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**The European Union within Interpolarity:  
EU-Russian Energy Security as a Case Study**

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## **Declarations**

The word length of this dissertation is: 14.984

### **DECLARATION**

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any other degree.

Signed..... (Marc Van Impe)

Date.....10/09/2012

### **STATEMENT 1**

This work is the result of my own investigations, except where otherwise stated. Where correction services have been used, the extent and nature of the correction is clearly marked in a footnote(s). Other sources are acknowledged by footnotes giving explicit references. A bibliography is appended.

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### **Abstract**

The world is growing increasingly complex and is characterised by ever increasing interdependence. This is the argument Grevi holds to assess the evolving structure of the international system in order to accommodate new evolutions in international relations and societies around the world, which he conceptualises as 'interpolarity'. In order to avoid systemic crises, growing powers will be required to avoid the use of conflictive power and to increasingly rely on cooperative methods, such as multilateral summitry, to create durable solutions. The EURussian energy relations are taken as a case example in this dissertation to assess whether, on the one hand, elements of interdependence are indeed increasingly becoming apparent in both powers' bilateral relations. On the other, to assess the prospects of the EU as a power under the interdependence system and whether it would truly be able to contribute. This is done through a review of EU-Russian economic and political energy relations over the past decade. It will become evident that the EU and Russia are existentially interdependent and that both powers have repeatedly reiterated on the need for cooperation. However, this process is often interrupted by short-term economical or political energy power concerns. In the third section I review assertions of the

second section and argue that it can indeed be argued that EU-Russian energy relations can present signs of a coming interpolar system. With regard to the EU's position within that system, much will depend on its ability to further unify its external policy and its ability to develop solid cooperative platforms. In the case of its position as an energy power, considerable progress could follow the successful completion of the EU-Russian 2050

Energy Roadmap and the next Partnership and Cooperation Agreement.

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# Table of Contents

- Abstract ..... i
- Acknowledgements ..... ii
- Table of Contents ..... iii
- Introduction ..... 1
- 1. Deconstructing Interpolarity ..... 6
  - I. Cooperative Multipolarity ..... 6
  - II. Deepening 'Existential' Interdependence ..... 11
  - III. Multilateralism, International Organizations and Summitry ..... 14
- 2. Interdependence and Euro-Russian Energy Security ..... 20
  - I. EU-Russian mutual energy dependence ..... 20
  - II. A symbiotic relationship of Russian state and energy companies? ..... 22
  - III. Forgotten Russian dependency ..... 30
  - IV. EU energy policy responses to the energy dependence on Russia ..... 34
- 3. EU-Russian energy security under the prism of interpolarity ..... 44
- Conclusion ..... 53
- Appendix ..... 58
  - List of Interviews ..... 58
- Bibliography ..... 59
  - Literary Sources ..... 59
  - Primary Sources ..... 65
  - News Articles ..... 67
  - Websites ..... 68





## Introduction

*“Indeed, one of the cardinal features of the contemporary international system is that nation-states have lost their monopoly on power and in some domains their*

*preeminence as well. [...] Power is now found in many hands and in many places.”<sup>1</sup>*

R. Haass, *The Age of Nonpolarity*

The question of ‘power’ has dominated the International Relations debate since the origin of the discipline. This led authors such as Morgenthau, to contend that *“International Politics, like all politics, is a struggle for power. Whatever the ultimate aims of international politics, power is always the immediate claim.”*<sup>2</sup> Power, here, is described as both the literal use of force, such as economic and military force, and the general ability to influence the behaviour of other states.<sup>3</sup> The balance of power which, according to traditional thought, rises from repeated usage of power of states against other states, is conceptualised as the prime mechanism which counters the anarchic nature of the international system and prevents the rise of a single state as a hegemon within the international system.<sup>4</sup> In the second half of the 20<sup>th</sup> century, this was thought, by a majority of academics, to lead into a bipolar situation. Waltz contended that this was most likely the most stable configuration of the international system, as both great powers were thought to counteract each other’s build-up of power.<sup>5</sup>

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<sup>1</sup> HAASS (R.). “The Age of Nonpolarity – What will follow US dominance”, in: *Foreign Affairs*. May-June 2008, Vol. 87(3), p. 45

<sup>2</sup> <sup>rd</sup>

MORGENTHAU (H.J.). *Politics among Nations: The Struggle for Power and Peace*. 3 Edition, Knopf, New York, 1960, p. 29 <sup>3</sup> SHEEHAN (M.). *Balance of Power: History and Theory*. Routledge, London and New York, 1996, p. 7-8

<sup>3</sup> See ZINNES (D.). “An Analytical Study of the Balance of Power Theories”, in: *Journal of Peace Research*. Vol.4, <sup>4</sup>, pp. 270-85 and ZINNES (D.). “Coalition Theories and the Balance of Power”, in: GROENINGS (S.), KELLEY (E.W.) & LEISERSON (M.) (Eds.). *The Study of Coalition Behaviour*. Holt, Reinhart & Winston, New York, 1970 & KAPLAN (M.). “Rules for the Balance of Power System”, in: WILLIAMS (P.), GOLDSTEIN (D.), SHAFRITZ (J.). *Classic Readings and Contemporary Debates in International Relations*. 3<sup>rd</sup> Edition, Thomson Wadsworth, Belmont, 2006, p. 109

<sup>5</sup> WALTZ (K.N.). *Theory of International Politics*. McGraw-Hill, Reading, Addison-Wesley, New York, 1979, p. 204

Through mutual deterrence, Mearsheimer argued, the number of great-power conflict is fewer and the international system becomes easier to operate.<sup>6</sup>

The end of the Cold War announced the end of the bipolar system and introduced renewed academic debate regarding the structure of the international system. Proponents of unipolarity argued that the system had evolved into a context of American dominance, a system “*in which one state has significantly more capabilities than any other [... and] cannot be threatened by others.*”<sup>7</sup> Others argued that unipolarity was a mere illusion and that the system was already evolving into a context of multipolarity, or according to some a hybrid form of uni-

multipolarity.<sup>89</sup>

More recently, however, the proliferation of new interpretations of the structure of the international system has become notable. These attempts at reimagining the configuration of the international system question the core basics of its structure by arguing that the properties and core composition of the basic units, and they way they are interlinked, of the international system have changed. The vast majority of contemporary economic, social and political problems stem from large-scale forces, such as globalization and increasing interdependence, which make any individual national-interest based efforts to redress these problems inadequate.<sup>10</sup> These authors wish to address these inadequacies by contending that new interpretations of the structure of the international system should incorporate evolutions such as these large-scale forces.

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<sup>6</sup> MEARSHEIMER (J.J.). “Back to the future. Instability in Europe after the Cold War”, in: *International Security*. Summer 1990, Vol. 15(1), p. 14-15

<sup>7</sup> JERVIS (R.). “Unipolarity”, in: *World Politics*. Vol. 61, No. 1, 2009, p. 191. See also WOHLFORTH (W.C.). “The Stability of a Unipolar World”, in: *International Security*. Vol. 24, No.1, Summer 1999, pp. 5-41

<sup>8</sup> SNYDER (G.H.). *Alliance Politics*. Cornell University Press, Ithaca, New York, 1997, p. 18 & LAYNE (C.). “The Unipolar Illusion: Why New Great Powers Will Rise”, in: *International Security*. Vol. 17, No. 4, 1993, pp. 5-51 & HUNTINGTON (S.P.). “The Lonely Superpower”, in: *Foreign Affairs*. Vol. 78, No. 2, March/April 1999, p. 36, see also FRIEDBERG (A.L.). “Ripe for Rivalry: Prospects for Peace in a Multipolar Asia”, in: *International Security*. Vol. 9, No.3, 1993/4, pp. 5-33; JOFFE (J.). “‘Bismarck’ or ‘Britain’? Toward an American Grand Strategy after Bipolarity”, in: *International Security*. Vol. 19, No. 4, Spring 1995, pp. 94-117

<sup>10</sup> DOBSON (A.). “Thick Cosmopolitanism”, in: *Political Institutions*. Vol. 54, 2006, p.



Haass's argument that states are increasingly giving way to a variety of types of new actors can be located within this trend.<sup>11</sup> It would be precursory, however, to argue that the important role of states within the international system has already passed.

This realisation motivated G. Grevi to develop the concept of Interpolarity. Grevi argues that a process of redistribution of power at the global level, leading to a multipolar international system, combined with a trend of deepening interdependence, are the two basic dimensions of the transition away from the post-Cold War world.<sup>11</sup> Within the inter-polar world, major powers of the world will be inclined to use cooperative multi- and bilateral measures, or positive power, to avoid deadlocks within the international system and to avert existential threats posed by global problems. In this regard, Grevi defines the economical, energy and environmental issues as the prime challenges the international system will have to face in the coming decade.<sup>12</sup> Grevi, having discussed his framework, raises the question of whether the EU will be able to rise to the challenge as a steering actor within the inter-polar world. While Grevi's inter-polarity is dominantly state-oriented, he contends that the European Union (EU) has access to a sufficient range of policy tools and powers to become a prospective global power.

Considering Grevi's claims, this dissertation wishes to analyse the strength of his framework by analysing two interdependent powers of the evolving international system – the EU and Russia – and their respective policy responses to one of the major systemic challenges defined by Grevi: energy policy cooperation. In the process, this dissertation also wishes to assess in a thorough manner whether the EU truly meets the requirements to rise to the challenges posed by the inter-polar system. As such, this dissertation will pose the following questions: First, how well does the inter-polarity framework hold when analysing the case study of Euro-Russian energy relations? In this regard, it is important to address what elements of the Inter-polar framework are already apparent in these relations.

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<sup>11</sup> HAASS (R.). *Op. Cit.*, pp. 44-56 <sup>11</sup> GREVI (G.). *The Inter-polar World: A new scenario*. Occasional Paper, No. 79, EU-Institute for Security Studies, Paris, 2009, p. 5

<sup>12</sup> *Ibidem*, p. 5-6

Second, if the international system is indeed moving towards a configuration characterised by interolarity, how well is the EU energy security policy prepared for this context? Related to this issue is the question of what role the EU will be able to play within the context of interolarity.

To answer these questions, this dissertation will undertake a double-tracked approach. The first chapter will deconstruct the interolar framework in order to be able to better outline the specific characteristics of the interolar international system, to come to a more detailed and thorough understanding of the concept. By the end of the chapter, I will very briefly assess two advantages the EU could harness under interolarity. However, it remains clear that the EU will have to face and overcome the challenge of unifying its external policy should it wish to become a leading power within the interolar system.

In the second chapter, this dissertation will take a case study example, namely the EU's energy relations with Russia, and use the core elements of Grevi's framework, discussed in chapter 1, as a guideline for assessing these evolutions. As a result, specific emphasis will be put on the interdependent, cooperative or bi-/multilateral nature of these relations. First, a closer look will be taken at the economic nature of the EU-Russian energy context in order to highlight the truly existential nature of interdependence between both powers. Additional attention will be given to Russia's economic energy policies in this regard as well as its relations between the government and national energy firms. Second, this chapter will scrutinise the evolution of the EU's external energy policies with regard to Russia in order to make certain assessments on the cooperative or conflictive nature of these relations.

The final chapter will combine points from the first two chapters to present conclusions regarding the plausible advent of the interolar system and the manner in which EU-Russian energy relations can be characterised in this regard. The claim will be made that the EU is at the crossroads for its development as an acknowledgeable power in the interolar system. I will

contend that EU-Russian energy relations are strongly characterised by the use of positive power, but that this is intermittently disrupted by brief uses of negative power, often due to more the more general political context. Inversely, I will also claim that EU-Russian energy policy behaviour shows strong signs of the nascent development of an interpolar system, but that further research into other policy areas and power relations will be required to make definite claims. Grevi's framework, however, provides a strong framework to analyse current political trends by.

# 1. Deconstructing Interpolarity

## I. Cooperative Multipolarity

In recent years, an increasing body of literature has attempted to re-evaluate the characteristics of multipolar systems in order to reassess their potential instability. The economic development of China, the G20 and India, the further political development of the European Union and the increasing self-assertion of the South-American countries and Russia as well as the fact that these evolutions have been happening in a peaceful manner provided indications that multipolarity might not be as unstable as was previously assumed.<sup>13</sup> Classical realists already contended that multipolar systems were more stable than bipolar systems because powers are able to enhance their positions through alliance creation and limited wars, which not directly challenge others.<sup>14</sup> Neorealists inverted this formula and claimed that “*powers within a multipolar system must focus their fears on any number of other powers and, misjudging the intentions of other powers, unnecessarily compromise their security.*”<sup>15</sup> As national interests are difficult to ascertain, rapid power shifts can be produced within and between coalitions and making it increasingly complex to manage crises. This, it is argued, is less likely in a bipolar system. Deutsch and Singer concluded on this subject that “*in the long run [...] multipolar systems operating under the balance of power policies are shown to be self-destroying*” due to an “*accelerated rise of interaction opportunities*” and consequently the “*accelerated diminution in the allocation of attention*”.<sup>15</sup> As a result of the increased movements of power within the international system,

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<sup>13</sup> WADE (R.). “Emerging World Order? From Multipolarity to Multilateralism in the G20, the World Bank, and the IMF”, in: *Politics & Society*. September 2011, Vol. 39(3), p. 351; There is no agreement on when exactly the United States started experiencing a decrease in power or presence. For varied opinions, see: KEGLEY (Ch.) & RAYMOND (G.). *A Multipolar Peace? Great-Power Politics in the Twenty-First Century*. Macmillan Press, Hampshire, 1994, p. 3-66 & 166-190; WALLERSTEIN (I.). “Precipitate Decline: The Advent of Multipolarity”, in: *Harvard International Review*. Spring 2007, pp. 54-59

<sup>14</sup> TOJE (A.). *The European Union as a Small Power: After the Post-Cold War*. Palgrave Macmillan, New York, 2010, p. 164 <sup>15</sup> *Ibidem*, p. 164-5; Relative power depends greatly on how respective powers define their national interests.

<sup>15</sup> DEUTSCH (K.) & SINGER (J.D.). “Multipolar Power Systems and International Stability”, in: *World Politics*. Vol. 16(3), 1964, p. 406; Both authors seem to argue against this point in a later contribution. See: DEUTSCH (K.) &

Thompson argues, crises are expected to be more common under multipolarity than other system configurations.<sup>17</sup> These crises, in turn, according to Powell, are less likely to be resolved and are more likely to lead to war.<sup>18</sup>

The absence of war between modern powers in the past two decades, the growing number of international institutions and the increasing importance of trans-, sub- and supranational formations as well as the increasing influence nonstate actors has led authors and policymakers to review existing perspectives of multipolarity in an effort to describe the nature of the 'modern' developing multipolarity. According to Toje, this effort largely finds a place between what H. Morgenthau has described as "*the two extremes of over-rating the influence of ethics upon international politics or underestimating it by denying that statesmen and diplomats are moved by anything but considerations of material power.*"<sup>19</sup> Wendt asserted in this regard that modern multipolarity should be defined by process than structure, which would imply a great increase of the odds of multipolar peace. In the line of this argument, self-help of units in the international system is defined from their interaction, and not from anarchy.<sup>20</sup>

These efforts have also led to a re-examination of the role states play as dominant actors within the international system and to a considerable move away from existing state-oriented models of world politics. Rosenau provides a two-world conception of the international system wherein both a state-centric and multi-centric world coexist simultaneously in order to describe the dynamics of 'postindustrial interdependence'. "*For the multi-centric world, while not a society, also lacks an overall design, derives from multiple sources, and is marked by high degrees of*

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SHAFRITZ (J.). *Classical Readings and Contemporary Debates in International Relations*. 3<sup>rd</sup> Edition, Thomson Wadsworth, Belmont, 2006, p. 108

<sup>17</sup> THOMPSON (W.). "Polarity, the Long Cycle, and Global Power Warfare", in: *Journal of Conflict Resolution*. Vol. 30(4), 1987, p. 587-615 & TOJE (A.). *Op. Cit.*, p. 165

SINGER (J.D.). "Multipolar Power Systems and International Stability", in: WILLIAMS (P.), GOLDSTEIN (D.) &

<sup>18</sup> POWELL (R.). "Stability and the Distribution of Power", in: *World Politics*. Vol. 48(2), p. 239-267

<sup>19</sup> MORGENTHAU (H.J.). *Politics among Nations: The Struggle for Power and Peace*. Knopf, New York, 1973, p. 236; TOJE (A.). *Op. Cit.*, p. 166 <sup>20</sup> WENDT (A.) "Anarchy Is What States Make of It: The Social Construction of Power Politics", in: *International Organization*", Vol. 46, 1992, pp. 391-425

*diversity, decentralization, and dynamism that render coordination difficult.*"<sup>16</sup> The goal here is not to replace the existing state-centric system with the multi-centric variant. Rosenau acknowledges that states still maintain a crucial role within international politics, an interchange of both systems would imply that "*Either states dominate world affairs or they do not, [...], so that positing them as dominant in one world and merely active in the other is yielding to old analytic habits*".<sup>17</sup> His goal is, therefore, to expand the existing analytical framework to incorporate the increasing variety of types of actors in the international system and to characterise the types of relations these actors develop<sup>18</sup>

The main realisation behind this line of thought is that the international system is increasingly being subjected to power shifts which not only weaken the dominance of the great powers within that traditional system, but also herald the arrival of new *types* of centres or poles of power within said system.<sup>24</sup> As such, these variations to the traditional, state-centric multipolarity, possibly better defined as *neomultipolarity*, aim to highlight the increasingly interdependent nature of the international system in order to put to light the influence nonstate actors can have on international policy creation and international power balance. This does not necessarily imply that the 'Age of States' has come to an end. It rather implies that states are increasingly forced to acknowledge and engage with other types of actors international affairs. Neither does it necessarily imply an immediately progressive perspective of the future of the international system. For example, a more competitive perspective on modern multipolarity is provided by Kagan.

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<sup>16</sup> ROSENAU (J.). "The Two Worlds of World Politics", in: WILLIAMS (P.), GOLDSTEIN (D.) & SHAFRITZ (J.). *Op. Cit.*, p. 115; For a more comprehensive account of his framework, see: ROSENAU (J.N.). *Turbulence in World Politics: A Theory of Change and Continuity*. Princeton University Press, Princeton, 1990, pp. 480

<sup>17</sup> ROSENAU (J.). *Op. Cit.*, p. 118

<sup>18</sup> *Ibidem*, p. 119 <sup>24</sup> Also see ZAKARIA (F.). *The Post-American World*. W.W. Norton, New York, 2008 & KUPCHAN (C.). *The End of the American Era: U.S. Foreign Policy and the Geopolitics of the Twenty-First Century*. Knopf, New York, 2002 for similar views.

He provides a pessimistic vision of a modern multipolarity without multilateralism,<sup>19</sup> where rising powers will seek to improve their relative positions and establish hegemony along their borders, and in turn reinstitutes a classical realist's notion of the balance of power system.<sup>20</sup>

Within the framework of interolarity, Grevi presents cooperative multipolarity as the defining configuration of the developing world order. According to Grevi, the international system is growing increasingly heterogeneous and complex.<sup>21</sup> Simultaneously, power is globally shifting unevenly across different dimensions which results in an asymmetric distribution of power. This, in turn, affects the ability of each major player to pursue interests independently of others.<sup>22</sup> The political implications of this asymmetric distribution are problematic because not all sources of power equally convert into political influence. In this regard, Grevi argues that Haass was correct in noting that “*power and influence are less and less linked in an era of nonpolarity.*”<sup>29</sup> While power can currently be characterised as being diffuse, Grevi argues that states individually have been able to increase their relative influence in critical domains beyond the traditional domains of high politics, such as national energy companies, sovereign wealth funds and protectionist tendencies in order to strengthen their position contra other international players.<sup>23</sup> Traditional multipolarity only partially captures the dimensions of the modern, interdependent international environment because it “*emphasises changes affecting the relative power and the scope for balancing and competition among poles of power. [...] [Power, in this sense,] cannot only be measured relative to*

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<sup>19</sup> UNITED STATES NATIONAL INTELLIGENCE COUNCIL. *Global Trends 2025: A Transformed World*. US GPO, Washington D.C., 2008, available at: [www.dni.gov/nic/PDF\\_2025/2025\\_Global\\_Trends\\_Final\\_Report.pdf](http://www.dni.gov/nic/PDF_2025/2025_Global_Trends_Final_Report.pdf); also see TOJE (A.). *Op. Cit.*, p.169

<sup>20</sup> KAGAN (R.). *The Return of History and the End of Dreams*. Knopf, New York, 2008, p. 3-5

<sup>21</sup> GREVI (G.). *The Interpolar World: A new scenario*. Occasional Paper, No. 79, EU-Institute for Security Studies, Paris, 2009, p. 12

<sup>22</sup> *Ibidem*, p. 17 <sup>29</sup> This is a direct reference to the influence nonstate actors can attain without directly having access to traditional forms of power. HAASS (R.). “The Age of Nonpolarity – What will follow US dominance”, in: *Foreign Affairs*. May-June 2008, Vol. 87(3), p. 47; See GREVI (G.). *Op. Cit.*, p. 19

<sup>23</sup> GREVI (G.). *Op. Cit.*, p. 28

*that of others, but should also be assessed relative to the changing level playing field of international relations and to the prevailing perceptions and expectations therein.”<sup>24</sup>*

Grevi categorises two varieties of power available to actors within the modern multipolar system. First, ‘negative power’ – the power to deny others the fulfilment of their objectives – has become increasingly important because it accelerates the appearance of diverging interests of the major powers within the international system. This is largely due to the asymmetric distribution of power and resources, described above. As this context induces traditional modes of national interest-based competition for power and influence – which are decreasingly linked to each other – on a global scale, the power of denial ultimately leads to a context of mutual constraint between the involved actors. While the use of negative power might deliver short-term, its use also results in a ‘deadlock’ of international policy areas and subsequently hinders sustainable development and cooperative problem-solving which are required to deal with systemic issues. These hindrances, in turn, result in the appearance of long-term instability and risks.<sup>25</sup> Grevi concludes that *“These are risks that the international community can hardly afford at a time of flux when multipolarity is taking shape and interdependence is deepening.”<sup>26</sup>*

In order to overcome this dystopian perspective of international relations, Grevi proposes that, due to the increasing importance of interdependency within the multipolar system, ‘positive power’ is a better alternative to overcome systemic crises. As the international system is arguably moving away from uni-multipolarity to multipolarity proper as defined by Huntington,<sup>34</sup> the cooperation of all major powers is required to address systemic challenges at the global or interregional level.<sup>27</sup> This is partially due to the fact that the international system is marked by deepening, existential interdependence.<sup>28</sup>

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<sup>24</sup> *Ibidem*, p. 24

<sup>25</sup> *Ibidem*, p. 19-21

<sup>26</sup> *Ibidem*, p. 21 <sup>34</sup> HUNTINGTON (S.P.). “The Lonely Superpower”, in: *Foreign Affairs*. Vol. 78, No. 2, March/April 1999, pp. 3549

<sup>27</sup> GREVI (G.). *Op. Cit.*, p. 23

<sup>28</sup> GREVI (G.). *Op. Cit.*, p. 24



Positive power is exerted through the engagement of actors through bi-/multilateral frameworks, be it through institutions or summits, or smaller-scale intergovernmental meetings. Crucially, these engagements should overcome traditional balance-of-power-induced deadlocks through dialogue between these blocs with the goal of overcoming short- to long-term effects of negative power usage.

If we return to *neomultipolarity*, it is interesting to note that Grevi appears to provide a largely state-centric account of power relations within interolarity or cooperative multipolarity. Similar assertions regarding Grevi's framework have also been made by Toje.<sup>29</sup> Grevi anticipated this misinterpretation however: "*Interolarity differs from multipolarity given its focus on the challenges of interdependence and it differs from nonpolarity because it puts the accent on the relations between large state actors, while not neglecting the importance of transnational relations.*"<sup>30</sup> Grevi's interolar framework is therefore locatable in-between traditional state-centric thought, defended by realists, and Haass's nonpolarity or Rosenau's multicentricism. Because of this fact, interolarity is highly adaptive to the evolving characteristics of a changing international system.<sup>31</sup><sup>32</sup><sup>33</sup> The defining features of Grevi's multipolarity within interolarity are the intensification of economic globalization, expanding institutions, and shared problems of interdependence.

## II. Deepening 'Existential' Interdependence

As a concept, interdependence is often linked to globalization, which refers to the universalisation and spread of elements such as culture, economic and financial practices, and

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<sup>29</sup> TOJE (A.). *Op. Cit.*, p. 166-169

<sup>30</sup> GREVI (G.). *Op. Cit.*, p. 28

<sup>31</sup> TOJE (A.). *Op. Cit.*, p. 166-167 <sup>40</sup> See GILL (S.). *Globalization, Democratization and Multilateralism*. Macmillan Press LTD, Hampshire, 1997, p.

<sup>32</sup> ; WALTZ (K.). "Globalization and Governance", in: *Political Science and Politics*. Dec. 1999, Vol. 32, No. 4, pp.

<sup>33</sup> -700; Definitions of the term are also often a reference to international market integration between various

knowledge.<sup>40</sup> The universalisation of these elements improves their interchangeability in between nations and promotes the development of casual relations between states, and between substate actors. In time, these relations create process-defined structures which can lead to the increase of interdependence at all levels of society.<sup>41</sup> Globalization depends heavily on effective governance and is therefore heavily influenced by the ease at which these interstate relations can be formed and agreements can be reached.<sup>42</sup> The spread and development of interdependence through international political agreements is what Grevi has defined as 'structural' interdependence.<sup>43</sup>

Within the framework of interolarity, interdependence has deepened to such a degree that it has become an 'existential' component of the international system. The existential nature of interdependence implies that its mismanagement can pose a threat to the political stability of the international system as a whole but also to the survival of actors within this system. Mechanisms of supply and demand promote increasing specialisation of states and their societies, especially with regard to their economies, within this structural interdependence framework. Increased specialisation within interdependence leads to an increased structural dependence on other actors within the international system and therefore decreases the state's potential ability to independently resolve sector-, state- or system-wide crises.<sup>44</sup> With these considerations in mind, actors within the interolar system are required to engage with each other multilaterally through means of positive power in order to ascertain that a durable solution to systemic threats is developed.

states. This is also the definition used by the IMF at <http://www.imf.org/external/np/exr/ib/2000/041200to.htm#II>

<sup>41</sup> HELD (D.), MCGREW (A.), GODBLATT (D.) & PERRATON (J.). *Global Transformations: Politics, Economics and Culture*. Stanford University Press, Stanford, CA, 1999 & KEOHANE (R.) & NYE (J.). *Power and Interdependence*. 3<sup>rd</sup> Edition, Addison-Wesley, New York, 2001

<sup>42</sup> KEOHANE (R.). "Governance in a partially globalized world", in: KEOHANE (R.). *Power and Governance in a Partially Globalized World*. Routledge, London, 2002, p. 245

<sup>43</sup> GREVI (G.). "The rise of strategic partnerships: between interdependence and power politics", in: GREVI (G.)

& DE VASCONCELOS (Á). *Partnerships for effective multilateralism: EU relations with Brazil, China, India and Russia*. Chaillot Paper, Institute for Security Studies, no. 109, May, Paris, 2008, p. 161

<sup>44</sup> MONGIOVI (G.). "Demand, Structural Interdependence, and Economic Provisioning", in: *American Journal of Economics and Sociology*. Vol. 70, No. 5, November 2011, pp. 1147-1174; Many of these

conclusions are based on economic theory or political economy thought. See: FARHAUER (O.) & KRÖLL (A.). "Diversified Specialisation – going one step beyond regional economics' specialisation-diversification concept", in: *Jahrbuch für Regionalwissenschaft*. Vol. 32, No. 1, 2012, pp. 63-84

Grevi has characterised three intimately interlinked issues which lie at the core of global interdependence and which, he believes, will test the stability of the international system in the coming decades. These issues are the economy, energy and the environment.<sup>34</sup> This is not to claim that other contemporary issues are not of global importance. He holds that these issues are also global challenges the international system will have to face, but that they are less directly consequences of deepening interdependence. At first glance, then, this consideration seems to present a weakness in Grevi's inter-polar framework with regard to its ability to incorporate the possible agenda-setting effects 'minor' issues can have on the international system. However, a closer look at his rhetoric reveals his confidence in the problem-solving ability of multilateralism, with an emphasis on global summitry, through the use and effects of positive power within the inter-polar system. The development of extensive multilateral experience allows the international system within inter-polarity to *adapt* its structure in order to adequately manage and resolve the appearance and reappearance of global issues.<sup>35</sup> The inter-polar system is able to achieve this because it "*is interest-driven and problem-oriented, so form should follow function in reforming the multilateral order.*"<sup>36</sup>

Much of the foundation behind this logic was laid by Nye and Keohane in *Power and Interdependence* in which both authors emphasise the importance of economic factors and 'complex interdependence' as the motivators towards, and reasons for, power interaction.<sup>48</sup> Within an environment of complex interdependence, actors, societies and economies are closely connected through norms, rules, processes and institutions. While both authors concede that national security and military concerns are still of primary importance in foreign policy agendas,

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<sup>34</sup> GREVI (G.). *The Inter-polar World: A new scenario*. Occasional Paper, No. 79, EU-Institute for Security Studies, Paris, 2009, p. 24

<sup>35</sup> *Ibidem*, p. 31-32

<sup>36</sup> *Ibidem*, p. 33 <sup>48</sup> NYE (J.) & KEOHANE (R.O.). *Power and Interdependence*. Little Brown, New York, 1977 & GOLDMANN (K.) & SJÖSTEDT (G.) (Eds.) *Power, Capabilities and Interdependence: Problems in the Study of International Influence*.

Sage, London, 1979, p. 13-17; TOJE (A.). *Op. Cit.*, p. 167

the vast majority of international relations are not concerned with the survival goals of powers.<sup>37</sup> This point is echoed by Grevi: “*The actual role of military power as a ‘game changer’ when a country seeks to alter the **status quo** to its advantage is increasingly questionable. Few of the political priorities of major powers can be durably achieved by giving primacy to military intervention in the broader policy mix.*”<sup>38</sup>

### III. Multilateralism, International Organizations and Summitry

In modern day multipolarity, integration into the world system together with great power status and international influence are predicated not just by military force and the ability to use it, but in larger measure on the ability to promote sustainable development. This confronts states with the need to balance aspirations of world power status with the demands of interdependence and the weight of elements of hard and soft power.<sup>51</sup> The pressures of interdependence versus national interest, and the reality of power distribution within the multipolar system, forces states to engage bi- and multilaterally in order to maintain their international influence and to maintain their personal welfare within this context.<sup>39</sup> Multilateralism is, therefore, the expression of how states act upon the reality of the distribution of power within the interpolar system.<sup>40</sup>

Recently, authors, such as de Vasconcelos, have argued that the traditional multilateral order has become increasingly ineffective within modern multipolarity, Grevi builds on these considerations in order to present the central challenge to effective problem-solving within the interpolar system: “*The fundamental challenge, then, is how to promote a cooperative form of*

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<sup>37</sup> KEOHANE (R.O.) & NYE (J.). “Power and Interdependence revisited”, in: *International Organization*. Vol. 41(1), 1987, pp. 725-753

<sup>38</sup> GREVI (G.). *Op. Cit.*, p. 20 <sup>51</sup> DE VASCONCELOS (Á). “‘Multilateralising’ multipolarity”, in: GREVI (G.) & DE VASCONCELOS (Á). *Partnerships for effective multilateralism: EU relations with Brazil, China, India and Russia*. Chaillot Paper, Institute for Security Studies, no. 109, May, Paris, 2008, p. 16; Soft power – the power of attraction, the ability to shape the preferences of others and the ability to spread norms and values – is a concept developed by Nye which he presented as the new dominant form of power in the mix of state powers available. See: NYE (J.). *Soft Power: The Means to Success in World Politics*. Public affairs, New York, 2004

<sup>39</sup> VASCONCELOS (Á). “‘Multilateralising’ multipolarity”, in: GREVI (G.) & DE VASCONCELOS (Á). *Op. Cit.*, p. 25

<sup>40</sup> VASCONCELOS (Á). “‘Multilateralising’ multipolarity”, in: GREVI (G.) & DE VASCONCELOS (Á). *Op. Cit.*, p. 22-23

*multipolarity in the age of interdependence. In other words, how to reconcile an effective multilateral order with a multipolar international system.”*<sup>41</sup> As the distribution of power shifts asymmetrically, new multilateral engagements are required to accommodate these changes. This implies that states should favour multilateral structures that are relatively easy to effectively adapt to these changes. *“The point is that no future multilateral order will be viable if disconnected from the transformation of the underlying international system and from the distinctive interests of the main powers therein.”*<sup>42</sup>

Grevi argues that within a complex international environment, there is a need to identify the key actors and factors shaping developments. As noted above, it is suggested that the major global and regional powers will remain the decisive actors within this system. The proliferation of new significant global and regional powers implies that their mutual relationships need to be redefined.<sup>43</sup> Due to the coming challenges the international system will confronted with, it is argued that multilateral cooperation will be an inherent, crucial part of the inter-polar system. In order to be successful, the reform of multilateralism should always reflect and accompany the fundamental trends of deepening interdependence and shifts of power and influence.<sup>44</sup> The introduction of a sense of priorities as a basis for action as well as a sense of pragmatism should form the foundation for this evolution. The most successful, established framework for multilateral dialogue able to successfully incorporate these considerations in the near future, according to Grevi, is the format of summit diplomacy. He is inspired by the apparent prominence of the G20 forum in addressing the economic crisis and the increasing visibility of bilateral or minilateral summits involving major powers to come to this conclusion. However, intermittent coordination at summit level will not suffice to confront the challenges of existential interdependence.

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<sup>41</sup> GREVI (G.). *Op. Cit.*, p. 27; GNESOTTO (N.) & GREVI (G.) (Eds.). *The New Global Puzzle. What World for the EU in 2025?* EU Institute for Security Studies, Paris, 2006, p. 206-209

<sup>42</sup> GREVI (G.). *Op. Cit.*, p. 28

<sup>43</sup> *Ibidem*, p. 27-28

<sup>44</sup> *Ibidem*, p. 31

Summitry must be followed up by the creation of fixed targets, the adoption of clear and enforceable rules and their subsequent monitoring.<sup>45</sup> Successes that are achieved through bi- or minilateral cooperation<sup>59</sup> at a lower level of international politics could, in this manner, be translated and mainstreamed to the multilateral level.<sup>46</sup>

Grevi defines five positive features and three major shortcomings of global summitry. (i) First, It reflects the decisive role of major powers in enabling or stifling multilateral cooperation. (ii) It is a more flexible format than that of international institutions with broader membership, fixed competences and procedures. (iii) It can be applied to different policy domains and promote positive issue-linkages among connected dossiers. (iv) It is not geometry dependant. And last, (v) it provides a platform for trust-building among the major powers of the inter-polar system by allowing informal exchanges among their leaders. This allows the opportunity to develop personal links and promote mutual respect for priorities and concerns.<sup>47</sup>

Conversely, a first major shortcoming of summit diplomacy is the fact that commitments often do not translate into action, weakening the credibility of the same forum. A second shortcoming revolves around the question of what countries are allowed to attend or not, affecting the political legitimacy and practical viability of these summits. Third and last, it is likely that summit diplomacy will weaken the authority of already established multilateral frameworks, such as the UN.<sup>48</sup> These, however, already present serious shortcomings in addressing global and regional crises.<sup>63</sup> Similar issues have been noticeable within the WTO.<sup>64</sup> Consensus, cooperation

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<sup>45</sup> *Ibidem*, p. 31-32 <sup>59</sup> I follow Keohane, Richardson & Aggarwal's definitional structure in this regard. Minilateralism refers to three or more close-ranged participating countries, often neighbours. AGGARWAL (V.K.). "The Dynamics of Trade Liberalization", in: MILNER (H.) & MORAVCSIK (A.) (Eds.). *Power, Interdependence, and Nonstate Actors in World Politics*. Princeton University Press, Princeton & Oxford, 2009, p. 169; RICHARDSON (D.J.). "Comment", in: STERN (R.M.). *U.S. Trade Policies in a Changing World Economy*, MIT Press, Cambridge, 1987, pp. 287-90 & KEOHANE (R.). "Multilateralism: An Agenda for Research", in: *International Journal*. Vol. 45(4), 1990, pp. 731-64

<sup>46</sup> GREVI (G.). *The Inter-polar World: A new scenario*. Occasional Paper, No. 79, EU-Institute for Security Studies, Paris, 2009, p. 33

<sup>47</sup> *Ibidem*, p. 32

<sup>48</sup> *Ibidem*, p. 32 <sup>63</sup> See for example: NEW YORK TIMES. *U.N. Suspends Syria Mission, Citing Increase in Violence*, 16 June 2012, available at: <http://www.nytimes.com/2012/06/17/world/middleeast/un-suspends-its-mission-in-syria-citingviolence.html?pagewanted=all>; NEW YORK TIMES. *As Diplomatic Efforts Stall in Syria, U.N. Says It Will End its Observer Mission*, 16 August 2012, available at:

and policy implementation remains a core issue of multilateral frameworks of this type when major powers are not able to come to agreement over issues of national interest and is therefore not only characteristic to the summit diplomacy.<sup>65</sup> To summarise, international institutions consistently fail to solve the problems they were created to address as well as new types of problems that arise over time. International institutions can only facilitate cooperation when there are common objectives to be achieved.<sup>66</sup>

R. Mitchell has convincingly argued that when international institutions and their hypothetical influence on international politics are assessed, considerable attention should be given to both membership and design endogeneity. The first involves the claim that countries that join international institutions differ systematically from those that do not, the latter implies that variation in institutional design reflects systematic differences in the underlying structure of the problem being addressed.<sup>67</sup> Accurately evaluating institutions therefore requires closer attention being paid to why states design international institutions as they do, and to why some states join and others do not. Mitchell, in effect, proposes a more process- rather than structure-oriented evaluation of multilateral institutions in order to come to more concrete responses and solutions of reform to their ineffectiveness. In order for multilateral diplomacy and summitry to succeed under the framework of interolarity, it is therefore essential for major actors within the international system to present and acknowledge new systemic challenges as common and which consequently require extensive policy support through the use of positive power.

[http://www.nytimes.com/2012/08/17/world/middleeast/united-nations-observer-mission-in-syria-toend.html?\\_r=1&ref=middleeast](http://www.nytimes.com/2012/08/17/world/middleeast/united-nations-observer-mission-in-syria-toend.html?_r=1&ref=middleeast)

<sup>64</sup> KISSACK (R.). *Pursuing Effective Multilateralism: The European Union, International Organisations and the Politics of Decision Making*. Palgrave Studies in European Union Politics, Palgrave Macmillan, New York, 2010, p. 68-78

<sup>65</sup> This assessment has been the core argument of realists against Keohane's assertions regarding cooperation through international organisations. STRANGE (S.). "Cave! Hic Dragones: A Critique of Regime Analysis", in: KRASNER (S.) (Ed.). *International Regimes*. Cornell University Press, New York, 1983

<sup>66</sup> STONE (R.). "Institutions, Power and Interdependence", in: MILNER (H.) & MORAVCSIK (A.) (Eds.). *Power, Interdependence, and Nonstate Actors in World Politics*. Princeton University Press, Princeton & Oxford, 2009? P. 31-33

<sup>67</sup> MITCHELL (R.). "The Influence of International Institutions: Institutional Design, Compliance, Effectiveness and Endogeneity", in: MILNER (H.) & MORAVCSIK (A.) (Eds.). *Op. Cit.*, p. 67

While this is already partially true for international summitry, a stronger recognition needs to be developed within the governments of states who participate in multilateral frameworks that these issues can be existential, and thus form a threat to their very existence. As the survival of the state and the welfare of its citizens are the core goals of the state, cooperation is favourable even if the proposed resolution might be in conflict with their present, short-term national interests.<sup>49</sup>

In order to avoid the development of increasing tensions between the powers of the inter-polar system with regard to their energy relations, and to avoid a deadlock of the international system and a breakdown of those powers' interlinked societies because of the use of negative power, the inter-polar framework would proscribe the use of positive power through multi- and multi-lateral diplomacy in order to develop cooperative forms of energy security. This might imply a rethinking of energy security frameworks in order to move beyond solely concentrating on the national energy interests and security of the individual state, to a form of 'societal' energy security which acknowledges the interlinked and interdependent nature of energy relations between multiple states, and the respective consequences a breakdown of energy relations could have on these states.<sup>69</sup>

While the EU is potentially disadvantaged within an inter-polar system because it has experienced issues in presenting a single voice with respect to international engagements, it is also widely considered to be relatively successful in promoting multilateral dialogue, humanitarian development and rule of law. The EU might not have a similar degree of authority that states like China and the U.S. possess, but it is still considered to be a crucial global economic powerhouse and as a result is not necessarily 'powerless'.<sup>70</sup> The European Security

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<sup>49</sup> Also see STONE (R.). "Institutions, Power and Interdependence", in: MILNER (H.) & MORAVCSIK (A.) (Eds.). *Power, Interdependence, and Nonstate Actors in World Politics*. Princeton University Press, Princeton & Oxford, 2009, pp. 31-49 on this subject <sup>69</sup> Due to the limits of dissertation, I am unfortunately not able to go deeper into this discussion. Please see the following author for an excellent discussion of this topic. CHESTER (L.). "Conceptualising energy security and making explicit its polysemic nature", in: *Energy Policy*. Vol. 38, 2010, pp. 887-895



Strategy (ESS) of 2003 aimed to improve the EU's position as a global negotiator by promoting 'effective multilateralism' as a core concept of EU foreign policy.<sup>71</sup> Effective multilateralism puts the development of a stronger international society, a well functioning system of international institutions and rule-based international order as its objective. The EU's emphasis on spreading effective global governance can transform the Union into a leading actor promoting reform of the multilateral system. In effect, the Union has succeeded in positioning itself as a moderator in a number of issues and has been a leader in the promotion of sustainable development, the spread of rule of law and human rights.<sup>72</sup> Crucially, it can present a doorway for the EU to improve and demonstrate its capability to successfully work, in the process avoiding the use of 'hard power', through diplomatic channels.<sup>73</sup>

A second potential advantage of the Union, largely underdeveloped by Grevo, is its potential ability to present itself as an example of intra- and interregional cooperation in the prospect of increasing interdependence as well an example as region-wide issue manager. The integration process of the European Union is a ready example of the desecuritization-process of 'traditional' inter-state tensions and the removal of the use of 'negative power' states.<sup>74</sup> The European project steadily expanded into other policy areas and increased its number of member states in order ensure stability within the continent.

<sup>70</sup> VANHOONACKER (S.). "The Institutional Framework", in: HILL (C.) & SMITH (M.). *International Relations and the European Union*. Oxford University Press, 2005, 4<sup>th</sup> edition 2005, p. 74-75; GROOM (A.J.R.). "Multilateralism as a way of life in Europe", in: RUGGIE (J.G.) (Ed.). *Multilateralism Matters: The Theory and Praxis of an Institutional Form*. Columbia University Press, New York, 1993, p. 466-471; MAYER (H.) & VOGT (H.) (Ed.). *A Responsible Europe? Ethical Foundations of EU External Affairs*. Palgrave Macmillan, 2006, New York, p. 127-139 & 181-200; DE VASCONCELOS (Á). "Multilateralising' multipolarity", in: GREVI (G.) & DE VASCONCELOS (Á). *Op. Cit.*, p. 18-21 <sup>71</sup> See EUROPEAN COMMISSION. *A Secure Europe in a better world – European Security Strategy*. Brussels, 12 December 2003, available at:

[http://europa.eu/legislation\\_summaries/justice\\_freedom\\_security/fight\\_against\\_organised\\_crime/r00004\\_en.htm](http://europa.eu/legislation_summaries/justice_freedom_security/fight_against_organised_crime/r00004_en.htm) ALECU DE FLERS (N.) & REGELSBERGER (E.). "The EU and inter-regional cooperation", in: HILL (C.) & SMITH (M.). *Op. Cit.*, p. 319 <sup>72</sup> KISSACK (R.). *Pursuing Effective Multilateralism: The European Union, International Organisations and the Politics of Decision Making*. Palgrave Macmillan, Hampshire, 2010, p.7-8

<sup>73</sup> KISSACK (R.). *Op. Cit.*, p. 40-41 & 139 & HOWORTH (J.). *Op. Cit.*, p. 467-470

<sup>74</sup> WAEVER (O.). "Insecurity, Security and asecurity", in: ADLER (E.) & BARNETT (M.) (Eds.). *Security Communities*. Cambridge University Press, Cambridge, 2000, p. 81-93

The EU is in fact an early realisation of the development of measures to cope with growing European interdependence and globalisation. While Toje argues that Grevi projects a European experience on the international system, it is surprising that no further attention is given by Grevi to the mechanisms of regional integration as engines of the spread of the use of positive power.<sup>50</sup>

## **2. Interdependence and Euro-Russian Energy Security**

### **I. EU-Russian mutual energy dependence**

The dependence of the EU on energy imports, particularly of oil and gas, forms the backdrop of policy concerns related to the security of energy supplies. The downturn in the primary production hard coal, crude oil, natural gas and more recently nuclear energy has led to a situation where the EU has become increasingly reliant on primary energy imports to satisfy its demand. This dependency has been increasing since 1999, where 45.1% of the EU's gross inland energy consumption was imported from non-member countries to the most recent estimate of 53.9% in 2009.<sup>51</sup> The largest net importers were the most populous member states, with the exception of the United Kingdom and Poland (due to their access to indigenous reserves), which in turn highlights society's increasing dependence on energy for its growth.<sup>52</sup> In 2009, Denmark was the only member state who was able to achieve a negative dependency rate whereas Malta, Luxembourg and Cyprus are virtually entirely dependent on primary energy imports.<sup>53</sup>

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<sup>50</sup> TOJE (A.). *The European Union as a Small Power: After the Post-Cold War*. Palgrave Macmillan, New York, 2010, p. 166, 167 & 169

<sup>51</sup> EUROSTAT. *Energy Balance Sheets – 2009-2010*. 26 April 2012, p. 814 & 816, Table 3, available at: [http://epp.eurostat.ec.europa.eu/portal/page/portal/product\\_details/publication?p\\_product\\_code=KS-EN-12001](http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=KS-EN-12001)

<sup>52</sup> *Ibidem*, p. 817

<sup>53</sup> *Ibidem*, p. 818

With regard to imports from Russia, it has been able to maintain a dominant position as the largest provider to EU crude oil and gas imports in the past decade. While in 2001, the EU imported 25.5% of its crude oil supplies from Russia, this number grew up to 33.2% in 2007, with a brief decrease to 31.4% in 2008. The latest calculations estimate that Russia provided 33.1% of the EU's crude oil imports in 2009. The small shift of 2008 did not necessarily imply a decrease in *absolute* dependence on Russia, it is likely that a *relative* decrease of dependence on Russian gas was the cause of this temporary shift due to the EU's attempts at diversification with existing infrastructure systems. It seems, however, that these attempts had already reached their limit by the next year.<sup>54</sup> Russia has been able to maintain a relative dominance in oil exports to the EU over the past decade. While Norway provided 20.1% of crude oil imports in 2001, it has not been able to maintain similar exports rates which resulted in a decline to 15.2% in 2009.

Natural gas imports present a different trend. Russia has been able to maintain a dominant position throughout the past decade, but has steadily been losing this relative dominance in favour of imports from Norway. In 2001, Russia provided 47.7% of the EU's imports of natural gas. This number declined steadily to 34.2% in 2009.<sup>55</sup> According to Eurostat, the security of the EU's primary energy supplies may be threatened because a high proportion of its imports remain concentrated among relatively few partners. 79.1% of the EU-27's imports of natural gas in 2009 came from either Russia, Norway or Algeria. Similar conclusions can be made with regard to crude oil and hard coal imports.<sup>56</sup> It should be noted here, that while efforts of diversification by the EU might have reduced dependence on Russia, the fact that this dependence is simply replaced by dependence on another country, such as Norway or Algeria, invalidates the genuineness of the diversification.<sup>57</sup>

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<sup>54</sup> TEKIN (A.) & WILLIAMS (P.A.). *Geo-Politics of the Euro-Asia Energy Nexus: The European Union, Russia and Turkey*. Palgrave Macmillan, London, 2011, p. 54

<sup>55</sup> EUROSTAT. *Eurostat Statistics Database-Energy*. 2010, available at:  
<http://epp.eurostat.ec.europa.eu/portal/page/portal/energy/data/database>

<sup>56</sup> EUROSTAT. *Energy Balance Sheets – 2009-2010*. 26 April 2012, p. 818

<sup>57</sup> TEKIN (A.) & WILLIAMS (P.A.). *Geo-Politics of the Euro-Asia Energy Nexus: The European Union, Russia and Turkey*. Palgrave Macmillan, London, 2011, p. 101

Conversely, Russia exports one-quarter of its oil production and three-quarters of its extracted gas to the EU, with oil and gas together having comprised nearly one-half of Russia's total 2011 exports by value and roughly 13 per cent of its overall GDP.<sup>58</sup> The remainders of Russia's oil and gas production are largely consumed within the country itself.<sup>59</sup>

It should also be emphasised, as Tekin and Williams noted, that individual member states rely on different total energy demands, various mixes of energy sources, and disparate volumes of imports and varying ranges of external suppliers.<sup>60</sup> An individual or group of countries can therefore experience different permutations of dependence which result in varying geopolitical implications.<sup>61</sup> These factors have hindered the success of EU efforts to develop unity between its member states in order to ensure it speaks with one voice on matters of crucial urgency to its energy security.<sup>87</sup>

## II. A symbiotic relationship of Russian state and energy companies?

While president Yeltsin had promoted the denationalization and privatization of USSR state energy companies and supported the formation of joint-stock corporations through the

1995 loans-for-share scheme, this policy was largely revoked when Putin came to power.<sup>62</sup>

Putin's vision of Russia's role in the world has been the reinstatement of Russia as a dominant

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<sup>58</sup> BP GROUP. *Statistical Review of World Energy: Full Report 2012*. 2012, available at:

<http://www.bp.com/sectionbodycopy.do?categoryId=7500&contentId=7068481> & WORLD BANK. *Russian Federation at a glance*. 29/03/2012, available at: [http://devdata.worldbank.org/aag/rus\\_aag.pdf](http://devdata.worldbank.org/aag/rus_aag.pdf)

<sup>59</sup> TEKIN (A.) & WILLIAMS (P.A.). "EU-Russian Relations and Turkey's Role as an Energy Corridor", in: *EuropeAsia Studies*. Vol. 61, No. 2, March 2009, p. 340

<sup>60</sup> TEKIN (A.) & WILLIAMS (P.A.). *Geo-Politics of the Euro-Asia Energy Nexus: The European Union, Russia and Turkey*. Palgrave Macmillan, London, 2011, p. 70

<sup>61</sup> *Ibidem.*, p. 102 <sup>87</sup> *Ibidem.*, p. 70; EUROPEAN COMMISSION. *Second Strategic Energy Review: An EU Energy Security and Solidarity Action Plan*. 2008, available at:

<http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0781:FIN:EN:pdf>

<sup>62</sup> LARSSON (R.). *Russia's energy policy: Security Dimensions and Russia's reliability as an energy supplier*. 2006, available at: <http://www2.foi.se/rapp/foir1934.pdf>; HASHIM (S.M.). "Power-loss or power-transition? Assessing

power in the international system through the ideology of 'sovereign democracy'.<sup>63</sup> By 2003, the Russian oil sector was dominated by four private companies with the remainder of the companies being controlled by the state.<sup>64</sup> Through the combined use of re-auctioning oil field development rights already auctioned to foreign energy companies and the use of audits, the Russian state managed to increase its share in private oil companies from 11.5% in 2004 to 38.9% in 2007.<sup>65</sup> In combination to these evolutions, it is worth noting Russia's oil exports are virtually monopolised by the state-owned Transneft which owns the Russian oil pipelines, while Gazprom controls almost 90% of Russian natural gas production and all of the country's gas exports.<sup>92</sup>

Gazprom and Transneft have also been heavily involved in expansion to both up- and downstream sectors. Gazprom has sought to buy into local storage nodes and distribution channels within the EU, such as critical gas storage and transmission points in Austria.<sup>66</sup> The aim of Gazprom is to capture the profit margins that go to downstream suppliers.<sup>67</sup> In the 1990s, Gazprom started Wingas in Germany as a joint-venture with BASF-Wintershall which enabled it to take a 13% share of the wholesale market. Since then, it has moved into other EU member states and has taken

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the limits of using the energy sector in reviving Russia's geopolitical stature", in: *Communist and PostCommunist Studies*. Vol. 43, 2010, p. 266-267

<sup>63</sup> "Democracy here is [...] a system of political competition to select the best leaders, with the aim of becoming integrated into the world economy, having access to technologies and investment from the most developed countries." Sovereignty refers to freedom and independence from external influences, including within strategic sectors. See: MORALES (J.). "Russia as an Energy Great Power: Consequences for EU Security", in: MARQUINA (A.) (Ed.). *Energy Security: Visions from Asia and Europe*. Palgrave Macmillan, New York, 2008, p.25-28

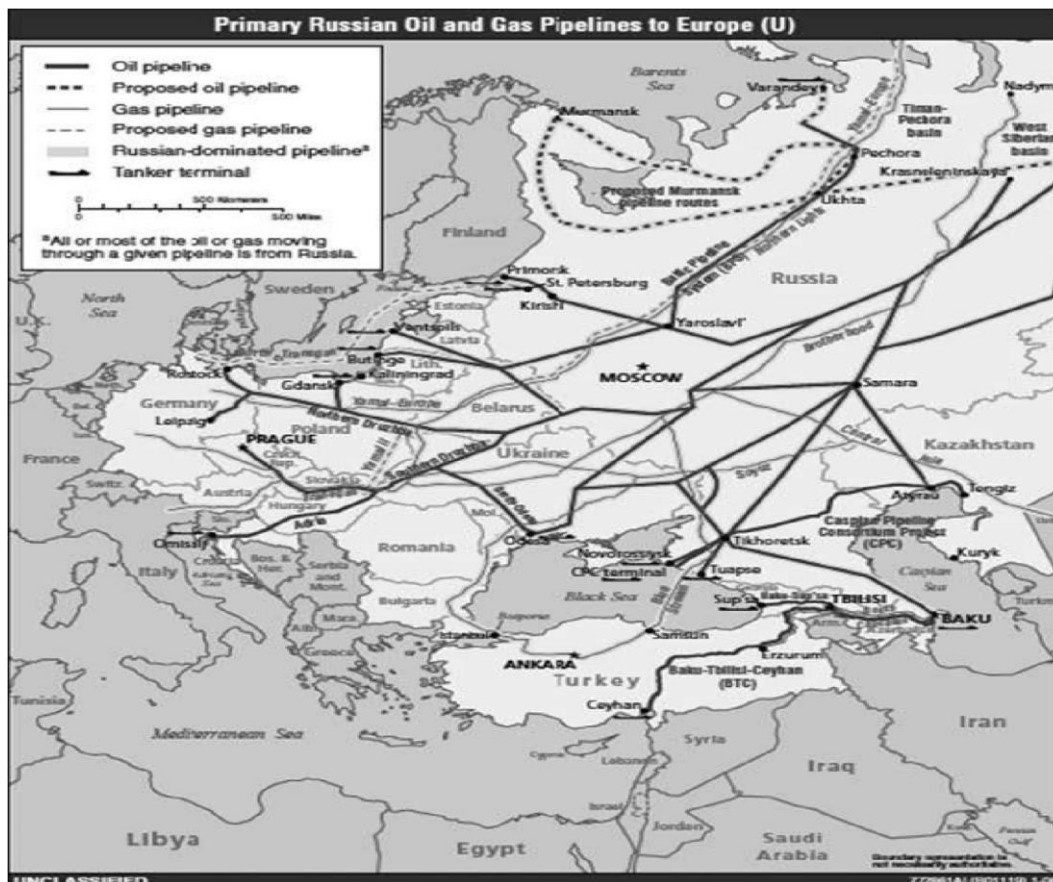
<sup>64</sup> Apart from Sibneft. HASHIM (S.M.). *Op. Cit.*, p. 267

<sup>65</sup> *Ibidem*, p. 267; KOMMERSANT. *Russia compared to Saudi Arabia*. 31 October 2007, [http://www.kommersant.com/p-11572/r\\_500/Rice\\_Russia](http://www.kommersant.com/p-11572/r_500/Rice_Russia); Gazprom also ventured into the oil sector after acquiring Sibneft in 2005. MITSUI & CO. Ltd. *Gazprom Enters Sakhalin II Project*. Mitsui & Co. Ltd., 2007, available at: [http://www.mitsui.co.jp/en/release/2007/1176690\\_1769.html](http://www.mitsui.co.jp/en/release/2007/1176690_1769.html); STERN (J.). *Is Russia a threat to energy supplies?* Discussion Paper, Oxford Institute for Energy Studies, 2006, pp. 3-4; FINON (D.) & LOCATELLI (C.). "Russian and European gas interdependence: Could contractual trade channel geopolitics?", in: *Energy Policy*. Vol. 36, 2008, p. 426 <sup>92</sup> TEKIN (A.) & WILLIAMS (P.A.). *Geo-Politics of the Euro-Asia Energy Nexus: The European Union, Russia and Turkey*. Palgrave Macmillan, London, 2011, p. 55; The Russian Economy Minister Andrei Belousov recently announced that the Russian state is going to reduce its stake in Transneft to 75% of the shares by 2016. See: BLOOMBERG. *Transneft Jumps Most in 2 Weeks On State Stake Bet: Moscow Mover*. 07 June, 2012, available at: <http://www.bloomberg.com/news/2012-06-07/transneft-jumps-most-in-2-weeks-on-state-stake-bet-moscowmover.html>

<sup>66</sup> LUCAS (E.). *The New Cold War*. Palgrave Macmillan, New York and Houndsmills, UK, 2008, p. 179-180

<sup>67</sup> FINON (D.) & LOCATELLI (C.). *Op. Cit.*, p. 435

advantage of the EU's energy liberalisation and privatization efforts.<sup>68</sup> In the last decade, Gazprom has shown specific interest in strengthening its position in western European states. Several EU-12 states remain fully gas-dependent on Gazprom, which owns majority shares of all of their gas monopolies.<sup>66</sup> It is clear that, as Finon and Locatelli emphasised, Gazprom's strategy is to maintain its sales in countries that are heavily dependent on its gas, through aggressive stock purchasing.<sup>69</sup> Similar strategies are noticeable with regard to Transneft.<sup>70</sup>



Map 1. Eurasian energy pipelines<sup>71</sup>

<sup>68</sup> *Ibidem*, p. 435 <sup>96</sup> WAEVER (S.). "Gazprom: the octopus in Europe's energy market", in: *European Affairs*. 10(1-2), 2009, p. 5152; TEKIN (A.) & WILLIAMS (P.A.). *Op. Cit.*, p. 110; GOLDMAN (M.). "The dog barks but the Caravan moves on", in: *Demokratizatsiya*. Vol. 15(4), 2007, p. 363; HASHIM (S.M.). *Op. Cit.*, p. 268. For more examples, see: WAEVER (S.). "Gazprom: the octopus in Europe's energy market", in: *European Affairs*. 10(1-2), 2009, p. 51-52. For more examples of Gazprom subsidiaries, see DE SOUZA (L.V.). *A Different Country: Russia's Economic Resurgence*. CEPS, Brussels, 2008

<sup>69</sup> FINON (D.) & LOCATELLI (C.). *Op. Cit.*, p. 435

<sup>70</sup> EURASIAN ENERGY ANALYSIS. *What is Happening at Transneft?* 3 December 2010, available at: <http://eurasianenergyanalysis.blogspot.co.uk/2010/12/what-is-happening-at-transneft.html>

<sup>71</sup> From: ENERGY INFORMATION ADMINISTRATION. *Country Analysis Briefs: Russia*. November 2010, available at: <http://www.eia.doe.gov/cabs/Russia/pdf.pdf>

A second factor of concern for the EU's dependence on Russia is the current structure of its oil- and gas pipeline network. The physical transit of a majority of the oil and gas imports to the Union runs through pipelines of Belarus and Ukraine. Both transit countries are almost fully depended on imports of Russian gas and oil and have "*exemplified the difficulty of balancing the potentially clashing roles of import-dependent consumer and reliable transit pipeline operator.*"<sup>72</sup>

However, this dependency works both ways. Gazprom relies for 80% of its gas exports to Europe on the Ukraine, making the pipeline a prone target of political or technical failures.<sup>73</sup>

Similar aggressive pricing and investment strategies are noticeable with regard to the pipeline infrastructure. In January 2007, Transneft halted oil deliveries to Belarus in retaliation for a Belarusian failure to accede to Transneft's demand that it accept higher prices and pay an export tariff commensurable to what Belarus was earning from refining Russian oil and reexporting it to Europe. This forced European countries dependent on oil from Belarus to resort to oil stocks and to pressure both the Belarusian and Russian governments to reinstate transit of oil. The stoppage ended with Belarus's consent to remit one-third of the normal export duty to Transneft in return for suppressing transit fees required of Transneft.<sup>74</sup> The following year, a similar threat by Gazprom to halt gas shipments to Belarus was resolved by an agreement to double Belarusian gas prices over 2006 levels and by giving the company a majority stake in local monopoly operator Beltransgaz, thus further expanding Russian influence in the transit corridor.<sup>75</sup> In 2010, after a series of provocative threats between Transneft and the Belarus government, Transneft cut shipments to the Naftan and Mozyr refineries, although EU-bound transit supplies continued without disruption.<sup>76</sup>

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<sup>72</sup> TEKIN (A.) & WILLIAMS (P.A.). *Op. Cit.*, p. 83

<sup>73</sup> BILGIN (M.). "Energy Security and Russia's gas strategy: The symbiotic relationship between the state and firms", in: *Communist and Post-Communist Studies*. Vol. 44, 2011, p. 122

<sup>74</sup> TEKIN (A.) & WILLIAMS (P.A.). *Op. Cit.*, p. 84 & INTERNATIONAL ENERGY AGENCY. *Oil Market report*. OECD/IEA, Paris, 15 January 2010, available at: <http://omrpublic.iea.org/omrarchive/15jan10full.pdf>

<sup>75</sup> WOEHREL (S.). *Russian Energy Policy Toward Neighboring Countries*. Congressional Research Service, Washington D.C., 2009, p. 13

<sup>76</sup> INTERNATIONAL HERALD TRIBUNE. *In Ukraine, missed debt payment signals strain; gas transport firm's woes add new complexity to relations with Russia*. 2 October 2009 & INTERNATIONAL HERALD TRIBUNE. *Russian pipeline raises fears in Eastern Europe; German link creates worry over new leverage in former soviet bloc*. 14 October 2009

An excessively problematic issue is the Ukraine's role in sending four-fifths of Russia's gas exports to Europe, ensuring the supply of one-fifth of the EU-27's collective gas demand.<sup>77</sup> The Gazprom gas cut-offs of 2006 and 2009, were a wake-up call to EU officials of the critical nature of their energy dependence to Russia. The cut-offs resulted from disputes surrounding Ukraine's accumulated debt for past gas imports, as well as the price it would pay for future imports, and the amount that Ukraine would earn in the process as a transit host.<sup>78</sup> The fact that the cut-off took place in the context of the 'Orange Revolution' suggested that the cut-off had a parallel use as a political tool and which was deemed "*completely unacceptable*" by the EU.<sup>79</sup> The 2006 crisis was resolved partially by the creation of the joint venture UkrGazEnergo, which granted the intermediary firm RosUkrEnergo, itself 50% owned by Gazprom, 50% of the Ukrainian market.<sup>80</sup> The joint venture was short lived, however, when a brief cut-off in 2008 forced the Ukrainian government to eliminate said company in favour of direct access for Gazprom.<sup>81</sup>

These crises have led some EU member states, independent from EU plans, to research cooperation measures with Russian companies for alternatives supply venues for oil and gas, which, for example, led to Transneft's expansion of the Baltic Pipeline System's throughput capacity.<sup>82</sup> The company has also been pursuing the Burgas-Alexandroupolis oil pipeline project in cooperation with the Italian firm Eni to create a new route that bypasses Turkey's Bosphorus Straits.<sup>83</sup> Similar projects are underway with regard to gas. Major European energy firms have been investing in alternative routes in the hope of gaining a reciprocal share of Russia's upstream sector. The Nord Stream project which partners major German, Dutch and French energy firms –

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<sup>77</sup> TEKIN (A.) & WILLIAMS (P.A.). *Op. Cit.*, p. 85

<sup>78</sup> *Ibidem*, p. 85; STERN (J.). "The new security environment for European gas: worsening geopolitics and increasing global competition for LNG", in: LÉVÊQUE (F.), GLACHANT (J.-M.), BARQUÍN (J.), VON HIRSCHHAUSEN (C.), HOLZ (F.) & NUTALL (W.J.) (Eds.). *Security of Energy Supply in Europe: Natural Gas, Nuclear and Hydrogen*. Edward Elgar Publishing Ltd., Cheltenham, 2010, p. 59-60

<sup>79</sup> BILGIN (M.). *Op. Cit.*, p. 123; BBC NEWS. *Russian-Ukraine gas row*. BBC News, 20 January 2009, available at: <http://news.bbc.co.uk/2/hi/europe/7240462.stm>

<sup>80</sup> TEKIN (A.) & WILLIAMS (P.A.). *Op. Cit.*, p. 85

<sup>81</sup> WALL STREET JOURNAL EUROPE. *Gas-supply battle heats escalates between Russia and Ukraine*. 5 March 2008

<sup>82</sup> ENERGY INFORMATION ADMINISTRATION. *Country Analysis Briefs: Russia*. November 2010, available at: <http://www.eia.doe.gov/cabs/Russia/pdf.pdf>

<sup>83</sup> TEKIN (A.) & WILLIAMS (P.A.). *Op. Cit.*, p. 92



totalling a 49% share – and Gazprom – owning a 51% share – became functional in 2011 and transports up to 55 billion cubic metres of gas per year to EU markets through Germany.<sup>84</sup> Since the project provides a majority share to Gazprom, the project has been criticized for enhancing Russian state influence over Baltic states, Belarus, Ukraine and Poland and for eliminating their respective revenues as transit states. The project is especially a symbol of the remaining tendency for EU member states to prefer bilateral and firm interests over EU solidarity, even though the project has received support from the European Parliament and Council.<sup>85</sup> Smith argues, however, that EU acceptance of the project should better be interpreted as the treatment of Russia as a benign power, aiming to induce a more cooperative atmosphere in mutual relations.<sup>86</sup>

The South Stream project, which is currently awaiting its final investment decision and would span across the Black Sea to Bulgaria, received similar criticism.<sup>87</sup> Russia has currently already signed intergovernmental agreements with Bulgaria, Serbia, Hungary, Greece, Slovenia, Austria and Croatia for the purpose of implementing the onshore pipeline section in Europe.<sup>88</sup> Nonetheless, it is questionable whether both projects would truly improve EU energy security, as both projects entail a share majority for Gazprom and leave connected countries vulnerable for the political and economical implications of a Russian-sided cut-off of energy resources.<sup>89</sup> Diversification of energy imports is also not genuine if dependence context is changed from only one access point to multiple access points *between the same two countries*.

While Russian energy interests aimed to strengthen their influence within the European gas and oil market through the acquisition of majority shares of both up- and downstream facilities, Gazprom and Transneft have also attempted to expand to other third-party regions in the hope

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<sup>84</sup> <http://www.nord-stream.com/pipeline/>; LARSSON (R.L.). *Nord Stream, Sweden and Baltic Sea Security – Base data report March 2007*. FOI-Swedish Defense Research Agency, Stockholm, available at: <http://www.ii.umich.edu/UMICH/ceseuc/Home/ACADEMICS/Research%20Projects/Energy%20Security%20in%20Europe%20and%20Eurasia/Nord%20Stream,%20Sweden%20and%20Baltic%20Sea%20Security.pdf>.

<sup>85</sup> TEKIN (A.) & WILLIAMS (P.A.). *Op. Cit.*, p. 93

<sup>86</sup> SMITH (K.). “A bear at the door”, in: *The Journal of International Security Affairs*. (13), Fall 2007, p. 55

<sup>87</sup> RT. *Russia forges ahead with South Stream, signs deal with Bulgaria*. 28 August, 2012, available at: <http://rt.com/business/news/russia-gas-south-stream-bulgaria-748/>

<sup>88</sup> BAEV (P.K.). “From European to Eurasian energy security: Russia needs and energy Perestroika”, in: *Journal of Eurasian Studies*. xxx, 2012, p. 4-5

<sup>89</sup> BILGIN (M.). *Op. Cit.*, p. 123

combating the EU's ability of diversification through engage with a greater number of partners. This has been labelled by Tekin and Williams as the strategy of 'far encirclement'. In short, it "suggests that Gazprom seeks cooperative, coordinative or cooptative relationships with a number of NOCs in other key gas producing areas of the world,[...], in order to curtail the nature and degree of competition it faces in 'downstream' markets."<sup>90</sup> This has especially been the case for the Caspian region where, increasingly, non-Russian pipeline routes have come online in an effort of countries such as Azerbaijan and Kazakhstan to avoid the Soviet-era, Gazprom owned, Central Asia Centre Pipeline. Consequently, EU efforts to diversify its range of suppliers by accessing Caspian gas have been strongly hindered by Gazprom's utilisation of Moscow's presence in the region.<sup>91</sup> The aim of Gazprom and Transneft within the region has been to ensure that energy resources, which would normally travel via Turkey to the EU, pass through Russian territory first. This method allows Gazprom and Transneft to acquire these resources cheaply and allows them to re-export the respective resources at higher price-rates and thus avoid price competition elsewhere in Europe.<sup>92</sup> Similar efforts have been noticeable in the Middle East and Northern Africa.<sup>121</sup>

The increasing Russian influence within and around Europe have raised fears regarding Russia's ability to use its energy influence as a political tool to influence political behaviour of client states, also described as an 'energy weapon'.<sup>93</sup>

As such, this context suggests incredible European energy dependence on Russia which would be difficult to describe as interdependent, even if it were to be defined strongly asymmetrical.

However, it is necessary to assess whether the Russian energy firms can truly be considered to be political tools of the Russian state. While it is true that the energy sector is of

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<sup>90</sup> TEKIN (A.) & WILLIAMS (P.A.). *Op. Cit.*, p. 111

<sup>91</sup> ANDRIANOPOULUS (A.). "The economics and politics of Caspian oil", in: *Southeast Europe and Black Sea Studies*. Vol. 3(3), 2003, p. 76-80; TEKIN (A.) & WILLIAMS (P.A.). *Op. Cit.*, p. 112

<sup>92</sup> SMITH STEGEN (K.). "Deconstructing the "energy weapon": Russia's threat to Europe as case study", in: *Energy Policy*. Vol. 39, 2011, p. 6508; BILGIN (M.). *Op. Cit.*, p. 124; THE FINANCIAL TIMES. *Russia and Italy sign gas supply deal*. 16 May 2009, p. 3 <sup>121</sup> Iraq is especially noticeable in this regard, see: TEKIN (A.) & WILLIAMS (P.A.). *Op. Cit.*, p. 114-6; With regard to investments in North-Africa, see p. 116-118

<sup>93</sup> SMITH STEGEN (K.). *Op. Cit.*, p. 6505

crucial importance to the Russian state – it was declared so by presidential decree in 2003<sup>94</sup> – three diverging perspectives exist within the academic debate in this regard: First, Gazprom and Transneft *are* truly tools of the Russian state in order to strengthen its respective power within the international system and within bilateral engagements. Second, some scholars have argued that the opposite is rather true and that both firms are able to act relatively independently from the state. And third, an increasing body of scholars have stated that the Russian state-energy firm relation is best characterised as being a ‘symbiotic relationship’, where both parties reaffirm and play into each other’s interests. This perspective is strongly defended by Bilgin, as he claims that that Russia does not consider Gazprom or Transneft as a major impediment to the liberalisation of the energy sector, but rather defines the companies as independent with extensive contributions to the state.<sup>95</sup>

It is understandable that differing views of the relationship between the Kremlin and its national energy companies exist, as many of the internal processes between both parties are relatively shrouded in mystery. As Smith Stegen noted, “*In many ways, Gazprom appears to operate as the Russian national gas company: the state earns 8% of its GDP through its 51% ownership of Gazprom and has the right,[...], to shake up Gazprom’s management. Moreover, the revolving door between the Kremlin and the leadership of Gazprom [...] indicates that Gazprom’s decision-makers are acutely aware of the Kremlin’s foreign policy goals.*”<sup>96</sup> Gazprom, however, claims to be an independent commercial company and has attempted public relations initiatives to support this

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<sup>94</sup> MINISTRY OF ENERGY OF THE RUSSIAN FEDERATION. *The summary of the energy strategy of Russia for the period of up to 2020*. 2003, available at:

[http://ec.europa.eu/energy/Russia/events/doc/2003\\_strategy\\_2020\\_en.pdf](http://ec.europa.eu/energy/Russia/events/doc/2003_strategy_2020_en.pdf)

<sup>95</sup> BILGIN (M.). *Op. Cit.*, p. 124; UK HOUSE OF LORDS – EUROPEAN UNION COMMITTEE. *The European Union and Russia*. 14<sup>th</sup> Report of Session 2007-08, TSO, Norwich, 2008; argument presented by BILGIN (M.). *Op. Cit.*, p. 124

<sup>96</sup> SMITH STEGEN (K.). *Op. Cit.*, p. 6506; Also see: ERICSON (R.E.). “Eurasian natural gas pipelines: the political economy of network interdependence”, in: *Eurasian Geography and Economics*. Vol. 50(1), 2009, pp. 28-57

view. These initiatives have only been met with little success.<sup>97</sup> Some Russian authors, such as Zygar and Panyushkin, have reaffirmed this perspective.<sup>98</sup> According to Smith Stegen, it is especially the Russian government's own stance on confirming its power over Gazprom that fuels these suspicions.<sup>99</sup> In an interview in 2010, Medvedev acknowledged, for example, that gas prices were a key issue in the Russian-Ukraine arrangement over the Black Sea fleet.<sup>100</sup>

According to an official of the European Commission, it is no coincidence that the interests of the energy firms and the Russian state are closely connected. While it is true that the CEO of Gazprom is politically chosen by the government, he emphasises that both parties have very different objectives with regard to domestic gas prices and energy services. Crucial here is that both energy firms have had an influx of new people over recent years that have received western-styled education, and as a result maintain very different perspectives on both international and domestic strategy. The old 'Communist garde', which is very geopolitically oriented, is slowly disappearing. This has been heavily influential to both Gazprom and Transneft's perspective of priorities abroad and has resulted in a re-evaluation of the role the Kremlin's objectives play in this matter.<sup>101</sup>

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<sup>97</sup> STELZER (I.). *Energy Policy: Abandon Hope All Ye Who Enter Here*. Hudson Institute White Paper, Washington D.C., 2008; also see KRASTEV (I.), LEONARD (M.), BECHEV (D.), KOBZOVA (J.), WILSON (A.). *The Spectre of a Multipolar Europe*. European Council on Foreign Relations, October 2010 & VATANSEVER (A.). *Russia's Oil Exports –Economic Rationale Versus Strategic Gains*. Carnegie Papers, Carnegie Endowment of International Peace, December 2010 for similar perspectives. Based on: SMITH STEGEN (K.). *Op. Cit.*, p. 6506

<sup>98</sup> ZYGAR (M.) & PANYUSHKIN (V.). *Gazprom: The New Russian Weapon*. Zakharov Books, Moscow, 2008

<sup>99</sup> SMITH STEGEN (K.). *Op. Cit.*, p. 6506

<sup>100</sup> *Ibidem*; See REUTERS. *Russia plans to update Black Sea Fleet – Interfax*. 25 October 2010, available at: <http://in.reuters.com/article/2010/10/25/idINIndia-52426320101025>

<sup>101</sup> Interview conducted with an EU Commission Official, conducted by Marc Van Impe (for the purpose of this dissertation), in Brussels, 10 July 2012

### III. Forgotten Russian dependency

While Gazprom and Transneft's strategy of aggressive acquisition of majority shares of energy-related companies within Europe has been partly responsible for the increase of EU economic dependence on Russian gas and oil, both sectors have failed to modernize its energy infrastructure. As the state is forced to deal with a myriad of socioeconomic problems created in the post-Soviet era, it has become immensely dependent on Western technology and investments to replace and modernize Soviet-era energy infrastructure.<sup>102</sup> This has led to worries within the EU whether Russia would be able to increase or even maintain its current export rates in the coming decades, as the increased exploitation of existing sources in Western Siberia has led to a decrease in the region's reserves.<sup>132</sup> Both the oil and gas sectors suffer from inadequate and archaic forms of exploration, development and production technology.<sup>103</sup> Russia is also faced with problems of transportation of energy resources through its pipeline monopolies due to the Russian government and companies' inability to perform frequent repairs and to develop additional infrastructure to resolve bottlenecks which hinder smooth supply to the EU. In order to respond to growing foreign and domestic demand, heavy investments would be required in the Yamal Peninsula. The lack investments implicate that these fields will not produce large volumes prior to 2015.<sup>134</sup> At present, Gazprom is only allocating 30% of its investments to developing production.<sup>104</sup> While Russia is also exploring options to the Chinese markets, the inability of the Russian and Chinese governments to come to agreement makes it unlikely that Russia will be able to export to these markets in the coming decade. As a result, it will remain dependent on energy exports to the EU for the foreseeable future.<sup>105</sup>

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<sup>102</sup> HASHIM (S.M.). *Op. Cit.*, p. 269 <sup>132</sup> Shrinking by 23 billion barrels of oil between 1993 and 2005. See: PIROG (R.). *CRS REPORT for Congress: Russian Oil and Gas Challenges*. 2007, available at: <http://www.fas.org/sgp/crs/row/RL33212.pdf>

<sup>103</sup> HASHIM (S.M.). *Op. Cit.*, p. 269 <sup>134</sup> STERN (J.). "The new security environment for European gas: worsening geopolitics and increasing global competition for LNG", in: LÉVÊQUE (F.), GLACHANT (J.-M.), BARQUÍN (J.), VON HIRSCHHAUSEN (C.), HOLZ (F.) & NUTALL (W.J.) (Eds.). *Security of Energy Supply in Europe: Natural Gas, Nuclear and Hydrogen*. Edward Elgar Publishing Ltd., Cheltenham, 2010, p. 63

<sup>104</sup> FINON (D.) & LOCATELLI (C.). *Op. Cit.* Vol. 36, 2008, p. 433

<sup>105</sup> FT. *Deal Highlights Growing China-Russian Ties*. 25 June 2012, available at: <http://www.ft.com/cms/s/0/ae505e1e-aa42-11e1-899d-00144feabdc0.html#axzz24wmQwc7A>; PIROG (R.).

Gazprom and Transneft's contract strategies are a second aspect of Russian dependence on the EU. The energy market liberalisation initiatives in the EU have resulted in a context where spot-market or short-term contracts are increasingly becoming the dominant economic interaction due to the increased competitiveness of the energy market. As European energy companies are increasingly denationalised, it has become lucrative to engage in short-term deals in order to accommodate price fluctuations and market changes.<sup>106</sup> While this had already been the case for the oil market for some time, both Gazprom *and* Transneft find it increasingly difficult to renew its contracts due to windfalls from energy trade.<sup>107</sup> This is largely due to the fact that both energy companies, and the Russian government who subsidises these companies, favour long-term contracts rather than adapting to changes of the characteristics of the market.<sup>108</sup>

While Gazprom succeeded in contracting with some of the major European gas companies in 2006, it was forced to make concessions by decreasing the length of these contracts from the previous 30 years to 20-years agreements.<sup>109</sup> This situation has resulted in a vicious circle wherein the Russian government has put *demand* rather than *supply* security<sup>110</sup> as the basis for its energy relations with Europe: Because of the fact that the Russian government and Russian energy companies find it increasingly hard to arrange long-term deals and increasing prospective of decreased growth of gas import rates of the EU till 2030,<sup>111</sup> the Russian government is unwilling

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CRS REPORT for Congress: *Russian Oil and Gas Challenges*. 2007, available at:

<http://www.fas.org/sgp/crs/row/RL33212.pdf> & GLOBAL POST. *China and Russia sign deals worth \$15 billion*. 29 April, 2012, available at: <http://www.globalpost.com/dispatch/news/regions/europe/russia/120429/chinaand-russia-sign-deals-worth-15-billion>; HASHIM (S.M.). *Op. Cit.*, p. 271 & SEVASTYANOV (S.). "The more assertive and pragmatic new energy policy in Putin's Russia: security implications for Northeast Asia, East Asia", in: *International Quarterly*. Vol. 25(1), p. 39

<sup>106</sup> FINON (D.) & LOCATELLI (C.). *Op. Cit.* Vol. 36, 2008, p. 430

<sup>107</sup> CLOSSON (S.). "A comparative analysis on energy subsidies in Soviet and Russian policy", in: *Communist and Post-Communist Studies*. Vol. 44, 2011, p. 353

<sup>108</sup> FINON (D.) & LOCATELLI (C.). *Op. Cit.* Vol. 36, 2008, p. 430

<sup>109</sup> *Ibidem*, p. 430; These companies were E.ON-Ruhrigas, BASF-Wintershall, OMV, ENI, GDF and DONG.

<sup>110</sup> In this case, supply security refers to the vulnerabilities involved with the producing country being unable to maintain production or reach demand. Demand security refers to the security of maintaining adequate demand.

<sup>111</sup> UMBACH (F.). "Global energy security and its implications for the EU", in: *Energy Policy*. 38, 2010, p. 1237; HIRSCHL (R.), SCHLAAK (T.) & WATERLANDER (O.). *International Gas Markets. Security of Demand and Supply: Different Sides of the Same Coin?* Booz-Allen-Hamilton, Amsterdam-Düsseldorf-Vienna, 2007; GOETZ (R.). *Russlands Erdgas und Europas Energiesicherheit*. SWP-Studie S21, Berlin, August 2007

to invest in long-term, expensive projects, which would secure future resource supply, and prefers to support demand security through acquisitions in Europe. It has also become increasingly wary of EU energy efficiency and supply diversification.<sup>112</sup>

Conversely, European players are increasingly aware that the lack of production investments in Russia implies a Russian inability to sustain increasing production and export rates to meet increasing energy demands in Europe. For this reason, these players are increasingly unwilling to engage in long-term contracts with Russian energy firms. Moreover, because “*the Russian domestic retail market is heavily subsidised, state energy firms,[...], require revenue from European and foreign entities, either as customers or joint investors, to maintain and upgrade the basic production capacity of Russia’s fields.*”<sup>144</sup> The lack of Russian investments in supply security – and the lack of funds to do so – will decrease its demand security in the longterm.<sup>113</sup>

There are some signs that the Russian government is becoming increasingly aware of these issues. The economic crisis of 2009, and the immense budget deficit it caused, convinced the Russian leadership that dependency on energy windfalls would not sustain future economic growth. In response, the Russian government launched the Skolkova project in order to attract foreign investments for high tech research and production.<sup>114</sup> It also announced plans to make Moscow an International Financial Centre and most recently finally decided to join the World Trade Organization, which would imply a further liberalisation and opening to foreign investments of the Russian energy market.

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<sup>112</sup> BAEV (P.K.). “From European to Eurasian energy security: Russia needs and energy Perestroika”, in: *Journal of Eurasian Studies*. xxx, 2012, p. 5 <sup>144</sup> TEKIN (A.) & WILLIAMS (P.A.). “EU-Russian Relations and Turkey’s Role as an Energy Corridor”, in: *EuropeAsia Studies*. Vol. 61, No. 2, March 2009, p. 340; also see ROBERTS (J.M.). “The Black Sea and European Energy Security”, in: *Southeast Europe and Black Sea Studies*. 6(2), 2006, p. 220-221 & VICTOR (N.M.) & VICTOR (D.G.). “Bypassing Ukraine: Exporting Russian Gas to Poland and Germany”, in: VICTOR (D.G.), JAFFE (A.M.), HAYES (M.H.) (Eds.). *Natural Gas and Geopolitics: From 1970 to 2040*. Cambridge University Press, Cambridge, 2006, p. 139-41

<sup>113</sup> CLOSSON (S.). *Op. Cit.*, p. 353; FINON (D.) & LOCATELLI (C.). *Op. Cit.* Vol. 36, 2008, p. 430-2; TEKIN (A.) & WILLIAMS (P.A.). *Geo-Politics of the Euro-Asia Energy Nexus: The European Union, Russia and Turkey*. Palgrave Macmillan, London, 2011, p. 77, 83 & 141

<sup>114</sup> CLOSSON (S.). *Op. Cit.*, p. 354

These evolutions were hailed by the EU and portrayed as an example of EU-Russian cooperation.<sup>115</sup> How these evolutions will affect the future of Russian energy security, however, remains to be seen.<sup>116</sup>

#### IV. EU energy policy responses to the energy dependence on Russia

In 2006, Solana, then High Representative for the CFSP, summarised the EU's context of dependency on Russia: "*Russia will be the mainstay of [EU] energy imports.*"<sup>117</sup> In the process, Russia was distinguished from other energy partners, which motivated attempts at the development of a special, strategic partnership with the country.<sup>118</sup> Due to the precarious situation of being unable to produce its own energy resources to meet growing energy demands, it has become clear to the EU that it is in need of a unified approach to its external energy policy. This conclusion was reiterated by the EU presidency in 2007, when it stated that "*The development of a common approach to external energy policy has to be speeded up, involving consumer-to-producer as well as consumer-to-consumer and consumer-to-transit countries, dialogues and partnerships through organisations such as OPEC*" if it wishes to maintain an adequate level of energy security.<sup>119</sup> The paper subsequently argued that for this process, the negotiation and finalisation of a 'post-partnership' and cooperation agreement with Russia, in particular with regard to energy issues, would be crucial. Central to this conclusion is the emphasis that is put on the cooperative efforts between both actors as the only solution to shared energy issues.

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<sup>115</sup> EUROPEAN COMMISSION. *EU-Russia Energy Dialogue - The First Ten Years: 2000-2010*. Brussels, 2011, available at: [http://ec.europa.eu/energy/publications/doc/2011\\_eu-russia\\_energy\\_relations.pdf](http://ec.europa.eu/energy/publications/doc/2011_eu-russia_energy_relations.pdf)

<sup>116</sup> BBC NEWS. *Russia's entry to World Trade Organization hailed by EU*. 22 August 2012, available at: <http://www.bbc.co.uk/news/business-19345844>; BLOOMBERG. *WTO Admits Russia as 156<sup>th</sup> Member to CAP 18-Year Talks: Economy*. 22 August, 2012, available at: <http://www.businessweek.com/news/2012-08-22/wtoadmits-russia-as-156th-member-to-cap-18-year-talks-economy>

<sup>117</sup> SOLANA (J.). *Towards an EU External Energy policy*. 20 November 2006, available at: [http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressdata/EN/discours/91788.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/EN/discours/91788.pdf)

<sup>118</sup> TEKIN (A.) & WILLIAMS (P.A.). *Geo-Politics of the Euro-Asia Energy Nexus: The European Union, Russia and Turkey*. Palgrave Macmillan, London, 2011, p. 54

<sup>119</sup> EUROPEAN COUNCIL. *Presidency Conclusions Brussels European Council 8/9 March 2007*. 7224/1/07, Brussels, 2007, available at: <http://register.consilium.europa.eu/pdf/en/07/st07/st07224-re01.en07.pdf>



The EU institutionally contrasts with Russia at several levels in the field of energy, where resource scarcity has motivated effective integration in extended regional energy markets.<sup>120</sup> As Finon and Locatelli have noted, it contrasts with regard to the variety and complexity of relationships between the energy companies and the governmental spheres, both at the level of the member states and the EU. Although energy market integration has characterised internal EU policy in the past decade, large discrepancies still exist between national markets. A second contrast with Russia is with the EU's lack of classical attributes of a State and means of geopolitical power which explains its emphasis on multilateralism within the international system.<sup>121</sup> To make up for these shortcomings, the EU has resorted to the use of 'soft power' and the conceptualisation of its dependence in terms of interdependence.<sup>154</sup> While energy policy has largely remained a competence of the member states, it has recently been redefined as shared competence of both the EU and its member states within the Lisbon Treaty. Braun has pointed out, however, that mechanisms of solidarity between both level are still particularly weak and that, even though cooperation is the central concept for the EU's foreign energy policy, member states still retain a large degree of freedom to act bilaterally, independently from the Union and its set goals.<sup>122</sup>

The start of efforts to promote cooperation between the EU and Russia, and the related development of their energy relationship into a 'partnership', was the 10-year bilateral Partnership and Cooperation Agreement which came into force in 1997.<sup>123</sup> The Agreement largely entailed legal arrangements with regard to political dialogue, trade and cooperation in economic matters, justice and home affairs and bilateral cooperation.<sup>124</sup> It also addressed the need for

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<sup>120</sup> FINON (D.) & LOCATELLI (C.). "Russian and European gas interdependence: Could contractual trade channel geopolitics?", in: *Energy Policy*. Vol. 36, 2008, p. 426

<sup>121</sup> *Ibidem*, p. 426 <sup>154</sup> LAÏDI (Z.). *La norme sans la force, l'énigme de la puissance européenne*. Editions des Presses de Sciences Politiques, Paris, 2006, from FINON (D.) & LOCATELLI (C.). *Op. Cit.*, p. 426

<sup>122</sup> BRAUN (J.F.). "EU Energy Policy under the Treaty of Lisbon Rules: Between a new policy and business as usual", in: *European Policy Institutes Network*. Working Paper, No. 31, February 2011, p. 2-4

<sup>123</sup> KAUSCH (K.). "Europe and Russia, beyond energy", in: *FRIDE*. Working Paper, March 2007, available at: <http://www.fride.org/publication/137/europe-andrussia,-beyond-energy>

<sup>124</sup> TEKIN (A.) & WILLIAMS (P.A.). *Geo-Politics of the Euro-Asia Energy Nexus: The European Union, Russia and Turkey*. Palgrave Macmillan, London, 2011, p. 55 & HADFIELD (A.). "EU-Russia Energy Relations: Aggregation and Aggravation", in: *Journal of Contemporary European Studies*. Vol. 16(2), 2008, p. 233

cooperation and the formulation of energy policy and energy treaties between both partners.<sup>125</sup> In a sense, the PCA was an acknowledgement that the international system was evolving to become increasingly characterised by multipolarity and interdependence, which necessitated a strengthening of long-term bi- and multilateral engagements. The PCA also aimed at creating spill-over effects by enhancing trade relations on liberal terms in the hope of creating a single free trade area between both actors.<sup>126</sup>

To the EU, the Energy Charter Treaty formed the institutional foundation of its energy security efforts.<sup>127</sup> Having entered into force in 1998, its aim was to strengthen the rule of law on energy issues, by creating a forum of discussion and a level playing field to be observed by all participating governments in the areas of “*protection and promotion of foreign energy investments, [...] free trade in energy materials, products and energy-related equipment, based on WTO rules, [...] freedom of energy transit through pipelines and grids. [...] [and] mechanisms for the resolution of State-to-State or Investor-to-State disputes*”.<sup>128</sup> Russia signed the ECT charter in 1994, but never ratified it, partially due to an early realisation of the political elite in Russia that an energy market liberalisation would run counter to the geopolitical goals of the country.<sup>129</sup> Russia’s decision to abandon the ratification was rationalized by their argument that the Union was maintaining double standards with regard to Gazprom’s ability to buy EU energy companies. Furthermore, it pointed to the fact that both Norway and Algeria had not signed the agreement.<sup>130</sup>

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<sup>125</sup> EUROPEAN COMMISSION. *Agreement on Partnership and Cooperation Establishing a Partnership between the European Communities and their Member States, of one Part, and the Russian Federation, of the Other part*. Official Journal L 327, 1997, available at:

<http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31997D0800:EN:NOT>

<sup>126</sup> BILGIN (M.). “Energy Security and Russia’s gas strategy: The symbiotic relationship between the state and firms”, in: *Communist and Post-Communist Studies*. Vol. 44, 2011, p. 120

<sup>127</sup> See HAGHIGHI (S.). *Energy Security*. Hart Publishing, Oxford and Portland, 2007

<sup>128</sup> ENERGY CHARTER SECRETARIAT. *The Energy Charter Treaty and Related Documents: A Legal Framework for International Energy Cooperation*. Brussels, 2004, available at:

[http://www.encharter.org/fileadmin/user\\_upload/document/EN.pdf](http://www.encharter.org/fileadmin/user_upload/document/EN.pdf)

<sup>129</sup> BILGIN (M.). *Op. Cit.*, p. 120

<sup>130</sup> YOUNGS (R.). *Energy Security*. Routledge, Oxon, 2009, p. 80-81

The liberalisation of the European energy markets has often been criticized because it has allowed foreign companies the opportunity to acquire majority shares of major European energy firms, in the process securing energy demands.<sup>131</sup> Mané-Estrada has pointed out, however, citing empirical proof, that these efforts often result in a context where a few number of private firms maintain a large degree of market control, leading to decreased energy.<sup>165</sup> While the EU wishes to continue to promote the liberalisation, it has acknowledged the dangers involved regarding the development of these tendencies of monopolisation. In 2000, two initiatives were launched by the EU in an effort to counteract these dangers. First, the beginning of the EU-Russian energy dialogue was an effort to move beyond the simple producer-consumer relationship and to commence a strategic dialogue with the aim of developing a political partnership. Second, the start of accession dialogues with Turkey with the hope of adding a major energy transit actor which would provide the Union with direct access to a multitude of energy suppliers, allowing it to avoid the implications of an EU-Russian political deadlock.<sup>132</sup>

As early as 2000, the European Commission Green Paper had warned of the dangers of increasing energy demand and the respective danger to European energy security.<sup>133</sup> In the same year, an agreement was reached to initiate a regular Energy Dialogue with the aim of ensuring an energy partnership between both actors. The following 'First Synthesis Report' of

2001 set the improvement of a legal basis for energy production and transportation, ensuring the physical security of transport networks, improving legal security for long-term energy supplies and the recognition of certain new transport infrastructures as 'common interests'

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<sup>131</sup> STERN (J.). "The new security environment for European gas: worsening geopolitics and increasing global competition for LNG", in: LÉVÊQUE (F.), GLACHANT (J.-M.), BARQUÍN (J.), VON HIRSCHHAUSEN (C.), HOLZ (F.) & NUTALL (W.J.) (Eds.). *Security of Energy Supply in Europe: Natural Gas, Nuclear and Hydrogen*. Edward Elgar Publishing Ltd., Cheltenham, 2010, p. 57-165. MANÉ-ESTRADA (A.). "European energy security: Towards the creation of the geo-energy space", in: *Energy Policy*. Vol. 34, 2006, p. 3775-3776

<sup>132</sup> *Ibidem*, p. 3782-3785

<sup>133</sup> EUROPEAN COMMISSION. *Green Paper – Towards a European Strategy for the Security of Energy Supply*. Brussels, 2000, available at: [http://eur-lex.europa.eu/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!DocNumber&lg=en&type\\_doc=COMfinal&an\\_doc=2000&nu\\_doc=769](http://eur-lex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexplus!prod!DocNumber&lg=en&type_doc=COMfinal&an_doc=2000&nu_doc=769)

and highlighted importance of rational energy use and savings as its priorities.<sup>134</sup> According to the Dialogue-report, subsequent meetings of the ‘Permanent Partnership Councils’, dedicated to energy issues, resulted in a better understanding of both actors of the characteristics and functioning of respective energy markets.<sup>135</sup> If we are to believe the report, this is a clear example of mid-profile efforts undertaken by both actors to develop bilateral experience through regular mini-summits, supporting the bigger annual summits; in turn, stabilising political relations between both actors.<sup>136</sup>

Even though cooperative dialogues were underway, Baev argued that two major shifts in the character of ‘securitization’ of energy matters within the Europe were noticeable in the middle of the past decade. The first involved the rise of natural gas as the most politically prominent type of energy within Europe. The second involved the key role the EU started playing in shaping the energy debates globally through the gradual spread of the ECT.<sup>171</sup> This process was also noticeable in the increased efforts of the Union to extend its cooperation agreements with Russia, Norway, Algeria, OPEC and the Gulf-Cooperation Council. A second element of these efforts consisted of increased efforts of the EU to integrate energy aspects to its CFSP policies and engagements with third parties. In October 2005, the EU signed an energy treaty with South Eastern Europe, which fastened its integration into the Single Energy Market and provided prospects of expanding Europe’s energy infrastructure to Turkey and the Middle East.<sup>172</sup> Following the energy treaty of 2005, the Commission further intensified its cooperative relations with the Caspian Basin, Mediterranean Region, Norway, Ukraine and even with other regions of the world in an effort to

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<sup>134</sup> EUROPEAN COMMISSION. *EU-Russia Energy Dialogue - The First Ten Years: 2000-2010*. Brussels, 2011, available at: [http://ec.europa.eu/energy/publications/doc/2011\\_eu-russia\\_energy\\_relations.pdf](http://ec.europa.eu/energy/publications/doc/2011_eu-russia_energy_relations.pdf)

<sup>135</sup> *Ibidem*, p. 35

<sup>136</sup> *Ibidem*, p. 37; These started in 2005. <sup>171</sup> BAEV (P.K.). “From European to Eurasian energy security: Russia needs and energy Perestroika”, in: *Journal of Eurasian Studies*. xxx, 2012, p. 3 <sup>172</sup> EUROPEAN COMMISSION. *External Energy Relations – From Principles to Action*. Brussels, 12 October 2006, available at: [http://ec.europa.eu/comm/external\\_relations/energy/docs/com06\\_590\\_en.pdf](http://ec.europa.eu/comm/external_relations/energy/docs/com06_590_en.pdf)

ensure possibilities for future oil and gas supply networks, thus decreasing the prospect of future dependence on Russia.<sup>137</sup>

The two shifts were precipitated, however, by the 2006 Ukraine crisis which threatened EU member states' energy supplies. According to an EC official, the crisis had an immense impact on the way the European institutions engaged with matters of European energy security. While the EU had obviously recognised the dangers of its energy situation before, some of the progress achieved with regard to Russia had come to a stall.<sup>138</sup> The crisis resulted in a considerable acceleration of EU energy policy efforts, specifically with regard to the creation and expansion of the Single Energy Market, the development of a single voice with regard to energy matters as well as with regard to its foreign energy policies. However, a fact, often overlooked by the literature, is that the EU also increasingly became aware that the energy market was globalising and that increasing global cooperation would be required to ensure stable energy supplydemand networks.<sup>139</sup> This resulted in the rapid development of the mid-2006 Green Paper which prescribed greater orientation of member-states policies toward common goals,<sup>176</sup> as well as the goal of widening the European energy market to include its neighbours and to bring them progressively closer to the EU's internal market.<sup>177</sup> These factors, in turn, resulted in the October 2006 concept paper and action plan for the Informal European Council in Finland.<sup>140</sup> The Commission and the Council reasoned that before an effective external energy policy could be created, further integration of the internal energy market and a deepening of internal energy policies were required.<sup>179</sup>

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<sup>137</sup> UMBACH (F.). "Global energy security and its implications for the EU", in: *Energy Policy*. 38, 2010, p. 1237

<sup>138</sup> Interview conducted with an EU Commission Official, conducted by Marc Van Impe (for the purpose of this dissertation), in Brussels, 10 July 2012

<sup>139</sup> *Ibidem*. <sup>176</sup> BAEV (P.K.). "From European to Eurasian energy security: Russia needs and energy Perestroika", in: *Journal of Eurasian Studies*. xxx, 2012, p. 3 <sup>177</sup>

EUROPEAN COMMISSION. *Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy*. Brussels, 2006, available at: <http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0105:FIN:EN:PDF>

<sup>140</sup> UMBACH (F.). *Op. Cit.*, p. 1237 <sup>179</sup> EUROPEAN COMMISSION. *External Energy Relations – From Principles to Action*. Brussels, 12 October 2006, available at: [http://ec.europa.eu/comm/external\\_relations/energy/docs/com06\\_590\\_en.pdf](http://ec.europa.eu/comm/external_relations/energy/docs/com06_590_en.pdf)

A growth of internal coherence would then be projected to the international community as an example of the European Union as speaking “*with the same voice*”,<sup>141</sup> and would increase its political gravitas internationally within bi- and multilateral frameworks.<sup>142</sup>

While the European Commission acknowledged the legitimate use of bilateral energy dialogue of member states with Russia, it emphasised that a collective EU-level policy is a moral and political necessity. It followed this argument with the launch of ‘An External Policy to Serve Europe’s Energy Interests’ by the European Commission in an effort to promote the embedment of energy security into wider EU foreign policy, including the CFSP.<sup>143</sup> The paper acknowledges the interdependent nature of the energy sector of the EU and Russia, and reemphasises the need to work “*towards a comprehensive agreement with Russia covering all energy products. The aim should be integration of the EU and Russian energy markets in a mutually beneficial, reciprocal, transparent and non discriminatory manner.*”<sup>144</sup>

However, as the 2006 Green Paper defined ‘diversification’ and ‘liberalization’ as the EU’s core guidelines for the development of energy policy, each containing a certain number of implied tasks “*going beyond the limit of common economic good*”,<sup>145</sup> it became clear that the European Commission was simultaneously concerned with measures to diversify gas imports towards North-Africa, due to the political unreliability of Russia as well as its apparent will to use its energy dominance as a political weapon.<sup>185</sup> Its renewal of liberalization efforts added constraints with regard to the ability of Russian energy firms to acquire stocks in Europe, and was aimed to reduce

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<sup>141</sup> EUROPEAN COMMISSION. *Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy*. Brussels, 2006, available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0105:FIN:EN:PDF>

<sup>142</sup> TEKIN (A.) & WILLIAMS (P.A.). *Geo-Politics of the Euro-Asia Energy Nexus: The European Union, Russia and Turkey*. Palgrave Macmillan, London, 2011, p. 43

<sup>143</sup> EUROPEAN COMMISSION. *An External Policy to Serve Europe’s Energy Interests*. Brussels, 2006, available at: [http://ec.europa.eu/dgs/energy\\_transport/international/doc/paper\\_solana\\_sg\\_energy\\_en.pdf](http://ec.europa.eu/dgs/energy_transport/international/doc/paper_solana_sg_energy_en.pdf)

<sup>144</sup> *Ibidem*

<sup>145</sup> BAEV (P.K.). *Op. Cit.*, p. 3 <sup>185</sup> *Ibidem*, p. 3; also see LARSSON (R.). *Russia’s energy policy: Security dimensions and Russia’s reliability as an energy supplier*. FOI, Stockholm, 2006

Gazprom and Transneft's ability to expand into the EU energy market. These measures resulted in increased political tensions between both actors.<sup>186</sup>

Ironically, a closer look into EU-Russian energy relations reveals that both parties have continued to maintain very good working-level relations between the Commission and the Russian Ministry of Energy. According to an EC official, this has been the case on all levels of the bureaucracy – up to the level of the Directorate-General and the Commissioner, and the Russian energy minister and deputy-minister– throughout the past decade. However, these relations are often fall victim to tensions in the general political relations between both actors, where issues of distrust and differing interests are more apparent.<sup>187</sup>

In an effort to decrease these strains, new talks were initiated to promote cooperation in 2007, following the end of the first PCA agreement. The principles on energy security agreed at the G8 Summit were strongly reflected within these talks. No agreement was reached, however, and the PCA agreement was extended for another year, though negotiations were later resumed in 2008 in the tense context of the Georgian war.<sup>188</sup> In 2007, a new 'Energy Policy for Europe' had already been legislated by the European Parliament, which was later detailed in the 2007 Energy Action Plan (EAP) and the 2008 Second Strategic Energy Review (SSER) followed by a series of directives.<sup>189</sup> The central proposition of these directives was to reduce the consumption of all primary energy resources by 20% by the year 2020. After the EAP, the EU was confronted with two major challenges.

<sup>186</sup> BAEV (P.K.). *Op. Cit.*, p. 3; also see ASLUND (A.). "Gazprom: challenged giant in need of reform", in: ASLUND

(A.), GURIEV (S.) & KUCHINS (A.) (Eds.). *Russia after the global economic crisis*. Peterson Institute for International Economics, Washington, 2010, pp. 151-168

<sup>187</sup> Interview conducted with an EU Commission Official, conducted by Marc Van Impe (for the purpose of this dissertation), in Brussels, 10 July 2012; These close relations were described as going up to the personal level in many cases.

<sup>188</sup> BILGIN (M.). "Energy Security and Russia's gas strategy: The symbiotic relationship between the state and firms", in: *Communist and Post-Communist Studies*. Vol. 44, 2011, p. 12

<sup>189</sup>

UMBACH (F.). *Op. Cit.*, p. 1234; EUROPEAN COMMISSION. *Communication from the Commission to the European Council and the European Parliament: an Energy Policy for Europe*. Brussels, 2007, available at: [http://ec.europa.eu/enlargement/pdf/key\\_documents/2007/nov/turkey\\_progress\\_reports\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2007/nov/turkey_progress_reports_en.pdf) & EUROPEAN COMMISSION. *Second Strategic Energy Review: An EU Energy Security and Solidarity Action Plan*. Brussels, 2008, available at:

[http://ec.europa.eu/energy/strategies/2008/doc/2008\\_11\\_ser2/strategic\\_energy\\_review\\_memo.pdf](http://ec.europa.eu/energy/strategies/2008/doc/2008_11_ser2/strategic_energy_review_memo.pdf)

First, there was a large public debate ongoing with regard to the 'historic agreement on climate change' of the Spring Summit regarding, potentially threatening "*the balance within the energy triangle between security of supply, competitiveness and sustainability*".<sup>146</sup> Second, the EU governments had failed to agree upon a common strategy towards Russia. This had allowed Russia to continue its strategy of 'bilateralisation' of energy partnerships with various European countries.<sup>191</sup>

The SSER highlighted the improved, but still insufficient solidarity that existed with regard to energy policy between the 27 member states.<sup>192</sup> It expresses the continuing belief in the EU's ability to consolidate mutual trust among all relevant actors through "*legally binding, albeit elusive, long-term agreements that can also assure an environment conducive to heavy-duty investments*" related to energy resource extraction and transportation.<sup>147</sup> The European external energy policy, therefore, extends beyond supply security and the establishment of amicable relations with major producers and transit countries, as it encourages bilateral and multilateral cooperation and attempts to widen the geographical coverage of its internal policy arrangements.<sup>148</sup> It should be noted that the EU has repeatedly promoted energy cooperation in multilateral frameworks such as the UN, the IEA and the G8 and that it considers the institutionalisation of cooperation on energy issues, preferably through the framework of effective multilateralism, as a crucial aspect of its external energy policy framework. Central in this regard, is the pursuit of its goal to create an

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<sup>146</sup> UMBACH (F.). *Op. Cit.*, p. 1237 <sup>191</sup> *Ibidem*, p. 1237; See above & LOCATELLI (C.). *EU Gas Liberalization as a Driver of Gazprom Strategies?* Russie.Nei.Visions. Paris, February 2008 <sup>192</sup> EUROPEAN COMMISSION. *Second Strategic Energy Review: An EU Energy Security and Solidarity Action Plan*.

Brussels, 2008, available at:

[http://ec.europa.eu/energy/strategies/2008/doc/2008\\_11\\_ser2/strategic\\_energy\\_review\\_memo.pdf](http://ec.europa.eu/energy/strategies/2008/doc/2008_11_ser2/strategic_energy_review_memo.pdf) &

<sup>147</sup> TEKIN (A.) & WILLIAMS (P.A.). *Geo-Politics of the Euro-Asia Energy Nexus: The European Union, Russia and Turkey*. Palgrave Macmillan, London, 2011, p. 42; UMBACH (F.). *Op. Cit.*, p. 1235 & 1238

<sup>148</sup> *Ibidem*, p. 42-43 <sup>195</sup> TEKIN (A.) & WILLIAMS (P.A.). *Geo-Politics of the Euro-Asia Energy Nexus: The European Union, Russia and Turkey*. Palgrave Macmillan, London, 2011, p. 42-3 & EUROPEAN COMMISSION. *Second Strategic Energy Review: An EU Energy Security and Solidarity Action Plan*. Brussels, 2008, available at:

[http://ec.europa.eu/energy/strategies/2008/doc/2008\\_11\\_ser2/strategic\\_energy\\_review\\_memo.pdf](http://ec.europa.eu/energy/strategies/2008/doc/2008_11_ser2/strategic_energy_review_memo.pdf) &

EUROPEAN COMMISSION. *Communication from the Commission to the European Council and the European*



external energy policy based on interdependence, cooperation and mutual trust with international partners.<sup>195</sup>

Since the SSER, bilateral energy relations between the EU and Russia appear to have stabilised and have put a stronger emphasis on the development of cooperative frameworks between both players. The crisis of 2009, for example, led the EC, the Russian Federation and Ukraine to agree on the installation of an Early Warning Mechanism as well as 'Technical Terms for Monitoring the Supply of Natural Gas' through Ukraine in order to ensure the stable supply of gas between the three actors.<sup>196</sup> And while the fourth international conference of 2009 was characterized by mutual recriminations, president Medvedev immediately attempted to deescalate tensions by emphasising the need for a new legal framework between both actors.<sup>197</sup> The EU and Russia have also maintained their tradition of meeting twice a year through bilateral summits, which has recently resulted in the first steps towards the development of a 'Roadmap of the EU-Russia Energy Cooperation until 2050', of which the Common Understanding was signed in 2011.<sup>198</sup> The roadmap aims to include an analysis of various scenarios and their impact on EU-Russian energy relations as well as on specific sectors such as oil and gas. The aim is to elaborate on long-term opportunities and risks posed to these sectors, as well as overall longterm opportunities and risks to energy supply and demand, and to investigate whether there is potential for long-term cooperation on efficient energy technologies and research.<sup>199</sup>

The First Progress Report on the Roadmap, interestingly enough, puts emphasis on EURussian policy synergy with regard to prospects of the development of a single electricity grid, and emphasises that a stronger cooperation with regard to the implementation of efficient energy policies, such as those outlined by the EU's ENERGY 2020 and the EU 2050 Energy

*Parliament: an Energy Policy for Europe*. Brussels, 2007, available at:

[http://ec.europa.eu/enlargement/pdf/key\\_documents/2007/nov/turkey\\_progress\\_reports\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2007/nov/turkey_progress_reports_en.pdf)

<sup>196</sup> EUROPEAN COMMISSION. *EU-Russia Energy Dialogue - The First Ten Years: 2000-2010*. Brussels, 2011, p. 37 available at: [http://ec.europa.eu/energy/publications/doc/2011\\_eu-russia\\_energy\\_relations.pdf](http://ec.europa.eu/energy/publications/doc/2011_eu-russia_energy_relations.pdf)

<sup>197</sup> HASHIM (S.M.). "Power-loss or power-transition? Assessing the limits of using the energy sector in reviving Russia's geopolitical stature", in: *Communist and Post-Communist Studies*. Vol. 43, 2010, p. 272

<sup>198</sup>

EU-RUSSIA ENERGY DIALOGUE. *Common Understanding on the Preparation of the Roadmap of the EURussia Energy Cooperation until 2050*. Brussels, 24 February 2011, available at:

[http://ec.europa.eu/energy/international/russia/doc/20110224\\_understanding\\_roadmap\\_2050.pdf](http://ec.europa.eu/energy/international/russia/doc/20110224_understanding_roadmap_2050.pdf)

<sup>199</sup> *Ibidem*, p. 2-3

Roadmap.<sup>149</sup><sup>150</sup> The positive move of EU-Russian energy relations in the context of the EU-Russia Roadmap is also echoed by the EC official, as he stated that the "*Over the past years, we've largely been doing crisis management. There's a lot of uncertainty, but for the EU, it is slowly becoming relatively clear what direction to go*".<sup>151</sup>

### 3. EU-Russian energy security under the prism of interolarity

*EU and Russian energy security relations as nascent children of interolarity?*

Having reviewed the EU's external policy with regard to its energy security relation with Russia, following a description of the context of interdependence which characterises the European and Russian energy markets situation, a series of solid conclusions can be made regarding both powers' preparedness for future context of interolarity.

As Grevi noted, the interolar system will be characterized by an increasing 'existential' interdependence of the powers of the international system. The European and Russian energy market are integrated to such a degree that it renders both powers unable to pursue short-term policies to diversify or radically change their energy dependency. With regard to the EU, this is

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<sup>149</sup> EU-RUSSIA ENERGY DIALOGUE. *Roadmap of the EU-Russia Energy Cooperation until 2050: Progress Report*.

<sup>150</sup> July 2011, available at:

[http://ec.europa.eu/energy/international/russia/doc/20110729\\_eu\\_russia\\_roadmap\\_2050\\_report.pdf](http://ec.europa.eu/energy/international/russia/doc/20110729_eu_russia_roadmap_2050_report.pdf); see

[http://ec.europa.eu/energy/energy2020/index\\_en.htm](http://ec.europa.eu/energy/energy2020/index_en.htm) regarding ENERGY 2020 and ENERGY 2050 initiatives.

<sup>151</sup> Interview conducted with an EU Commission Official, conducted by Marc Van Impe (for the purpose of this dissertation), in Brussels, 10 July 2012

largely due to geographical and historical factors. Simply put, the EU currently does not have the energy infrastructure available to completely eliminate its energy dependence on Russia.

However, as we have shown, this does not imply that longer term efforts are not under way. The Nabucco pipeline project brings with it the prospects of gas import *sans* influence of Russia. The prospects of a Turkish accession to the EU, however unlikely currently, could greatly improve the political and economical strength of the EU with regard to energy security within the region.

While this option seems an ideal solution, it would also introduce new strategical and geopolitical risks to the Union.<sup>152</sup> Alternatively, the EU has increasingly been able to rely on Norwegian imports to diversify its energy supply profile. It currently plays an essential role as a partner and allows a more easy and straightforward relationship due to the presence of “*European values*”.<sup>153</sup> Nonetheless, it does not have enough resources to fully support the EU through export.<sup>154</sup> A third factor of problematic nature to the EU is the fact that most of the Eastern member states lack the necessary energy transportation infrastructure to allow energy imports from any other actor than Russia.<sup>155</sup>

From Russia’s part, it is faced with similar issues as the EU. The Soviet-era has left the country with a legacy energy pipeline network which was almost completely oriented towards European exports. As a result, should it wish to diversify its range of countries to export to, it will need to invest in new high-capital projects to develop pipeline systems over long distances to other regions of the world. As noted earlier, it is currently in the process of negotiating such projects with Asian countries such as China, although the progress is slow in this regard.<sup>156</sup> Furthermore,

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<sup>152</sup> A discussion of this context is unfortunately beyond the scope of this dissertation. See for example: ARVANITOPOULOS (C.) (Ed.). *Turkey’s Accession to the EU*. Springer Verlag, Berlin, London, 2009, pp. 215

<sup>153</sup> Interview conducted with an EU Commission Official, conducted by Marc Van Impe (for the purpose of this dissertation), in Brussels, 10 July 2012

<sup>154</sup> *Ibidem* & ENERGY INFORMATION ADMINISTRATION. *Country Analysis Briefs – Norway*. August 2011, available at: <http://www.eia.doe.gov/cabs/Norway/pdf.pdf>

<sup>155</sup> TEKIN (A.) & WILLIAMS (P.A.). *Op. Cit.*, p. 26-35

<sup>156</sup> FT. *Deal Highlights Growing China-Russian Ties*. 25 June 2012, available at: <http://www.ft.com/cms/s/0/ae505e1e-aa42-11e1-899d-00144feabdc0.html#axzz24wmQwc7A>; PIROG (R.).

*CRS REPORT for Congress: Russian Oil and Gas Challenges*. 2007, available at:

<http://www.fas.org/sgp/crs/row/RL33212.pdf> & GLOBAL POST. *China and Russia sign deals worth \$15 billion*. 29 April, 2012, available at: <http://www.globalpost.com/dispatch/news/regions/europe/russia/120429/chinaand->

the Russian government is heavily reliant on revenues from the energy sector for the social and economical development of the country. Russian energy firms rely heavily on their ability to seal long-term contracts with European partners should they, in cooperation with the Russian government, intend to modernise and improve the Russian energy infrastructure network.

With the Partnership for Modernisation agreement, it appears that the Russian government is finally planning to prioritise and subsidise supply security rather than the strategy of demand security.<sup>157158</sup>

As such, we can conclude that existential interdependence with regard to energy is clearly apparent between both powers. Moreover, this interdependency has also been clearly recognised throughout nearly all of the European external energy policies over the last decade, as well as in many of the Summit dialogues between both parties. Interdependency lies at the core of the energy relations between the EU and Russia and is recognised as being of such importance, that it can potentially threaten the welfare of both countries. This was recently again emphasised as an essential factor within most future scenario's outlined in the first report to the EU-Russia 2050 Energy Roadmap.<sup>208</sup>

With regard to the acknowledgement of the developing cooperative multipolar international system within the European external energy policy, two specific points should be made. First, the EU has long held the belief that the international system was inherently multipolar, which was again emphasised in the ESS.<sup>159</sup> It has put the principles of effective multilateralism and

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[russia-sign-deals-worth-15-billion](#); HASHIM (S.M.). *Op. Cit.*, p. 271 & SEVASTYANOV (S.). "The more assertive and pragmatic new energy policy in Putin's Russia: security implications for Northeast Asia, East Asia", in: *International Quarterly*. Vol. 25(1), p. 39

<sup>157</sup> Interview conducted with an EU Commission Official, conducted by Marc Van Impe (for the purpose of this dissertation), in Brussels, 10 July 2012 <sup>208</sup> EU-RUSSIA ENERGY DIALOGUE. *Roadmap of the EU-Russia Energy Cooperation until 2050: Progress Report*.

<sup>158</sup> July 2011, available at:

[http://ec.europa.eu/energy/international/russia/doc/20110729\\_eu\\_russia\\_roadmap\\_2050\\_report.pdf](http://ec.europa.eu/energy/international/russia/doc/20110729_eu_russia_roadmap_2050_report.pdf)

<sup>159</sup> EUROPEAN COMMISSION. *A Secure Europe in a better world – European Security Strategy*. Brussels, 12 December 2003, available at:

[http://europa.eu/legislation\\_summaries/justice\\_freedom\\_security/fight\\_against\\_organised\\_crime/r00004\\_en](http://europa.eu/legislation_summaries/justice_freedom_security/fight_against_organised_crime/r00004_en)

cooperative behaviour on the international scale as its core principles of international engagement. Its strong desire to lead multilateral conferences is an essential example of this behaviour. The reasoning behind this logic is that the EU believes that it can become stronger within the framework of cooperating with other multilateral institutions.<sup>160</sup> This logic of 'effective multilateralism' aims to provide the EU with a normative justification for its actions abroad as well as a degree of recognition of its presence as an international power within the international system.<sup>161</sup> Next to the recognition of interdependence, an emphasis on cooperation has been a major element of the EU's energy policies with regard to Russia and has been repeatedly reiterated since the start of the PCA agreement to the recent conclusion of the Partnership for Modernisation.

Similar efforts have recently been noticeable with regard to Russia's energy policies. As Russia has no alternative markets available and Gazprom and Transneft are finding it increasingly difficult to play the European markets to their advantage, it seems that the Kremlin has been more forthcoming to the EU's aspirations and wishes within the European market.<sup>212</sup> While the development of the Nord and South Stream can be viewed from the perspective of EU energy diversification as a threatening evolution, the fact that both projects received support from the European institutions and the fact that the Russian energy firms strongly cooperated with European energy firms and governments for the development of these projects, can attest to *some* goodwill to cooperate rather than to use coercive measures, regardless of whether the Russian firms had alternatives available or not. This is not to say that an idealistic perspective of these projects necessarily presents a complete picture. Equally important is the fact that Russia is still in the process of redefining itself as an actor within the multipolar system, following the breakdown of the Soviet state, and as such can be receptive to cooperative measures to further its position as a power within the international system.<sup>213</sup>

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<sup>160</sup> Take for example, the requirement of a UN resolution for CSDP operations. TOJE (A.). *The European Union as a Small Power: After the Post-Cold War*. Palgrave Macmillan, New York, 2010, p. 64-75

<sup>161</sup> *Ibidem*, p. 90-91 <sup>212</sup> Interview conducted with an EU Commission Official, conducted by Marc Van Impe (for the purpose of this dissertation), in Brussels, 10 July 2012 <sup>213</sup> LUKYANOV (F.). "Russian Dilemmas in a Multipolar World", in: *Journal of International Affairs*. Vol. 63, No. 2, Spring/Summer 2010, pp. 19-32

Second, it is clear that both actors maintain a degree of caution and possibly even distrust towards each other. Proedrou accurately describes the situation when he states: *“the high degree of sensitivity of both sides forces them to take up measures that will reduce their sensitivity. Russia endeavours to appropriate the Caspian energy, obstruct alternative sources and routers, circumvent transit countries and thus lock its presence in the EU market. The Union,[...], uses liberalisation and the promotion of competition as a shield against Moscow’s heavy-handed*

*policies, and attempts to diversify away from Russia*".<sup>162</sup> Negative power usage has therefore been very much part of the EU-Russian energy security context in the past decade. However, more importantly, because of their mutual high vulnerability, EU-Russian energy dialogue has always been forced to return to the principles of cooperative engagement and the use of positive power efforts to improve their security situation and to develop a cooperative form of security. As Grevi made clear, the use of negative power results in deadlocks within the international system and permeates the development of crises in the fields where that power is used. To put it bluntly, an energy crisis due to a political deadlock between Russia and Europe would be disastrous to the economic, social and political welfare of both powers and is therefore not an option.

Why, then, has the use of negative power frequently made a reappearance within this context? According to an EU official, this is largely due to the fact that EU-Russian energy relations are heavily susceptible to political crises in other policy areas. This can consequently be problematic for efficient dialogue and policy creation. Currently, the EU and Russia are still in the process of better understanding each other's interests and to define strategies that can prove beneficial to both powers. This runs contrast to the bureaucratic relations public servants of both actors maintain. As described earlier, the institutions and governments of both actors maintain very close relations with each other and are able to continue the development of cooperative policies in spite of higher-level political relations. This factor, which is largely overlooked by the literature, is part of the reason why both actors have been able to continue to progress towards cooperative partnerships and treaties with relative ease.<sup>215</sup>

A second factor minimising the effects of intermittent negative power usage is the development of a tradition of summitry with regard to energy relations between both powers.

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<sup>162</sup> PROEDROU (F.). "The EU-Russian Energy Approach under the Prism of Interdependence", in: *European Security*. Vol. 16(3-4), 2007, p. 347 <sup>215</sup> Interview conducted with an EU Commission Official, conducted by Marc Van Impe (for the purpose of this

Working groups of the Commission meet twice per year with the Ministry of Energy and maintain frequent contact in-between these events.<sup>163</sup> Additionally, in the framework of the Energy Dialogue, three Thematic Groups discuss specific aspects of energy policy cooperation by meeting twice a year, after which Joint Reports are issued on a yearly basis.<sup>217</sup> With regard to general EU-Russian relations, which also include energy security topics, high-level summits take place on an average of twice per year basis.<sup>164</sup> These and other examples aim to stabilise energy relations between both actors by providing opportunities of reciprocal information sharing regarding both powers' interests and frustrations and develops bilateral experience. EU-Russian energy dialogue can therefore be characterised as highly fluid and adaptable and, should considerable progress be made in the coming years, could serve as an example case of the success of bilateral engagements through summits. Due to the limitations of this dissertation, it is unclear, however, to what regard both Russia and the EU use the experience developed from their energy engagements on the global, multilateral level. Further positive evolutions are noticeable. For example, the sixth World Future Energy Summit will gather of the world's energy leaders in the hope of addressing future systemic challenges. Further research on the relative positions of the EU and Russia within these arenas could provide a better understanding of the influences of their bilateral summitry on their policies on the global stage.<sup>165</sup>

Interpolarity provides an adequate conceptual framework to analyse present and recent evolutions within the field of energy security between Russia and the European Union. While it is clear that 'we are not there yet', some of the recent economical and political trends between both actors do indicate that interdependence is increasingly driving political behaviour resulting in the

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<sup>163</sup> *Ibidem.* <sup>217</sup> EUROPEAN COMMISSION. *EU-Russia Energy Dialogue - The First Ten Years: 2000-2010*. Brussels, 2011, p. 38-44; available at: [http://ec.europa.eu/energy/publications/doc/2011\\_eu-russia\\_energy\\_relations.pdf](http://ec.europa.eu/energy/publications/doc/2011_eu-russia_energy_relations.pdf)

<sup>164</sup> For more information, see the EEAS Russia Summit website: [http://eeas.europa.eu/russia/summit\\_en.htm](http://eeas.europa.eu/russia/summit_en.htm)

<sup>165</sup> For more information on the World Future Energy Summit, see: <http://www.worldfutureenergysummit.com/Portal/about-wfes/overview.aspx> (dissertation), in Brussels, 10 July 2012



realisation that cooperative frameworks of security *might* provide a solution to both powers' individual energy security considerations.

However, it should be emphasised that the framework of cooperation between both powers at this stage is still of a nascent nature and that further strengthening of the institutional relations between both powers will be required in order to ascertain the development of interolarity. Several core issues, which lay outside of the limits of this dissertation, will also strongly influence these developments. For example, within the foreseeable future, the EU, Russia and

Turkey will have to come to terms regarding the energy policies the three actors wish to pursue. It is increasingly becoming clear that Turkey is taking advantage of both powers' energy security concerns without making strong commitments to either side.<sup>166</sup> If the three actors wish to avoid future conflict and political deadlock in this matter, effective dialogue, possibly through summitry, will be required.<sup>167</sup> Another issue of concern are the implications of strategic tensions with regard to energy resource extraction in the Arctic region on global (energy) relations. Multiple global powers have expressed specific interests in the region.<sup>168</sup>

Regarding the prospect for the European Union as an energy actor under interolarity, it will be crucial for the institutions to further develop methods of solidarity between the member states in order to improve the Union's ability to engage bi- and multilaterally with a 'single voice'. This has remained a core goal of the EU throughout the past decade. Yet, progress will be difficult as the European institutions are currently suffering the effects resulting from a decreased budget due to the economic crisis. DG ENER was already unable to focus on essential partners, such as cooperation initiatives with the Sub-Saharan region, South-America, Asia and international

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<sup>166</sup> TEKIN (A.) & WILLIAMS (P.A.). *Op. Cit.*, p. 145-165 & KARDAS (S.). "Turkey-Russia energy relations: the limits of forging cooperation through economic interdependence", in: *International Journal*. Vol. 67(1), Winter 2011, pp. 81-101

<sup>167</sup> Dialogue between the three actors could even be mutually beneficial and introduce the possibility of creating a pan-European geo-energy space. See: MANÉ-ESTRADA (A.). "European energy security: Towards the creation of the geo-energy space", in: *Energy Policy*. Vol. 34, 2006, p. 3784

<sup>168</sup> See for example: NATURE. *European Union declares Arctic interests*. Vol. 456(7221), Nov 27, 2008, p. 435 & LINDHOLT (L.). "The Arctic: No big bonanza for the global petroleum industry", in: *Energy Economics*. Vol. 34, Issue 5, September 2012, pp. 1465-1474

organisations apart from the IEA, in the past decade and is facing further reductions of staff in the coming years.<sup>169</sup>

It is imaginable that the other institutions will be facing similar reductions. Similarly, little progress has been made regarding the development of a common energy negotiator to strengthen Europe's bargaining power. Within the short term, it is unlikely that the European Union will achieve much progress, on the one hand, in this matter. Nor, on the other, regarding its ability to develop a common external energy policy as long as the energy profiles of its member states remain diverse and the eastern member states are largely energy dependent on Russia. In the meantime, it is likely that bilateral diplomacy by member states will remain used, even though this might undermine EU-level efforts.<sup>170</sup>

Following the development of a single foreign energy policy, the EU's emphasis should lie, considering its accumulated experience on the bilateral level, on the support of global multilateral initiatives and institutions within the field of energy in order to strengthen its position as a global energy player in this context. This, in turn, could allow the EU to have an increased political leverage within diplomacy on the lower levels of international relations. A further development and adaption of its strategy of effective multilateralism could prove a useful tool with these aims in mind.<sup>171</sup>

To conclude, having extensively analysed the EU-Russian energy security context, it has become clear that European external energy policies can clearly be characterised as containing many of the elements required for the successful survival of both powers within the context of an inter-polar international system. As such, it can be argued that the manner by which the EU behaves with regard to its external energy security can be seen as a part of the process of

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<sup>169</sup> Interview conducted with an EU Commission Official, conducted by Marc Van Impe (for the purpose of this

<sup>170</sup> FINON (D.) & LOCATELLI (C.). "Russian and European gas interdependence: Could contractual trade channel geopolitics?", in: *Energy Policy*. Vol. 36, 2008, p. 426

<sup>171</sup> WISSENBACH (U.). *The EU's effective multilateralism – but with whom?* International Policy Analysis, Friedrich Ebert Stiftung, May 2007, p. 2-4, available at: <http://library.fes.de/pdf-files/id/04469.pdf> (dissertation), in Brussels, 10 July 2012

transformation of the international system from uni-multipolarity to interpolarity proper. It is my belief that both the question of ‘the EU as an actor within interpolarity’ and ‘the signs of the development of an interpolarity system in the case of EU external action’ are inherently interlinked. As Grevi emphasised, the interpolarity system is process-based and interest-driven and leaves rooms for powers within this system to develop the most effective responses, through the use of positive power, to the problems they are confronted with or that threaten the international system.<sup>172</sup> The EU has clearly put effort into the development of a common understanding of the energy security problem with Russia – this is the core purpose of the 2050 Energy Roadmap – and is already in the process of developing legitimate solutions, in cooperation with Russia, to these issues. On the other hand, a system-wide evolution of international relations towards a context of interdependent multipolarity can also put pressure on the EU to develop measures and tools that are effective within this evolving context. Further research on the appearance of interpolarity framework elements in other areas of EU external policy areas will be required to make definite statements in this regard. Nonetheless, it is reasonable to conclude that, as a supporter of cooperative multilateralism and multipolarity, the EU has the opportunity to gain substantial political clout and to develop itself as an important global power within the interpolarity system, should it succeed at further unifying its external policies and to represent itself with a ‘single voice’.<sup>227</sup>

## Conclusion

This dissertation has undertaken two distinct approaches to the question of the EU as an actor within the scenario of interpolarity and the implication of EU-Russian energy relations on an interpolarity system. The first approach consisted of a deconstruction of the interpolarity framework

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<sup>172</sup> GREVI (G.). *Op. Cit.*, p. 30 <sup>227</sup> Interview conducted with an EU Commission Official, conducted by Marc Van Impe (for the purpose of this

in order to better understand the specificities of Grevi's argument. Secondly, a detailed image was presented of EU-Russian energy relations of the past decade, which was further complemented a thorough overview of the economic nature of these relations, in order to argue that both powers are indeed existentially interdependent. Within the first chapter, I have argued that interpolarity can be characterised as being part of a broader trend which I termed as 'neo-multipolarity'. It became clear that Grevi's efforts of re-evaluating the role of states and their relations is part of a recent trend of authors to describe and integrate the dynamics of what Rosenau defined as 'postindustrial interdependence' and globalization.<sup>173</sup> Grevi's emphasis on experiences gained from bi- and multilateral contacts of powers within the international system, preferably through the form of summitry, as a driver of redefinition and change of structures of the international system, hints that he was influenced by Wendt. Wendt asserted that multipolarity should be defined by process rather than structure in order to increase the prospects of multipolar peace.<sup>229</sup> This implies that cooperative assistance and interaction, rather than anarchy, becomes the driver of the international system. According to Grevi, this is the case because there is no hope for the survival of actors within the international system if these solely engage in foreign affairs through the use of negative power. As such, powers are currently slowly starting to acknowledge that, while the use of negative power might lead to short-term gains, due to the existential and widespread nature of interdependence, their actions can have severe consequences to their own welfare as well.

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<sup>173</sup> ROSENAU (J.). "The Two Worlds of World Politics", in: WILLIAMS (P.), GOLDSTEIN (D.) & SHAFRITZ (J.). *Op. Cit.*, p. 115 <sup>229</sup> WENDT (A.) "Anarchy Is What States Make of It: The Social Construction of Power Politics", in: *International Organization*", Vol. 46, 1992, pp. 391-425  
dissertation), in Brussels, 10 July 2012

The interlinked nature of societies across the world therefore *forces* powers towards the use of cooperative means in international relations. This has clearly been the case for EURussian energy relations. The theoretical foundation supporting this logic was developed by Nye and Keohane. According to both authors, the closely connected nature of actors, societies and economies within the environment of complex interdependence, leads to the development of norms, rules, processes and institutions, which result in the increasing importance of policy areas other than national security and military concerns within multilateral frameworks.<sup>174</sup> In this regard, Grevi leaves room for the evolution of new forms of multilateral engagements on the global stages, though he proposes that, of the current used forms of multilateralism, summitry is most likely the most effective means to facilitate effective cooperation and policy implementation. The question which remains unanswered within Grevi's framework is whether existential interdependence and globalization as a core characteristic of the international system also implies that cooperative measures will dominate international affairs. While his work puts a large emphasis on systemic crises as the drivers and facilitators of cooperation, it seems he has left considerable room with regard to when exactly an issue is to be considered of 'systemic' nature. Continuing this thought, what degree of cooperation will smaller, less important issues facilitate within interolarity? These questions remain unanswered and will require further development of the framework. However, this runs the risk of leaving the framework inadaptable to less expected evolutions. As such, interolarity is also a victim of the eternal struggle between 'being too vague' and 'being too specific' to be usable.

The second and third chapter made clear that existential interdependence *is* driving EURussian energy affairs and has been doing so for the last decade. To a certain degree, this has been acknowledged by both actors, creating a certain will towards the development of cooperative relations and cooperative security between both actors. These evolutions, however, are heavily

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<sup>174</sup> KEOHANE (R.O.) & NYE (J.). "Power and Interdependence revisited", in: *International Organization*. Vol. 41(1), 1987, pp. 725-753

susceptible to political turbulence. As the Ukraine and Belarus examples showed in chapter two, direct short-term economic or political interests can come in the way of simultaneous cooperative efforts between both actors. Furthermore, the economic and political initiatives of both actors show a paradoxal trend, emphasising both long-term cooperation and short-term national security interests as core policy goals. I would argue that, within the context of the interpolar framework, these trends represent the struggle of both the EU and Russia to come to terms with short-term negative power attractiveness versus longer term positive power as policy choices. This struggle, as such, can hint at the process of early interolarity development in the international system as described by Grevi.<sup>175</sup>

Recent political evolutions do show a positive trend in EU-Russian energy relations towards a desire to put a larger emphasis on the use of positive power. Much will depend, in this regard, on their ability to transform cooperative experiences from the bilateral level to the global arena. In 2009 EU-Russian Energy Relations review by the EU-Russian Centre, Piebalgs, Energy Commissioner of the EC, concludes that "*Russia is a very important European partner and considering the existing interdependence in the energy sphere it will remain so in the next decades*", as such "*The EU and Russia have joint interests in building a long-term strategic energy partnership*" to develop a context of cooperation, confidence and mutual trust to ensure longterm security and predictability to both sides.<sup>232</sup> Following the EU-Russian Summit of June 2010, European Council President Van Rompuy reiterated on these desires by stating that "*With Russia we don't need a reset. We want a fast-forward.*"<sup>176</sup>

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<sup>175</sup> GREVI (G.). *Op. Cit.*, p. 19-22 <sup>232</sup> PIEBALGS (A.). "EU-Russian Energy Relations: Common Goals and Concerns", in: EURUSSIA CENTRE. *The EURussia Centre Review: EU-Russian Energy Relations*. Issue 9, June 2009, p. 7, available at: [http://www.eurussiacentre.org/wp-content/uploads/2008/10/review\\_ix.pdf](http://www.eurussiacentre.org/wp-content/uploads/2008/10/review_ix.pdf)

<sup>176</sup> VATANSEVER (A.). *EU-Russian Energy Relations: A Pause or Fast-Forward?* Carnegie Endowment for International Peace, 12 June 2010, available at: <http://carnegieendowment.org/2010/06/17/eu-russia-energyrelations-pause-or-fast-forward/21mf>

This desire for progress on both sides is largely due to the fact that the Russian government, in 2010, experienced a turn-around on its policies with regard to some areas of its energy policy in several areas.

First, the Russian government finally acknowledged energy efficiency as a key area of improvement in Russia and is aiming for European assistance in this matter. Second, Vatansever argues that it is fair to conclude that the Russian leadership is finally starting to acknowledge the need for foreign investments in developing its hydrocarbons industry as its largest gas fields are currently in decline and strongly need modernization. Third, Gazprom is increasingly faced with a changing European gas market where a decline in gas demand has coincided with a substantial growth of gas-trade on spot markets.<sup>177</sup> The 2010 summit also resulted in the creation of the 'Partnership for Modernization', which puts the goal of improving EU-Russian energy security and energy modernization as two of its core issues.<sup>178</sup> In December 2011, following the 28<sup>th</sup> EURussian Summit, President Van Rompuy reiterated the EU's desire to become a partner of Russia in the 21<sup>st</sup> century: *"In many ways we are strongly interdependent. In a spirit of mutual benefit we can only win by deepening our cooperation even further."*<sup>179</sup> Russia's WTO-accession is presented as a major step forward towards the further development of the New Agreement and the Energy Dialogue with Russia.<sup>180</sup> On the progress made at the same summit, Commission President Barroso commented that *"a reliable, transparent and rules-based energy framework applying to all operators, remains a key priority for the EU. We have very strong common interests with Russia, in energy and in many other fields"*.<sup>238</sup>

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<sup>177</sup> *Ibidem*.

<sup>178</sup> See

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/649&format=HTML&aged=0&language=EN&guiLanguage=en>

<sup>179</sup> EUROPEAN COUNCIL. *Remarks of Herman Van Rompuy, President of the European Council, following the 28th EU-Russia Summit*. Brussels, 15 December 2011, p. 2, available at:

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ec/126952.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/126952.pdf)

<sup>180</sup> *Ibidem*, p. 2 <sup>238</sup> EUROPEAN COMMISSION. *Statement by President Barroso at the press conference following the EU-Russia Summit*. Brussels, 2011, available at:

<http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/11/894&format=HTML&aged=0&language=EN&guiLanguage=en>

Finally, a last significant sign of improving energy relations and the continuation of cooperative bilateral dialogue can be seen by the presence, for the first time, of the Russian Deputy Energy Minister Yanovsky, at a European Parliament 2012 conference titled '*Strengthening EU-Russia Energy Relations*'. Within the conference, Yanovsky stated that "*both Russia and the EU must do everything possible to put [their respective energy policies] to the best use for the benefit of their peoples. It does not mean that success in this area can be achieved without consistent and sometimes difficult reciprocal steps.*"<sup>181</sup> The ability of both actors to overcome these hurdles in the context of the potential development of interolarity will constitute the major challenge facing both the EU and Russia in the coming decades.

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<sup>181</sup> THEEFDGROUP. *Strengthening EU-Russia Energy Relations*. 28 March 2012, Youtube video of Conference, available at: [http://www.youtube.com/watch?feature=player\\_embedded&v=BCGSEtWbGAQ](http://www.youtube.com/watch?feature=player_embedded&v=BCGSEtWbGAQ)



## **Appendix**

### **List of Interviews**

- Interview conducted with an EU Commission Official, conducted by Marc Van Impe (for the purpose of this dissertation), in Brussels, 10 July 2012

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[http://europa.eu/legislation\\_summaries/external\\_relations/relations\\_with\\_third\\_countries/eastern\\_europe\\_and\\_central\\_asia/r17002\\_en.htm](http://europa.eu/legislation_summaries/external_relations/relations_with_third_countries/eastern_europe_and_central_asia/r17002_en.htm)
- EU-Russian Partnership for Modernisation Press Release Website:  
<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/649&format=HTML&aged=0&language=EN&guiLanguage=en>
- External Action Service Russia Summits Website:  
[http://eeas.europa.eu/russia/summit\\_en.htm](http://eeas.europa.eu/russia/summit_en.htm) - IMF Globalization Definition Website:  
<http://www.imf.org/external/np/exr/ib/2000/041200to.htm#II>
- International Energy Agency Website: <http://www.iea.org/>
- Nabucco Pipeline Website: <http://www.nabucco-pipeline.com/portal/page/portal/en> - Nord Stream Pipeline Website: <http://www.nord-stream.com/pipeline/> - United Nations Framework on Climate Change Conferences:  
<http://unfccc.int/meetings/items/6240.php> - World Future Energy Summit Website: <http://www.worldfutureenergysummit.com/Portal/about-wfes/overview.aspx>