

The Future of European Energy Security and the Role of Southern Gas Corridor

Having witnessed gas shortages in some member states, it was only natural for the EU to reinvigorate its energy security policy in the 2000s, specifically in the aftermath of the 2006 and later 2009 Ukrainian crises. In the aftermath of these two gas crises, the mutual interdependency between Moscow and Brussels surely played a crucial role in forcing the EU take several important initiatives that aimed at preventing any future gas shortages, which is why the EU Commission, with the aim of preventing any likely disruptions to the deliveries of natural gas to Europe from Russia via the Ukraine, published the 2006 Green Paper¹ on energy security. In issuing this Green Paper, the EU Commission in fact acknowledged that a great challenge lay before Europe in the field of energy security. However, the same Commission has also brought two solutions into fore, believing that they may be a remedy to this problem. In accordance with the first proposal, it was suggested European states develop a common energy strategy for Europe. In the second proposal, EU countries were simultaneously advised to invest in new energy forms –such as renewables etc. – so that they could reduce the Union’s overall dependence on imported fossil fuels. It is true that, since that date the EU Commission, so as to lessen its dependency on Russian gas, took several more important initiatives, notable amongst which is the November 2009 ‘Southern Corridor-New Silk Road’ made public at the EU’s May 2009 Summit in Prague. The Southern Gas Corridor (SGC) initiative that was first introduced at the EU Commission’s Communication ‘Second Strategic Energy Review – An EU

¹ Robert M. Cutler, “The Role of the Southern Gas Corridor in Prospect for European Security Strategy”, *Caspian Report*, No. 6, Winter 2014, pp. 28-42.

Security and Solidarity Action Plan' (COM/2008/781) in fact aimed to bring in a diversified gas supply from either the Caspian or the Middle Eastern regions to Europe². Until now, with the exception of the ITGI, the two other pipeline projects have yet to be completed. What is more interesting however is that although the Trans Anatolian Natural Gas Pipeline (TANAP) was not initially a part of the EU's TEN-E framework, over time it has taken the place of the Anatolian section of the planned Nabucco pipeline. TANAP has thus finally been able to replace Nabucco's projected role in transporting Azerbaijani gas to Europe. What is more important in the EU's latest 'Energy Security project for 2035' is the need to diversify amongst resource-rich Middle Eastern and Caspian basin countries such as Azerbaijan, Turkey, Georgia, Turkmenistan; the possibility of having Iran and Iraq join the SGC are also mentioned in this document, again provided the political conditions are suitable.

Currently, the EU, being on the demand side of the energy security equation, has for some time been trying to assure and maintain a secure supply of energy for the wellbeing of its citizens as well as for its economy as a whole. The main emphasis of the EU is to acquire and maintain energy supplies in an uninterrupted way and at affordable prices, with the added requirement that the acquisition and transference of these supplies be environmentally friendly. It is clear, however, that despite numerous efforts by the EU to overcome its energy dependency, it has not yet managed to realize this aim. According to BP, European states' energy demands are expected to fall by 6% by 2035, but the Union's dependency on imports is expected to remain constant at around 55% of the total. What is more striking is that, again in

² *Ibid*, p. 29.

line with the BP's energy forecasts for 2035, the EU is expected to take over from China as the world's largest energy-importing region by 2030, but this will not change the crucial reality that the Union will remain the largest net importer of natural gas by the same year³. This reality also does not affect the EU's determination to acquire and implement an energy-security strategy that is competitive, secure and sustainable at the same time. That is why in 2014 the EU launched various ambitious initiatives to meet its most coveted objectives in this regard. One of the main priorities of the EU in launching the European Commission 2014 policy framework for climate was of course related to the Union's desire for a low-carbon economy in the course of its overall efforts to attain an energy-supply security strategy. With this new policy framework scheduled for 2014, the EU wanted to ensure both affordable energy for all European consumers while simultaneously increasing the security of the EU's energy supplies; the hope is that this initiative will help reduce the Union's overall dependence on energy imports. Moreover, by introducing this European Commission 2014 policy framework for climate, the EU also aims to create new opportunities for growth and jobs for the European public in general.⁴

Of particular note is the fact that the 2030 policy framework for climate and energy proposed by the European Commission for the benefit of the EU's economy and energy system delineates the same objectives as the 2014 policy framework for climate. In actuality, the targets determined in the 2030 framework were actually based on and inspired by

³ "BP Energy Outlook 2035, January 2014", http://www.bp.com/content/dam/bp/pdf/Energy-economics/Energy-Outlook/Energy_Outlook_2035_booklet.pdf, last visited on 13 September 2014.

⁴ "2030 Framework for Climate and Energy Policies", http://ec.europa.eu/clima/policies/2030/index_en.htm, last visited on 15 September 2014.

the EU's previous climate and energy targets set for 2020, and still in force.⁵ However, the targets that were put forward for 2030 by the EU Commission do seem more ambitious than those set for 2020. Among all, the centerpiece of the framework is focused on achieving a reduction by 2030 in EU domestic greenhouse gas emissions of 40% below 1990 levels.⁶ This climate and energy target set for 2030 was launched with the view that renewable energy will play a key role in the EU's overall energy security strategy, especially in making and facilitating the anticipated transition towards a competitive, secure and sustainable energy system. In this regard, the European Commission has set a target of increasing the share of renewable energy by at least 27% of energy consumption by 2030. Likewise, the European Commission, with the same determination to have a competitive, secure and sustainable energy policy, has also proposed a target of a 30% reduction-savings - in energy by 2030. This newly proposed efficiency target has, in fact, been built on the achievements of the previously declared targets of 20%⁷. For instance, in most of Europe, the newly constructed buildings are now using half of the amounts used in the 1980s, whilst industry is also using 19% less energy than used in 2001. In line with the EU's new energy policy, the Union's CO₂ emissions are expected to drop by more than a quarter as natural gas and renewables will increase their share of European energy consumption. In this context, by 2023, renewables are expected to replace nuclear energy as the dominant source of power generation, making up 37% of the EU's energy production. According to the estimations, this far-reaching shift in energy diversification is expected to demonstrate its true worth by 2035.

⁵ "The 2020 Climate and Energy Package", http://ec.europa.eu/clima/policies/package/index_en.htm, last visited on 10 September 2014.

⁶ By setting this 40 % target below the 1990 level by 2030 EU is actually aims to become able to engage actively in the negotiations on a new international climate agreement that should expected to take effect in 2020.

⁷ "The 2020 Climate and Energy Package" .., *ibid*.

However, these numbers are not expected to make a radical change in the future of the EU's energy supply security reality on the ground, which is expected to persist for some time. For instance, according to BP forecasts for 2035, the decrease in the EU's energy consumption is set to continue because of the strong growth in renewables but this will not change the reality that Europe's dependency on energy imports will remain at nearly the same levels as today. In this regard, in 2035 fossil fuels are expected to account for about only 67% of the EU's overall European energy consumption, in contrast to a figure of 77% in 2012. According to the EU Commission, "The EU is currently highly energy dependent because it [still] nearly imports 53% of all the energy it consumes at a cost of more than one billion euros per day." Among the EU's energy imports, 88% currently goes to crude oil, 66% goes to natural gas, 42% goes on solid fuels such as coal and 95% goes to uranium⁸. These figures are clear evidence that EU is still open and vulnerable to external energy shocks.

Today, especially in the wake of the crisis caused by the annexation of the Crimea by the Russian Federation, a great deal of concern over the Union's energy security has surfaced, especially among some member states. European capitals that have twice experienced the serious negative effects of dependency on gas imports – as in the winters of 2006 and 2009 when gas shortages were experienced – are expected to fare well for the immediate short term because European countries do not overly depend on Russian gas during the summer months. But, in the case of a prolonged disruption of gas flows from Russia, one that is imposed for months or even years, Europe's vulnerability will reach critical levels, as half of all Russian gas flows to Europe pass through the Ukraine. This is why the European Union, so as to respond to and avert

⁸ "Energy: Security of Energy Supply", http://ec.europa.eu/security_of_supply_en.htm, last visited 20 August 2014.

any likely negative effects of the Ukrainian crisis on Europe's energy security system, called on the EU Commission in March 2014 to conduct an in-depth study of the current situation and hence bring up a comprehensive plan on how to reduce EU energy dependence on Russia. Thus, the annexation of the Crimea by the Russian Federation and the ensuing cooling of relations between Moscow and Brussels really seems to have triggered a European decision to secure the EU energy supply and make it more competitive and sustainable, via the use of both short and long term measures. The reason behind this decision is undoubtedly linked to the current EU energy situation (forecast in the EU energy Security Policy of 2020), which is making progress in certain areas whereas in some areas it still lags behind. Currently, a huge discrepancy exists among the 28 members of the Union in areas such as storage, interconnection, diversification and efficiency. Of course, another important issue that remains highly divisive among the member states of the EU is shale gas. All in all, the European states are still vulnerable to external energy shocks and the continuing Ukrainian crisis and the likely disruption of gas supplies from Russia via the Ukraine is actually exacerbating this situation. Moreover, many member states in Europe still heavily depend on a single supplier – in this case, the Russian Federation – for their natural gas supplies. Of the six 28 EU members that rely on Russian natural gas, the figures read thus: Lithuania 100 %, Estonia 100 %, Latvia 100 %, Finland 100 %, Bulgaria 89 %, Slovakia 83 % and Hungary 80 %. But, even if the present EU states' interconnector problem is solved in time, if the required amounts of gas supplies are not supplied to feed the interconnectors on the European continent, then the European countries' current vulnerability against any likely gas

shortages would remain an urgent issue.⁹ That is why, so as to find an answer to any likelihood of disruptions to the energy supply, the European Commission has recently developed a plan of action that involves both emergency plans as well as back-up mechanisms, and includes both short and long term measures that would enable to the EU to cope with possible energy security and supply risks.¹⁰ Among the short term objectives are increasing current stocks of gas stocks, developing emergency infrastructure such as reverse flows and reducing short term energy demand, together with the option of switching to alternative fuels. The EU Commission has also delineated numerous additional areas of action as medium- to long-term objectives, with the express purpose of overcoming possible long-term risks. The first proposal was based on increasing European states' energy efficiency in line with the proposed energy and climate goals for 2030. The first priority in this regard was given to buildings and industry that normally use 40% and 25% of the Union's energy respectively. Moreover, the necessity of informing consumers about the important details of energy consumption was also underlined – for instance, smart energy meters were mentioned as a possible measure that would inform the public. In its second crucial proposal, the EU Commission underlined the necessity of dealing with the security requirements of the Union's overall energy supply.¹¹ The EU in this regard has emphasized the need to increase indigenous means of energy production via Union – renewables and other means in this case - as well as intensify efforts to increase and diversify the supplier countries and supply routes. In this regard, conducting effective negotiations both with the EU's existing energy partners –

⁹ “European Energy Security: Concious Uncoupling”, *Economist*, 5 April 2014, <http://www.economist.com/news/briefing/21600111-reducing-europes-dependence-russian-gas-possible-but-it-will-take-time-money-and-sustained>, last visited on 22 September 2014.

¹⁰ Energy: Security of Energy Supply”, http://ec.europa.eu/energy/security_of_supply_en.htm, last visited On 17 September 2014.

¹¹ *Ibid.*

Norway, Russia and Saudi Arabia – together with new partners such as those from the Caspian basin were mentioned as unavoidable necessities if the EU is to overcome its current and future energy security dependency. Furthermore, in its third proposal, the EU Commission pointed out the necessity of constructing a common internal energy market¹² among member states as a prerequisite (whilst simultaneously building the infrastructure that is needed for the realization of just such a common market) of guaranteeing the EU's overall energy security objectives in the medium- to long-term period. In this context, the EU Commission has advised EU member states to strengthen their emergency and solidarity mechanisms. In this regard, the EU has drawn attention to the need for coordination between the member states in order to protect critical infrastructure; such coordination can and may include the use of existing storage facilities, developing reverse flows, conducting risk assessments and, last but not least, implementing secure supply plans that could be used at both the regional and the supranational level. Lastly, the Commission also touched upon a very important point that had been, for a number of reasons, lacking until then among the member states. It is well known that, until recently, *speaking with one voice in the EU about the Union's external energy policy* was one of the thorniest issues facing the EU, and one that many times hindered Brussels' attempts at securing and guaranteeing its energy security supply in the most effective manner possible.¹³

¹² In 2007, the EU Commission decided upon the creation of a common internal energy market. According to the 3rd Energy Package at the end of 2014, 14 countries in the northwestern region of Europe are expected to complete the integration of their energy markets. Currently, there are six other geographical markets that the EU is expected to operate. However, not all of the markets have recorded the same pace of development as the northwestern regional market. In this regard, the southeastern regional market, for instance, still lags behind.

¹³ Energy: Security of Energy Supply' ..., *ibid.*

Conclusion

All in all, by issuing the 'European Energy Security Strategy' in 2014, the EU once again highlighted the main problems and deficiencies among its 28 members, issues that may well be a hindrance in achieving a secure, competitive and sustainable energy supply. Under the present conditions, despite the previous and current achievements of the EU's energy and climate policies and strategies, there seems to be a long way to go to before the Union can overcome its dependency on overseas energy sources, especially in the domain of fossil fuels. Hence, the jury is still out on the question of whether or not the EU can successfully fulfill its highly ambitious energy projections for the future – with 2030 as the 'deadline'.

But, for the time being, IR community recently is trying to point out the benefits of re-visiting to viewing the likely role of Southern Gas Corridor in the near future. Recently, the idea of having an expanded SGC project has been offered as the most convenient alternative before the EU's expected rising natural gas demands towards the 2020s. Due to fluctuating geo-political conditions, it has become clear today that no additional regional sources of natural gas are expected to come from Eastern Mediterranean, Northern Iraq or Iran for the purpose of joining the SGC. But, on the other hand a new hope became most likely that there might be a possibility of having additional sources of gas from Azerbaijan and Turkmenistan. The main reason for IR community to be optimistic in this regard is related to two new important developments. First, the reality of the realization of new drillings at six wells in Azerbaijan in Shah Deniz 2 brought the idea of having additional gas-beyond 10bcm/y via current TANAP project-by expanding the capacity of the TANAP project in near future. Moreover, since Malaysian Petronas state owned company has purchased 15.5 % share of Statoil's stake in Azeri production

agreement, a hope has arose that some additional volumes of gas can be now directed to joining the SGC to meet the increasing demands of EU. It is true that, currently EU's demand for gas is down but according to BP Energy Outlook for 2030 it is expected that the Union's need for gas will be on rise again in future. That is why, a need arises for international community to re-visit and search for finding alternative ways of acquiring additional volumes of gas for the use of SGC.