trade.

In the beginning of 2000s, on one hand, although Russia applied the ECT provisions, ratification could not be achieved due to the disagreement on the Transit Protocol. On the other hand, the Energy Dialogue was believed to create more substantial cooperation between the parties and a compromise was achieved especially on two issues: Russia's local energy prices and the long-term contracts.

In 2008, both sides had several disagreements on new agreement replacing the PCA. In 2009, Russia officially finished the provisional application of the ECT. Even, Russia

started to pursue more aggressive policies to defend its interests in the European gas market as a reaction to the EU's efforts to differentiate its energy sources and routes and to the gas dispute with Ukraine. Therefore, although the EU expects that the EU- Russia energy relations accelerate through Russia's accession to the WTO in 2012, Russia does not apply all WTO regulations.

Finally, the EU-Russia energy dialogue never really gave any constructive result but presented a common ground for exchange of thoughts on energy efficiency, environmental security and investment (Norberg 2009). Talseth (2012) mentions that despite some achievement, such as securing the importance of long-term contracts, the energy dialogue still failed its initial task of defining a legal framework for the EU-Russia energy trade.

Although security emerges in the dialogue as one of the aims, for the EU energy is a discursive element, whereas Russian participation is based on energy as a foreign policy instrument (Hadfield 2008). Seliverstov (2009) also notes that Russia would hardly accept EU competition rules as an ultimate goal of energy partnership. It almost seems like the dialogue was bound to fail before it even started.

The Energy Dialogue was supported through an early warning mechanism and an EU-Russia Gas Advisory Council. The early warning mechanism was aiming to send alert in case there was possible gas and electricity disruptions. The EU- Russia Gas Advisory Council has very limited authority such as issues relating to the technical order and determining abstract long-term objectives (Romanova, 2008). However, both parties could not solve key problems like pipeline grids, gas transit contracts and electricity pricing. Thereof, the Energy Dialogue could make little contribution to the EU- Russia energy relations.

Still, partners have to consider that substantial interdependency is unlikely to vanish in the short to medium-term future (Pick 2012). In this light, Russian initiative to strengthen interdependency is at some extent visible in the dialogue between the two partners. According to the EU-Russia Centre's Review (2009) the Russian side expressed the wish to expand the scope of the energy dialogue and increase the frequency of meetings. A clear parallel is thus visible with Russian energy policy. As a supplier, it is of Russia's interest to expand its relation with the EU and increase interdependency.

5.5. EU- Russia relations based on oil and gas export pipelines

Oil and gas pipelines transporting Russian oil and gas to the EU have always been an important part of EU- Russian energy politics. In order to reduce its dependence on transit states namely Ukraine and Belarus, Russia has made efforts to diversify its energy supply routes to the EU. Another reason of Russia's efforts to diversify its energy supply routes to the EU has been the EU's route and supply diversification efforts to decrease its energy dependency on the EU.

After deciding to increase its export volumes in early 2000s, Russia first built and increased its crude oil exports via the port of Primorsk, namely Baltic Pipeline System. Second, after the dispute between Russia and Belarus due to oil transmission, Russian government decided to built Baltic Pipeline System II (BPS-2) in the beginning of 2007. Baltic Pipeline System II started in 2009 and finished in 2011. The operation of the pipeline started in March 2012. Besides, the BPS-2 oil pipeline's route starts from Unecha and finishes in Ust-Luga. Both systems aim to ensure oil supplies to the Northern Europe. Besides, in order to increase crude oil volumes to Southern Europe, Russia increased pumping capacity of Grozny-Tuapse and Baku–Novorossiysk oil pipelines. All of these efforts helped Russia to decrease its dependency on Ukraine and Belarus in regard to oil exports to the EU.

In regard to natural gas Nord Stream and South Stream Pipelines are projects aiming at strengthening Russia's hand in the gas market of the EU and reducing the importance of the Southern Gas Corridor by bypassing Ukraine and Belarus as well.

After Gazprom's Nord Stream and South Stream projects, Russian government followed Gazprom's diversification policy in order to decrease its dependency on transit states and announced the Blue Stream project, connecting Russia and Turkey, in 2005. Besides, the South Stream and the Nord Stream are supposed to make serious contributions to the EU-Russia energy relations.

The South Stream is still under discussion and the main rival of the Nabucco Project (now TAP and TANAP). The Nord Stream pipeline is on operation now and connecting the Baltic Sea coast of Russia, which is close to Vyborg and Baltic Sea coast of Germany,

close to Greifswald each other, aims at the markets in Germany, the UK, the Netherlands, France, and Denmark (OAO Gazprom, 2013).

Poland and the Baltic States are against the Nord Stream since the beginning due to the fact that they are more dependent on Russia. Russia's decision to construct the Nord Stream Pipeline even though its construction is much more expensive than other routes like Yamal Peninsula demonstrates that Russia does not separate its political interests from its economic interests.

5.6. Stance of the EU member states towards the EU's energy relations with Russia

In the EU, member states from Central and Eastern Europe are very dependent on Russian gas while the ones such as Denmark, Sweden, Luxembourg and Portugal do not import gas from Russia.

Since the European Commission and member states have different perspectives on energy, Russia aims to play both ends against the middle and the European Commission fails on creating common framework with Russia in terms of energy cooperation.

The EU member states fundamentally agree with the European Commission's energy decisions; however, they are not willing to leave their full sovereignty to the Community competence in energy issues due to the facts that energy is fragile matter and have direct relationship with the national security (Aalto, 2008). Hence, the European Commission could only be related with energy issues such as environmental policy, technology and the internal market and competition (Westphal, 2006). According to article 192 of Lisbon Treaty, decisions relating to these issues are made through qualified majority voting in the Council of ministers. In contrast, decisions related with energy sources diversification and general framework of energy supply is held through unanimity voting since these decisions have direct effect on member states national sovereignty.

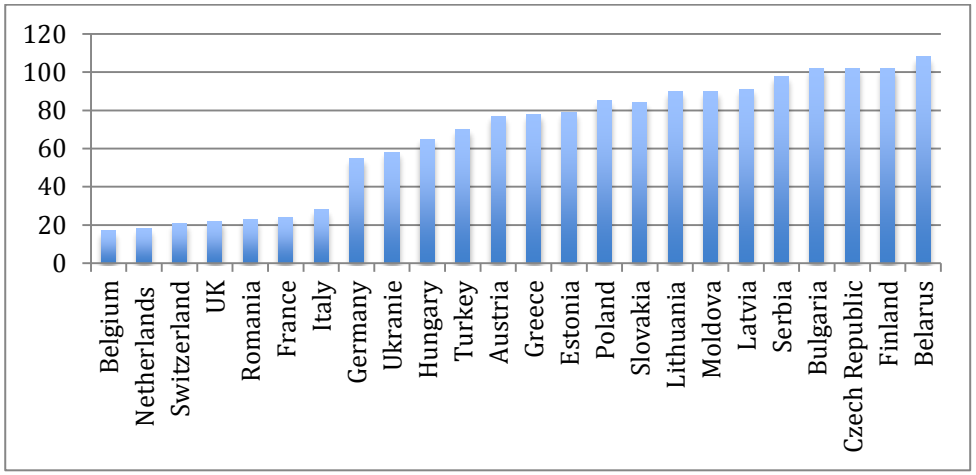
Although energy is the basis of existence of the EU since the European Coal and Steel Community is the beginning of this project, energy could not be governed at the Community level. Moreover, even though 'energy solidarity' term was brought in the

Lisbon Treaty, subsidiarity concept is still underlined in the Lisbon Treaty as well. Thereof, decisions on energy supply still belong to member states (Buchan, 2010). Since member states have different choices on the energy type, it is really hard to decide on energy at the supranational level (Kirchner and Berk, 2010). For instance, member states like France, the UK and Finland are dependent on nuclear energy while member states such as Austria, Denmark and Germany feel insecure in regard to usage of nuclear energy.

Baltic States are the most reluctant group of countries within the EU in regard to Russian gas dependency. They define this dependency as a common threat for the EU. However, not all of the EU agrees with the Baltic States. Therefore, there is the problem of solidarity within the EU and it makes the common energy policy very difficult to achieve (Molis, 2011).

Member states also have different manners towards the renewable energy. Therefore, member states' dependence degree to the Russian energy differs (Youngs, 2009). Member states' dependency on Russia energy supplies could be divided into three groups. First group has the lowest dependency on Russian energy imports. Within this group, there are countries never import Russian energy such as Ireland, Denmark, Portugal, and Sweden. Member states such as Italy, France and Germany fall into the second group with medium level dependency on Russian energy imports. Last group has high level of dependency such as Finland, Estonia, Latvia, Lithuania, Slovakia and Romania.

Figure 5.3



Import Dependency on Gazprom
Source: Morgan Stanley Research Estimates, 2012

Not all EU member states perceive Russia as a threat. Member states having bigger energy market potential are favored in their energy negotiations with Russia. By the same token, bigger member states in the EU use energy as a part of their bilateral foreign policy towards Russia (Buchan, 2010). The bilateral relationship between member states of the EU and Russia could create good personal relations between leaders of the parties (Light, 2008; Westphal, 2008). For instance, Gerhard Schröder, Silvio Berlusconi and Jacques Chirac had very good personal relationship with Putin (Barysch, 2007). Consequently, not all member states in the EU see Russia as a threat to the energy security and need the protection of a common external energy policy (Umbach, 2010).

Meanwhile, as a result of bilateral agreements, Gazprom and the EU's biggest net importing companies got deal on long-term contracts such as Germany's EON Ruhrgas, ending in 2035, France's Gaz de France Suez, ending in 2030 and Italy's ENI, ending in 2035 (Kirchner and Berk, 2010). Besides major energy importing states of Russia, countries such as Bulgaria, Romania, Hungary, and Greece have long-term contracts with Gazprom. Long- term contracts hold Gazprom's hand powerful and Gazprom could cooperate on energy issues with the EU based on its own rules.

However, direct energy relations with Russia of several member states in the EU have been criticized by other EU member states namely, Poland and Baltic states. They claim that such energy deals with Russia empowered the political influence of Russia on the EU's decision-making. They assert that the only way to decrease the EU's energy dependency on Russia and increase European energy supply security is to find energy supply alternatives.

The North Stream pipeline, launched during the Schröder government of Germany, escalated the problems within the EU member states. North Stream submarine pipeline has been carrying gas from Vyborg in Russia to Greifswald in Germany bypassing the transit countries since the beginning of 2011 (Westphal, 2008). On one hand, from the diversification point of view, the EU supported the pipeline since it contributed the EU's efforts to diversify the carrying routes of the gas from Russia to the EU (Romanova, 2008).

On the other hand, the North Stream increased the EU's gas dependency on Russia and resulted in a dispute between Germany and both Finland and Sweden due to environmental concerns of those countries (Light, 2008). Moreover, since the North Stream pipeline bypasses Poland and Baltic States, those countries lost not only their transit revenues but also their bargaining power against Russia while negotiating on the gas prices. Finally, while these countries were the transit countries, they could have found a chance to strengthen their energy security since Russia had to rely on them (Romanova, 2008).

To sum up, bilateral agreements held between the EU member states and Russia both increase the EU's dependency on Russian energy and block the efforts to form a competitive internal energy market within the EU. Besides, it puts an obstacle on the creation of a coherent external energy policy and reinforcement of the EU solidarity.

Since there is not a functional energy policy of the EU, member states have to ensure their energy security by themselves. However, this multilateral perspective within the member states creates an obstacle on the formation of a common energy policy in the Community level.

From Russia's point of view, on the institutional basis, Russia asserts that the failure of the Constitutional Treaty and slow ratification process of the Lisbon Treaty demonstrate that the enlargement damages the EU's unity. On the external basis, Russia claims that the EU failed to establish a coherent common foreign policy and strong military pillar, which are obligatory for being a sole international actor (Secrieru, 2010).

Finally, due to national differences, the EU has little influence on its member states' energy policies; however, since both the EU's dependency on Russian energy and the public pressure on climate change are increasing, EU members decided to launch a common energy policy for the Union. In February 2011, the European Council announced to realize internal energy market integration and the liberalization in 2014, support to connect the electric grids and natural gas pipelines to each other, increase the energy efficiency and provides better command on the external policies of the Union. Energy market liberalization was aimed to decrease the negative effects of possibility on cutoff of

the supplies and finish a single supplier dependency. On one hand, the main problem in the construction of EU's common energy policy is that to what extent member states will concur to pressurize Russia and/or Gazprom to accept the competition principles of the EU and opening of Russian energy sector to investment from outside. On the other hand, on September 2012, the EU announced to examine Gazprom's suspected anti-market practices in detail and this development could demonstrate that the EU will proceed on more rigid and more unified manner toward Russia. Russia opposed the decision of the EU. The reason why Russia was against this decision is that first of all, the EU's policy could force Russia to sell the energy companies having pipelines. Second, Gazprom could be forced to sell significant amount of it share in European distribution networks.

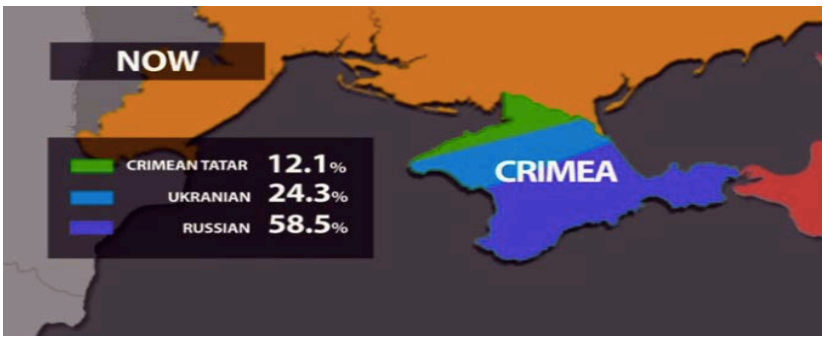
5.7. Recent Developments

5.7.1. Crimean crisis of 2014 and the EU- Russia energy relations

The Crimea Peninsula's strategic importance for Russia derives from being a base for the Russian navy. The Black Sea Fleet has been based on the peninsula since its foundation in 1783 and very important for Russia's security interests. For instance, the Black Sea Fleet in Crimea Peninsula helped Russia to win the war for South Ossetia against Georgia in 2008 (Independent, 2014).

Moreover, 60 per cent of population of the Crimean Peninsula is Russian. After the demise of the Soviet Union, the Crimean Peninsula became a part of Ukraine. Since then the Crimea Peninsula has been a problematic issue between Russia and Ukraine (Independent, 2014).

Figure 5.4



Distribution of Crimean population based on ethnic groups
Source: RT, 2014

The crisis began in November 2013 since pro-Russian President of Ukraine, Viktor Yanukovych rejected the trade deal with the EU and received financial support amounting to $15 billion from Russian government (PRI, 2014). After three months street protests he was overthrown in 22 February 2014 (BBC, 2014).

After Yanukovych was overthrown, Russian government declared that Russia did not recognize new Ukrainian authority. Besides, Russian government blamed the EU for taking Ukraine under its sphere of influence (Reuters, 2014).

At the end of February 2014, Russian forces invaded the Crimean peninsula. The U.S. condemned Russia and started work on sanctions against Russia. In 6 March 2014, Crimea's pro-Russian leadership voted for joining Russia and decided to go to referendum in 16 March 2014. This declaration escalated the crisis between Russia and the U.S. and Barack Obama, the U.S. President, declared that the referendum would be the violation of international law and the U.S. would apply sanctions on Russia due to the military intervention of Russia in Ukraine (Reuters, 2014). Ukraine announced that, Article 135 of the Ukrainian Constitution states that changes in the provisions of the Crimean Constitution have to be approved by the Ukrainian Parliament (Caşın, 2014). The EU leaders gathered under an emergency summit in order to find the ways to be a mediator in the crisis.

As a result of the referendum held in 16 March 2014, Crimea with 95.5 per cent vote ratio supported to join Russia. Finally, in 21 March 2014, Russian president Vladimir Putin signed a law amending the Russian constitution for taking Crimea under Russian sovereignty in 21 March 2014 (RT, 2014).

After the Crimean crisis of February 2014, which ended with Russia’s seizure of Crimea from Ukraine, the issue of the EU’s interdependence on Russia’s energy supplies has come to top of the agenda in the EU since the escalation between the U.S.- Russia could threaten security of energy supply of many member states in the EU.

Ukraine, which is the transit state for the Russian oil and gas delivery to the EU, was the main topic of the U.S. President Barack Obama’s visit to the Headquarters of the EU in Brussels in March 2014 just after the Crimean crisis between Russia and Ukraine. Obama warned the EU to decrease its energy dependency on Russia (The Guardian, 2014). Now,

Russia supplies one third of the EU's oil and gas demand, and 40 per cent of the gas Russia exports to the EU are transported via Ukraine (Reuters, 2014).

The Crimean crisis between Ukraine and Russia reminded its energy interdependency on Russia and transit states as well to the EU. If Russia cuts off supplies to the EU, the EU's reserves could be enough almost three months. In regard to transit routes, the Nord Stream gas pipeline transports 55 billion cubic meters of Russian gas to Germany. Besides, the Yamal-Europe pipeline delivers almost 33 billion cubic meters gas to Germany, the Baltic States and Poland through Belarus. Finally, the Blue Stream pipeline carries 16 billion cubic meters gas to Turkey and to Southern Europe (DW Akademi, 2014).

As Obama explained during the same visit in Brussels, the U.S. did not escalate the conflict to the war. Instead, the West intends to apply several economic sanctions on Russia. Oil and gas embargo could be one of the sanctions according to Obama. Therefore, Obama ask for the EU to find alternative resources and build alternative routes in order to decrease the EU's energy dependency on Russia (The Guardian, 2014). However, it is really hard to do it in the short run.

From the EU's side, the main problem is finding alternative sources and routes in order to decrease Russian energy imports. The Crimean crisis demonstrated that the EU should accelerate its decision-making in terms of gas storage, energy network, diversification of energy supplies and routes and liberalization process (The Economist, 2014).

In regard to oil supplies, on one hand, there is not oil supply scarcity in the world market now. Besides, oil prices are at moderate levels in contrast to the price levels of 2008 global economic crisis. Therefore, the EU could find alternative oil supplies against Russia including Canada (DW Akademi, 2014). On the other hand, the Crimean crisis could drive Russia for exporting more oil to China and leave the EU dependent on Middle East oil. This is a risk for the EU since the Middle East is exactly more unreliable and unstable than Russia (Bloomberg, 2014).

In regard to gas supplies, case is worse than oil since the EU is heavily dependent on Russian gas. Although the EU believes that Russia in general holds its promises on energy supplies as Germany's Vice Chancellor, Economics Minister Sigmar Gabriel underlined. Gabriel asserted that Russia was stick to its contrast even in the worst times of the Cold

War (DW Akademi, 2014). Even, the EU is anxious about gas supply since the EU was indirectly affected by the 2006, the 2008 and 2009 gas crisis between Russia and Ukraine and experienced short- term supply cut off.

The only positive side of those gas crises is efforts of most EU member states to increase their gas storage capacity and stocks beginning from the first gas dispute in 2006. For instance Slovakia and Bulgaria, heavily dependent on Russian gas delivered through Ukraine, found a chance to be less affected by gas supply cut offs. In regard to the Crimean crisis, this is one of the reasons why the EU might not be so anxious about a possible gas supply disruption.

In addition, Nord Stream pipeline, which carries Russian gas to Germany via Belarus and Baltic States, decreases the proportion of the gas supply transported via Ukraine almost half the total. This reduces the EU's dependency on the pipeline going through Ukraine. Hence, almost 15 percent of the EU's gas demand is delivered through Ukraine (The Guardian, 2014).

Moreover, South Stream gas pipeline, planned to start in 2015 by Gazprom, could completely bypass Ukraine although the EU is conscious about the projects due the Crimean crisis. From Russia's point of view, Russia follows divide and rule policy within the EU members. Therefore, Russia could persuade the European partners of its Gazprom in the South Stream projects, namely ENI of Italy (key shareholder), Wintershall of Germany and EDF of France. If not, the project seems to be dead (Euractiv, 2014).

Therefore, main outcome of the Crimean crisis for the EU has been to decrease the EU's energy dependency on Russia. During Obama's visit to Brussels on 26 March 2014, German Chancellor Angela Merkel asked for Obama's support to reduce the restrictions on the export of the U.S. gas. Obama claimed to make efforts on this but could not realized it immediately (Euractiv, 2014). Moreover, LNG and the shale gas from the U.S. or domestic could be another alternatives for the EU, which is continuously constructing LNG terminal in order to import more LNG from Qatar.

After the Crimean Crisis, the UK's Foreign Secretary William Hague underlined the significance of Turkey and Azerbaijan for the future of the EU since both countries are

important part of the Southern Gas Corridor through TANAP project, which will bring the Caspian gas to the EU with TAP project of the EU (The Wall Street Journal, 2014).

Finally, the EU is in between imposing sanctions to Russia and being dependent on Russian energy exports after the Crimean Crisis.

Meanwhile Russia has started to search for alternative customers to the EU, especially in the Asian market. In addition, Gazprom has contacted with Kuwait and Egypt in order to increase LNG supplies and aims to sign a long-term supply agreement with China in May 2014. Rosneft, major oil company of Russia, also searches for new markets in Japan, South Korea, Vietnam and India (RT, 2014).

Although Russia has started to search for alternatives, as Russia's Energy Minister Alexandre Novak underlined, Russia claims that the EU needs Russia for energy. Novak asserted that if the EU disrupts the supplies from Russia, domestic prices in the EU would increase by at least 50 per cent (RT, 2014).

5.7.2. EU's Eastern Partnership versus Russia's Eurasian Union

The Eastern Europe is important for both the EU and Russia politically, militarily, economically and in terms of energy. After Putin return to power in May 2012, Russian government has increased its efforts to establish the Eurasian Union, which is an alternative to the EU. Putin first proposed the idea in October 2011. In addition, on 18 November 2011, the presidents of Belarus, Kazakhstan, and Russia signed an agreement based on an objective to form the Eurasian Union by 2015 (BBC, 2011). The members for now just have a relation based on Eurasian Customs Union (ECU). Basic objectives of the ECU members are to built an economic partnership under the common market principles arranging capital, goods, labor force, finance, banking, energy, transport and agricultural issues (Caşın, 2013).

According to Marcel de Haas, Putin's main objective to form the Eurasian Union is to restore Russia's superpower position and ignore the domestic problems such as education, housing, health services, the anarchy in the Northern Caucasus (Europe's World, 2014).

The demise of the Soviet Union at the end of 1991 resulted in the creation of fifteen new states. Not only new states could break away the Soviet legacy promptly bot also they

could establish their own existence in the international arena immediately (Baranovsky in Brown, 2001).

From Russian side, Russian leaders have traditionally aimed to keep post- Soviet states within the sphere of influence of Russia. Therefore, the Eurasian Union and the Collective Security Treaty Organization (CSTO) could be regarded as successors of the Council for Mutual Economic Assistance (COMECON) and the Warsaw Pact.

Both the EU and Russia aim to establish their own sphere of influence in the Eastern Europe. On one hand, the EU uses the Eastern Partnership (EaP) as a tool to develop cooperation with Armenia, Azerbaijan, Georgia, Moldova, Belarus and Ukraine. the Eastern Partnership (EaP) does not give any prospect for the membership to the EU; however, aims to provide stability and prosperity in those states. Obviously, main target of the EU is to safe its borders since last three EU enlargements brought those states closer to the EU.

The Eastern Partnership was established as a result of a joint declaration signed in Prague in May 2009. Another summits were realized in Warsaw in September 2011 and in Vilnius in November 2013 (The European Commission, 2014).

In addition to the summits, the Eastern Partnership organized four multilateral thematic platforms. One of them discussed the energy security. The "Platform 3 - Energy Security" determined four main targets, which are strengthening the framework conditions and solidarity, increasing the infrastructure development, interconnections and diversification of supply, increasing energy efficiency and the use of renewable resources, and bringing closer the regulatory frameworks and energy policies (The European Commission, 2014).

On the other side, Russia proposed the Eurasian Union (EaU) and the CSTO. For now, the EaU is a customs union including Russia, Belarus and Kazakhstan; however, Russian government aims to gain Ukraine and some other former Soviet republics. The origins of the Eurasian Union date back to January 1995, when Russia signed a treaty for the creation of a customs union with Belarus and Kazakhstan. Kyrgyzstan joined in 1996 and Tajikistan joined in 1997 to the union. However, this initiative remained as a declaratory initiative (Dragneva and Wolczuk, 2012). The CSTO is Russia’s military instrument in Eastern

Europe and Central Asia and proposes a military assistance for preventing its member states from attacks.

Finally, in regard to Crimean crisis between Russia and Ukraine, in the beginning of the dispute, Russia was attempting to prevent Ukraine from signing free trade agreement with the EU. Besides, Putin tried to persuade Ukraine to join the Customs Union with Russia and Kazakhstan. However, in spite of its rhetoric, Russia's main target is not to include Ukraine into the Customs Union but prevent Ukraine from its integration to the EU.

6. APPLICATION OF THEORIES ON THE EU- RUSSIA RELATIONS

It is really difficult to evaluate the EU- Russia energy relations from theoretical point of view since it is very discrepant. In the international system, neorealism and neoliberalism have opposite point of views on the factors affecting the decisions of the states. Neorealism claims that in the international system, conflict always exists, Neoliberalism, contrary to neorealism claims that conflict is a basic characteristic of the world politics but there is cooperation in the international system as well.

After providing tools through theoretical chapter in order to explain the EU- Russia energy relationship, this chapter aims to demonstrate that although there are competitive features of the EU- Russia energy relations based on neorealist perspective, the EU-Russia energy relations are essentially cooperative and interdependent, and could be explained through the neoliberal theories since neoliberal theories also have competitive features substantially. In order to prove the hypothesis, this chapter will examine both neorealist and neoliberal perspectives based on the energy relations between the EU and Russia and try to demonstrate that the EU- Russia energy relations will continue to be cooperative and interdependent relationship in the future.

6.1. EU- Russia Energy Relations: Neorealist Approach

Based on neorealist approach, the future of Russian- EU energy politics tends to be competitive since neorealism accepts that international system is anarchical and power struggle is basic between states in international politics. Besides, neorealism asserts that anarchy has generally significant effect on state behavior. However, the anarchy and power struggle in the system does not mean that actors will always be in competition. They also cooperate in the anarchical system. The EU and Russia has cooperative relationship as a result of economic priorities which help states to increase their power in the international system.

Neorealism claims that international cooperation is "harder to achieve, more difficult to maintain, and more dependent on state power" (Grieco in Baldwin, 1993). Therefore, Russia’s indifference towards legalized energy cooperation initiations like and multilateral

regimes such as the ECT, the PCA and ED demonstrates that Russia accepts the international environment as an enemy to its national interests (Smith, 2004; Emerson, 2006; Barysch, 2007; Light, 2008; Lucas 2008). However, economic incentives Russia follow necessitates being a part of such international organizations. Although Russia seems reluctant towards such cooperative organization, it does not totally reject them. Instead, Russia aims to be dominant part of them. In regard to the organizations Russia is involved with the EU, Russia generally criticizes that such initiatives of the EU are EU-dominated organizations and if the interests are distributed equally, Russia will accept to be a part of it.

Neorealism accepts the states as major actors of the international arena and state of anarchy, which means that there is not a central authority applying the rules and orders, defines the international arena. Thereof, international system is a competitive self-help system and states in the system contend for survival (Waltz, 1979). In other words, states aim the acquisition of power for protecting their national interests via rational behavior. According to Waltz, Neorealism claims that neorealism the only way to hold this anarchical system as stable is to realize a 'balance of power' (Waltz, 1979). According to the balance of power, if the states in the international system feel themselves in danger due to the hegemony, the hegemony is balanced by another state having a potential to challenge the hegemony. In regard to the Russian case, Russia defines itself as a pole in the multi-polar world to balance other poles in order to prevent them from becoming more powerful (Romanova, 2008). Besides, according to neorealist theory, both the Soviet Union and Russia adopted to the prevailing balance of power since their foreign policies were based on national interests. Therefore, according to neorealism, their foreign policies did not differ substantially (Orban, 2008). In terms of the Soviet Union, the Soviet Union's foreign policy was the results of the balance of power in the system since the Soviet Union acted as a status quo power due to the bipolar international system (Waltz, 1981). Therefore, international system explains the Soviet foreign policy not realpolitik (Orban, 2008). By the same token, today, Russia aims to apply prevailing balance of power in order to protect its national interests; however, by doing this, Russia aims to achieve cooperation with the EU under equal circumstance not to be competitive since as Waltz underlines that

the cooperation between states in the international system could occur only to achieve the balance of power (Little, 2010).

The EU has aimed to realize gas and energy liberalization especially since 1996. Based on Putin's manner, there has been to make Russia as energy superpower in the international arena. Moreover, Putin has issued some legislatives in order to increase the control of the state over the energy sector, which was under the privatization initiations in 1990s. During the transition period, there have been some doubtful examples especially in the case of Yukos Oil Company (Morozov, 2008). The Yukos was the biggest petroleum company in Russia, which was taken over by Rosneft, controlled by Russian government as a result of doubtful cases such as an arbitrary which caused the arrest and trial of Mikhail Khodorkovsky (Tkachenko 2008).

As a result of Putin's state control initiatives in the energy sector, important people from Putin's administration were included in the administration and presidency of biggest energy companies in Russia (Tkachenko, 2008). After removing anti-monopoly regulations in 2007, via Gazprom, Russian presidency started to get valuable shares from major private gas producers such as Itera and Novatek (Stegen, 2011). Thereof, Putin government dominated not only the exploration but also the gas transport in Russia and near abroad (Tkachenko, 2008).

Not only hard power of Russia decreased in 1990s but also its soft power could not challenge the ones provided by European- North America cooperation economically and in regard to the security (Lucas, 2008). For instance, the EU set up an agenda in the Caucasus region and overlapped with Russian ambitions in the region. For both side, a zero-sum game exists in the region since a rise of the EU's influence means that Russian influence is decreasing (Light, 2008).

Similarly, the Southern Corridor project of the EU especially Nabucco Pipeline and then Nabucco West and TAP projects were formed as a challenge against Gazprom (Mandil, 2008); however, the EU's energy diversification efforts brought the divide and rule tactic to Russia. Hence, Russia targeted to decrease the unity between the EU member states by

signing bilateral energy agreements with them (Umbach, 2010). For instance, the North Stream pipeline project was signed by Germany.

Furthermore, Russia designed South Stream pipeline project against the Southern Corridor project of the EU. First, South Stream pipeline project is a rival for the Nabucco pipeline project. Second, national ENI Company of Italy became the partner of the South Stream pipeline project in 2007. Since both South Stream and Nabucco pipelines transport the gas to same importing countries in Central Europe and both projects are expected to complete around the year of 2015, South Stream and Nabucco pipelines are accepted as rival projects (Voice of Russia, 2013).

One of the most important features of the South Stream is that this pipeline will be the first project directed by Gazprom within the EU borders (Youngs, 2009). Gazprom signed agreements with Bulgaria and Greece to transit natural gas from the Black Sea via Trans-Balkan pipeline, which is a part of South Stream pipeline. Moreover, Hungary, in 2007, accepted to cover its medium-term energy import via Blue Stream pipeline, which is another rival project of Gazprom to Nabucco (Kirchner and Berk, 2010). When the EU criticized Hungary due to its decision, Hungary declared that energy is vital for Hungarian national interests and there is no solidarity within the EU in terms of common energy policy (Youngs, 2009).

Moreover, Russia has very strong ties with Caucasian and Central Asian states and it uses its influence on these states to put obstacle against the energy supply diversification efforts of the EU towards these states.

Mainly, Russian economic recovery is the result of the boom in revenues from oil and gas exports and the boom in tax revenues oil and export earnings bring (Oliker et al, 2009). Economic recovery in Russia created political recovery as well (Sherr, 2010). Therefore, for Russia, energy policy and national interests overlap while for the EU has de-politicized and market-based manner towards its energy policy. Moreover, energy economics is needed to understand the factors behind the formation of Russian energy policy, which is directly connected with Russian government's political stand. Since the energy sector has

vital importance for the economic recovery of Russia, Russian government has been reluctant in terms of the application of market rules to the energy sector. After Russia fell down financially in 1998, energy gaining became the most important revenue for Russia's economic recovery. Then, Russia started to take stronger and more ambitious stand in the international area (Barysch, 2007; Perovic, 2009).

Since future intentions and interests of the states are not certain, Grieco claims that in neorealism, statesmen put an emphasis on the capabilities more than intentions (Grieco in Baldwin, 1993). Capabilities referred to military issues in neorealism until Waltz mentioned economic capabilities also could be included in the theory in 1993. Based on this point of view, Russia was stronger economically then the time it had signed the ECT, Russian government declared that they rejected to sign the ECT, which was seen a treaty designed according to the EU internal rules by Putin (Monaghan, 2007). Thereof, in contrast to the EU-dominated PCA between Russia and the EU at the end of 1990s, today, assertive Russian government is very skeptic while being a part of cooperation (Keukeleire and MacNaughtan, 2008). In other words, the reason why Russia has monopolistic energy policies is that energy is vital for Russia in order to increase its power in the international area hence, Russia does not want to lose known as energy superpower by joining an EU-made energy framework. However, according to Stein, capabilities are important only if they influence the preferences and intentions of states (Stein in Baldwin, 1993). It means that Russia has huge energy reserves, aims to be energy power and is skeptical EU- based institutions; however, being oil and gas giant does not result in being competitive in its energy relations with the EU. In contrast, in order to be more powerful politically, it has to strengthen its economic power. Therefore, in order to realize this aim, Russia should cooperate with the EU in energy area since the EU is the biggest importer of Russian oil and gas supplies (Helen, 2010).

According to Lipson, international cooperation exists on economic issues rather than in military security (Baldwin, 1993). In contrast, according to Grieco, anarchy necessitates that states are related with relative power, security, and survival (Baldwin, 1993).

The main difference between the approaches of the EU and Russia towards energy is that the EU abstains from politicizing the energy issue while Russia uses energy as a tool in its foreign policy. Specifically, since the demise of the USSR, Russian government has used gas exports for a tool to pressure on near abroad and its neighbors. It was the same case for the 2006 gas crisis (Umbach, 2010). For instance, Russia suspended gas supply to the Baltic States for exerting pressure during the disagreement on Russian-speaking minorities and Russian military installations of Russia in the Baltic territory during 1992- 1993.

Moreover, in the beginning of 1990s, Russia again cut gas supply to Ukraine due to the dispute on the Black Sea Fleet. At the end of the dispute, Ukraine get 30 per cent discount for its gas imports (Stegen, 2011). Thereof, gas prices neighbors of Russia pay are dependent on political manner of these states in terms of the degree of being pro-Russian (Stegen, 2011). Moreover, energy policy of Russia aims to keep its power over the former USSR and the Warsaw Pact countries (Rumer, 2007). Hence, Russia perceives the EU's presence in the Eastern Europe as a challenge against its natural sphere of influence and since the Orange Revolution in Ukraine, Russia has experienced this challenge more than previous years (Feklyunina, 2008). From the EU's point of view, since the demise of the USSR, the EU has looked for decreasing Russian influence on the region. Therefore, all the former Warsaw Pact and Baltic satellite countries have been a part of the NATO, the EU or EU's neighborhood policy (Rumer, 2007). In regard to post-Soviet states and energy relations between the EU and Russia, all above-mentioned events occurred not only for the power, security and survival but also for the economic incentives. For example, Russia did not cut off gas supply to Ukraine only due to political reasons but also economical reasons such as Ukrainian debts to Russia and Russia's need higher prices for the gas it sold to Ukraine in order to subsidize its domestic economy. Moreover, those events lead to short-term competition between Russia and the EU; however, energy relations continued since both sides are dependent on each other.

Neorealism could explain Russian state control over energy resources and Russian geopolitics of energy reserves' usage. Russia has given importance to the energy policy and has used it for strengthening its powerful image in the world since the end of 1990s, when its rapid economic growth started. However, both neoliberalism and neorealism

accept that national security and economic welfare have significant place in priorities of the states. Their different views are relating to the their placements. Neorealism generally refers to military security matters while neoliberalism refers to political economy in general. Thereof, neorealism does not fit well into the energy relations between EU and Russia since their energy relations are essentially related with political economy although Russia sometimes aims to use it as a mean for its military purposes.

Moreover, in contrast to the neorealist claims, external energy policy of Russia is not only relating to the power politics in the international relations but also connected with internal energy policy of Russia. Internal energy policy of Russia is based on subsidizing the gas prices of internal consumers such as households and industries. In Russia, gas constitutes more than half of internal energy consumption. Moreover, Gazprom has to guarantee the gas supply of households and industries hence, more than two thirds of Russian annual gas production goes to domestic consumers in order to be used in households, industry, transport and heating (Goldthau, 2008; Pleines, 2009). Russia also uses three times more energy per unit of GDP than the EU-25 (Goldthau, 2008). As a result of the state-aided gas prices, internal consumers pay only one fifth of the prices the EU pays (Goldthau, 2008; Pleines, 2009). Belyi underlines that as a result of state-aided gas policy of Russia to its domestic consumers, gas is accepted as right in Russia (Belyi, 2011). Finally, this perception helps to the Russian government in regard to the establishment of social peace in many parts of the country (Dasseleer, 2009). To sum up, since state- aided gas supply inside Russia is very expensive for Gazprom, it aims to compensate its loss by increasing its energy prices in the international sales. This internal energy policy has also been an obstacle for Russia in reforming its internal gas and energy market (Belyi, 2011).

On one hand, the EU as an international regime or an institution is the only union in the world having common economic policy, common currency and common foreign and security policy. Moreover, the EU's role in the international politics is increasing year by year. On the other hand, he EU has twenty-eight independent states and the EU as a supranational entity does not have right to interfere energy decisions of the member states. Meanwhile, member states take their national interests in front of the Community's interests. North Stream gas pipeline, which is very important for the EU's energy security,

is good example demonstrating the lack of EU's common energy policy. North Stream gas pipeline connects Russia to Germany through Baltic Sea. Biggest shareholder is Gazprom with 51 per cent share. Besides, E.ON and BASF from Germany are other shareholders. North Stream gas pipeline is claimed to increase level of dependency on Russia. Hence, Poland, Latvia, Slovakia, Sweden, and Finland are against the pipeline. Averseness reason of Poland and Slovakia was basically about economy since they would lose revenues gained from being a transit state. Besides, they are afraid of being dependent on Russia.

Baltic States worry about environmental issues. Hence, in energy matters, the EU could not speak with one voice in the international arena. Neorealism like realism argues that anarchy which means the absence of central authority would make states harder to cooperate. States aim to gain power in an anarchic international system. Moreover, since energy becomes more effective than military power in international realm, energy suppliers are more powerful. Hence, states aim to gain energy reserves instead of military superiority and secure their future energy supplies. In this case, there is a competition between states.

From the EU's point of view, a decrease on energy supply dependency on single supplier via diversification of suppliers is accepted as a rational objective not only at supranational level but also at national level since those decisions will give leverage to EU Member States individually and collectively in the energy relations between the EU and Russia (Bozhilova and Hashimoto, 2010).

Both neorealism and neoliberalism make contributions to the conflict and cooperation, which are basic components of national politics even though neorealism tends to emphasize conflict and neoliberals are tend to emphasize cooperation. However, neorealist claims on the continuity of the cooperation has negative views. Since the EU- Russia energy cooperation continues -despite the short- term competitions- based on reciprocity, the relations seem to continue cooperatively in the future.

6.2. EU- Russia Energy Relations: Neoliberalist Approach

In contrast to the neorealism, neoliberalism focused on cooperation rather than conflict. The EU and Russian relations are reciprocal; hence both sides are interested in cooperation, due to the fact that they need each other. Russia is the potential energy supplier for the Union; in its turn European market is significant for Russia in terms of revenues. The European market is more beneficial in comparison with other markets because it pays higher prices for oil and gas.

According to neoliberalism, after the fall of the Soviet Union, the Soviet Block were willing to follow general market-based rules for mutual gains from trade. In the EU, this trend provided a base for the single market in the EU level and liberalization and privatization efforts started in the national level. Therefore, according to liberalism, both sides accepted markets and institutions approach in the international energy relations. In other words, both sides establish energy relations based on integrated and multilateral international economic and political cooperation with effective institutions and competitive markets (Finon and Locatelli, 2008).

Since both sides are dependent on each other and they are interested in tightening cooperation using soft power. In this relationship both sides are seeking reciprocally beneficial outcome namely absolute gains rather than pursuing relative gains. The partners' attitudes toward cooperation will reduce risks of conflicts.

Energy can be understood as a commodity, which is traded on markets that are extremely interconnected. It creates situations, where actors become more and more interdependent. Tichy (2012) points out that the relative strength of energy interdependence can be measured by such factors, as energy trade balance, level of energy resources, possibilities of energy diversification and specific total energy consumption in the country.

In the contemporary world politics, the concept of interdependence takes the place of the concept of anarchy due to complex interstate relations and the need for cooperation. Even though competition might occur in the interdependent relationship, states prefer the

cooperation in the international system in order that they receive benefits. Therefore, neoliberal theory's interdependence is the best explanation of the EU- Russia energy relationship, which includes both cooperation and conflict.

The EU–Russian energy partnership is definitely based on mutual dependence, with vast majority of the EU's gas imports coming from Russia and a large portion of Russia's governmental revenues stemming from the export of natural resources to EU member states (Neuman 2010). Hence, energy is going to be the driver of economic relationship between Russia and the EU. Energy revenues will increase Russia's trade with the EU and Russian investment efforts in the EU. In other words, complex economic interdependence between Russia and the EU will increase with the help of financial transactions and physical connections mainly pipelines (Tiersky and Oudenaen, 2010).

First of all, neoliberalism rejects the anarchy as basic fundamental of international relations. Second, neoliberalism asserts that dismays on uncertainty and relative gains do not occupy such importance in the EU- Russia energy relations since both the EU and Russia have fixed anticipations from their energy cooperation and they mainly concern the absolute gains they receive from this cooperation. In other words, both sides aim to increase the energy trade. Russia wants to broaden its presence in the EU and the EU would like to trust to Russia regarding being a reliable supplier, respecting the definite dates, quantities and prices, even there have been significant changes in the world politics.

EU- Russia energy relations are basically cooperative. Almost all EU member-states need significant amounts of oil and gas. In addition, both the EU and Russia develop projects for enhanced energy trade and work on the infrastructure. The motive behind this cooperation is the high vulnerability of both parties. In other words, both sides have no other feasible alternatives in terms of energy sources for the EU and lucrative markets for Russia. Therefore, both Russia and the EU prefer to cooperate since both do not want to lose their benefits received from the energy relationship.

Interdependence has created a strong relationship between the EU and Russia. The ultimate goal of the energy partnership between Russia and the European Union is the integration of their energy markets, reform of the Russian energy industry and the incorporation of the

existing rules of the European energy market in Russia. This clearly means that Russia needs strengthening as a secure and reliable supplier (Salem-Haghighi 2007).

Besides, there is an asymmetrical interdependence between the EU and Russia since Russia has demand vulnerability towards the EU and aims to increase the interdependency while the EU aims to decrease interdependency due to its supply sensitivity.
In addition, more than half of Russian energy exports go to the EU and Russia does not have adequate infrastructure, which will transport such big quantity to the eastern market. Thereof, Russia's energy relations with the EU should be sustainable in spite of the certain disputes since Russia does not prefer to lose income gained from the EU sales.

The relationship between Russia and the EU could be defined as interdependent; however, their relationship has not yet been 'complex interdependence'. The interdependence between Russia and the EU is prominent especially in trade, finance and security areas (Sakwa, 2012).

6.2.1. Interdependency from the EU's side

From the EU's side, the EU also would like to establish its energy relations with Russia based on neoliberal perspective. In order to obtain its energy security, the EU believes that institutions and certain values and norms are indispensable. Although military power or hard power still stands out in international politics, the EU aims to form its energy policy based on soft power which such as institutions, values and norms (Finon and Locatelli, 2008).

From the EU's point of view, it is also dependent on Russia for energy and limited for the alternatives. On a basis, Russian oil supply supports the EU's energy policy, which aims to differentiate its energy suppliers. For instance, if Russia cuts or decrease oil export to the EU, the EU would be much more dependent on oil resources of the Middle East, which is one of the most instable regions of the world.

Moreover, in regard to gas, the EU member states, especially Central and Eastern European Countries are really dependent on the Russian gas. In case Russia cuts or reduces the gas export to the EU, member states of the EU would be placed in really difficult

circumstances due to two reasons. First of all, there is supply shortage in gas for the import of big quantities. Second, importing the gas as LNG further countries would cause significant rise in the costs.

Since the EU has high dependency on Russian energy, it aimed to continue its relations with Russia based on legal and institutional framework. It is crucially important to take into consideration "The Partnership and Cooperation Agreement", which came into force in 1997. It stated the EU's full-fledged partnership and readiness to continue its positive interdependency with Russia. This agreement provided a legal basis for ongoing political dialogue between Russia and the EU across a wide variety of areas, including energy.

In addition, the EU launched the ECT, which is the EU's invention to export its internal market rules to Russia, to form energy relations with Russia through rule of law basis (Helen, 2010). Although signing the ECT, Russia never ratified it and its transit protocol since transit protocol would have opened the pipelines to third parties and was reflecting the EU's will for liberalizing the energy market and transport web of Russia. In other words, if Russia had ratified the ECT and the transit protocol, central Asian and Caspian energy would have reached to the EU as free of charge.

Moreover, the EU aimed to end Russian monopoly in the EU market. However, the EU's efforts were challenged by Gazprom, state owned company and dominating whole pipeline network. Hence, the EU failed in its liberalization and institutionalization efforts to end Gazprom's domination on energy transportation network. Even, Russia regarded it as a threat to its national and energy security since losing its dominant position in the EU's market would have damaged its national interests (Helen, 2010). Besides, in order to protect its economy, Russia needs energy since great amount of Russian revenues comes from oil and gas sales. Overall liberalization would have negative effects on economic development.

Gas dispute between Russia and Ukraine demonstrated that the EU was right about its fears on Russian dominance on energy. The dispute also proved the direct connection between political and economic determinants. For giving an embodiment, Russia alarmed on post Soviet states' rapprochement towards the West. Hence, this political determinant brought

about Russian economic reaction towards post Soviet states in order to continue its dominance on them (Light, 2008).

As a result, it can be concluded that neoliberalism could very well explain the formation and implementation of the EU's foreign policy, and the EU's common energy policy is one of the recent important success of the EU's foreign policy echoing the neoliberal point of views.

6.2.2. Interdependency from Russian side

Since Russia pursues an aggressive energy policy towards the EU's member states and politicizes energy issue to divide the entity of the EU by providing that member states of the EU transgress the EU principles, power relations between the EU and Russia could be regarded as asymmetrical; however, Russia is dependent on gaining received from the energy export to the EU. In the final analysis, Russia's politicization of energy exports could damage Russia since Russia overinvests in export capacity; however, it could underfund its own production (Baev, 2008; Morozov, 2008; Pleines, 2009). For instance, in addition to Russia's underfunding its own production, energy export revenues of Russia decreased in the 1990s due to the fact that the importers were financially collapsed and could not make their payment.

Hence, non- payments had negative effects on the investment relating to the transport and production (Belyi, 2011). Moreover, beginning from 1990s, Russian government gradually increased its control over the energy sector and did not set any legislative arrangement to protect the private energy companies from arbitrary interferences.

Therefore, private energy companies lost ground and their production decreased significantly (Pleines, 2009). For the same time period, Russia exported 120-150billion m^3 gas to the EU. This means that Gazprom, has the monopoly for the extraction, sales and exports of natural gas, is inefficient and annually wastes almost one third of Russia's potential export capacity (Mandil, 2008; Belyi, 2011). Not only private companies in Russia but also foreign companies are under discrimination hence, they do not prefer to make investments in the gas sector of Russia (Goldthau, 2008; Morozov, 2008; Perovic,

2009). It is possible that Russia could encounter serious problems in the medium and long term.

Another challenge for Russia in the near future is that gas production in Russia's most important gas fields, which are located in Western Siberia and named as Yamburg, Urengoy and Mdvezhye, is decreasing whilst production in Russia's fourth major gas field, named as Zapaloyarnoye is increasing. The problem here is that gas production in Yamburg, Urengoy and Mdvezhye constitutes almost 60 per cent of total gas production of Russia (Goldthau, 2008). This situation demonstrates that Russia should improve its new gas fields such as Shtokman, off-shore in the arctic Barents Sea and the gas fields in the arctic Yamal peninsula. Nevertheless, the fields abovementioned are not located in geographically adequate areas hence, taking the technology and equipment to these fields are really difficult and expensive and constructing the pipeline as well (Hanson, 2009; Perovic, 2009). Since the development of new gas fields costs too much for the Gazprom, there is a doubt whether Gazprom could meet the commitments given in its contracts after meeting the internal demand in the near future (Perovic, 2009). According to IEA, Gazprom should invest 17 billion USD for each year until 2030 to extract and produce the gas it committed and to repair the infrastructure of the current pipeline hence, it is claimed that Russia could not afford to explore and construct new gas fields alone (Poussenkova, 2009). In other words, apart from energy sector, Russian economy is not competitive in the international arena. As a result, other sectors in Russia could not support the improvement of Russian energy sector (Hanson, 2009). To sum up, Russia is dependent on the EU energy imports in order to increase its energy production and develop its energy sector and its economy as well (Nanay, 2009). Even though the EU imports only 25 per cent of the Gazprom's total gas production, this amount constitutes two thirds of Gazprom's annual revenues (Belyi, 2011).

In regard to oil, Russia is dependent on the EU market for its oil sales. If the flow of oil to the EU reduces, the Russian energy income also decreases. That is why, Russia acts prudently while it is enhancing the energy trade with the US and Asian market.

In terms of gas, which could be transported via pipelines for the most part, Russia is dependent on the EU market since there has not been gas pipeline or LNG terminal Russia could use to transport its gas to the Asian or the US market yet.

From the Russian government's point of view, tax payments received from Gazprom constitute one quarter of federal annual revenues of Russia and Gazprom has much importance to Russia in terms of hard currency revenues (Tkachenko, 2008). As a result, in contrast to the neorealism, which claims that energy is a foreign policy tool for Russia, Russian government prefers collaboration with the EU in terms of energy in order to protect the country from possible financial risks.

Since there are EU restrictions on Russia's downstream investments, for Russia, energy cooperation with the EU is not easy. Therefore, Russia tries to direct its energy exports towards the East; however, current pipeline infrastructure of Russia allows transporting the energy resources to the EU (Closson, 2009; Perovic, 2009). The most important reason here is that the pipeline construction needs long time and serious investments to the East (Light, 2008; Goldthau, 2008). Another reason is that the price the east could afford to import the energy resources since the Asian market, especially China does not prefer to pay for energy at EU price levels (Aalto, 2008).

Finally, although both parties have different perceptions on their energy relation, the EU probably will continue to be the main market for Russian natural gas exports (Tkachenko, 2008).

According to Keohane and Nye, interdependence does not always cause to the cooperation since it also nestles the origin of conflict (Keohane and Nye, 2004). Namely, the sensitivity and vulnerability of both sides towards each other could lead to a conflict (Keohane and Nye, 2001).

In regard to sensitivity in the EU- Russia's interdependent relationship, any change in a party would have an impact on another party; and latter could react to this change. Hence, the conflict would occur. For example, the EU's energy and route diversification efforts

would affect Russia's leading role in the EU market. Hence, Russia would react to the EU's efforts.

Regarding the vulnerability in the EU- Russia's interdependent relationship, EU's dependency on energy supply of Russia makes the EU more vulnerable since it is the party which has to bear the cost external events enforcing. Hence, the EU aims to differentiate its energy supplies and routes.

Finally, Although Russia and the EU are dependent on each other since the EU is dependent on Russian supplies while the EU is largest importer of Russia, some scholars assert that this interdependence gives some leverage to Russia on the EU and Russian government uses this leverage for receiving economic and political gains. Some scholars claim that the reason why Russian government combines its proactive energy policy and great power discourse is to become energy superpower in the world. In contrast, some scholars assert that Russia amplifies its ability to use energy as a weapon in order to increase its influence on its neighbors and on the world as well (Feklyunina, 2012). It is amplification or not, in the Crimean crisis, the EU could not impose any restriction on Russia despite the US pressure. The Crimean crisis between Ukraine and Russia reminded its energy interdependency on Russia and transit states as well to the EU.

6.2.3. EU sensitivity and vulnerability

The EU has high sensitivity in energy arena. Therefore, the EU's main objective in the energy issue has always been to reduce its dependence on Russia and decrease its sensitivity.

After the disintegration of the Soviet Union, the EU needed to build new framework for the energy relations with Russia and former Soviet states as well. Therefore, the Energy Charter Treaty aimed to provide the political foundation for the Charter process, which would establish mutually beneficial cooperation in the energy area and develop energy cooperation with Eurasia. Moreover, the Energy Charter's objectives were to ameliorate competition rules, to assist in energy exploration plans and infrastructure projects, and to contribute to the energy supply security of the Western part of the world by using the energy resources from the Eastern part of the world through transit protocol which would

have facilitate the transportation of the energy independent from possible disputes among the suppliers, transit countries and consumers (Liesen, 1999; Proedrou, 2007). However, the Energy Charter did not work as it was planned since Russia did not accept to ratify the treaty mainly due to the transit protocol. Therefore, the EU's attempts to reduce its sensitivity by assuring a constant and stable supply with the help of the energy charter became unsuccessful. It would aim at facilitating the secure energy supply of the West with the energy resources from the East.

Another initiative the EU has taken is the efforts for the liberalization of the gas sector and the amelioration of the competition in the gas sector in order to reduce the immediate effects of potential aggressive maneuvers of Russia in the EU energy market such as a decrease in the quantities of the gas it supplies or a demand for higher prices for the gas it supplies. Russia can decrease the quantities it offers on the market or demand higher prices for the gas it offers. This makes the European Union quite sensitive, which the EU tries to avoid with liberalizing its gas market.

In regard to the promotion of the competition in the EU energy market, the EU expects that new gas suppliers will enter to the EU's energy market through take-or-pay long-term contracts and spot markets. Therefore, the EU believes that this competition will reduce Gazprom's quasi-monopolistic existence in the market, decrease the prices and make a contribution to the energy security of Europe since Gazprom has to adjust itself to the competitive market if it does not want to lose its high share. Moreover, the EU states that this policy could even assist in the liberalization of Russian gas industry, namely Gazprom.

Thereof, the EU's member states concern the quasi- monopolistic existence of Gazprom in the EU market since its existence damages the competition and the flexibility in the energy area. In order to constrain its dependency, the EU took a few actions. Among them, efforts for the diversification of energy sources and routes were the most significant initiative taken by the EU in order to reduce the dependency to the Russian energy. In other words, a balanced energy mix through the diversification of energy resources and routes has occupied the top of the EU's energy policy as can be seen in the 2001 and 2006 Green Papers of the European Commission.

High sensitivity threatens states if they are over dependent on foreign energy supply. At the same time, high sensitivity demonstrates that states should create new policies to decrease their dependency and diversify their supplies in order to decrease the degree of their dependency on foreign energy supply. Therefore, corresponding to the Gazprom, the EU makes efforts for realizing the diversification of its energy supply sources. This also has been one of the building block policies forming the EU's external energy policy. For instance, the Caspian energy reserves as an alternative to the Russian energy supply; and BTC and BTE as alternative oil and gas pipelines such as Nabucco (then Nabucco- West) and TAP, which will transport of the Shah Deniz gas of the Caspian region to Europe, were envisaged. All of these efforts were aimed to decrease the EU's vulnerability against Russia.

In addition, the EU also promotes a number of other projects that will enhance energy deliveries from non-Russian sources (Proedrou, 2007). Since Russia is opponent of the transit of Caspian oil and gas to the EU directly, the EU also aims to establish energy relations with North African states such as Algeria, Libya and Nigeria in order to reduce its vulnerability to Russian policy and diversify its energy routes (Kilpeläinen, 2013).

In addition, LNG gained momentum in the EU market. Although only 20 per cent of the EU's natural gas imports are realized via LNG, LNG demand could increase in the near future since costs of LNG supply are decreasing especially for longer routes. LNG could contribute to the EU's diversification of supply efforts (Mang, 2013). However, its transportation requirements and the exploitation cost of gas create a tendency to have closer relationship of producer and customer. These factors also result in the long-term contracts between parties instead of spot market. Therefore, it seems that although an LNG spot market will occur, it could not replace traditional contracting ways. On the other hand, an LNG spot market could act as gas price- setter (Henry, 2010).

Finally, individual member states of the EU also make efforts to diversify the energy supplies in order to decrease the sensitivity. After the gas dispute between Ukraine and Russia in 2006, the UK and Germany started to discuss the built of new nuclear power plants. Even France, using nuclear energy, mentioned the construction of additional nuclear power plants. Finland and the Baltic states also discussed the same plan (Geden et al., 2006).

Therefore, the high degree of EU dependence on Russian natural resources has been driving the European Union to a number of moves aimed at reducing its sensitivity and vulnerability.

The EU has huge demand and Russia with its biggest proven natural gas reserves is potentially the biggest supplier (Helen, 2010). Due to Russia's big proportion in gas supplies and gas consumption, Russia serves as an important engine for Europe's economic growth (Molis, 2011). By 2020, the EU will need to import up to 600 bcm of gas, from approximately 400 bcm today, and at least half of this demand will have to be supplied from Russia (Weafer, 2009).

Meanwhile, looking only at the Russian share in EU imports of natural gas might be misleading and thus the level of the EU's supply vulnerability can easily be overrated (Spanjer, 2007; Casier, 2011). If imports are used as a criterion it can easily be seen that the EU's dependence vulnerability is distributed unequally over the member states. Mostly the new member states, which are historically connected to the Russian gas networks such as Romania, Bulgaria or the Baltic States, import nearly all of its gas from Russia. Some member states, such as the UK, Portugal and Spain, do not import any Russian gas. Indeed, the countries importing all their gas from Russia are highly sensitive and also considerably vulnerable, but it cannot really be stated about the EU as a whole (Casier, 2011).

Moreover, the EU- Russia energy relations are asymmetrical due to the fact that sudden disruptions could lead to immediate vulnerability (Dienes, 2007).

It can be concluded that the EU's energy demand is likely to increase and with it, the concerns about the security of demand. On the supply side, the EU cannot really be considered as vulnerable as often stressed, but the level of EU's sensitivity is the one that should mainly be pointed out in terms of its energy security.

6.2.4. Russian Sensitivity and Vulnerability

Energy plays a significant role in Russia's economy. Russia is the largest natural gas source, supplying Central and Southeastern Europe through the Yamal pipeline (Afgan et al., 2007) and its share increased even more with the construction of Nord Stream project. Hence, Russia exports important part of its energy to the EU. But as dependent as the EU

is on Russian energy, the Russian side also deeply depends on the partnership with Europe. If Russian energy exports to the EU significantly reduce, Russia would lose an important part of its income. Since that kind of amounts of exported gas to the EU makes Russia very sensitive, to reduce the risks, Russia applies several strategies.

First of all, since the EU pay the highest prices to Russia energy, Russia has no chance to lose such a lucrative European market (Stern, 2006). Thereof, Russia aims to keep its share in the EU market.

Regarding the gas, Russia has two main targets. First, Russia tries to keep strong its place in the EU market through classical take-or-pay contracts, which are decided by Gazprom and so called monopoly national corporations in order to supply gas to the EU on a national level. Take-or-pay contracts are the mainstay of gas trade between the EU and Russia, and provide a guarantee for both the supplier and importer since the supplier guarantees its gains and the importer ensures its stable supply.

The second target of Russia is to profit from the opportunities the European gas market's partial liberalization brings. For instance, as the Russian monopoly gas producer, Gazprom, aims to penetrate to the newly emerging spot markets since in these markets, amount of the gas transporting to the EU is increasing. Besides, in spot markets, supply and demand determines the gas prices. The difference between the spot markets and take-or-pay contracts is that in the spot markets, prices are not preset. Thus, the margins of profit are higher in the spot markets.

Another advantage of the liberalization of the EU gas market for Russia is that since state monopolies in EU members finishes, Gazprom has more chance to empower its presence in the EU gas market (Locatelli, 2004). On one hand, main target of Gazprom is to control the gas supply of Western European countries (Stern, 2006). Gazprom aims to realize this control through different agreements such as commercial deals and strategic partnerships (Stern, 1999).

Moreover, Russia tries to avoid any third parties in their relationship with the EU. It is clearly visible in Russia's latest contracts with Central Asian states, in which Russia tries to maintain a leading position in gas transit (Proedrou, 2007).

For instance, in 2002, Russia started an alliance with the Central Asian gas producing countries and signed different agreements with Turkmenistan, Uzbekistan and Kazakhstan. Through these agreements, Russia gained in crucial amount of gas those Central Asian countries produced. Moreover, according to these agreements Russia gave assistance to these countries in regard to the modernization of their infrastructure and the exploration of new fields (Chufrin, 2004). Besides, through these agreements, by trying to block the sale of the Central Asia's gas to Europe directly, Gazprom aimed that Russia could have been the only corridor of the Central Asian gas exports to Europe since Russia endeavored to buy cheap Central Asian gas and sell it to Europe at prices Russia had already sold (Cornell and Nilsson, 2008). Therefore, Russia had found another way to profit more from the gas. Another effect of Russian refusal against direct gas sale from the Central Asia to Europe is that it created cowardice in regard to the construction of alternative pipelines which could connect the Central Asia's gas to Europe. Along with the indigenous gas resources of Russia, the export of the Central Asian gas to Europe via Russia increased the monopolistic position of Russia in the European market and its leverage in energy bargaining.

The way Russia pursued for the Central Asian oil was the same. It put obstacles against alternative routes to oil resources in the Caspian Sea and bought big quantity of the Central Asian oil (Klare, 2002). Besides, Russian companies invested in the exploration of the Caspian oil and bought great amount oil from the former Soviet Republics (Chufrin, 2004; Fredholm, 2005). Similarly, Russia's main objective here was to prevent the construction of alternative routes, which would not include Russia but would be a direct corridor between the Caspian oil and Europe (Gorst, 2004).

In order to prevent the construction of alternative routes bypassing Russia such as Baku-Tbilisi-Ceyhan and Baku- Supsa pipelines, Russia tried to use political tactics. For instance, it supported the secessionist movements within Georgia. Thus, it aimed to prove that the construction and continuity of a pipeline passing from Georgia was not secure.

In addition to the purchase of the Caspian oil by the Russian companies, they also strived for obtaining the assets in the EU member countries such as the purchase of oil refineries and ports in the Central and Eastern European countries, the ones be part of the former

Warsaw Pact countries in order to strengthening the Russia's sole existence in the EU energy market (Proedrou, 2007).

Basically, on one hand, the reason why Russia pursued these aims was to decrease its sensitivity and dependency to transit countries in regard to the energy transport. Russia still continues to make efforts for building export infrastructures to put transit countries down (Monaghan, 2005). On the other hand, Russia intended to benefit from transit countries' vulnerability and achieve its expectations on security- related issues (Twining, 2006).

To sum up, Russia's policy towards transit states is to reduce its dependency on transit states since Russia states that it has access the Pacific, the Arctic, the Black Sea and the Baltic Sea. Moreover, since energy export to the EU market is vital for its economic recovery, Russia has no endurance other actors in the EU energy market. This demonstrates the Russian sensitivity.

Although sensitivity has significant place in the manner of Russia towards the EU market in regard to increase its exports to the EU and its market share in the EU, it is not enough to understand the aggressive Russian energy policy. The importance of energy for Russia could not be explained only in economic means since it is very vital in security means as well. Russia uses being most important supplier of the EU in order to have an influence on new EU members and to enjoy a privilege from these states.

In regard to security means, geopolitical rationale of the Russian energy policy necessitates that Russia applies different prices to adverse and adherent states since Vladimir Putin aims to rebuild Russia's power in its 'near abroad' and bring Russia to equal status with the US in the world (Bobo, 2002). Therefore, Russia was against any development, which became Europe and former Soviet Republics closer such as Orange Revolution in Ukraine and Rose Revolution in Georgia. Moreover, in order not to lose its sphere of influence, Russia withholds military bases in some of former Soviet republics and encourages different secessionist movements in the Caucasia region.

Ukraine, the most important country of the former Soviet countries, became closer to the West after the decline of Soviet Union and this rapprochement was unacceptable for Russia. Therefore, the Orange Revolution in Ukraine, Ukraine's membership to Western institutions especially its membership to NATO and overthrown of pro-Russian president

of Ukraine in 2014, which caused Russia's seizure of Crimean Peninsula, were criticized by Russia.

Energy weapon concept refers to the usage of energy resources as a political tool by the energy supplier state towards its customers (Stegen, 2011). Russia used its energy weapon against Ukraine and started to sell the energy at much higher prices to Ukraine. Moreover, Russia compelled Ukraine to raise Russian share in the Ukrainian pipeline in order that Ukraine could continue to buy Russian gas under the global prices (Åslund and McFaul, 2006). The gas dispute between Russia and Ukraine, which peaked on 1 January 2006, demonstrated that not only Ukraine but also the EU are dependent on Russian gas. Through this maneuver, Russia underlined that it would use the energy as leverage to influence the foreign policies of Western countries and would not permit its near-abroad countries for establishing closer relations with the West (Milov, 2012). The 2008 and the 2009 gas disputes occurred same intentions as well.

A similar story existed for Belarus. The gas and oil disputes between Russia and Belarus demonstrated that Russia uses energy as a weapon and pursues more aggressive policies. The 2004 gas dispute and the 2007 oil dispute caused to transit interruptions. In the beginning, the president of Belarus, Alexander Lukashenko, had closer relations with Russia. When the relations started to deteriorated significantly, Russia ceased to subsidize its energy supplies and the prices to Belarus was doubled.

In regard to June 2010 dispute, Russia declared an ultimatum for Belarus to repay its gas debt in five days or it would cut its supplies. Since Belarus is a transit state for the energy transported to Europe, the EU's energy security was threatened once more (Yafimava, 2010).

The same pressure was applied on Georgia and Moldova by Russia. Both countries started to take a closer stance towards the West. Thereof, Gazprom raised the energy prices and underlined that they are dependent on Russia.

Moreover, Poland and three Baltic States, namely Estonia, Latvia and Lithuania are imposed enormous gas prices by Gazprom and Russia used its energy weapon towards them since they had western stance in their foreign policies and prefer to stand away the Russian influence.

For instance, due to enormous rise in gas prices imposed by Gazprom, Lithuania encounter an economic crisis and could not fulfill the criteria, which would make it a part of European Monetary Union and have entered it to Eurozone, although it joined to the EU in 2007. As a part of the strategy for its foreign policy, Russia also provided energy as free of charge to the friendly regimes such as Abkhazia and South Ossetia, which separated from Georgia unilaterally. Thus, Russia supported the movements, which could lead to the disorder in Georgia (Larsson, 2006). Thereof, Russia used its energy power for not only imposing economic sanctions but also realize its political goals as part of its foreign policy. However, Russia's support for separatist movement in Georgia could create serious problems within Russian borders in the long term (Tsereteli, 2009).

Besides, in order to reduce its sensitivity, Russia aimed the construction of its own export infrastructure network and the acquisition of assets in the energy infrastructure in the transit states (Fredholm, 2005). The Russian objective here was to reduce its dependence on transit states and the threat, which could occur in case its relationship with transit states finishes. The reduction of its dependence on the transit states also would give it power to profit by the EU's vulnerability, which sharply increased after the accession of the Central and Eastern European Countries. Even, it would also assist Russia to bring together the transit states, which were former Soviet allies as well, under the sphere of influence of Russia since it would limit their sphere of counter-action.

The construction of the Nord Stream Gas Pipeline has been the foundation block of the Russian energy policy. It exports natural gas from Yuzhno- Russkoye oil and gas from the Leningrad in Russia to Germany. The Nord Stream Gas Pipeline was a twin-pipeline project. The construction of the first pipeline was completed in June 2011 and the construction of the second pipeline was completed in April 2012. The first pipeline transported natural gas from Russia to Germany in November 2011. The second pipeline started commercial gas delivery in November 2012.

The North Stream Gas Pipeline assisted Russia to bypass Ukraine, Belarus, Poland, Slovakia, Lithuania, Latvia and Estonia. Thus, Russia gained the chance to supply gas directly to North- Western states of the EU and suspend gas supplies to former Soviet allies in case they take counter-action to Russia.

The demand dependence of Russia comes clear in its wish to reduce its economic dependence on the energy sector (Casier, 2011). Also, Russia has a lot to lose if it risks its reputation as a credible supplier. As a result of supply shortages in 2006 and 2009, the EU and Russia signed a memorandum on an Early Warning Mechanism in case of disruptions of in energy supplies. Thus, Russia displays considerable demand vulnerability exporting most of its gas to the EU (Casier, 2011). As a supplier, Russia would rather like the interdependence with the EU to be positive, since EU's future energy demand will be of vital importance to Russia (Konoplyanik, 2012).

To sum up, Russia's energy strategy towards the EU includes both economic and political motives. In regard to economic motives, Russia's main target is to increase its energy revenues via the EU energy market, the EU energy companies and its pipeline network. From political motives' point of view, in order to bypass transit states and decrease the level of its sensitivity, Russia aimed to construct the North Stream and the South Stream pipelines. Besides, Russia attempts to increase its sphere of influence on the Post-Soviet states such as Ukraine and Belarus, which are also transit states (Ehrstedt and Vahtra, 2008).

Finally, the EU and Russia are closely interdependent in terms of energy although they have different approaches to their energy policies. As a part of the theory of interdependence, the EU has high sensitivity due to its huge energy demand while Russia has high vulnerability since it has to export its energy products to the EU market.

6.2.5. Asymmetrical interdependence based on energy security concept

The interdependent relationship between the EU and Russia embraces both cooperative and competitive features since interdependence does not always ends with cooperation, it also engender a conflict as Robert Keohane and Joseph Nye assert. They underline that the political analysis of international interdependence begins with the acceptance that one of the actors' power basis is asymmetric interdependence (Keohane and Nye, 2001).

There are two factors, which could lead to a conflict between interdependent actors: sensitivity and vulnerability. In regard to sensitivity, the parties fear that one side's degree of dependency on other side could decrease due to the benefits the parties provide each

other. Thus, this possibility could cause to the reaction of the party fearing from this and a conflict could take place (Keohane and Nye, 2001).

In regard to the vulnerability, it also could lead to a conflict. When the interdependency has finished, the cost the weaker party has already taken gives an opportunity to the powerful party for following aggressive policies (Keohane and Nye, 2001). For example, EU's high vulnerability gives a chance to Russia for pursuing bellicose policies towards Europe.

Due to its scarce resources, the EU is facing a growing dependency on foreign regions not only for the supply of oil but also for the supply of gas (Kjärstad and Johnsson 2007). Europe, being close to a large amount of gas reserves, will receive most of its gas supplies by pipeline at relatively moderate costs and Russia will remain the largest supplier by far (Lochner and Bothe 2009).

Russia, on the other hand, possesses within its territory a wealth of hydrocarbons (oil and gas) that places it as a first-rate agent in the international energy scene. Russia is also one of the few countries in the world that possesses an integrated energy sector. It allows Russia to be quite independent of foreign agents (Mane-Estrada 2006). Having large resources makes it possible to sell them to the partners. European Union with its energy demand and geographical closeness makes a great partner to Russia.

All that makes the relationship between the two partners extremely interdependent since, as pointed out by Tsygankova (2012) for example in 2005, Russia supplied natural gas to almost all of the countries in Europe. Baev (2012) stresses though that the relations between the two counter-parts cannot be called stable and the issue of energy security will therefore remain relevant.

This part of the chapter suggests that the reason why energy security is stressed so often in the relations between the EU and Russia is due to the fact that the EU-Russia interdependence is asymmetrical. In order to understand this asymmetry in interdependence, both sensitivity and vulnerability of partners' supply and demand must be taken into consideration, since Proedrou (2007) suggests that exactly these two factors can push the interdependent parties towards conflict. This analysis will make it possible to

understand that the issue of energy security between the EU and Russia rising due to the asymmetry of their interdependence.

Since the demand for oil and gas increase and many gas and oil suppliers are settled in instable regions of the world, there have been immediate changes in the relationship between energy suppliers and customers and the balance of power in interdependent relationships as well (Umbach, 2010). These asymmetrical relationships make the energy security more important not only for the supply security but also for the demand security of the parties. The theory of interdependence helps to combine the security of demand and supply with vulnerability and sensitivity of interdependent parties.

The asymmetry of interdependence is determined by the difference between energy exporter and importer costs. The actor with the higher costs is the more dependent actor and may be subject to power from the other actor (Lilliestam and Ellenbeck 2011) and thus may face the risks of source dependence, transit dependence and facility dependence (Spanjer 2007). If both costs are equally high, the relationship is stable and no actor has power over the other (Lilliestam and Ellenbeck 2011). The key is that asymmetry of interdependence is the one that causes the issue of energy security to rise. Thus, it is important to take into consideration both, the demand and supply side.

In regard to the energy security in the EU- Russia relations, neoliberalism could also be applied to prove that the issue of energy security between the two partners rises due to the asymmetrical nature of their interdependence.

Keohane and Nye's theory claims interdependence to be a situation in which across state borders, intensive transactions are taking place, entailing certain expenses for both partners. However, for one party, the expenses tend to be higher, thus creating the asymmetrical interdependence. The asymmetrical interdependence, which is characterized by unequal distribution of gains and expenses, can create a situation when dependent actors can often use the interdependent relationship as a source of power. In order to understand the role of power in interdependent energy relations, the dimensions of sensitivity and vulnerability of two partners must be highlighted.

Sensitivity refers to the costs that each side suffers when the other state does not offer it the benefits asserted in policy framework. The aspect of vulnerability refers to the weakness of one partner, if the other attempts to finish their interdependent relationship. Interdependent parties with relatively high vulnerability tend to cooperate and strengthen their interdependent relationship (positive interdependence) whereas actors with high sensitivity reduce their dependence and search for alternative schemes of cooperation (negative interdependence).

In the case of energy, the theory of interdependence clearly states that the issue of energy security stems from the asymmetrical nature of interdependence of both partners. Energy security refers to the availability of a regular supply of energy at an affordable price, but it is crucially important to consider the energy demand as well.

The dimensions of the energy demand and supply can also be clearly presented in the connection with the dimensions of sensitivity and vulnerability presented by the theory of interdependence.

Whilst, the relationship between the EU and Russia in the energy sector can be considered really interdependent, the discussion about the issue of energy security inevitably rises.

The European Union with its huge demand of energy sources often refers to Russia as the vital partner in the energy sector. Although the EU cannot be considered too vulnerable in their relations with Russia, it still suffers a serious amount of supply sensitivity. As pointed out by the interdependence theory, the partner with considerable sensitivity often wishes to weaken the interdependence, which is also visible in the case of the EU. The Union has made some serious attempts to reduce interdependence with Russia by attempting to diversify its suppliers and routes of delivery of energy resources, which is also clearly visible in its energy policies. It is thus not the overall dependence on Russia that seems to threaten European energy security, but rather the uneven exposure across the Member States that can truly harm the energy security of the EU.

Within the EU, Lithuania, Ireland, Luxembourg, Slovakia, Latvia, the United Kingdom and Hungary are relatively more vulnerable since natural gas is primary energy consumption of those countries; hence their security of supply is at low level (Macintosh, 2010).

Russia, on the other hand, possesses a huge amount of supplies and the main purchaser of Russian energy resources is the EU. Such strong bond with only one partner created the situation, where Russia can truly be considered very vulnerable on the demand side. The clear signs of Russia's wish to see the interdependence with the EU as positive are also quite obvious. As the main revenues come from the Union, Russia seeks ways to strengthen the relationship even more by wishing to engage in long-term contracts.

Therefore, energy policies of both the European Union and Russia differ significantly. Russia's energy strategy is clearly based on the state, but aims at increasing interdependency with the EU. On the other hand the EU tries to avoid even stronger asymmetrical interdependency with the Russia in energy sector.

Both the EU and Russia know very well the importance of cooperation, in contrast to the competition, for the energy security and sustainability. The Energy Dialogue is the result of this awareness. Both parties found a common ground for cooperation possibilities since they are dependent on each other. The EU- Russia Summit held in 2005 underlined that the Energy Dialogue is the most significant tool for sustainability; reliability and efficiency in the energy usage and enabling the energy trade each other (The European Commission, 2005). Even though the EU continued its assertion on multilateral contract based cooperation with Gazprom, Russia did not withdraw the Energy Dialogue since the EU is very important customer for Russian energy exports. In other words, the continuation of the Energy Dialogue, which is the EU- Russia energy diplomacy, demonstrates the interdependence between both parties (Aalto, 2008).

Interdependence has created a strong relationship between the EU and Russia. Salem-Haghighi (2007) points out that the ultimate goal of the energy partnership between Russia and the European Union is the integration of their energy markets, reform of the Russian energy industry and the incorporation of the existing rules of the European energy market in Russia. This clearly means that Russia needs strengthening as a secure and reliable supplier (Salem-Haghighi 2007), showing the EU's concern about its energy security. The ultimate goal is, however, yet to be achieved, since the EU-Russian energy dialogue has been anything but productive.

As a result of assymetrical interdependency between Russia and the EU, Russia is dependent on the EU economically. Political and economic manouvers of both sides aim to change this assymetrical interdependency. For instance, Russia and the EU aim to manage the ECT for their own purposes. While the EU force Russia to change its price policy, Russia threatens the EU to sign long-term energy contract with China. This manner is traditional for Putin's energy policy namely using energy as weapon.

In order to fully understand that the issue of energy security rises due to the asymmetrical interdependence, the thorough evaluation of national energy policies must be made, because for the future, it is vitally important to be able to implement measures that will allow an effective response to the threat from energy insecurity (Costantini, et al. 2007). Still, most importantly, it is the national policies that make possible the evaluation of how strongly partners want to be attached to one another, thus evaluating if interdependence is positive or negative. The similar patterns of interdependence are visible in the clearly interdependent relationship of the EU and the Russian Federation in the energy sector.

The energy policy framework of the European Union consists of a series of regulations and initiatives with different objectives and affects various actors in the energy field (Oikonomou et al., 2012). Although efforts have been made to achieve a common EU energy policy, the Union is still stumbling upon the task of developing a common external energy policy (Neuman 2010). Belyi (2011) adds that EU energy policy cannot be understood without taking into consideration the complex nature of the EU system itself, which represents a combination of economic interests and competences of the European Community and the geopolitical views of its member states. Therefore, not only one, but several documents have to be taken into consideration such as green papers on energy and treaties establishing the EU and amending the establishing treaties.

Thus, a pattern of asymmetrical interdependence with the Russian Federation is clearly marked in the EU energy policies. The shift to negative interdependence can also be spotted, with the EU's clear attempts to lessen Russia's influence by ensuring the EU's security of supply and attempts to diversify its suppliers and routes of delivery of energy resources.

Still, as much as a unified EU energy policy towards Russia is discussed, significant differences remain between the EU member states, in terms of both their policies and their dependence on Russia (Kratochvil and Tichy 2013). Some member states still prefer bilateral ties with Russia on the common EU energy policy (Norberg 2009), for example an agreement between Russia and Germany to build the Nord Stream gas pipeline, or the Russian–Italian negotiations on the construction of the South Stream gas pipeline (Kratochvil and Tichy 2013). Although the importance of the European Union in reducing that kind of bilateralism has been growing, individual member states remain important players in the field of energy, thus giving a special touch to the issue of energy security for the EU.

All in all, Nowak (2010) points out, that there is a need for a cohesive, EU-wide energy policy to ensure security of supply and reduce demand. It would mean reducing the dependence of the European Union on foreign energy supplies, especially from Russia. Nevertheless, the actual creation of such a policy must overcome a few obstacles, including member states' wish to protect their sovereignty, protectionism of national industries, and different approaches to Russia among member states.

Scholars point out that Russian energy strategy is clearly defined by the state (Bilgin 2011) and is often seen as an instrument of possible increase of Russian influence (Kazantsev 2012). One of the most distinguished characteristics of Russia's energy policy is the fact that the state and Russian energy companies have developed a symbiotic relationship and firm's behavior often derives from Russian energy strategy while making investments in Europe (Bilgin 2011). Thus, Russian energy policy has paradoxically combined two opposite tendencies: the development of competitive market elements and the increase of state influence (Tichy 2012).

Neuman (2010) stresses that in order to protect future income flows, Russia tends to strengthen relations with individual buyers by signing long-term contracts, invest in the exploration of new gas and oil fields, build new transport routes and maintain existing ones, proliferate into the upstream parts of the energy chain such as consumer retail and prove itself as a reliable energy supplier. In return, Russia asks its partners to guarantee the security of demand for its energy products (Neuman 2010). It means that generally, Russia would rather wish a positive interdependence evolving.

Hence it is possible to conclude that the perception of energy security by both partners is strongly influenced by the asymmetrical interdependence of the two, with Russia trying to strengthen the interdependence due to its demand vulnerability and the EU trying to weaken it due to its supply sensitivity.

To sum up, EU-Russia energy relationship, which includes both cooperation and conflict. Moreover, neoliberalism has the superiority to neorealism in regard to explain the nature of the EU- Russia energy relationship. Neoliberalism offers a comprehensive theory to explain how and why cooperation and conflict exist together. Energy relations between the EU and Russia are interdependent since there is not more lucrative energy market for Russia than the EU and there is not bigger energy supplier than Russia for the EU. Thereof, both parties have to enhance their cooperation Although there are alternative energy markets for Russian energy exports, it is really difficult to divert the gas trade towards the Asian market for Russia since there is no available gas pipeline or LNG terminal, which could transport gas to the East.

Finally, interdependence does not necessarily coerce the states to follow conflictive policies. On the contrary, it could create extensive cooperation between states if there is high vulnerability between those interdependent states since they could not afford the high costs the dissolution of the relationship would lead. This is also the reason why Russia and the EU prefer to extend their energy relationship. The EU's market is advantageous for Russian energy supply and Russian energy is necessary for the EU until they could find the alternatives. Therefore, in spite of conflicts between the EU and Russia on energy issues, they have cooperative relationship for the most part since Russia supplies energy to the EU and receive hard currency from the EU. It is important to note that the political elites of the EU and Russia also contribute to the energy cooperation between Russia and the EU. The bilateral interdependent relationship between the EU member states and Russia enhance the cooperation between the EU and Russia. Within the EU, energy companies push the European Commission and the political elites of the EU member states to take economy-based manner towards Russia. In Russia, manners of political elites towards the EU could be both economic and political dependending on the case. Since energy companies are national in Russia and there are also political elites at the top positions of those energy companies, they could not push the government to take only economic positions; however,

economic incentives also important driving force of the Russian economic development. Therefore, both the EU and Russia continues to establish cooperative energy relationship.

7. CONCLUSION

To sum up, this thesis tried to reveal critical analysis the energy relations between the EU and Russia, by examining the internal and external energy policies of Russia and the EU and based on the literature of two theories namely neorealism and neoliberalism. This thesis examined the relationship via oil and gas. Main objective of this thesis was to find as answers of following questions: to what extent are the internal and external energy policies of the EU and Russia compatible? What are the problematic features of the energy relations between the EU and Russia? How is the term interdependency used and understood in the energy relations between the EU and Russia? Do Russia and the EU have different perceptions in their relationship? The future perspectives of the EU-Russian energy relations: competitive or cooperative? In order to answer the research questions, this thesis uses two theories: neorealism and neoliberalism.

According to neorealism, the international system is anarchical, that the system structure is determined according to power share between states, namely balance of power and that the nature of the state such as democratic or authoritarian does not make any structural effect on international relations. According to Gilpin's neorealism, economic factors multinational corporations are very important for national power. Moreover, institutions are not neutral and certain actors affect on institutional arrangements (Dannreuther, 2010).

Neorealist assumptions in regard that the state is the main actor and that military security is the main issue are today less prominent in the discourse since economical issues are not less important than the security issues and state is not key actor anymore (Smith, 1999).

Neorealism does not have a theory of foreign policy but has something to say for foreign policy. Security and relative power are very important for neorealism in order to understand the degree of opportunity states have while they are driving their foreign policy; however, motives of the states could not be explained via only power and security. Therefore, without a theory defining motives of states, neorealism is insufficient to explain the specific foreign policies of states (Telbami, 2010).

According to Waltz's neorealism, balance of power is not the ultimate goal but the result of the target for survival. In the anarchic and self- help international system, most power states set the rules. In contrast to neorealism, neoliberalism asserts that even in an anarchic

system, cooperation could occur between states having realist point of view through standards, regimes and institutions under the interdependency (Finon and Locatelli, 2008).

Therefore, neoliberalism believes in the importance of cooperation in international relations. Hence, neoliberalists concentrate on interdependency not anarchy. Globalization in the world requires the dependency between states in order that they could realize their interests and objectives. Interdependency is very common concept used in international political and economic issues since it fits well for explaining cooperative and competitive issues happening between states' relationships (Proedrou, 2007).

Energy is very important in the economy of the countries. Besides, the growth in the population, reduction in the energy reserves and increase on energy prices lead to struggle for energy in the world. While energy-importing countries encounter a challenge to secure their energy supplies, energy exporting countries could use their natural resources as economic and political leverage although stable energy export is also important for their energy security, which provides economic growth in a sense. These challenges bring the energy relationship between the EU and Russia to the top of their agenda. The EU needs to secure its energy supply while Russia needs stable demand from the EU for its economy and its political actions in the world arena.

From the EU's side, the EU's dependency on external energy supplies is growing. The EU covers its energy needs mainly from the Middle East and Russia. The Middle East is problematic for the EU since it is instable region politically. In regard to Russia, the EU believes that Russia use its energy power for political and economic leverage against the EU. However, geographical proximity with Russia and Russia's settled energy network make the EU tend to establish closer energy relations with Russia.

Although there are several concerns of both sides, energy cooperation between the EU and Russia is increasing in regard to oil and gas. The main reason is the mutual energy interdependency and growing energy trade between parties. The EU and Russian energy relations are interdependent since Russia is the main supplier of the EU while the Union is prominent market for Russian energy. If the EU diversifies its energy supply sources and routes, it will be huge loss for Russia in regard to energy market and its economy.

Basic problem between the EU and Russia is different partnership perception of the parties. The EU aims to liberalize the Russian energy market by using its normative power while Russia gives an importance to national security. However, the EU and Russia are closely interdependent in terms of energy although they have different approaches to their energy policies. As a part of the theory of interdependence, the EU has high sensitivity due to its huge energy demand while Russia has high vulnerability since it has to export its energy products to the EU market.

Moreover, in order to decrease its dependency on Russia, the EU makes efforts to diversify its supply sources and routes while Russia uses its energy power towards member states by continuing its bilateral relations with them. By the way, the European Commission reconsiders the priorities of the Community and focuses more on upstream (exploration) and mid-stream (refineries) investment. These investments will help the EU to exist in the Caspian Basin and the Middle East where Russia already exists. Although the EU is late to involve in those regions, the Union discusses to establish transmission networks and increase the consumption of LNG of North Africa, Nigeria and the Arab peninsula. Therefore, the EU aims to take necessary measures for the energy diversification in the medium-to-long term in order to increase its energy supply security (Bozhilova and Hashimoto, 2010).

It could be better if the EU makes efforts to establish cooperative interdependence with Russia instead of decreasing its dependence on Russian gas. Russia's gas disruptions are not a real threat for the EU's energy security since main problem is if the EU could establish a partnership with this kind of country (Khasson, 2009).

From Russian side, the energy relations with the EU are going to continue basis on individual agreements with member states as well (Khasson, 2009). Especially on the issue of energy supplies, the EU member states prefer to sign bilateral agreements with Russia for their national interests. When the number of bilateral agreements increases, Russia's bargaining power increases as well. Therefore, Russia does not have to confront with a solid EU. Among the EU member states, countries like Poland and the Baltic States make pressure on the EU to speak with one voice while countries like Germany are content to have bilateral energy supply agreements with Russia. Therefore, internal divisions between

the EU member states are obstacle against a common policy towards Russia (Mankoff, 2009).

Moreover, since the society does not trust to institutions in Russia, the trust is provided by the Russian presidency itself. Thus, Russian government aims to integrate to the world for Russia's economic interests. Nevertheless, Russia chose the state control instead of privatization of 1990s for the natural resources. In this point, Gazprom is the driving force for Russian government in realizing Russia's interests. Gazprom also has to decide on the investment in parallel with the rent-based system in Russia (Meulen, 2009).

Finally, Russia's main target is to guarantee the security of demand through the control of its energy resources and its export market. Therefore, the EU's market is very lucrative for Russia. Since the EU perceives Russia's targets as threat, the Commission aimed to liberalize Russian market by exporting the values of its internal market and to stop Russia's entrance to the EU market. The reaction of the EU member states towards the Commission's policy was to take more pragmatic approach towards the energy discourse. Therefore, it seems that liberalization of the energy market could only be long-term target (Meulen, 2009).

Instead of making pressure on Russia to export its acquis communataire or to sign bilateral partnership agreement based on Energy Charter principles, the EU should try to establish effective, practical and mutually beneficial legal framework with Russia. Moreover, such framework should be based on multilateral legal foundation (Konoplyanik, 2009). Therefore, since the energy is one of the most important elements of EU-Russian relations, both parties aim to strengthen their energy relationships under the framework of the Energy Dialogue.

Energy sector could be used as a base to enhance the EU-Russia strategic partnership. A mutually beneficial partnership could also have a spill-over effect and cooperation could be expanded to other areas (Piebalgs in Barysch, 2008). Besides, energy dependency between the EU and Russia seems to keep the relations relatively stable in the long-term (Trenin, 2007).

Finally, both neorealism and neoliberalism make contributions to the conflict and cooperation, which are basic components of national politics even though neorealism tends

to emphasize conflict and neoliberals are tend to emphasize cooperation. However, neorealist claims on the continuity of the cooperation has negative views. Since the EU-Russia energy cooperation continues -despite the short- term competitions- based on reciprocity and interdependency, the relations seem to continue cooperatively in the future.

To sum up, energy relations between the EU and Russia are complex since their energy relations include competitive and cooperative elements. Besides, their energy relations cover both dependency and interdependency between three parties: the EU, individual member states of the EU and Russia. In addition, oil and gas sources and routes in Eurasia and transit states contribute to this complexity and both parties aim to shape their policies by playing game in those regions. However, this complexity does not mean that neorealism explains the energy politics between the EU and Russia.

The main reason is neorealist point of views of both parties is exaggerated such as the pipeline politics and Russia's aim for being energy superpower or the EU member states' individual energy agreements with Russia since Russia does not prefer to lose its credibility as an energy supplier and the EU continues its legal steps towards the common energy policy and energy liberalization within the Union. Therefore, future of energy relations between the EU and Russia tend to be cooperative although energy relations include comparative features. The main reason is the lack of sustainable alternatives for both parties. Therefore, both sides will continue to prefer enhanced cooperation in the future instead of the competition.

Finally, based on competitive and cooperative sides of the EU- Russia energy relations, three scenarios could take place in the future of the EU- Russia energy relations. This thesis aims to claim that first scenario will prevail in the future of the EU- Russia energy politics.

First scenario predicts that, like today, although both the EU and Russia will keep their trust each other at the lowest levels, their energy relationship will continue as a result of their interdependency which means that the EU needs Russian energy while Russia needs the EU market. In this scenario, on one hand, the EU will concentrate on its energy

security and economic issues. In addition, the EU will try to liberalize the Russian energy market in order that European companies could get much more share from the Russian energy production. Besides, the EU will try to secure energy transit network and to diversify the routes and supplies through pipeline projects such as Nabucco pipeline project. The EU will try to complete the formation of its common energy policy although member states will continue their bilateral energy relationships with Russia. On the other hand, Russia will keep its centralized energy system. Besides, Russia will both continue to use energy as leverage if necessary and keep bilateral energy relations with the EU member states since it needs the lucrative EU market. Like the EU, Russia will continue to its diversification efforts of routes and customers. Therefore, Russia will continue to develop pipeline projects bypassing the transit states such as South Stream pipeline project and aim to penetrate to the Asian market.

Second scenario envisages that Russia will decrease its full control over energy and prefer the free-market. As a part of external energy policy, Russia will prefer to establish a long-term energy relationship with the EU based on mutual trust. Since global economic integration will bring more interdependency and integration, the trade and connectivity between Russia and the EU markets will increase. As a result of the mutual trust, the EU also will prefer to establish energy relationship at the Community level and complete the formation of its common energy policy. The free-market based relationship between Russia and the EU will increase the efficiency of the economies in both parties. Even both parties experience problem in the short-term, they both will prefer to solve the problems in the long-term.

Third scenario foresees that rising nationalism in the world will create impact on external policies on the EU and Russia. In this scenario, the bilateral energy relationship of EU member states with Russia will dominate the EU agenda. Both EU member states and Russia will establish their external energy policies based on national interests and security. Therefore, economic incentives will fall to the second stage and efficiency of the economies as well. This will decrease the trade relationship to the lowest level. In other words, security concerns will prevail to the economic concerns.

REFERENCES

Books and Articles

Aalto, P. and Westphal, K., 2008, Introduction, in P. Aalto (ed.), The EU-Russian Energy Dialogue: Europe's Future Energy Security, Ashgate, Hampshire.

Aalto, P., 2008, The EU-Russian Energy Dialogue: Europe's Future Energy Security, Ashgate, Hampshire.

Aalto, P., 2009, European perspectives for managing dependence, in J. Perovic, R.W. Orttung, and A.Wenger (eds.), Russian Energy Power and Foreign Relations: Implications for conflict and cooperation, Routledge, London.

Abdelal, R. and Mitrova, T., 2013, 'U.S-Russia Relations and the Hydrocarbon Markets of Eurasia', Working Group on the Future of U.S.-Russia Relations, Paper 2.

Abdelal, R., 2002, "Energy and Security in Ukraine and Belarus", Interpreting Interdependence, 1-18.

Abdelal, R., 2012, 'The Profits of Power: Commerce and Realpolitik in Eurasia', Review of International Political Economy.

Afgan, N, H., Carvalho, M. G., Pilavachi, P. A. and Martins, N., 2007, 'Evaluation of natural gas supply options for south east and central Europe. Part 1: Indicator definitions and single indicator analysis' Energy Conversion and Management, 48.

Andoura, S., Hancher, L. and Van Der Woude, M., 2010, 'Towards a European Energy Community: A Policy Proposal', Notre- Europe, Studies and Research 76.

Andres, R. B. and Kofman, M., 2011, 'European Energy Security: Reducing Volatility of Ukraine-Russia Natural Gas Pricing Disputes', Strategic Forum.

Arcas, R.L.,2009, "The EU and Russia as Energy Trading Partners: Friends or Foes?", European Foreign Affairs Review. Vol.14, 337-366.

Arentsen, M.J. and Künneke, R.W. (Ed.), 2003, National Reforms in European Gas, Elsevier Global Energy Policy and Economics Series, U.K.

Arınç, I.S., 2007, "The EU - Russian Gas Interdependence and Turkey", Insight Turkey, Vol.9 No.4, 23-36.

Åslund, A. and McFaul, M., 2006, Revolution in Orange: The Origins of Ukraine's Democratic Breakthrough, Brookings Inst. Press, Carnegie Endowment for International Peace, Washington, DC.

Åslund, A., 2008, 'Russia Energy and the European Union: Perspectives on Gazprom', speech before the European People's Party, European Parliament, Brussels. Available on site http://www.iie.com/publications/papers/aslund0508.pdf.

Baev, P. K., 2012, 'From European to Eurasian energy security: Russia needs an energy Perestroika', Journal of Eurasian Studies, 3.

Baev, P., Bartuska, V., Cleutinx, C., _Gaddy, C., Götz, R., Gros, D., Ickes, B., Konoplyanik, A., Kosachev, K., Mitrova, T., Piebalgs, A., Piper, J., Swieboda, P., Trenin, D., and Yastrzhembsky, S., 2008, "Pipelines, Politics and Power: The Future of EU-Russia Energy Relations", Centre for European Reform, 1-63.

Baev, P.K., 2008, Russian energy Policy and Military Power: Putin's quest for greatness, Routledge, London.

Baev, P.K., 2009, Russian Energy Policy and Military Power: Putin's Quest for Greatness, Routledge, New York.

Bahgat, G., 2006, 'Europe's Energy Security: Challenges and Opportunities', International Affairs (Royal Institute of International Affairs 1944-), 5.

Bahgat, G., 2010, 'Russia's Oil and Gas Policy' OPEC Energy Review.

Baldwin, D. A., 1993, Neoliberalism, Neorealism, and World Politics, in D. A. Baldwin (Ed.), Neorealism and neoliberalism: the contemporary debate, Columbia University Press, New York.

Baldwin, D.A., 1980, "Interdependence and Power: a Conceptual Analysis", Vol.34 No.4, 471-506.

Balmaceda, M. M., 2006. Belarus: Oil, Gas, Transit Pipelines and Russian Foreign Policy, GMB Publishing, London.

Baran, Z., "EU Energy Security: Time to End Russian Leverage", The MIT Press, Vol.30 No.4, 131-144.

Baranovsky, V., 2001, Russia: A Part of Europe or Apart from Europe?, in. Brown, A. (ed.), Contemporary Russian Politics: A Reader, Oxford University Press, pp. 429- 442.

Barroso, J. M. D., 2011, Statement of President Barroso at the pre-European Council debate EP Plenary, (SPEECH/11/64), Brussels. Available on site http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/11/64.

Barysch, K., 2006, "The EU and Russia: From principle to pragmatism?", Centre for European Reform Policy Brief, 1-8.

Barysch, K., 2007, “Russia, realism and EU unity”, Centre for European Reform Policy Brief, 1-8.

Barysch, K., 2007, Policy Brief: Russia, Realism and EU unity, Centre for European Reform. Available on site http://www.cer.org.uk/publications/archive/policy-brief/2007/russia-realism-and-eu- unity.

Baylis, J., 2008, International and Global Security in the Post-Cold War Era, in the

Baylis, J. and Smith, S., The Globalization of World Politics, Oxford University Press.

Belkin, P., 2008, ‘The European Union’s Energy Security Challenges’, pp.1- 28.

Belkin, P., 2009, ‘German Foreign and Security Policy: Trends and Transatlantic Implications’, CRS Report for Congress.

Belyi, A.V., 2009, ‘Reciprocity as a factor of the energy investment regimes in the EU–Russia energy relations’, Journal of World Energy Law and Business, 2, 2.

Belyi, A.V., 2011, Fourth Annual Conference on Competition and Regulation in Network Industries: Trends of Russia’s Gas Sector Regulation. Available on site http://www.crninet.com/2011/a4a.pdf.

Belyi, A.V., 2013, “Energy security in International Relations (IR) theories”, Higher School of Economics, 1-105.

Bilgin, M., 2011, ‘Energy security and Russia’s gas strategy: The symbiotic relationship between the state and firms’, Communist and Post-Communist Studies, 44.

Bindi, F., 2010, The Foreign Policy of the European Union: Assessing Europe's Role in the World, Brookings institution press, Washington D.C.

Binhack, P. and Tichy, L., 2012, “Asymmetric Interdependence in the Czech-Russian Energy Relations”, Energy Policy,vol.45, 54-63.

Binhack, P. and Tichy, L., 2012, Asymmetric interdependence in the Czech–Russian energy relations, Energy Policy 45.

Blank, S., 2006. Russo- Chinese Energy Relations: Politics in Command, GMB Publishing, London.

Bobo, L., 2002, Russian Foreign Policy in the Post-Soviet Era: Reality, Illusion and Mythmaking, Palgrave- Macmillan, Basingstoke.

Bochkarev, D., 2006, Russian Energy Policy During President Putin's Tenure: Trends and Strategies, GMB, London.

Booth, K.(Ed.), 2011, Realism and World Politics, Routledge, New York.

Boussena, S. and Locatelli, C., 2011, 'Gas Market Developments and their Effect on Relations between Russia and the EU', OPEC Energy Review.

Bozdağlıoğlu, Y. and Özen, Ç., 2004, "Liberalizmden Neoliberalizme Güç Olgusu ve Sistemik Bağımlılık", Uluslararası İlişkiler Akademik Dergi, Vol.1 No.4, 59-79.

Bozdağlıoğlu, Y., 2003, Turkish Foreign Policy and Turkish Identity: A Constructivist Approach, Routledge Press, New York and London.

Bozhilova, D. and Hashimoto, T., 2010, "EU-Russia Energy Negotiations: A Choice Between Rational Self-Interest and Collective Action", European Security, Vol.19 No.4, 627-642.

BP Statistical Review of World Energy 2013, June 2013. Available on site http://www.bp.com/content/dam/bp/pdf/statistical-review/statistical_review_of_world_energy_2013.pdf.

Braun, F.J., 2011, "EU Energy Policy Under the Treaty of Lisbon Rules Between a New Policy and Business as Usual" Epin, No.31, 1-12.

Brooks, S. 1997, 'Dueling Realisms,' International Organization, Vol. 51, No. 3, pp. 445-477.

Brown, A.(Ed.), 2001, Contemporary Russian Politics, Oxford University Press, New York.

Brown, C. and Ainley, K., 2009, Understanding International Relations, Palgrave-Macmillan, 4th Edition.

Buchan, D., 2010, Energy Policy: Sharp Challenges and Rising Ambitions, in H. Wallace et al. (eds.), Policy-Making in the European Union 6th edition, Oxford University Press, Oxford.

Bukkvoll, T., 2003, 'Putin's Strategic Partnership with the West: The Domestic Politics of Russian Foreign Policy', Comparative Strategy, 22, 3.

Burchill, S., Linklater, A., Devetak, R., Donnelly, J., Paterson, M., Reus-Smith, C. and True, J., 2005, Theories of International Relations, 3rd Edition, Palgrave- Macmillan, New York.

Buzan, B. and Wæver, O., 2003, "Regions and Powers The Structure of International Security", Cambridge Studies in International Relations, Vol.91, 1-570.

Buzan, B., Jones, C. and Little, R., 1993, The Logic of Anarchy: Neorealism to Structural Realism, Columbia University Press, New York.

Buzan, B., Waever, O. and de Wilde, J., 1998, Security: A New Frame work for Analyses,

Lynne Rienner Publishers.

Caldioli, G., 2012, “Belarus- Russia Energy Disputes - Political and Economic Comparative Analysis”, PECOB's Energy Policy Studies > Energy Analyses, ver.1, 1-18.

Casier, T., 2011, ‘Russia’s Energy Leverage over the EU: Myth or Reality?’, Perspectives on European Politics and Society, 12.

Casier, T., 2011, “Russia's Energy Leverage over the EU: Myth or Reality?”, Perspectives on European Politics and Society, Vol.12 No.4, 493-508.

Casier, T., 2011, “The Rise of Energy to the Top of the EU-Russia Agenda: From Interdependence to Dependence?”, Geopolitics, Vol.16 No.3, 536-552.

Caşın, H. M., 2013, “Russian Challenge to EU: Can Moscow become a Center of Gravity to Unify the Commercial Partners?”, Hazar Strateji Enstitüsü.

Caşın, H. M., 2014, “The Crimean Crisis: Is the Cold War Chessboard Set to Return? ”, ratHazar Strateji Enstitüsü.

Chevalier, J. M., 2006, ‘Security of energy supply for the European Union’, European Review of Energy Markets, Vol. 1, Issue 3.

Chuffrin, G., 2004, ‘Russia's Caspian Energy Policy and Its Impact on the US- Russian Relationship’, The Energy Dimension in Russian Global Strategy, The James A. Baker III Institute for Public Policy of Rice University.

Chun, H., 2008, “Russia's Energy Diplomacy Toward Europe and Northeast Asia: a Comparative Study”, Springer-Verlag, Vol.7, 327-343.

Clawson, P., 1998, ‘Iran and Caspian Basin Oil And Gas’, Journal Of International Affairs, Vol. 2, No. 4.

Closson, S. (2009) Russia‟s key customer: Europe. In: Perovic, J., R.W. Orttung, and A.Wenger (eds.) Russian Energy Power and Foreign Relations: Implications for conflict and cooperation. London: Routledge, pp.89-108

Closson, S., 2011, ‘A Comparative Analysis on Energy Subsidies in Soviet and Russian Policy’, Communist and Post-Communist Studies, 44.

Clunan, A.L., 2009, The Social Construction of Russia's Resurgence: Aspirations, Identity, and Security Interests, The Johns Hopkins University Press, Baltimore.

Cohen, A., 2008, ‘Dealing with Russia’, The Heritage Foundation, Briefing Paper.

Comolli, V., 2010, “Ending Wars, Consolidating Peace: Economic Perpectives”, Europe and Global Security, Vol.50 No. 414, 177-196.

Cornell, S. E. and Nilsson, N. (Ed.), 2008, 'Europe's Energy Security: Gazprom's Dominance and Caspian Supply Alternatives', Central Asia-Caucasus Institute and Silk Road Studies Program, A Joint Transatlantic Research and Policy Center.

Costantini, V., Gracceva, F., Markandya, A. and Vicini, G., 2007, 'Security of energy supply: Comparing scenarios from a European perspective', Energy Policy 35.

Cwiek-Karpowicz, J. , 2012, "Russia's Gas Sector: In Need of Liberalization in the Context of the Shale Gas Revolution and Energy Relations with the European Union" , Journal of East-West Business, Vol.18 No.1, 54-63.

Da Graca Carvalho, M., 2012, 'EU energy and climate change strategy', Energy, 40.

Daly, J. C. K., 2007, 'Russia's Energy Conundrum: Long Term Benefit or Short Term Gain?', Eurasia Daily Monitor, Vol. 4, No. 9.

Danks, C., 2009, Politics Russia, Longman, the UK.

Dannreuther, R., 2010, "International Relations Theories: Energy, Minerals and Conflict", Polinares working paper, No.8, 1-24.

Dasseleer, P. (2009) Gazprom : l'idéalisme européen à l'épreuve du réalisme russe (L'Harmattan).

De Haas, M., 2010, Russia's Foreign Security Policy in the 21st Century: Putin, Medvedev and Beyond, Routledge, New York.

Dehousse, F., and Andoura, S., 2007, 'Towards a Real New Energy Policy for the European Union?', Studia Diplomatica, Vol. LX, No. 2.

Dickel, R., Dispenza, D., Evin, A., Noreng, Ø., Paik, K.W., and Howard R., 2013, "The Globalisation of Natural Gas Markets: New Challenges and Opportunities for Europe", REEE, Re3, 2013.

Dienes, L., 2007, "Natural Gas in the Context of Russia' s Energy System", Heldref Publications, 408-428

Diez, T., 2005, 'Constructing the Self and Changing Others: Reconsidering Normative Power Europe', Millennium- Journal of International Studies, 33, 3.

Dimitrova, A., 2012, EU-Russia Energy Relations: Bilateral or Multilateral?, unpublished dissertation, University of Dundee.

Dinan, D., 1999, Ever Closer Union?: An Introduction to European Integration, Palgrave-Macmillan, Basingstoke.

Donnelly, J., 2000, Realism and International Relations, Cambridge University press.

Dougherty, J. E. and Pfaltzgraff Jr., R. L., 1997, Contending Theories of International Relations: A Comprehensive Survey, 4th Edition, Longman Publishing Group, New York.

Doukas, H., Patlitzianas, K. D., Kagiannas, A. G., and Psarras, J., 2008, 'Energy Policy Making: an Old Concept or a Modern Challenge?', Energy Sources, Vol. 3, pp. 362- 371.

Dragneva, R. and Wolczuk, K., 2012, 'Russia, the Eurasian Customs Union and the EU: Cooperation, Stagnation or Rivalry?', Chatham House Briefing Paper.

Drezner, D. , 1997, "Allies, Adversaries, and Economic Coercion: Russian Foreign Economic Policy Since 1991" , Security Studies, vol. 6, no. 3, 65-111.

Ebel, R. E., 2009, 'The Geopolitics of Russian Energy: Looking Back, Looking Forward', the CSIS Energy and National Security Program.

Egenhofer, C., 2000, "Understanding the Politics of European Energy Policy: The Driving and Stopping Forces, the Politics of European Energy, the Energy of European Politics and Maastricht II", CEPMLP, Vol.2 No.9.

Egenhofer, C., Grigoriev, L., Socor, V. and Riley, A., 2006, "European Energy Security What Should it Mean? What To Do?", CEPS Working Papers, IISS & Dcaf, No.23.

Egenhofer, C., Kurpas, S., van Schaik, L. and Kaczyński, P., 2011, Ever Changing Union: An Introduction to the History, Institutions and Decision-Making Processes of the European Union, 2nd Edition, CEPS Paper.

Egenhover, C. and Legge, T., 2001, 'Security of energy supply a question for policy or the markets?', CEPS Task Force Reports, Center for European Studies, Brussels.

Ehrstedt, S. and Vahtra, P., 2008, 'Russian Energy Investments in Europe', Electronic Publications of Pan-European Institute, No. 4.

IEA, 2012. World Energy Outlook 2012. Paris: IEA.

EIA, 2012, 'Russia: Country Profile'.
Available on site http://www.eia.gov/countries/country-data.cfm?fips=RS.

EIA, 2013, 'Country Data'. Available on site http://www.eia.gov/countries/country-data.cfm?fips=RS.

Eikeland, P. O., 2004, 'The Long and Winding Road to the Internal Energy Market: Consistencies and Inconsistencies in EU Policy', FNI Report, 8/2004, Lysaker, Fridtjof Nansen Institute.

Emerson, M., 2006, 'What to do about Gazprom's Monopoly Power?', CEPS. Available on site http://www.ceps.eu/files/old/NW/NWatch12.pdf.

ENI, 2012. World Oil and Gas Review (Online). Rom; ENI. Available on site http://www.eni.com/world-oil-gas-review-2012/wogr.shtml.

Fang, S., Myers Jaffe, A., and Temzelides, T., 2012, 'New Alignments? The Geopolitics of Gas and Oil Cartels and the Changing Middle East', James A. Baker III Institute for Public Policy, Rice University, Houston.

Feklyunina, V. , 2012, "Russia's International Images and its Energy Policy. An Unreliable Supplier?", Europe-Asia Studies, Vol. 64 No.3, 449-469.

Feklyunina, V., 2008, 'The Great Diversification Game: Russia's Vision of the European Union's Energy Projects in the Shared Neighborhood, Journal of Contemporary European Research 4 (2).

Filippos, P., 2007, "The EU-Russia Energy Approach under the Prism of Interdependence", European Security, Vol.16 No.3, 329-355.

Finon, D. and Locatelli, C., 2008, "Russian and European gas interdependence: Could contractual trade channel geopolitics?", Energy Policy, Vol.36, 423-442.

Finon, D. and Midttun, A.(Ed.), 2004, "Reshaping European Gas and Electricity Industries: Regulation, Markets and Business Strategies", Energy Policy, 1-412.

Fitzpatrick, S., 2001, The Russian Revolution, Oxford University Press, New York.

Francis, A. and Chan, A., 2010, 'Study of Self-Help in Anarchic International Systems'.

Fredholm, 2005, 'The Russian energy Strategy and Energy Policy: Pipeline Diplomacy or Mutual Dependence?', Conflict Studies Research Centre: Russia Series, 05, 41.

Fredholm, M. 2005, "The Russian Energy Strategy & Energy Policy: Pipeline Diplomacy or Mutual Dependence?", Conflict Studies Centre, Vol.5 No.41, 1-57.

Gaddy, C. and Ickes, B., 2005, 'Resource Rents and the Russian Economy', Eurasian Geography and Economics, 46.

Gänzle, S. and Sens, A.G.(Ed.), 2007, The Changing Politics of European Security: Europe Alone?, Palgrave Macmillan, New York.

Gault, J., 2007, "European Energy Security: Balancing Priorities", Fride, 1-6.

Geden, O., Marcelis, C. and Maurer, A., 2006, 'Perspectives for the European Union's External Energy Policy: Discourse, Ideas and Interests in Germany, the UK, Poland and France', SWP Working Paper, FG 1.

Genç, S., 2009, "Energy Nexus Between Russia and The EU: Competition and Dialogue", Akademik Araştırmalar Dergisi, Vol.40 15-31.

Gilardoni, A., 2008, The World Market for Natural Gas: Implications for Europe, Springer-Verlag, Italy

Glaser, C. L., 1994, 'Realists as Optimists; Cooperation as self-help, International Security', Vol. 19, No. 13.

Goldman, I.M., 2008, Petrostate Putin, Power, and the New Russia, Oxford University Press, New York.

Goldthau, A. , 2008, "Resurgent Russia? Rethinking Energy Inc" , Policy Review, 53-63.

Goldthau, A. and Hoxtell, W., 2012, 'The Impact of Shale Gas on European Energy Security', Brookings Global Public Policy Institute, Berlin.

Goodrich, L. and Lanthemann, M, 2013, 'The Past, Present and Future of Russian Energy Strategy', Geopolitical Weekly, Stratfor, Available on site http://www.stratfor.com/weekly/past-present-and-future-russian-energy-strategy#axzz36hSuqqHT.

Gorst, I., 2004, 'Russian Pipeline Strategies: Business versus Politics', the Energy Dimension in Russian Global Strategy, the James A. Baker II Institute for Public Policy of Rice University.

Gorst, I., 2004, Russian Pipeline Strategies: Business Versus Politics, The James A.Baker III Institute for Public Policyrce University, U.S.A.

Gowen, D., 2000, How the EU Can Help Russia, Centre for European Reform, London.

Grieco, J. M., 1993, Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism, in D. A. Baldwin (Ed.), Neorealism and neoliberalism: the contemporary debate, Columbia University Press, New York.

Gupta, A., 2010, 'Renaissance of Russia's Foreign Policy in 2009', Institute of Defense Studies and Analysis.

Gustafson, T., 1989, 'Crisis amid Plenty: the Politics of Soviet Energy under Brezhnev and Gorbachev', Princeton University Press, Princeton, N.J.

Gustafson, T., 2012, 'Wheel of Fortune: The Battle for Oil and Power in Russia', The Belknap Press of Harvard University Press, Cambridge and London.

Haas, E., 2004, The Uniting of Europe, University of Notre Dame Press, Notre Dame, Ind.

Hadfield, A., 2008, 'EU-Russia Energy Relations: Aggregation and Aggravation', Journal of Contemporary European Studies, 16.

Hadfield, A., 2008, "EU-Russia Energy Relations: Aggregation and Aggravation", Journal of Contemporary European Studies, Vol.16 No.2, 231-248.

Hafner, M., 2012, “Russian Strategy on Infrastructure and Gas Flows to Europe”, Polinares, No.73, 1-43.

Hannes, A., 2000, ‘Russia’s Futures’, Conflict Prevention Network (CPN), Stiftung Wissenschaft und Politik (SWP), Ebenhausen, Brussels.

Hanson, P., 2009, The sustainability of Russia’s energy power: Implications for the Russian economy, in Perovic, J., R.W. Orttung, and A.Wenger (eds.), Russian Energy Power and Foreign Relations: Implications for conflict and cooperation, Routledge, London.

Harris, S., 2010, “Global and Regional Orders and The Changing Geopolitics of Energy”, Routledge, Vol.64 No.2, 166-185.

Heisbourg, F., 2010. “Chapter One: The European Union and the Major Powers' in Ending Wars, Consolidating Peace: Economic Perspectives,”, Adelphi Papers, vol. 50 no.414, 17-40.

Helen, H., 2010, ‘The EU’s energy security dilemma with Russia’, Polis Journal, Vol. 4. Available on site http://www.polis.leeds.ac.uk/assets/files/students/student-ioumal/ma-winter-10/helen-e.pdf

Helén, H., 2010, “The EU's Energy Security Dilemma with Russia”, Polis Journal, Vol.4, 1-40.

Henderson, J., 2010, ‘Is a Russian Domestic Gas Bubble Emerging?’, Oxford Energy Comment.

Henderson, J., 2011, ‘Domestic Gas Pricing in Russia- Towards Export Netback?’, Oxford Energy Comment, 4.

Henry, F.L., 2010, “Europe's Gas Supply Security: Rating Source Country Risk”, CEPS Working Papers, No.220, 1-4.

Hopf, T. (Ed), 2008, Russia's European choice, Palgrave Macmillan, U.S.A.

Högselius, P., 2013, Red Gas: Russia and the Origins of European Energy Dependence, Palgrave Macmillan, New York.

Hughes, J., 2007, EU Relations with Russia: Partnership or Asymmetric Interdependency?, in N. Casarini and C. Musu (eds.), European foreign policy in an evolving international system: the road towards convergence, Palgrave Macmillan, Basingstoke.

Ibrahimov, R., 2010 Azerbaijan Energy Strategy and the Importance of the Diversification of Exported Transport Routes, SAM.

Jackson, R, H., and Sorensen, G., 2007, Introduction to International Relations: Theories and Approaches, Oxford University Press, Oxford.

Jensen, J., 2004, The Development of a global LNG Market: Is it likely? If so When?, Oxford Institute for Energy Studies, Oxford.

Johnson, J., 2012, 'Mission Impossible: Modernization in Russia after the Global Financial Crisis', PONARS Eurasia Policy, Memo 196.

Jun, E., Kim, W. and Chang, H., 2009, 'The analysis of security cost for different energy sources', Applied Energy, 86.

Juurikkala, T. and Ollus, S. E., 2006, 'Russian Energy Sector: Prospects and Implications for Russian Growth, Economic Policy and Energy Supply', BOFIT Online, No. 4.

Kalniete, S., 2010, "Russia and Europe", Russia Today, Europe- Asia Studies, 833-856.

Kausch, K., 2007, "Europe and Russia, Beyond Energy", Fride Working Paper, Vol.33, 1-24.

Kaveshnikov, N., 2010, "The Issue of Energy Security in Relations Between Russia and the European Union", European Security, Vol.19 No.4, 585 - 605.

Kazantsev, A., 2012, 'Policy networks in European–Russian gas relations: Function and dysfunction from a perspective of EU energy security', Communist and Post-Communist Studies 45.

Kecse, Z. R., 2010, 'The Role of Liquefied Natural Gas in Europe', International Relations Quarterly, Vol. 1, No. 4.

Keohane, R, O., 1984, After Hegemony: Cooperation and Discord in the World Political Economy, Princeton University Press, Princeton.

Keohane, R. O. (Ed.), 1986, Neorealism and its Critics, Colombia University, New York.

Keohane, R. O. and Nye, J. S., 1973, Transnational Relations and World Politics, Harvard University Press, Cambridge.

Keohane, R. O. and Nye, J. S., 1977, Power and Interdependence: World Politics in Transition, Little, Brown, Boston.

Keohane, R. O. and Nye, J. S., 1989, Power and Interdependence, Harper Collins, New York.

Keohane, R. O. and Nye, J. S., 2004, Power and Interdependence, 3rd Edition, Peking University Press, Beijing.

Keohane, R. O., and Nye, J. S., 1987, 'Power and Interdependence Revisited', International Organization, Vol. 41, No. 4, pp. 725-753.

Keohane, Robert O. (ed.), 1986, Neorealism and its Critics, New York, Columbia University Press.

Keohane, Robert O., Nye, Joseph S., 2001, Power and Interdependence, 3rd edition, Longman.

Keppler, J.H., 2007, "International Relational Relations and Security of Energy Supply: Risks to Continuity and Geopolitical risks.", Ifri, 1632-1704.

Keukeleire, S. and MacNaughtan, J., 2008, The Foreign Policy of the European Union. Basingstoke, Palgrave Macmillan.

Khasson, V., 2009, "Discourses and Interests in EU - Russia Energy Relations", Chair InBev - Baillet Latour Working Papers, No.35, 1-42.

Kısacık, S., 2013, 'Rusya Federasyonu Enerji Stratejisi: Dış İlişkilerde Bir Ekonomik ve Siyasi Baskı Aracı mı?', Uluslararası Politika Akademisi. Available on site http://politikaakademisi.org/rusya-federasyonu-enerji-stratejisi-dis-iliskilerde-bir-ekonomik-ve-siyasi-baski-araci-mi/.

Kilpeläinen, S., 2013, "Energy Relations between the European Union and North Africa", Journal of Contemporary European Research, Vol.9 No.1, 346-359.

Kirchner, E. and Berk, C., 2010, 'European Energy Security Co-operation: Between Amity and Enmity', Journal of Common Market Studies, 48, 4.

Kjärstad, J. and Johnsson, F., 2007, 'Prospects of the European gas market', Energy Policy, 35.

Klare, M., T., 2002, Resource Wars: The New Landscape of Global Conflict, Holt Paperbacks Book, New York.

Klinke, I., 2012, "Postmodern Geopolitics? The European Union Eyes Russia", Europe - Asia Studies, Vol.64 no.5, 929-947.

Kononczuk, W., 2012, 'Russia's Best Ally, The Situation of the Russian Oil Sector and Forecasts for its Future', Centre for Eastern Studies. Available on site http://www.osw.waw.pl/sites/default/files/PRACE 39 en.pdf.

Konoplyanik, A., 2009, "A Common Russia-EU Energy Space: The new EU-Russia Partnership Agreement, Acquis Communautaire and the Energy Charter", Journal of Energy & Natural Resources Law, Vol.27 No.2, 258-291.

Konoplyanik, A., 2010, ‘Russia and the Energy Charter: The long and winding road towards each other’, ECO: The All-Russian economic journal, 12, 438.

Konoplyanik, A., 2011, ‘Energy Charter: You cannot undo modernization’, ECO: The All-Russian economic journal, 2, 440.

Konoplyanik, A., 2012, ‘Russian gas at European energy market: Why adaptation is inevitable’ Energy Strategy Reviews, 1.

Korzhubaev, A., 2010, ‘Gas Complex of Russia: Prospects, Opportunities for International operation, or Do I Need to Create a Fas OPEC?’, Institute of Economy and the Industrial Production of the Siberian Branch of RAS.

Kratochvíl, P. and Lukas T., 2013, ‘EU and Russian Discourse on Energy Relations’, Energy Policy, No. 56, pp. 391-406.

Kuchins, A. C., 2014, ‘Russia and the CIS in 2013: Russia’s Pivot to Asia’, Asian Survey, Vol. 54, No. 1, pp. 129–137.

Kuchins, A., 2011, ‘Russia Looks East: Energy Markets and Geopolitics in Northeast Asia’, CSIS.

Kulhanek, J. , 2010, “The Fundamentals of Russia's EU Policy” , Problems of Post-Communism, vol. 5, no. 5, 51 -61.

Kursunoglu, B. N., Mintz, S. L. and Perlmutter, A. (Ed.), 1996. Economics and Politics of Energy. Plenum Press, New York and London.

Lagendijk, V and van der Vleuten, E., 2008, ‘An Anatomy of Transnational European Vulnerability: The 2006 European Blackout in Historical Perspective’, Paper for EUROCRIT Stockholm Workshop, EUROCRIT Integrated Project 2.

Laïdi, Z., 2008, EU Foreign Policy in a Globalized World: Normative power and social preferences, Routledge, U.K.

Lamy, S. L., 2001, Contemporary Mainstream Approach: neorealism and neoliberalism, in Baylis, J. and Smith, S. (ed.), The Globalization World Politics: an Introduction to International Relations, Oxford University Press.

Larsson, R. L., 2008, ‘Europe and Caspian Energy: Dodging Russia, Tackling China, and Engaging the U.S.’, in Cornell, S., and Nilsson, N. (eds.), ‘Europe’s Energy Security: Gazprom’s Dominance and Caspian Supply Alternatives’, Central Asia- Caucasus Institute and Silk Road Studies Program, Singapore, pp. 41- 56.

Larsson, R.L., 2006, Russia's Energy Policy: Security Dimensions and Russia's Realibility as an Energy Supplier, Foi, Stockholm.

Lawson, S., 2003, International Relations, Blackwell, Cambridge/ Oxford: Polity Press.

Le Coq, C. and Paltseva, E., 2009, "Measuring the Security of External Energy Supply in the European Union", Energy Policy, Vol.37, 4474- 4481.

Lee, J., 2009, 'Rescuing Russia-Europe Gas Relations', Centre for Global Energy Studies. Available on site
http://www.cges.co.uk/resources/articles/2009/08/06/rescuing-russia-europe-gas-relations.

Leijonhielm, J. and Larsson, R. L., 2004, 'Russia's Strategic Commodities: Energy and Metals as Security Levers', Swedish Defence Research Agency (FOI), Stockholm.

Lévêque, F., Glachant, J.M., Barquín, J., von Hirschhausen, C., Holz, F. and Nuttall, W.J. (Ed.), 2010, Security of Energy Supply in Europe Natural Gas, Nuclear and Hydrogen, Edward Elgar Publishing Limited, U.K.

Liesen, R., 1999, 'Transit Under the 1994 Energy Charter Treaty', Journal of Energy & Natural Resources Law, Vol. 17, No. 1, pp. 56-73.

Light, M., 2008, 'Keynote Article: Russia and the EU: Strategic Partners or Strategic Rivals?', Journal of Common Market Studies, 46, Annual Review.

Likvern, R., 2010, 'Europe and Natural Gas- Are Tough Choices Ahead?' The Oil Drum. Available on site http://www.theoildrum.com/node/6803.

Lilliestam, J. and Ellenbeck, S., 2011, 'Energy security and renewable electricity trade: will Desertec make Europe vulnerable to the energy weapon?', Energy Policy, 39.

Little, R., 2007, The Balance of Power in International Relations: Metaphors, Myths and Models, Cambridge University Press, Cambridge.

Liuhto, K.(Ed.), 2009, "The EU-Russia gas connection: Pipes, politics and problems", PEI Electronic Publications, 1-212.

Livanios, A. 2013, "The Conundrum of the Southern Gas Corridor: What are the Risks for Europe and Azerbaijan?", Actuelles de l'Ifri, 1-18.

Locatelli, C., 2004, 'Changes in Russia's Gas Exportation Strategy: Europe versus Asia?', Journal of Economics and Business Vol. VII, No. 1, pp. 100- 116.

Locatelli, C., 2008, 'Gazprom's Export Strategies under the Institutional Constraint of the Russian Gas Market', OPEC Energy Review.

Locatelli, C., 2010, "Russian and Caspian Hydrocarbons: Energy Supply Stakes for the European Union", Europe-Asia Studies, Vol.62 No.6, 959-971.

Lochner, S. and Bothe, D., 2009, 'The development of natural gas supply costs to Europe, the United States and Japan in a globalizing gas market: Model-based analysis until 2030', Energy Policy, 37.

Lowe, P., 2011, Getting to 2014: The Completion of the EU Internal Energy Market, Presentation.

Lucas, E., 2008, The New Cold War: Putin's Russia and the Threat to the West, Palgrave Macmillan, New York.

Macintosh, A., 2010, "Security of Europe's Gas Supply: EU Vulnerability", CEPS Working Papers, No.222, 1-8.

Maican, O.H., 2009, "Some Legal Aspects of Energy Security in the Relations Between EU and Russia", Romanian Journal of European Affairs, Vol.9 No.4, 29-47.

Malgin, A.V., 2001, "Russia - EU relations within European Politics", Moscow State Institute of International Relations, no.22, 1-12.

Mandil, C., 2008, 'Energy Security and the European Union', European Energy Review. The Available on site http://www.europeanenergyreview.eu/data/docs/Viewpoints/energy%20security%20and%20the%20european%20union%20mandil%20eng.pdf

Mane-Estrada, A., 2006, 'European energy security: Towards the creation of the geo-energy space', Energy Policy, 34.

Mang, S., 2013, 'The Need for a New European Union Energy Policy.

Mankoff, J., 2009, Russian Foreign Policy: The Return of Great Power Politics, Rowman and Littlefield Publishers, United Kingdom.

Manners, I., 2002, 'Normative Power Europe: A Contradiction in terms?' Journal of Common Market Studies 40 (2).

Mareš, M. and Laryš, M., 2012, 'Oil and Natural Gas in Russia's Eastern Energy Strategy: Dream or Reality', Energy Policy, 50.

Matlary, J. H., 1997, Energy Policy in the European Union, Macmillan Press LTD, London.

May, E.R., Rocecrance, R. and Steiner Z.(Ed.), History and Neorealism, Cambridge University Press, UK.

McGowan, F., 2008, 'Can the European Union's Market Liberalism Ensure Energy Security in a Time of Economic Nationalism?', Journal of Contemporary European Research 4 (2).

Mearsheimer, J. J., 1995, 'The False Promise of International Institutions, International Security', Vol. 19, No. 13.

Mearsheimer, J. J., 2001, The Tragedy of Great Power Politics, Norton, New York.

Medvedev, D., 2009, Interview by the Spanish press, downloaded from http://rt.com/politics/official-word/europe-needs-new-energy-charter-medvedev/.

Meritet, S., 2007, "French Perspectives in the Emerging European Union Energy Policy", Energy Policy, Vol.35, 4767-4771.

Meulen, E.F.V.D.,2009, "Gas Supply and EU-Russia Relations", Europe -Asia Studies, Vol.61 No.5, 833-856.

Miller, E., 2003, "The Changing Face of Eurasia: Russian and Ukrainian Foreign Policy in Transition, Comparative Strategy", Cst, Vol.22 No.4, 373-390.

Milner, H.V. and Moravcsik, A. (Ed.), 2009, Power, Interdependence, and Nonstate Actors in World Politics, Princeton University Press, Princeton.

Milov, V., 2006, 'Introduction to Gazprom and the Russian State', Rosner, K. ed., GMB Publishing, London.

Mitrova, T., 2010, Russian View on the EU Energy Policy: Major Problems, Secure, Brussels.

Molis, A., "Rethinking EU-Russia energy relations: What do the Baltic States want?", 2011, SPES Policy Papers, 1-44.

Molis, A., 2011, 'Transforming EU-Russia energy relations: the Baltic States' Vision', Foreign Policy, 25.

Monaghan, A., 2005, 'Russian Oil and EU Energy Security', Conflict Studies Research Centre, Swindon, Vol. 05, No. 65.

Monaghan, A., 2007, 'EU-Russia Relations: Try Again, Fail Again, Fail Better', Norwegian Institute For Defense Studies, Oslo.

Monaghan, A., and Montanaro-Jankovski, L., 2006, 'EU-Russia energy relations: the need for active engagement', European Policy Centre, Issue Paper No. 45.

Morgan, P.M., 1999, "Liberalist and Realist Security Studies at 2000: Two Decades of Progress?", Contemporary Security Policy, Vol.20 No.3, 39-71.

Morgenthau, H. J., 1967, Politics Among Nations: the Struggle for Power and Peace, Knopf, New York.

Morgenthau, H. J., 1978, Politics Among Nations: The Struggle for Power and Peace, 5th Edition, Revised, Alfred A. Knopf, New York.

Morozov, V., 2008, Energy Dialogue and the Future of Russia: Politics and Economics in the Struggle for Europe, in P. Aalto (ed.), The EU-Russian Energy Dialogue: Europe's Future Energy Security, Ashgate, Hampshire.

Mouritzen, H. (ed.), 1998, Bordering Russia: Theory and Prospects for Europe's Baltic Rim, Ashgate, Aldershot.

Müller, H., 2002, Security Cooperation, in Handbook of International Relations, in Carlsnae, W., Risse, T. and Simmons, B. A. (eds.), Sage, London.

Nanay, J., 2009, 'Russia's role in the Eurasian energy market: Seeking control in the face of growing challenges', in J. Perovic, R.W. Orttung, and A.Wenger (eds.) Russian Energy Power and Foreign Relations: Implications for conflict and cooperation, Routledge, London.

Neff, A., 2012, 'Russia Tightens Control over Gazprom, Prepares Gas Giant for Political Fight over EC Probe', IHS Global Insight.

Neuman, M., 2010, 'EU–Russian Energy Relations after the 2004/2007 EU Enlargement: An EU Perspective', Journal of Contemporary European Studies, 18.

Neuman, M., 2010, "EU-Russian Energy Relations After the 2004/2007 EU Enlargement: An EU Perspective", CRCEES Working Papers, 01, 1-27.

Nichol, J., 2008, 'Russia-Georgia Conflict in South Ossetia: Context and Implications for U.S. Interests', CRS Report for Congress.

Nichol, J.,2009, "Russia - Georgia Conflict in August 2008: Context and Implications for U.S.Intersts" CRS Report for Congress, 1-35.

Nitoiu, C., 2011, "Reconceptualizing 'Cooperation' in EU-Russia Relations", Perspectives on European Politics and Society, Vol.12 No.4, 462-476.

Norberg, L., 2009, Impact of Russia's foreign energy policy on small European states' security, Case study: the Baltic States, unpublished Master's Thesis, University of Malta.

Nowak, B., 2010, 'Forging the External Dimension of the Energy Policy of the European Union', The Electricity Journal, 23.

Nowak, B., 2010, "Forging the External Dimension of the Energy Policy of the European Union", Energy Policy, Vol.23 No.1, 1040 - 6190.

Nye, J. S., 1992, The Changing Nature of World Power, in Kegley, C. W. Jr. and Wittkopf, E. R. (Ed.), The Global Agenda: Issues and Perspectives, McGraw-Hill, New York.

Nye, J. S., 2003, 'Limits of American Power', Political Science Quarterly, Vol. 117, No: 4, pp. 545-559.

Nygren, B. , 2008, The Rebuilding of Greater Russia Putin's foreign policy towards the CIS countries , Routledge, London and New York.

Oikonomou, V., Flamos, A., Zeugolis, D. and Grafakos, S., 2012, 'A Qualitative Assessment of EU Energy Policy Interactions', Energy Sources 7.

Oliker, O., Crane, K., Schwartz, L.H. and Yusupov, C., 2009, Russian Foreign Policy : Sources and Implications, Rand Corporation, Pittsburgh.

Orban, A., 2008, Power, Energy, and the New Russian Imperialism, PSI Reports, U.S.A.

Oudenaren, J.V. and Tiersky, R.(Ed.), 2010, European Foreign Policies: Does Europe Still Matter?, Rowman & Littlefield Publishers, Maryland.

Paillard, C. A., 2010, 'Rethinking Russia: Russia and Europe's Mutual Energy Dependence', Journal of International Affairs, Vol. 63.

Paillard, C.A., 2010, "Russia and Europes's Mutual Energy Dependence", Spring, Vol.63 No.2, 65-84.

Palonkorpi, M., 2008, Energy Security and the Regional Security Complex Theory, Aleksanteri Institute, University of Helsinki.

Paltseva, E. and Le Coq. C., 2009, "Measuring the Security of External Energy Supply in the European Union", Energy Policy, 37, 4474-4481.

Papava, V. and Tokmazishvili, M., 2010, "Russian Energy Politics and the EU: How to Change the Paradigm", Vol.4, no.2, 103-111.

Paul, T. V., Wirtz, J. J. and Fortmann, M., 2004, Balance of Power; Theory and Practice in the 21st Century, Stanford University Press.

Perovic, J., 2009, 'Russian energy power, domestic and international dimensions', in J. Perovic, R.W. Orttung, and A.Wenger (eds.), Russian Energy Power and Foreign Relations: Implications for conflict and cooperation, Routledge, London.

Perovic, J., Orttung, R.W. and Wenger, A., 2010, Russian Energy Power and Foreign Relations: Implications for Conflict and Cooperation, Routledge, New York.

Pick, L., 2012, "EU-Russia energy relations: a critical analysis", POLIS Journal, Vol. 7, 322-365.

Pirani et. al., 2009, 'The Russo-Ukrainian Gas Dispute of January 2009: a Comprehensive Assessment', Oxford Institute of Energy Studies.

Pirani, S., 2013, ‘Consumers as Players in the Russian Gas Sector’, Oxford Institute of Energy Studies, Oxford.

Pleines, H., 2009, Developing Russia’s oil and gas industry: what role for the state?, in J. Perovic, R.W. Orttung, and A.Wenger (eds.), Russian Energy Power and Foreign Relations: Implications for conflict and cooperation, Routledge, London.

Pogoretskyy, V. and Behn, D., 2010, “The Tension Between Trade Liberalization and Resource Sovereignty: Russia - EU Energy Relations and the Problem of Natural Gas Dual Pricing”, A Paper Presented to the Political Economy of Energy in Europe and Russia (Peeer) Conference, University of Warwick, 1-25.

Pointvogl, A., 2009, “Perceptions, Realities, Concession-What is Driving the Integration of European Energy Policies?”, Energy Policy, Vol.37, 5704-5716.

Policy Proposal by Jacques Delors, 2010, ‘Towards a European Energy Community: A Policy Proposal’.

Poussenkova, N., 2009, ‘Russia’s future customers: Asia and beyond’ in J. Perovic, R.W. Orttung, and A.Wenger (eds.) Russian Energy Power and Foreign Relations: Implications for conflict and cooperation, Routledge, London.

Poussenkova, N., 2010, ‘Rethinking Russia: The Global Expansion of Russia’s Energy Giants’, Columbia University School of International and Public Affairs Journal of International Affairs, 63, no. 2. Available on site http://jia.sipa.columbia.edu/global-expansion-russia’s-energy-giants.

Poussenkova, N., 2012, ’They Went East, They Went West...’, the Global Expansion of Russian Oil Companies, in Aalto P. (ed.), Russia’s Energy Policies: National, Interregional and Global Levels, Cheltenham: Edward Elgar Publishing Limited. Available on site http://www.zarubezhneft.ru/en/about_company/history/.

Poussenkova, N., 2013, “Russia's Eastern Energy Policy: A Chinese Puzzle for Rosneft”, Russia/NIS Center, No.70, 1-22.

Powell, R., 1994, “Anarchy in International Relations Theory: The Neorealist-Neoliberal Debate Neorealism and its Critics”, The MIT Press, Vol.48 No.2, 313-344.

Price, F.R., 2007, “Energy Reform in Russia and the Implications for European Energy Security”, Demokratizatsiya, 391-407.

Proedrou, F., 2007, ‘The EU-Russia Energy Approach under the Prism of Interdependence’, European Security, 16.

Proedrou, F., 2007. “The EU-Russia Energy Approach under the Prism of Interdependence”, European Security, Vol.16 No.3, 329-355.

Prozorov, S., 2006, Understanding Conflict between Russia and the EU The Limits of Integration, Palgrave Macmillan, New York.

Prozorov, S., 2006, Understanding Conflict between Russia and the EU, Palgrave Macmillan, Basingstoke.

Radoman, J., 2007, "Securitization of Energy as a Prelude to Energy Security Dilemma", Energy Security, issue.4, 36-44.

Raszewski, S., 2012, Security and Economics of Energy in North-East Europe, in A. V. Belyi, A. Goldthau, M.F. Keating and C. Kuzemko (eds), Dynamics of Energy Governance in Europe and Russia, Palgrave Macmillan, Basingstoke.

Ratner, M., Belkin, P., Nichol, J. and Woehrel. S., 2012, "Europe's Energy Security: Options and Challenges to Natural Gas Supply Diversification", Nova Science Publishers, Current Politics and Economics of Europe, Vol.23 No.3/4, 323-361.

Rich, P. B., 2009. "Russia as a Great Power", Small Wars & Insurgencies, Vol. 20 No.2, 276-299.

Riley, A., 2009, "The Yukos Decision: Profound Implications for the EU-Russia Energy Relationship?", CEPS Working Papers, 1-3.

Riley, A., 2012, 'Commission v. Gazprom: The Antitrust Clash of the Decade?' CEPS Policy Brief, 285.

Roberts, J., 2004, "The Turkish Gate Energy Transit and Security Issues", Economics and Foreign Policy , CEPS, Working Papers No.11.

Romanova, T., 2008, Energy Dialogue from Strategic Partnership to the Regional Level of the Northern Dimension, in P. Aalto (ed.), The EU-Russian Energy Dialogue: Europe's Future Energy Security, Ashgate, Hampshire.

Rose, R. and Munro. N., 2002, Elections Without Order Russia's Challenge to Vladimir Putin, Cambridge University Press, United Kingdom.

Rumer, E. B., 2007, Russian Foreign Policy beyond Putin, Routledge for the International Institute for Strategic Studies, Abingdon.

Rutland, P., 2008, "Russia as an Energy Superpower", New Political Economy, Vol.13, No.2 , 203-210.

Sakwa, R., 2002, Russian Politics and Society, Routledge, 3 nd Ed., London and New York.

Sakwa, R., 2008, Putin: Russia's choice, Routledge, 2nd Ed., New York.

Sakwa, R., 2012, “Looking for a greater Europe: From mutual dependence to an international regime”, Communist and Post-Communist Studies, Vol.45, 315-325.

Salem- Haghighi, S., 2007, Energy Security: The External Legal Relations of the European Union with Major Oil- and Gas-Supplying Countries, Hart Publishing Oxford.

Santos, A.M.M.D., 2010, “How to Rebalance the EU -Russia Relationship: Potential and Limits”, Kluwer Law _nternational, Vol.15, 307-324.

Sartori, N., 2012, “The European Commission's Policy Towards the Southern Gas Corridor: Between National Interests and Economic Fundamentals“, IAI Working Papers, 2-14.

Saunders, P.J., 2008, “Russian Energy and European: Security a Transatlantic dialogue”, The Nixon Center, 1-40.

Schmidt- Felzmann, A., 2011, “EU Member States' Energy Relations with Russia: Conflicting Approaches to Securing Natural Gas Supplies, Geopolitics, Vol.16. No.3, 574-599.

Secrieru, S., 2010, “Russia's Mainstream Perceptions of the EU and its Member States”, spes Policy Papers, 1-39

Seliverstov, S., 2009, ‘Energy Security of Russia and the EU: Current Legal Problems’. Available on site
http://www.ifri.org/downloads/noteseliverstovenergysecurity.pdf.

Shadrina, E., 2010, Russia's Foreign Energy Policy: Norms, Ideas and Driving Dynamics, PEI Electronic Publications, Finland.

Sherr, J., 2010, “The Russia-EU Energy Relationship: Getting it Right”, The International Spectator: Italian Journal of International Affairs, Vol.45 No.2, 55-68.

Shiryaevskaya, A. and Bierman, S., 2013, ‘Putin Calls to Phase Out Gazprom Monopoly on LNG Export’, Bloomberg Businessweek.

Sidorenko, A., 2011, Avoiding the Resource Curse in Russia. Mission Impossible? Future Challenges. Available on site http://futurechallenges.org/local/avoiding-the- resource-curse-in-russia-mission-impossible/.

Smith Stegen, K., 2011, ‘Deconstructing the “energy weapon”: Russia‟s threat to Europe as case study’, Energy Policy, 39.

Smith, H. and Kempe, I., 2006, ‘A Decade of Partnership and Cooperation in Russia-EU relations Perceptions, Perspectives and Progress- Possibilities for the Next Decade’.

Smith, H., 2012, Russian foreign Policy and Energy: the Case of the Nord stream gas pipeline, in Aalto P. (ed.), Russia's Energy Policies: National, Interregional and Global Levels, Cheltenham: Edward Elgar Publishing Limited

Smith, K. C., 2004, 'Russian Energy Politics in the Baltic's, Poland, and Ukraine: A New Stealth Imperialism?', CSIS Press Washington, DC.

Smith, K.C., 2008, Russia and European Energy Security Divide and Dominate, Crisis, Washington.

Smith, S., 1999, "The Increasing Insecurity of Security Studies: Conceptualizing Security in the Last Twenty Years", Contemporary Security Policy, Vol.20 No.3, 72-101.

Snow, N., 2012, 'ExxonMobil sees gas displacing coal as world's No. 2 energy source', Oil & Gas Journal. Available on site http://www.ogj.com/articles/2012/12/exxonmobil-sees-gas-displacing-coal-as-worlds- no-2-energy-source.html.

Solana, J., 2008, The External Energy Policy of the European Union, EU High Representative for the Common Foreign and Security Policy at the Annual Conference of the French Institute of International Relations (IFRI), Brussels. Available on site http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/EN/discours/98532.pdf.

Spanjer, A, 2007, 'EU- Russia Gas Relationship: Incentives, Consequences and European Security of Supply', Energy Policy, Vol. 35, pp. 2889- 2898.

Spanjer, A., 2007, 'Russian gas price reform and the EU-Russia gas relationship: Incentives, consequences and European security of supply', Energy Policy, 35.

Stegen. K.S., 2011, "Deconstructing the "energy weapon": Russia's threat to Europe as case study", Energy Policy, Vol.39, 6505-6513.

Stern, J. and Rogers, H., 2013, 'The Transition to Hub-Based Pricing in Continental Europe: A Response to Sergei Komlev of Gazprom Export', Oxford Institute of Energy Studies, Oxford.

Stern, J., 1999, Soviet and Russian Gas: The Origins and Evolution of Gazprom's Export Strategy, in Mabro, R. and Wybrew-Bond, I., (eds.), Gas to Europe: The Strategies of the Four Major Suppliers, Oxford University Press, pp. 135–200.

Stern, J., 2006, 'The Future of Russian Gas and Gazprom', presentation at the Center for Strategic and International Studies, Washington DC. Available on site http://csis.org/files/media/csis/events/040606_jstern_russiagas.pdf.

Susie, V. and Zivkovic, J., 2012, 'Energy Resourses and Global geopolitical Processes',

Faculty of Economics, University of Kragujevac, Serbia Faculty of Sciences and Mathematics, University o f Nis, Serbia. Available on site http://facta.iunis.ni.ac.rs/eao/eao201201/eao201201-04.pdf.

Taliaferro, J. W., 2001, 'Security Seeking under Anarchy: Defensive Realism Revisited', International Security, Vol. 25, No. 3, pp. 128-161.

Talseth, L.-C. U., 2012, 'The EU-Russia Energy Dialogue: Travelling Without Moving', Working Paper FG 5, SWP, Berlin.

Tarzi, S.M., 2004, "Neorealism, Neoliberalism and the International System", International Studies, 41-115.

Tekin, A. and Williams, P.A., 2011, Geo - Politics of the Euro - Asia Energy Nexus, Palgrave Macmillan, England.

Telbami, S., 2010, "Kenneth Waltz, Neorealism, and Foreign Policy, Security Studies", Security Studies, Vol.11 No.3, 158-170.

Thorun, C., 2009, Explaining Change in Russian Foreign Policy The Role of Ideas in Post-Soviet Russia's Conduct towards the West, Palgrave Macmillan, U.K.

Tichy, L., 2012, Controversial Issues in the EU-Russia Energy Relations, in M. Majer, R. Ondrejcsak and V. Tarasovic (Eds.), Panorama of global security environment, CENAA, Bratislava.

Tichy, L., 2012, Energy Security in the EU-Russia Relations, Metropolitan University Prague and Institute of International Relations Prague, 1-24.

Tkachenko, S. L., 2008, Actors in Russia's Energy Policy towards the EU, in P. Aalto (ed.), The EU-Russian Energy Dialogue: Europe's Future Energy Security, Ashgate, Hampshire.

Trenin, D. , 2007, "Russia Redefines Itself and Its Relations with the West", The Washington Quarterly, Vol. 30 No.2, 95-105.

Truscott, P., 2009, "Russia and European Energy Security", Whitehall Papers, Vol.73 No.1, 22-31.

Tsereteli, M., 2009, The Impact of the Russia-Georgia War on the South Caucasus Transportation Corridor, The JamesTown FoundaTion, New York.

Tsygankov, A., 2012, 'Russia and the CIS in 2011: Uncertain Economic Recovery', University of California Press. Available on site http://www.istor.Org/stable/l 0.1525/as.2012.52.1.42.

Tsygankov, A.P., 2010, Russia's Foreign Policy, Rowman & Littlefield Publishers, 2nd Ed., U.K.

Tsygankov, P. A. , 2010, “Russian Theory of International Relations” , In International Studies Encyclopedia, Vol.10, 6375-6387.

Twining, D., 2006, ‘Putin's Power Politics: Rebuilding Russian Clout, One Natural Gas Pipeline at a Time’, Weekly Standard, Vol. 11, No. 17.

Umbach, F., 2010, ‘Global energy security and the implications for the EU’, Energy Policy, 38, 3.

Umbach, F., 2010, “Global Energy Security and the Implications for the EU”, Energy Policy, 38, 1229-1240.

Ünal, F.D., 2007, “EU-Russian Relations: Evolution and Theoretical Assessment”, Zei, c204, 1-36.

Varol, T., 2013, The Russian Foreign energy Policy, Egalite, Macedonia.

Vatansever, A., 2006, “Russian Involvement in Eastern Europe’s Petroleum Industry: The Case of Bulgaria”, GMB Publishing, Russian Foreign Energy Policy, 4- 34.

Vatansever, A., 2010, “Russia's Oil Exports Economic Rationale Versus Strategic Gains”, Carnegie Endowment for International Peace, No:116, 1-28.

Victor, D. G., Jaffe, A. M. and Hayes, M. H., 2006. Natural Gas and Geopolitics: From 1970 to 2040. Cambridge University Press, New York.

Vitkus, G., 2007, ‘Russian Pipeline Diplomacy: A Lithuanian Response’, Acta Slavica Iaponica, Tomus 26, pp. 25–46.

Voloshin, V., 2004, ‘EU-Russia Energy Dialogue’, Russian-European Trends, No. 2, RECEP, Moscow.

Waltz, K. N., 1981, ‘The Spread of Nuclear Weapons: More May Be Better’, Adelphi Papers, International Institute for Strategic Studies, No. 171, London.

Waltz, K. N., 1993, ‘The Emerging Structure of International Politics’, International Security, Vol. 18, No. 2, pp. 44-79.

Waltz, K., 1990, ‘Realist Thought and Neorealist Theory’, Journal of International Affairs Vol. 44, No: 1, pp. 21-38.

Waltz, K.N., 1979, Theory of International Politics, Addison-Wesley Publishing Company, California.

Waltz, K.N., 1988, “The Origins of War in Neorealist Theory”, Journal of Interdisciplinary History, Vol.18 No.4, 615-628.

Weafer, C., 2009, ‘GAS-OPEC: cooperation or confrontation?’. Available on site http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/BRE/Documents/BRE_1_2009_Web_Final.pdf.

Westphal, K., 2006, ‘Energy Policy between Multilateral Governance and Geopolitics: Whither Europe?’, Internationale Politik und Gesellschaft, 4.

Westphal, K., 2008, ‘Germany and the EU-Russia Energy Dialogue’, in P. Aalto (ed.), The EU-Russian Energy Dialogue: Europe‟s Future Energy Security, Ashgate, Hampshire.

Wexler, S.C., 2006, “ Integration Under Anarchy: Neorealism and the European Union”, European Journal of International Relations, 12-397.

Wieclawski, J., 2011, “Contemporary Realism and the Foreign Policy of the Russian Federation”, International Journal of Business and Social Science, 2/1.

Wiessala, G., Wilson, J. and Taneja, P.(Ed.), 2009. “The European Union and China: Interests and Dilemmas”. European Studies: an Interdisciplinary Series in European Culture, History and Politics, vol. 27, Amsterdam: Rodopi.

Wisniewski, J., 2011, ‘EU Energy Diversification Policy and the Case of South Caucasus’, Political Perspectives, Vol. 5, No. 2, pp. 58-79.

Woehrel, S., 2007, “Russian Energy Policy toward Neighboring Countries”, CRS Report for Congress, 1-20.

Wright, G. and Czelusta, J., 2004, ‘Why Economies Slow: The Myth of the Resource Curse’, Challenge 47, no. 2.

Wybrew- Bond, I., 1999, ‘Setting the Scene’, Gas to Europe, Oxford University Press, Oxford.

Yafimava, K., 2010, “The June 2010 Russian-Belarusian Gas Transit Dispute: a surprise that was to be expected”, Oxford Institute for Energy Studies, NG 43, 1-22.

Yang, T. et al., 2011, ‘Russia’s Economic Reform: Insights and Analyses into Gazprom’, OPEC Energy Review.

Yanovsky, A. B., 2004, Speech on ‘Russia’s External Energy Policy and Cooperation with Asian States’.

Yegorov, Y. and Wirl, F., 2008, “Energy Relations Between Russia and EU with Emphasis on Natural Gas”, OPEC Energy Review, December, 301-322.

Youngs, R., 2007, “Europe's External Energy Policy: Between Geopolitics and the Market”, CEPS, Working Papers No. 278, 1-20.

Youngs, R., 2008, “Energy: A Reinforced Obstacle to Democracy?”, Fride, Working Paper 65, 1-15.

Youngs, R., 2009, Energy Security: Europe’s New Foreign Policy Challenge, Routledge, London.

Zagorski, A., 2011, ‘The status of negotiations on a new Russia-EU treaty’, Report on the 9th Russia-EU-Roundtable of the Partnership with Russia in Europe: Concrete steps towards cooperation between Russia and the EU, Frierich-Ebert- Stiftung, Moscow.

Zielonka, J., 2008, ‘Europe as a global actor: Empire by example?’, International Affairs, 84, 3.

Official Documents

An Energy Policy for the European Union, White Paper of the Commission, COM (95) 682, Brussels, 13.12.1995.

A European Strategy for Sustainable, Competitive and Secure Energy, Green Paper of the Commission, COM (2006) 105 final, Brussels, 8.3.2006.

An Energy Policy for Europe, Communication from the Commission to the European Council and the European Parliament of 10 January 2007, COM (2007) 1.

Communication from the Commission to the Council and the European Parliament, COM (2007) 2.

Communication from the Commission to the Council and the European Parliament- Final report on the the Green Paper ‘Towards a European strategy for the security of energy supply’, Brussels, 26.6.2002 COM (2002) 321 final

Directive 90/377/EEC of 29 June 1990 concerning a Community procedure to improve the transparency of gas and electricity prices charged to industrial end-users, OJ L 185, 17.7.1990, p. 16–24.

Directive 90/547/EEC of 29 October 1990 on the transit of electricity through transmission grids, OJ L 313, 13.11.1990, p. 30–33, and Council Directive 91/296/EEC of 31 May 1991 on the transit of natural gas through grids, OJ L 147, 12.6.1991, p. 37–40.

Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in natural gas, L 176, 15.7.2003, p. 57–78

Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity, L 176, 15.7.2003, p. 37–56.

Energy Charter Secretariat, 2008, The Energy Charter Treaty- A Reader's Guide, Energy Charter Secretariat, Brussels.

European Commission, 1997, The Partnership and Cooperation Agreement between the European Communities and their Member States, of the one part, and the Russian Federation. Available on site http://eur- lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31997D0800:EN:NOT.

European Commission, 2000, Green Paper: Towards a European strategy for the security of energy supply. Available on site http://ec.europa.eu/energy/green-paper- energy-supply/doc/green_paper_energy_supply_en.pdf.

European Commission, 2006, Green Paper: European Strategy for Sustainable, Competitive and Secure Energy. Available on site http://europa.eu/documents/comm/green_papers/pdf/com2006_105_en.pdf

European Commission, 2007, An Energy Policy for Europe. Available on site http://ec.europa.eu/energy/energy_policy/doc/01_energy_policy_for_europe_en.pdf.

European Commission, 2007, A European strategic energy technology plan (SET-plan). Available on site http://eur- lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0723:FIN:EN:PDF.

European Commission, 1995, White Paper 'An Energy Policy for the European Union, COM (*95*) 682 final.

European Commission, 2000, Green Paper 'Towards a European Strategy for the Security of Energy Supply', COM (2000) 769 final.

European Commission, 2006, Green Paper **'**A European Strategy for Sustainable, Competitive and Secure Energy, COM (2006) 105 final.

For a European Union Energy Policy, Green Paper of the Commission, COM (94) 659, Brussels, 11.1.1995.

Ministry of Energy of the Russian Federation, 2010, Energy Strategy of Russia for the Period up to 2030, Approved, by Decree N° 1715-r of the Government of the Russian Federation, Moscow. Available on site http://www.energystrategy.ru/projects/docs/ES-2030_(Eng).pdf.

Ministry of Energy of the Russian Federation, 2003, The Summary of the Energy Strategy of Russia for the Period of up to 2020 (Resume). Available on site http://ec.europa.eu/energy/russia/events/doc/2003_strategy_2020_en.pdf.

Treaty of Amsterdam, 1997. Available on site

http://www.eurotreaties.com/amsterdamtreaty.pdf

Treaty of Lisbon, 2008. Available on site
http://eur- lex.europa.eu/JOHtml.do?uri=OJ:C:2007:306:SOM:EN:HTML

Treaty of Maastricht, 1992. Available on site
http://www.eurotreaties.com/maastrichtec.pdf

Treaty of Nice, 2001. Available on site
http://www.eurotreaties.com/nicetreaty.pdf

The Single European Act, 1986. Available on site
http://www.eurotreaties.com/singleuropeanact.pdf

Web Sites

Asia Times, 2012, 'China lifts Turkmen gas sales'. Available on site http://www.atimes.com/atimes/Central_Asia/NF15Ag02.html.

BBC, 2014, 'Crimea referendum: Voters back Russia union'. Available on site http://www.bbc.com/news/world-europe-26606097.

Bloomberg, 2012, 'Gazprom keeps EU gas export forecast even as crisis hurts demand'. Available on site http://www.bloomberg.com/news/2012-05-30/gazprom-keeps-eu-gas-export-forecast-even- as-crisis-hurts-demand.html

Bloomberg, 2012, 'Billionaire Glasenberg bets on coal rebound with xstrata energy'. Available on site
http://www.bloomberg.com/news/2012-10-03/billionaire-glasenberg-bets-on-coal-rebound-with-xstrata- energy.html.

Bloomberg, 2014, 'Crimea Crisis Pushes Russian Energy to China From Europe'. Available on site http://www.bloomberg.com/news/2014-03-25/russian-oil-seen-heading-east-not-west-in-crimea-spat.html.

Council on Foreign Relations, 2010, 'Russia's Energy Disputes'. Available on site http://www.cfr.org/oil/russias-energy-disputes/p12327.

DW Akademi, 2013, Nuclear power on the rise in Eastern Europe, Available on site
http://www.dw.de/nuclear-power-on-the-rise-in-eastern-europe/a-17177810

DW Akademi, 2014, 'Germany's Russian Dilemma'. Available on site http://www.dw.de/germanys-russian-energy-dilemma/a-17529685.

ENSREG, 2012, 'Nuclear energy in the EU'. Available on site http://www.ensreg.eu/members-glance/nuclear-eu.

Euractiv, 2014, ‘EU warms to shale gas in the wake of Crimea crisis’. Available on site http://www.euractiv.com/sections/energy/eu-warms-shale-gas-wake-crimea-crisis-301142.

Euractiv, 2014, ‘South Stream victim of Crimea annexation’. Available on site http://www.euractiv.com/sections/energy/south-stream-victim-crimea-annexation-301086.

Eurogas, 2010, ‘Long Term Outlook for Gas Demand and Supply 2007-2030’. Available on site http://www.eurogas.org/ uploaded/Eurogas%20LT%20Outlook%202007-2030_Final_251110.pdf.

Euobserver, 2006, ‘Meat exports hang over Polish veto on EU-Russia treaty’. Available on site http://euobserver.com/foreign/22845.

Eurostat, 2012, ‘Energy Dependence Statistics’. Available on site http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsdcc310.

EU- Russia Energy Dialogue, 2005, 6th Progress Report. Available on site http://ec.europa.eu/energy/international/russia/doc/reports/progress6_en.pdf.

European Commission DG for Energy, 2009, ‘European Commission: Energy: Energy from abroad: RUSSIA: Dialogue’. Available on site http://ec.europa.eu/energy/international/russia/dialogue/dialogue_en.htm.

European Nuclear Society, 2014, ‘Nuclear power plants in Europe’. Available on site http://www.euronuclear.org/info/encyclopedia/n/nuclear-power-plant-europe.htm.

Europe’s World, 2014, ‘EU and Russia Eastern Partnership versus Eurasian Union’. Available on site http://europesworld.org/2014/02/11/eu-and-russia-eastern-partnership-vs-eurasian-union/#.U7PnyFb-DFo.

Gas Naturally, 2012, ‘Natural gas, contributing to Europe’s energy and climate goals’. Available on site http://www.gasnaturally.eu/uploads/Modules/Publications/gn—flipbook-(update-oct.-2012).pdf.

Gazprom, 2014, ‘Europe’. Available on site http://www.gazprom.com/about/marketing/europe/.

Gazprom, 2013, ‘Gazprom and CNPC sign Agreement on major terms and conditions of pipeline gas supply from Russia to China via eastern route’. Available on site http://www.gazprom.com/press/news/2013/september/article170593/.

Gazprom, 2014, Sakhalin II. Available on site http://www.gazprom.com/about/production/projects/deposits/sakhalin2/

Gazprom, 2014, ‘Extraction’. Available on site http://www.gazprom.com/about/production/extraction/.

Gazprom, 2014, ‘Mega Yamal’. Available on site http://www.gazprom.com/about/production/projects/mega-yamal/.

Gazprom, 2014, ‘Pipelines’. Available on site http://www.gazprom.com/about/production/projects/pipelines/.

Gazprom, 2014, ‘South Stream’. Available on site http://www.gazprom.com/about/production/projects/pipelines/south-stream/.

Gazprom, 2014, ‘What we do’. Available on site http://www.gazprom-mt.com/WhatWeDo/Pages/default.aspx.

National Oil and Gas Forum of Russia, 2014, Available on site http://www.oilandgasforum.ru/en/.

Novatek, 2014, ‘Management’. Available on site http://www.novatek.ru/en/about/management/BOD/printable.php?print=1.

Novinite, 2012, ‘Gazprom's Competitor Novatek Starts Gas Supplies to Germany’. Available on site http://www.novinite.com/articles/144181/Gazprom's+Competitor+Novatek+Starts+Gas+Supplies+to+Germany.

OAO Gazprom Annual Report, 2013, ‘Unlocking the Planet’s Potential’. Available on site http://www.gazprom.com/f/posts/07/271326/gazprom-annual-report-2013-en.pdf.

Permanent Mission of the Russian Federation to the European Union, 2012, Available on site http://www.russianmission.eu/en/negotiations-new-basic-agreement.

Public Radio International (PRI), 2014, ‘Where did the downfall of Ukraine's President Viktor Yanukovych begin?’. Available on site http://www.pri.org/stories/2014-02-24/where-ukraines-president-viktor-yanukovych-went-wrong.

SDC, Institute of World Policy, 2014, ‘Ukraine's Quest for Energy Diversification’. Available on site http://sdc.iwp.org.ua/eng/public/43.html.

Steel Guru, 2013, ‘Gazprom sends USD 7 billion bill to Naftogaz as gas dispute deepens’. Available on site http://www.steelguru.com/sfTCPDF/getPDF/Mjk5NzQ3/Gazprom_sends_USD_7_billion_bill_to_Naftogaz_as_gas_dispute_deepens.html.

Reuters, 2008, ‘Rosneft moves closer to TNK-BP deal with EU clearance’. Available on site http://www.reuters.com/article/2013/03/08/tnk-rosneft-eu-idUSL6N0C0C9X20130308.

Reuters, 2014, ‘Timeline: Political crisis in Ukraine and Russia's occupation of Crimea’. Available on site http://www.reuters.com/article/2014/03/08/us-ukraine-crisis-timeline-idUSBREA270PO20140308.

Reuters, 2014, ‘Obama tells EU to do more to cut reliance on Russian gas’. Available on site http://www.reuters.com/article/2014/03/26/us-usa-eu-summit-idUSBREA2P0W220140326.

Reuters, 2014, ‘UK, USA, EU Summit’. Available on site http://www.uk.reuters.com/article/2014/03/26/uk-usa-eu-summit-idUKBREA2P0W420140326.

Rosneft, 2014, ‘Share Capital’. Available on site http://www.rosneft.com/Investors/structure/share_capital/.

RT, 2014, ‘Crimea, Sevastopol officially join Russia as Putin signs final decree’. Available on site http://rt.com/news/russia-parliament-crimea-ratification-293/.

RT, 2014, ‘Gas prices in Europe to rise 50%, if it abandons Russia’s supplies – Energy Minister’. Available on site http://rt.com/business/russia-west-energy-gazprom-433/.

TANAP, 2014, ‘What is TANAP?’. Available on site http://www.tanap.com/en/what-is-tanap.

The Business Week, 2012, ‘Gazprom Faces EU’s Anti-trust Probe on Eastern European Gas Sales’. Available on site http://www.businessweek.com/news/2012-09-04/gazprom-faces-eu-antitrust-probe-on-eastern-european-gas-sales.

The Economist, 2014, ‘European energy security: Conscious Uncoupling’. Available on site http://www.economist.com/news/briefing/21600111-reducing-europes-dependence-russian-gas-possiblebut-it-will-take-time-money-and-sustained.

The Economist, 2012, ‘Gas pricing in Europe: Careful what you wish for’. Available on site http://www.economist.com/node/21558433

The Energy Charter, 2012, ‘Transit Protocol’. Available on site http://www.encharter.org/index.php?id=37.

The European Commission, 1998, ‘Florence Forum’. Available on site ec.europa.eu/energy/electricity/florence/index_en.htm.

The European Commission, 1999, ‘Madrid Forum’. Available on site ec.europa.eu/energy/gas/madrid/index_en.htm.

The European Commission, 2011, ‘Market Observatory for Energy, Key Figures’. Available on site http://ec.europa.eu/energy/ observatory/eu_27_info/doc/key_figures.pdf.

The European Commission, 2013, ‘Overview’. Available on site http://ec.europa.eu/competition/sectors/energy/overview_en.html.

The European Commission, 2014, ‘Russia’. Available on site http://ec.europa.eu/trade/policy/countries-and-regions/countries/russia/.

The European Commission, 2014, ‘Eastern Partnership’. Available on site http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/international-affairs/eastern-partnership/index_en.htm.

The Financial Times, 2012, ‘Tanap: Pipeline offers security with demand for energy growing’. Available on site http://www.ft.com/cms/s/0/fae21f4e-17af-11e2-8cbe-00144feabdc0.html#axzz32Xv8f8nm.

The Financial Times, 2007, ‘Rosneft seals takeover of Yukos’. Available on site http://www.ft.com/cms/s/0/9e293f12-fed3-11db-aff2-000b5df10621.html#axzz2NHvSmMsG.

The Guardian, 2014, ‘Barack Obama: no cold war over Crimea’. Available on site http://www.theguardian.com/world/2014/mar/26/obama-no-cold-war-crimea.

The Guardian, 2014, ‘Is Europe's gas supply threatened by the Ukraine crisis?’. Available on site http://www.theguardian.com/world/2014/mar/03/europes-gas-supply-ukraine-crisis-russsia-pipelines.

The Independent, 2014, ‘Ukraine crisis: Why is Crimea so important to Russia?’. Available on site http://www.independent.co.uk/news/world/europe/ukraine-crisis-why-is-crimea-so-important-to-russia-9166447.html.

The Moscow Times, 2009, ‘Why dvorkovich and sechins turf war is public’. Available on site http://www.themoscowtimes.com/opinion/article/why-dvorkovich-and-sechins-turf-war-is- public/462509.html.

The Moscow Times, 2009, ‘Gazprom strikes back at EU panel’. Available on site http://www.themoscowtimes.com/business/article/gazprom-strikes-back-at-eu-panel/467709.html.

The New York Times, 2006, ‘Gazprom's grip on Western Europe tightens with pipelines to Hungary’. Available on site http://www.nytimes.com/2006/06/22/business/worldbusiness/22iht-gas.2031021.html?_r=0 Dempsey, Judy.

The Platts, 2010, ‘Nabucco is dead’. Available on site http://blogs.platts.com/2010/07/05/nabucco_is_dead/

The Prague Summit, 2009, ‘Southern Corridor’. Available on site http://www.eu2009.cz/assets/news-and-documents/press-releases//the-declaration---prague-summit--southern-corridor--may-8--2009.pdf.

The United Press International, 2012, ‘Nord Stream ties EU to Russian gas’. Available on site

http://www.upi.com/Business_News/Energy-Resources/2012/10/10/Nord-Stream-ties-EU-to-Russian- gas/UPI-44401349869864/.

The Wall Street Journal, 2009, ‘America's Natural Gas Revolution’. Available on site http://online.wsj.com/article/SB10001424052748703399204574507440795971268.html.

The Wall Street Journal, 2014, ‘Europe Considering Increasing U.S. Gas Imports, Says U.K.'s Hague’. Available on site http://online.wsj.com/news/articles/SB10001424052702303795904579428813878337946.

Voice of Russia, 2013, ‘Is Washington’s concern over the Russian menace in the EU energy market justified?’. Available on site http://english.ruvr.ru/experts15/.

Zarubezhneft, 2013, ‘History’. Available on site http://www.zarubezhneft.ru/en/about_company/history/.

CURRICULUM VITAE OF THE AUTHOR

Sıla Turaç BAYKARA (AYANOĞLU)

Adres: 175/4 sok. No: 5 D: 12 Basın Sitesi, Karabağlar- İzmir, Türkiye

Telefon: 0 (533) 262 08 85

E-posta: silaturac@gmail.com

Doğum Tarihi : 05.04.1983

Doğum Yeri : İzmir

Cinsiyeti : Bayan

Uyruğu : T.C.

Medeni Hali : Evli

Eğitim Durumu :

2007- Yeditepe Üniversitesi

Siyaset Bilimi ve Uluslararası İlişkiler Doktora Programı, İngilizce (Tez Süreci, GNO: 3.38/4.00), İstanbul, Türkiye

2006 - 2007 Lund Universitesi

Avrupa Çalışmaları Tezli Yüksek Lisans Programı, İngilizce, Lund, İsveç

2001 - 2006 İzmir Ekonomi Üniversitesi

Uluslararası İlişkiler ve Avrupa Birliği Lisans Programı, İngilizce (GNO: 3.81/4.00), İzmir, Türkiye

2001 - 2006 İzmir Ekonomi Üniversitesi

Uluslararası Ticaret ve Finansman Çift Ana dal Programı, İngilizce (GNO: 3.00/4.00), İzmir, Türkiye

1997 - 2001 İzmir Selma Yiğitalp Lisesi

Ağırlıklı Yabancı Dil Bölümü, Lise Diploması, Eşit Ağırlık, (GNO: 4.93/5.00), İzmir, Türkiye

1989 - 1997 Necatibey İlköğretim Okulu, İzmir, Türkiye

Yabancı Diller :

İngilizce

(Çok İyi Seviyede)

KPDS: 84

Fransızca

(Başlangıç Seviyesinde)

Deneyimler ve Stajlar:

05/2009- İzmir Yüksek Teknoloji Enstitüsü, İzmir, Türkiye

Uluslararası İlişkiler Uzmanı

Çalışma Alanları:

- ‘’Türkiye- AB ilişkileri’’ ve ‘’AB’nin Tarihçesi’’ Konulu Seminerler (Erasmus Öğrenim Hareketliliği ile Yurt Dışına Gidecek Lisans, Yüksek Lisans ve Doktora Öğrencilerine Yönelik)
- Bologna Süreci
- AKTS ve DE Etiketi
- Avrupa Birliği Yaşam Boyu Öğrenme/ Erasmus Programı

01/2008- 04/2009 EFMED Ltd Şti, İzmir, Türkiye

Proje Yöneticisi

TUBITAK Destekli, 30 kWA Otonomlu Rüzgar Türbini Projesi

Dış Ticaret Sorumlusu

08/2006- 06/2007 Lund Üniversitesi Siyasal Bilimler Enstitüsü- Tez Çalışmaları, Lund, İsveç

Bursiyer

05/2005- 12/2005 American Corner- ABD Bilgi Merkezi, İzmir Ekonomi Üniversitesi, İzmir, Türkiye

Yarı Zamanlı, Görevli Öğrenci

07/2005- 09/2005 İzmir Universiade Üniversite Olimpiyatları

Medya Akreditasyon Departmanı, Gönüllü

09/2004 (6 Hafta) ARKAS Holding, İzmir, Türkiye

Dış Hesaplar Departmanı, Stajyer

07/2004 (4 Hafta) EBSO (Ege Bölgesi Sanayi Odası), İzmir, Türkiye

Proje Geliştirme Departmanı, Stajyer

Bilgisayar Bilgisi : MS Word, Excel, PowerPoint, SPSS, ve İnternet Uygulamaları

Etkinlikler :

- Uluslararası İşbirliğini Geliştirme Ziyareti, Amsterdam Üniversitesi ve Gröningen Üniversitesi, Hollanda, 26- 28 Eylül 2013

- ERASMUS Congress and Exhibition 2013 (ERACON), Adam Mickiewicz Universitesi, Poznan, Polonya, 15- 19 Mayıs 2013

- Erasmus Programı, Personel Hareketliliği, Institute of Chemical Technology, Prag, Çek Cumhuriyeti, 1-5 Nisan 2013

- Uluslararası İşbirliğini Geliştirme Ziyareti, Krakov Teknoloji Üniversitesi, Varşova Teknoloji Üniversitesi, Gdansk Teknoloji Üniversitesi ve Varşova Doğa Bilimleri Üniversitesi, Polonya, 3- 8 Kasım 2012

- ERASMUS Congress and Exhibition 2012 (ERACON), Babeş-Bolyai Üniversitesi, Cluj-Napoca, Romanya, 18- 22 Nisan 2012

- İsveç Üniversiteleri ile Uluslararası İşbirliğini Geliştirme Ziyareti, Kraliyet Teknoloji Enstitüsü, Göteborg Üniversitesi, Gotland Üniversitesi, İsveç, 2-6 Ekim 2011

- Erasmus Programı, Personel Hareketliliği Eğitimi, Salerno Üniversitesi, Salerno, İtalya, 6- 10 Haziran 2011

- ‘‘Sayısal Araştırma Veri Oluşturma Yöntemleri Sayısal Araştırma Veri Analizi’’ Semineri, Dokuz Eylül Üniversitesi ve İzmir Üniversitesi, İzmir, Türkiye, 21- 22 Mart 2011

- MATED TS- EN ISO 9001: 2000 Kalite Yönetim Sistemi Eğitimi, Manisa, Türkiye, 28-29 Ağustos 2008

- UEMTEM Zaman Yönetimi Eğitimi, Manisa, Türkiye, 14 Ağustos 2008

- Lund Üniversitesi Mezunlar Derneği, 2007- 2008

- İzmir Ekonomi Üniversitesi Avrupa Birliği Öğrenci Kulübü Genel Sekreteri, 2001-2006

- Ege Fikir Önderleri AB Eğitim Programı Sertifikası (Philip Morris/ SABANCI destekli), İzmir, Türkiye, Kasım 2005

- İzmir Universiade Üniversite Olimpiyatları 2005, İzmir, Türkiye, Temmuz- Ağustos 2005

- NATO Bilgilendirme Semineri, Brüksel, Belçika, Mayıs 2004

Burslar ve Başarılar :

- Erasmus Programı, Personel Hareketliliği Eğitimi, İzmir Yüksek Teknoloji Enstitüsü Karşılıksız Hibe Desteği, Kimya Teknoloji Enstitüsü, Prag, Çek Cumhuriyeti, , 1-5 Nisan 2013

- Olympia Yaz Okulu Tam Burs, Olympia, Yunanistan, 10- 16 Temmuz 2012

- Erasmus Programı, Personel Hareketliliği Eğitimi, İzmir Yüksek Teknoloji Enstitüsü Karşılıksız Hibe Desteği, Salerno Üniversitesi, Salerno, İtalya, 6-10 Haziran 2011

- UACES / TUNAECS Konferansı Ulaşım ve Konaklama Bursu, İstanbul, Türkiye, 6-18 Haziran 2010

- ODTÜ Avrupa Çalışmaları Merkezi, SInAN Projesi, 2. Doktora Okulu Çalıştayı, Ulaşım ve Konaklama Bursu, Ankara, Türkiye, 4-8 Ekim 2009

- Koç Üniversitesi Jean Monnet Kürsüsü Lisansüstü Öğrenci Çalıştayı Ulaşım Bursu, İstanbul, Türkiye, 15 Mayıs 2009

- Central European University Tam Burs (Tezli Yüksek Lisans Eğitimi), Budapeşte, Macaristan, 2007-2008 (Gerçekleşmedi)

- İsveç Enstitüsü Tam Burs (Lund Üniversitesi Tezli Yüksek Lisans Eğitimi), Lund, İsveç, 2006- 2007

- İzmir Ekonomi Üniversitesi Uluslararası İlişkiler ve Avrupa Birliği Bölümü Birinciliği, İzmir, Türkiye, 21 Haziran 2006

- NATO Eğitim Semineri Başarı Bursu, Brüksel, Belçika Mayıs 2004

- İzmir Ekonomi Üniversitesi Yüksek Şeref Listesi (7 Akademik Dönem), İzmir, Türkiye, 2001- 2006

- İzmir Ekonomi Üniversitesi Şeref Listesi (1 Akademik Dönem), İzmir, Türkiye, 2001-2006

- İzmir Ekonomi Üniversitesi Tam Burs (ÖSS Puanına göre), İzmir, Türkiye, 2001-2006

Konferanslar, Çalıştaylar, Makaleler:

- Doktora Tez çalışması: ‘’Avrupa Birliği- Rusya Enerji Politikası’nın Geleceği: Rekabet mi? İşbirliği mi?’’, Yeditepe Üniversitesi, İstanbul, Türkiye

-Olympia Yaz Okulu, C Grubu: Terörizm ve Karşı Terörizm, Olympia, Yunanistan, 10- 16 Temmuz, 2012

- UACES / TUNAECS Konferansı, ‘Türkiye ve AB arasında Katılım Sürecindeki Fırsatlar ve Çatışmalar: AB Komşuluk Politikası’ Konulu Sunum, Yeditepe Üniversitesi ve İktisadi Kalkınma Vakfı, İstanbul, Türkiye, 16-18 Haziran 2010

(Makale 2010 yılında, İKV ve TUNAECS ortak yayınında yer almıştır.)

- ‘’Avrupa Güvenlik ve Savunma Politikası ve Avrupa Bütünleşme Teorileri’’ Konulu Sunum, ODTÜ Avrupa Çalışmaları Merkezi, SInAN Projesi 2. Doktora Okulu Çalıştayı, Ankara, Türkiye, 4-8 Ekim 2009

- ‘’Avrupa Güvenlik ve Savunma Politikasındaki Son Gelişmeler’’ Konulu Sunum, Koç Üniversitesi Jean Monnet Kürsüsü, Lisansüstü Öğrenci Çalıştayı, İstanbul, Türkiye, 15 Mayıs 2009

- Yüksek Lisans Tezi ‘’Avrupa Güvenlik ve Savunma Politikası’nın Oluşumu: Son Siyasi Gelişmeler ve Toplumsal Oluşturmacılık’’, Lund, İsveç, Haziran 2006

(Yüksek Lisans Tezi 2012 yılında, GRIN Publishing tarafından kitap olarak basılmıştır.)