Russia's Geopolitics in Southeast Europe:

Energy security and pipeline politics

Master Thesis

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Abstract

This thesis analyzes Russia's geopolitical objectives in Southeast Europe by focusing on natural gas pipelines and energy security. Natural gas is a crucial soft power asset that Russia utilizes to maintain its sphere of influence in the region. When defining Southeast Europe, this thesis focuses on the following countries of the region: Bosnia and Herzegovina, Croatia, North Macedonia, and Serbia.

The empirically driven research explores Russia's role as the main natural gas supplier in Southeast Europe and the geostrategic implications of the region's potential to become a vital entry point into Europe for Russian natural gas. This thesis applies the theory of defensive realism to the study of gas-infrastructure developments and to the impact of new pipelines on Russia's dominant energy role within the region. Further on, Russia faces various challenges to its control of the regional gas market, including European Union's energy policies, LNG from the United States, natural gas from Azerbaijan, and other complex factors that play into the regional geopolitical and energy arena.

With the analysis of the empirical data, this thesis assesses how each of the Southeast European countries respond to new gas-infrastructure projects and to Russia's effort to leverage its gas assets. These developments, including Russia's gas projects, could provide opportunities for positive, regional cooperation, while creating commercial value by transforming this region into an important natural gas hub.

Keywords

Geopolitics, Southeast Europe, Russia, energy security, natural gas, pipelines, defensive realism, soft power

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1. Introduction

1.1 Russia's relations with Southeast Europe

Russia has for centuries, to varying degrees, been a significant geopolitical actor in Southeast Europe. This special relationship stems from and is defined by centuries of controversy, tensions, cooperation, and strong multilateral relations and is evident in Russian literature and other academic work (Samokhvalov, 2017; Headley, 2008; Samokhvalov, 2018). Its foreign policy objectives in the region have focused on projecting and maintaining power while ensuring that it can deploy mechanisms of geopolitical leverage over the socio-political and economic environment. In addition, the Slavic identity shared with Russia and most countries in the region provides for various cultural points of convergence between Russia and the Southern Slavs ("Yugo Slavs" from where the term "Yugoslavia" is coined). Aside from the unique cultural aspect shared between Russia and the region, every global superpower has aimed to strengthen its geopolitical role in Southeast Europe (Miller & Kagan, 1997). Due to a variety of geopolitical, cultural, economic, and geostrategic reasons, Southeast Europe has, and will continue to, embody a microcosm of global dynamics providing an arena for various power plays (Bagheri & Bagheri, 2020). In the future, Southeast Europe could find itself in the crossfire of geopolitical objectives between the United States, European Union, China, Russia, and Turkey (many might argue that this is already the reality today).

As the geopolitical landscape has significantly changed since the end of the Cold War, and the collapse of Yugoslavia, Russia's geopolitical objectives have adapted to reflect the contemporary regional ecosystem (Secrieru, 2019). The bloody wars in the 1990s, amidst the breakup of Yugoslavia, the alignment of several countries with the NATO alliance, and in the last decade, the European Union that has simultaneously rattled and strengthen Russia's geopolitical role. Russia remains determined to retain its sphere of influence in the region by deploying, primarily, soft power assets (Djokic, 2020). Russia accounts for less than 4 percent of the overall imports to the region, while the European Union accounts for more than 54 percent. The EU zone is the region's most important trade partner and main source of foreign direct investment (Eurostat, 2021). Despite the declining socio-economic and political influence that Russia has in the region, Russia remains the main energy supplier and crucial player in the geopolitical arena of Southeast

Europe (Stronski & Himes, 2019). Russia's determination to retain its sphere of influence and remain a powerful stakeholder in the geopolitical arena of the region has further advanced the relevance of Southeast Europe in contemporary geopolitical and international relations analysis.

A study of the empirical data regarding Russia's geopolitical objectives in the region to develop a hypothesis will advance the understanding of the region's dynamics, of Russia's geostrategic and geopolitical goals, and will derive findings that will provide both the academic community and private sector insights into energy security of Southeast Europe. The energy sector and related infrastructure remains one of the most relevant areas where Russia can significantly impact future developments of the socio-economic and political environment in the region (Stronski & Himes, 2019). To achieve these objectives, Russia utilizes its economic, political, social, and cultural assets to maintain, advance, and defend its geopolitical interests in Southeast Europe (Bechev, 2021).

Russia has strategically maintained a defensive approach by deploying soft power assets, with the exception of providing military equipment to Serbia as one of the few hard power manifestations (Djokic, 2020). Based on the empirical data presented in this thesis, it is apparent that within the scope of geopolitics, ensuring energy security and market dominance are key components of Russia's foreign policy in the region.

When analyzing Russia's geopolitics in Southeast Europe through the scope of energy security, the thesis will focus primarily on natural gas as a key energy asset within Russia's array of energy resources. It will not include crude oil in the analysis of the topic. Crude oil is a fungible commodity, meaning that it is interchangeable and simplifies trade and exchange (Kenton, 2019). Crude oil and refined products are traded on the global spot market and have a global benchmark price that trades at the same price regardless of the location of trade. Compared to crude oil, natural gas is not easily transported. It needs to be compressed and can be transported via pipelines or LNG tankers. This difference in transportation costs, to a large degree, determines the price between two trading countries. However, given the fact that pipelines typically cross the territory of several sovereign states, each with disparate economic and geopolitical objectives, natural gas becomes a sensitive commodity; many variables affect the end price. Thus, natural gas becomes a soft-power asset, to achieve economic and geopolitical

objectives, for every state actor along the supply chain, including the producer, transit state, and end-consumer (Simurdic, 2015).

1.2 Europe's energy ecosystem and natural gas

Southeast Europe is becoming an energy hub and intersection for several natural gas pipelines, interconnectors, and other relevant, energy infrastructure for the rest of the European Union (Turcalo, 2020). While the region itself is a very small market in both demand and consumption of hydrocarbons, Russia is the main supplier of natural gas to the region and has socio-economic leverage over the energy markets in the region (Turcalo, 2020). Southeast Europe serves as an alternative route for Russian gas to reach the rest of Europe.

The majority of Russian natural gas consumed by Europe is transported via pipelines that pass-through Ukraine and Belarus, with the combined capacity of Nord Stream I and II crossing the Baltic Sea. The countries that are situated along these transit lines have proven to be exposed to political tensions between Europe and Russia (Mikovic, 2021). This has at times resulted in interruption, closings, and rapid price increases due, in large to these political tensions. Such outcomes have had a significant effect on Europe's energy security and have incentivized Europe's ambition to diversify its energy sources and to aim to further invest in renewable sources of energy (Euractiv, 2018).

Despite the recent changes in attitude from the U.S. Biden administration regarding Nord Stream II and lifting of the sanctions, the volatility and unpredictable geopolitical conditions remain. Currently, Europe imports approximately 40 percent of its natural gas from Russia. Norway, Europe's second largest importer of natural gas, is aiming to become a leader in renewable energy development by addressing climate change issues and reducing fossil fuel production (Arvin, 2021). With increased demand and the completion of Nord Stream II, by the end of 2021 (Putin, 2021), Russia will increase its status as the largest energy exporter to the EU. Given the fragile condition of the existing socio-political environment in the north (Ukraine, Belarus, Baltic Sea countries), the energy corridor in the south could provide a more stable, alternative route for the import of natural gas from Russia, Azerbaijan, and Turkmenistan (Morrison, 2017). For the time being, it appears that the transit countries (Georgia, Turkey, the EU, and non-EU members

in Southeast Europe) could prosper from this instability and gain more leverage over Western Europe's energy delivery. This could in fact compromise Europe's necessity to deal with less-democratic countries. Such developments could provide an opportunity for Turkey to become an important energy player, with the majority of current and future pipelines passing over mainland Turkey or the Black Sea. This powerful geopolitical role developed by becoming a vital transit country might in fact allow Turkey to take a harder stance regarding the European Union causing a variety of multilateral challenges. In addition, the development of the energy infrastructure might present the potential for Southeast Europe becoming a major energy hub. The region can become invaluable for transit of natural gas to neighboring countries and via interconnectors provide access to natural gas if tensions or political instability prevents the flow of natural gas via Ukraine, Belarus, or the Nord Stream pipelines. It is important to understand how Russia's current geopolitical objectives could affect the energy security and other development of the region. Such study could provide unique insights to advance academic research of a variety of hypothesis that aim to explain Russia's current and future foreign policy objectives and long-term strategic planning.

In January 2021, Gazprom started delivering gas to Serbia, Bosnia and Herzegovina through its new pipeline TurkStream (Gazprom, 2019). While previously existing infrastructure and energy imports in the region were primarily defined by Russian pipelines and natural gas, the Trans Anatolian pipeline (TANAP), which originates in Azerbaijan, and the liquefied natural gas (LNG) terminal at Krk, have the potential to add a new level of complexity to the geopolitical ecosystem, and to act as a potentially destabilizing element in Russia's energy security in the region.

2. Research framework and purpose

This thesis focuses, as a pilot-project, on Russia's current geopolitical objectives in Southeast Europe, with particular focus on Russia's natural gas pipelines, in the region. These energy assets serve as an extension of Russia's foreign policy's strategic agenda (Ostrowski & Butler, 2018). Energy infrastructure and energy companies are one of the most tangible and visible soft power assets Russia possesses in the region. The existing natural gas pipelines and energy infrastructure form the backbone of Russia's energy infrastructure. Transit and trade of natural

gas will be analyzed to determine the current ecosystem of geopolitical spheres of influence in the region.

This research outlines Russia's geopolitical strategy and the way that it utilizes natural gas to advance its geopolitical interests and to maintain its sphere of influence in Southeast Europe. This research provides an opportunity for further research into the recent developments regarding several energy infrastructure projects in the region, which will impact Russia's future geopolitical objectives and its sphere of influence in the region.

2.1 Geographic scope of research

The scope of this research includes the following countries of Southeast Europe: Bosnia and Herzegovina (BiH), Croatia, North Macedonia, and Serbia. Croatia is a European Union and NATO member; North Macedonia is a NATO member and a candidate for EU membership, awaiting the official start of the negotiations process; BiH is a potential EU member; and Serbia is a candidate country currently in the process of accession negotiations. While these countries share a common culture, history, and all formed part of former Yugoslavia, they also share vital dependance on Russian natural gas. Note that in academic research and geopolitically, this region (aside of Croatia) is also known as the Western Balkans[1]

Other countries of former Yugoslavia – Kosovo and Montenegro – do not have a developed natural gas infrastructure (The World Bank, 2018; SEE Bankwatch, 2020). While Kosovo and Montenegro are important for understanding Russia's geopolitical objectives in the region, because of the lack of energy infrastructure related to Russia's natural gas and pipelines in these

[1] *For the purpose of this research, I will refer to the region as Southeast Europe as a geopolitical definition of the region and move away from the term "Balkans". The term "Balkans" is not applicable to all the countries in the region and has a broader geographic, historical, and cultural set of implications that are often disregarded in the academic and public discourse. Thus, for the purpose of this research it could derail the focus on geopolitics.*

countries, they are excluded from this research. Russia is capable of exerting its sphere of influence primarily with pipelines and its controlled, energy companies (Korteweg, 2018).

The shortcoming of limiting the research is to only one aspect of Russia's geopolitical approach in the region, by focusing only on natural gas, and specifically the above-mentioned countries of the region.

While Russia primarily utilizes soft power to achieve its foreign policy objectives in the region, hard power manifestations have been employed in the case of Serbia (Stojanovic, 2020). Bulgaria, Romania, Greece, and Albania are also important stakeholders that could be included in further research, to attain a more comprehensive assessment of energy security and of Russia's geopolitics in the region. Such expanded research and analysis could result from this pilot research. The findings and empirical analysis can provide the foundation for a broader inductive analysis that can further validate/invalidate various hypothesis related to the geopolitical paradigms that are trying to explain Russia's geopolitical objectives and long-term strategy in Southeast Europe.

2.2 Thesis structure

The thesis is presented and divided into five main chapters that provide a streamlined assessment of the empirical data and findings.

Chapter 3 introduces the theoretical framework and research methodology. This chapter introduces the theoretical underpinning that provides the framework for conducting the empirically driven research into Russia's geopolitics and pipeline politics in Southeast Europe. The latter part addresses the data sources and literature review. The later part addresses the data sources and literature review.

Chapter 4 analyzes the sections assessing empirical data relevant to the research questions: Russian energy and geopolitics, energy market and pipelines in Southeast Europe, individual state analysis, and external influence.

In chapter 5, this thesis provides concluding remarks based on the abovementioned analysis and introduces areas for possible, further research. I summarize the findings and answer the research

questions. In addition, within the scope of the research questions, I discuss the value of Southeast Europe with respect to its geostrategic position for becoming a potential energy hub, and the consequences for a Russia that wants to maintain its sphere of influence in the region. Finally, I reassess Russia's geopolitical and long-term strategic objectives based on the empirical-research findings.

2.3 Research questions

This thesis addresses the following questions within the scope of Russia's geopolitics in Southeast Europe and its utilization of natural gas to maintain a sphere of influence:

- *What are Russia's current geopolitical objectives in Southeast Europe concerning energy security?*
- *What are the geopolitical implications of the region's dependency on Russian natural gas?*
- *How might Russia's geopolitical objectives and energy security in Southeast Europe be challenged in the future?*

The research questions include a complex set of geopolitical topics within the field of international relations, energy security, and include several cross-disciplinary concepts and underlying hypotheses. The thesis addresses significant components by using natural gas pipelines as a framework to understand the empirical developments related to Russia's geopolitical objectives in Southeast Europe. This thesis lays the groundwork for analyzing the recent pipeline developments and current energy ecosystem in the region, while also assessing external influences.

3. Theoretical framework and method

3.1 Research framework

The theoretical research framework conceptualizes the topics and outlines key paradigms that define Russia's geopolitical objectives in Southeast Europe. The conceptual framework takes the centerstage in any social science research and provides an invaluable tool to analyze the causal relationship between the independent and dependent variables. This empirically driven thesis is based on a qualitative approach. Future research could conduct an inductive analysis to identify the relationship between the independent and dependent variables in order to validate or invalidate existing hypothesis, offering a unique opportunity to address a complex and large set of research data. Such case studies could add immense value for the academic community and the understanding of a topic of global relevance. Russia's geopolitical role in the region and the energy related challenges and opportunities explain existing hypothesis regarding Russia's objectives and efforts guided by doctrine and long-term strategy. The findings on research on geopolitics combined with an assessment of commercial and economic indicators could result in a unique set of recommendations for the public sector and predications relevant to the private sector.

3.2 Theory–defensive realism

This thesis analyzes Russian geopolitical objectives in Southeast Europe by deconstructing empirical data to demonstrate Russia's sphere of influence in the region, by utilizing its energy assets, natural gas pipelines and energy companies, to extend its (state's) reach into the region. While the empirical data drives the research, it is important to incorporate a theoretical framework into the work in order to interpret the paradigms and empirical data.
This thesis presents a review of the theoretical assumptions, which the author will utilize to advance the research and provide an inductive analysis. Such an approach allows for the introduction of contemporary geopolitical developments utilizing existing research and scholarly work that addresses geopolitical paradigms within the context of Russia's present relations with Southeast Europe.

This thesis applies the theory of realism to the research, and more specifically defensive realism, as a prism through which to analyze Russia's geopolitics in Southeast Europe and its utilization of natural gas to retain its sphere of influence and defend its national interests in the region. The application of this theory constructs sound explanations and strong arguments, while answering the research questions. The empirical evidence validates the theoretical approach chosen for this thesis.

Realism, at its core, states, "Politics is a struggle for power over men, and whatever its ultimate aim may be, power is its immediate goal and the modes of acquiring, maintaining, and demonstrating it determine the technique of political action" (Morgenthau, 1995, p.195). The greatest classical realists Morgenthau, Hobbs, and Machiavelli agree and argue that the world's international system is in state of anarchy with states competing for power and survival. Each state is determined to defend and advance its national interest, engages in power politics and foreign policy objectives defined and driven by national interest (Jackson & Sørensen, 2013). While this overview of a realist's approach to international relations is no substitute for the in-depth contemplation and understanding, which classical realists engaged in to define this pessimist view of the world, it does present the foundation upon the theoretical analysis of realism for our research questions. It allows us to introduce defensive realism as a concept defined by Kenneth Waltz, and to apply it to analyze the empirical data. Before further discussion of defensive realism, it is important to mention that realists primarily see the international stage as relations defined by states as the "preeminent actor in world politics" (p.66, Jackson & Sørensen, 2013). Therefore, this thesis focuses on unitary states as the primary drivers when defining the geopolitical landscape. The selected level of analysis concentrates on the state as they have a crucial role in creating and implementing: foreign policy strategies, doctrines, energy polices and strategy, and the development of energy markets. The geopolitical discourse, or energy geopolitics, correlates with energy security, to shape state energy and foreign policy objectives (Högselius, 2019; Pascual & Elkind, 2010). In addition, state-level analysis concurs with the realist's argument that states are the main actors on an international level.

Several leading realists analyze power, as a key concept of realism. One of the leading realists is Kenneth Waltz, who laid out the principles of defensive realism in his book the *Theory of International Politics.* Waltz argues that states are not inherently aggressive towards each other

in a desire to attain more power. Instead, he argues, great power states seek to survive and that the balance of power within the international system is crucial. States aim to maintain their power position and will act defensively, while not upsetting the balance of power (Waltz, 2010). It is important also to introduce offensive realism as a counterpoint to defensive realism, the structural theory of international relations first introduced by John Mearsheimer. While both theories argue that states and great powers seek to survive in a world where the international system is in a state of anarchy, the main differentiating element of offensive realism is based on how much power the states want (Mearsheimer, 2001). Mearsheimer argues that for defensive realists, "the international structure provides states with little incentive to seek additional increments of power; instead, it pushes them to maintain the existing balance of power", whereas offensive realists "believe that status quo powers are rarely found in world politics, because the international system creates power incentives for states to look for opportunities to gain power at the expense of rivals, and to take advantage of those situations" (p.21 Mearsheimer, 2001).

John Mearsheimer pointed to Kenneth Waltz as the father of defensive realism and advocates that Waltz's approach sees states that seek power in order to remain secure and ensure survivability. Defensive realists effectively avoid the usage of excessive force and concentrate on maintaining the balance of power. Utilizing power to maximize relative power would be counterproductive as it would provoke hostile alliances by other states (Jackson, 2019). In other words, defensive realists argue that the balance of power is vital for survival, whereas offensive realists argue that achieving the hegemon status is the ultimate goal. The inherit nature of the global system is that each state seeks power as a paradigm that defines the anarchic world.

Defensive realists argue that states would hesitate to utilize offensive measures and strive towards regional hegemony or power dominance. Russia is engaged in an energy market in Southeast Europe that is heading towards further energy diversification. Such outcome could initially undermine Russia's short-term objectives in the region; however in the long-term, it could support Russia's energy objectives for further developing energy infrastructure, which could prevent future instability in the region, in spite of the constant tensions in Republika Srpska in BiH or along the lines of bilateral relations between Serbia and Kosovo. Such stability

could create new opportunities for the positive influence of pipeline politics from a variety of global actors and at the same time further expand Russia's geopolitical role in the region.

While the understanding of defensive realism, or its disparate theoretical underpinning with offensive realism is an interesting approach to understand Russia's geopolitics and energy security in Southeast Europe, Russia's foreign policy objectives, and ultimately its ability to retain its sphere of influence, also correlate with the concepts of soft and hard power defined by Joseph Nye. While the evident theoretical dichotomy between realism and liberalism is present and crucial for the understanding of international relations theories, soft power is closer to liberalism even "if there is no contradiction between realism and soft power" (Nye, 2011, p.82). According to Nye, there are two types of power: hard and soft. Soft power aims to "get others to want the outcomes that you want" and "the ability to achieve goals through attraction rather than coercion" (Nye, 2005, p.5). It is important to notice the relevance of soft power while analyzing Russia's energy security in Southeast Europe through the prism of defensive realism despite the theoretical limitations and hypothetical assumptions.

3.2 Key concepts

The most relevant concepts that this thesis utilizes, in order to address its research questions, are geopolitics and energy security. It is important to note that these concepts are relevant to a variety of social sciences and entail various definitions and parameters set to define the scope and purpose.

Energy security is defined by several dimensions – economic, technical, political, geographical, and others – and has multiple definitions; however, one of the most relevant observations related to this thesis is the "absence of or protection of a system against energy supply related threats" (Winzer, 2012). The securitization of energy and pipeline politics could provide a unique prism to analyze Russia's geopolitical objectives in the contemporary space while deploying defensive realism and further explicate empirical examples.

The definition of geopolitics that relates to our research on Russia's energy assets in Southeast Europe is found in the book, *Natural Gas and Geopolitics 1970 to 2040* (Victor et al., 2006*)* indicates that geopolitics encompasses the cumulative sets of geographic, cultural, economic, and technology factors, which provide a foundation for political discourse between state actors on an international level. While relative gains matter, the joint gains that stem from trade and cooperation are equally important. However, the authors indicate that those states that import larger volumes of gas, thus creating a dependency relationship, place their energy security in the hands of other states (Victor et al., 2006). This raises the level of influence the supplier has over the consumer. According to such, the supplier and consumer almost share equally the internal socio-political and economic influence of each other's internal governance and policy making. They become codependent. Ultimately, geopolitics and the utilization of natural gas, in this thesis, indicate that there are significantly more elements involved in creating one's energy security strategy (Ostrowski & Butler, 2018). Elements such as long-term policy planning and the state's interaction with the energy companies affect the decision-making process that leads to determining which pipeline or interconnector will be developed, which energy company will be sold (and to whom), how the revenues will be shared, and how one state can minimize risk of overexposure by being dependent on one major supplier of natural gas.

Energy geopolitics in contemporary international relations is an important concept for this thesis. It is studied by several social sciences and utilized heavily in their academic and non-academic writing. "In the twenty-first century, the geopolitics of energy is everywhere. It is not merely something we find out there; it affects all of us as humans and interferes with our everyday lives" (Högselius, 2018). It incorporates the analysis and study of supply and demand, access and extraction, infrastructure and logistics, transit, and the technology of production of energy resources. While an energy transformation and transition are on the horizon with renewable energy resources and technology rapidly developing, it is important to note, "The exploitation of fossil fuels lifted global energy use fifty-fold in the last two centuries, shaping the geopolitical environment of the modern world" (A New World: The Geopolitics of the Energy Transformation, 2019). Nevertheless, energy geopolitics is highly affected by the physical location of hydrocarbons and the reserves that each state has. Possessing vast resources has had an impact on the economic well-being and security of a number of state actors across the globe

(A New World: The Geopolitics of the Energy Transformation, 2019). In comparison, the states that are not rich in natural resources aim to decrease strategic energy independence and diversify sources, which results in mitigating risk and overexposure to unstable energy supply and to volatile prices.

The meaning of geopolitics, within the sphere of energy security, includes the allocation of energy resources that directly reflects on the state's interaction between the energy supplier and its consumer and how each state positions itself in order to achieve and maintain energy security objectives (Bucka & Zechowska, 2004). Thus, energy suppliers with their vast natural resources wield a significant amount of power and leverage to coerce its consumers (Korteweg, 2018).

3.4 Literature review

The thesis research is based on a combination of literature survey and secondary research. This type of "desk research" (Verschuren, 2010) entails collecting data from existing relevant sources. I will utilize academic literature focusing on social science relevant to the theory applied in the thesis while supporting the analytical research of Russia's geopolitics and energy security in Southeast Europe with news articles as they provide the most recent updates. The news articles provide access to empirical data sets that support the theoretical assumption and research questions at hand. In addition, I have complemented the research with specific empirical data and examples coming from the private sector and non-governmental organizations.

The main quantitative source will be open-source databases ranging from Eurostat, Gazprom, S&P Global, and BP's Statistical Review of Energy that will provide contextual background for developing an understanding of contemporary geopolitical and economic dynamics. Such an approach could allow for further research to shape the foundation for a set of analytical tools and theoretical assumptions with the end goal of projecting possible developments of Russia's energy security in Southeast Europe and its geopolitical objectives.

This will include the analysis of Russia's dominant energy strategy, demonstrating that "energy security is the most important element in Russia's national security" (Deckler & Gomart, 2011). Such approach correlates with the theory used to study the research question.

The energy sector and state-level strategy can be analyzed from a variety of approaches: economics, geopolitics, geographical, and environmental. Given the limitation of data sources regarding the specific economic impacts of Russia's energy strategy and long-term planning, this thesis will focus on geopolitics. As mentioned previously, the geopolitical approach is closely related to energy security. The examples of empirical evidence are sourced from credible regional and English-language news sites.

Future research on this topic, conducting comparative research could provide more nuance and collection of real-time data, statistical datasets, and forecasted policy changes to Russia's geopolitical priorities and energy security strategy in Southeast Europe. Such a comparative approach could include innovative research indicating new patterns of behavior in the region. Lastly, there is a shortage of transparency in databases that indicate the sources and present up-to-date data for varied economic indicators relevant to this topic.

4. Analysis

4.1 Russian energy and geopolitics

4.1.1 The global energy superpower

The Russian Federation is an energy superpower that dominates the global energy markets as a major producer and exporter of hydrocarbons (Bouzarovski & Bassin, 2011). It is the third largest global producer of oil and has the largest, proved natural gas reserves in the world (BP, 2020). Its natural gas reserves contain almost a fifth of the global reserves (BP, 2020). In addition, the country has a significant amount of other natural resources, including coal and uranium. The Russian economy is highly dependent on resource rents, and according to Russia's Audit Chamber, in 2019 an estimated 47.8 percent of the government revenues were attributed directly from the oil and gas industries (Accounts Chamber of the Russian Federation, 2018).

Russia's energy security and strategic planning support and maximize the effective utilization of its vast natural resources and of the energy sector to further develop a sustainable and scalable economy. The energy sector strengthens Russia's geopolitical role and allows for soft power projections. "Ensuring energy development and energy security is one of most important directions of the Russian state policy. This is defined by the special system-forming role of the fuel and energy complex of Russia in the country's life" (Kuboniwa et al., 2005). This analysis is important in order to visualize the geopolitical objectives in Southeast Europe.

4.1.2 Russia's energy policy and objectives

Russia's energy strategy has been driven by several strategic policies that have defined its energy security and influenced its geopolitical objectives including the *2030 Russian Energy Strategy* (2009) *Energy Security Doctrine of Russia* (2012), *Forecast of the Scientific and Technological Development of the Fuel and Energy Sector for the Period until 2035* (2016), and most recent *Energy Strategy of Russia until 2035* (2020). The polices set prior to 2019 are most relevant to this thesis as they have defined the long-term priorities and objectives of the Russian government concerning geopolitics, energy security and the energy market development.

The most recent strategic document focusing on energy strategy until 2035 realistically "captures the current situation in international energy markets and trends in the development of the Russian energy and fuel complex" (Alekseev et al., 2019). Despite its general clearly defined objectives, it has several shortcomings. There is no specific strategy on resource-innovative development; no comprehensive plan is developed to address working in the European markets; the anticipated projections fail to account for increased initiatives striving towards energy diversification and shifting towards renewable source of energy. Lastly there is no mention of the challenges Russia is facing in technology and innovation development due to the sanction imposed after the annexation of Crimea (Alekseev et al., 2019).

The most important strategic policy developed to support Russia's energy security and that to the highest degree affects its geopolitical priorities, I would argue based on the shortcomings of the 2020 strategic document, are defined in the *Energy Security Doctrine of Russia* adopted in 2012. This document acted as the road map for the federal and regional energy industry objectives that aimed to

provide a springboard for Russia's energy sector to becoming the driving force in further economic growth and development of a resilient carbon-based economy.

In correlation to Russia's foreign policy, the Doctrine defines internal and external threats to Russia's energy security. These threats could have a significant effect on the sustainability and survivability of Russia's economy and national interests abroad. The threats to Russia's energy security were divided into two groups based on the current geopolitical trends and natural resources markets:
"(a) A number of internal threats, such as economic, social, political, technogenic, and natural; and (b) external factors of international politics and economics that could weaken the energy security of Russia as a result of their accumulative actions or separately" (Energy Security Doctrine, 2012). While the threats outlined cover Russia's global energy security, we can extrapolate from point (b), in the case of Southeast Europe, these external threats can be identified as those that could reduce Russia's dominant position as the main natural gas provider in the region.

It is important to notice that the external threats are closely related to global market trends, macroeconomic stability, energy market fluctuations, and geopolitical developments. Further on, the Doctrine outlines the close correlation between Russia's energy security and domestic/international socio-economic and political spheres that have an impact on Russia's national interests. In order to develop a resilient energy industry, Russia needs to establish reliable systems of energy supply, develop new market opportunities, and protect its economic interests abroad. Finally, Russia needs to minimize the risks of endangering its energy security by pursuing closely aligned foreign policy objectives (Energy Security Doctrine, 2012). These are clearly predefined challenges that have impacted specific foreign policy priorities and that can help us determine the geopolitical objectives Russia aims to advance and maintain.

4.1.3 Geopolitical impact of Russia's energy policy in Southeast Europe

Russia's natural resources provide a strategic asset that is a key to further developing its domestic socio-economic environment and enables the current political forces to retain domestic power. Russia's energy industry and energy security plays a unique role in influencing and pursuing its foreign policy and in projecting its power abroad (Ivanenko, 2008). While Russia faces significant competition on the global energy market, from energy diversification initiatives, and the

development of renewable energy sources and technology, the European Union remains dependent on Russian natural gas and is one of Russia's most important consumers. Approximately 30 percent of oil and over 40 percent of gas of the European Union's total energy needs are met by Russia (Eurostat, 2018). This has created an interdependent link between Europe and Russia: Europe depends upon the natural resources coming from Russia to keep its furnaces burning, and Russia depends upon revenue received from its exports to the European Union. In correlation with Russia's expanding energy infrastructure network and exports towards the East, Russia's economic sustainability and foreign policy priorities are guided by its energy security strategy (Bogoviz, 2018).

"Russian energy policy in the Balkans could be viewed as part of the competition for access, control and influence over the oil and gas business, especially in the Caspian basin and in Central Asia" (Simurdic, 2015). The region could become an important transit hub for Russian natural gas flowing into Central and Western Europe. Given the tensions and constant friction with pipelines crossing Ukraine, Belarus, and the Baltic Sea, the southern natural gas corridor could provide an alternative for the increasing demands from Central and Western Europe.

4.1.4 Natural gas giant – Gazprom

Gazprom is a majority, state-owned multinational energy corporation that is listed among the largest energy companies in the world. In 2019, its net profits were $6.1 billion and its top ten consumers are located within the European Union (aside from Turkey). Gazprom is the most relevant and largest stakeholder of Russian's proven natural gas reserves with control of over 64 percent of natural gas fields and contributes to the energy market with 74 percent of Russia's natural gas production (U.S. Energy Information Agency, 2014). Gazprom's dominant role allows for a large degree of control over the overall natural gas extraction, production, and transportation to Europe (Heinrich, 2008). Due to the high socio-political and economic importance of natural gas for Russia's economy, Gazprom's strategic foreign development strategy and market objectives, are closely related to Russian geopolitical objectives and diplomatic efforts (Newton & Aslund, 2020). In addition, the corporate aspect of economic development that Gazprom utilizes to invest, develop, and expand its market footprint is indirectly correlated with Russia's soft power agenda. The company (or the state) has on

numerous occasions used natural gas as a tool for coercion in order to attempt to influence other state actors to align with Russia's geostrategic objectives (Korteweg, 2018).

"Gazprom represents the embodiment of the Russian foreign energy policy" (Simurdic, 2015). The corporate goals and objectives align with the geostrategic polices and interests that Russia needs to deploy in order to maintain and retain a sphere of influence in Southeast Europe. Since it controls the entire energy gas infrastructure and pipeline network it has significant leverage over the local energy markets in Southeast Europe. "He, who controls the pipeline, controls the buyer" (Kupchinsky, 2006). This opinion is juxtaposed by the commercial and formal assessments that Gazprom, driven by polices set by the government, aims to remain profitable while achieving high levels of professional and legal commitments to its consumers. Further on, Gazprom's official statement over questions on its influence vis-à-vis geopolitics is that "energy is a political business, but it is business first and foremost" (Trenin, 2009).

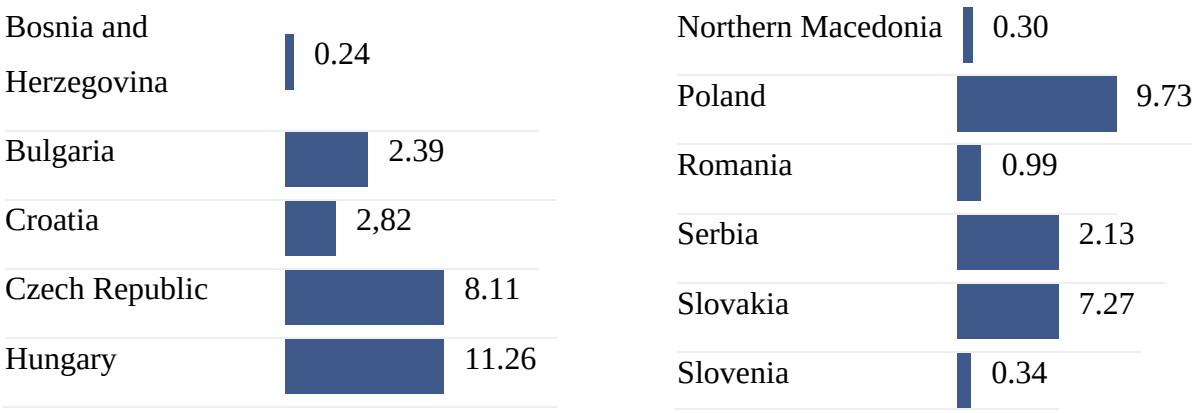
4.2 Energy market and pipelines in Southeast Europe

4.2.1 Import of Russian natural gas

Despite the small energy market size (figure 1), in comparison to the natural gas sales to Hungary with 10.5 bcm and Italy with 22.0 bcm, Southeast Europe remains an important market for Russia due to reasons beyond economic prosperity and profit (Turcalo, 2020).
Energy is one of the most tangible and visible assets of Russia's economic and geopolitical polices. Since the early 2000s Russia has actively engaged countries in the region to gain political support for the development of Russian natural gas pipelines while presenting the region as a future hub of energy infrastructure to Europe. Russia annually sells less than 6 percent of its overall natural gas exported to Europe to Southeast Europe, however the prevailing strategy has been to secure long-term contracts with the countries of the region and national and private energy corporations (Turcalo, 2020). "In essence, the long-term contracts are service contracts that allow buyers to exercise flexibility with regard to both daily and annual volumes supplied, while the seller has an obligation to deliver the pre-paid take-or-pay volumes. Moreover, long-term contracts provide a guarantee of gas deliveries over a substantial period of time. Spot gas, meanwhile, is a fundamentally different product, which makes direct comparisons between

contract and spot prices unjustified (Gazprom, 2020).” Fundamentally and according to Gazprom, the long-term contracts are offered to clients in Southeast, Western, and Central Europe that will prevent price fluctuation amidst geopolitical instability and ensure a safe flow of natural gas.

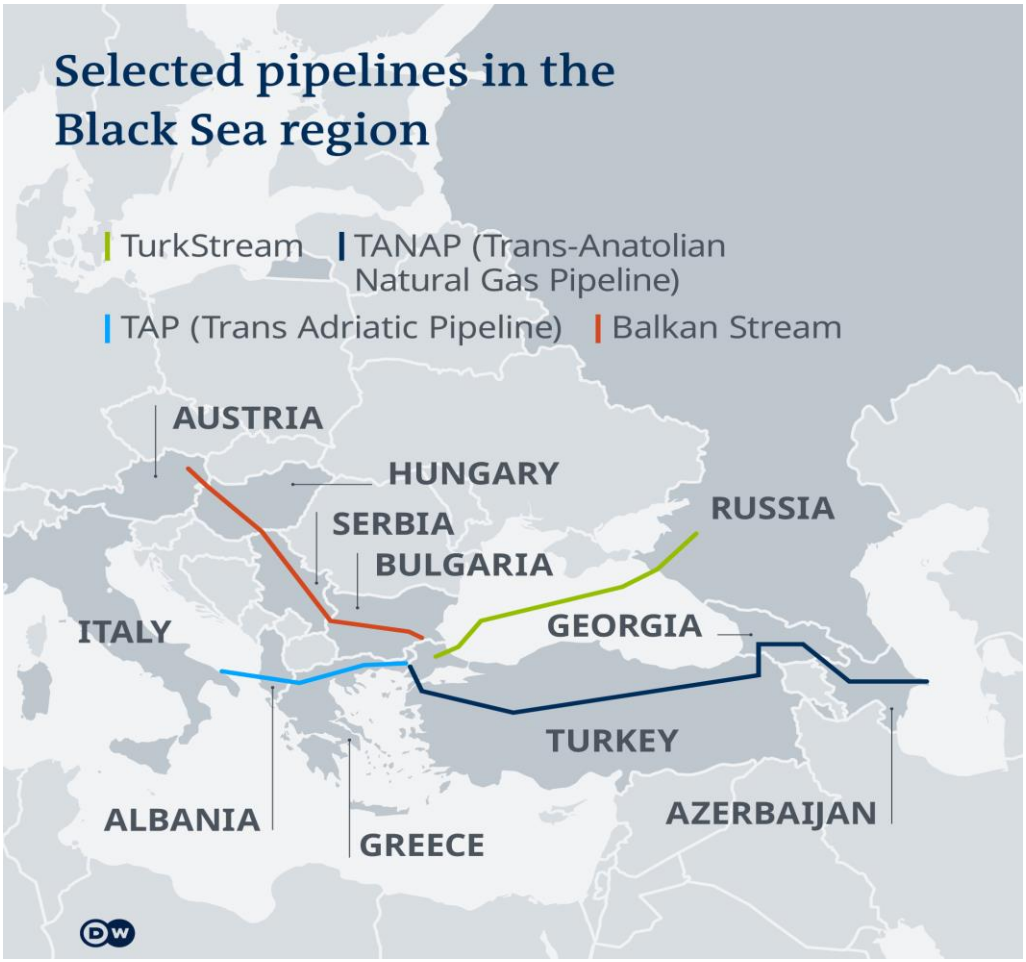
Figure 1. *Natural gas supplies via Gazprom Export to the countries of Eastern and Central Europe in 2019, bcm*



Source: Gazprom

4.2.2 Natural gas pipelines

Currently there are four main natural gas pipelines in Southeast Europe and one LNG terminal (*Map 1*); the Trans Adriatic Pipeline (TAP), the Trans-Anatolian gas pipeline (TANAP), TurkStream, the Balkan Stream, and the Liquefied Natural Gas (LNG) terminal in Croatia. Russia has developed TurkStream in cooperation with Turkey and the Balkan Stream is an extension of that pipeline. The other pipelines (TANAP and TAP) and the LNG terminal offer the long-term possibility of energy diversification in the region and for other neighboring countries via inter-connectors.



Map 1.

Source: [Deutsche Welle]

The existing inter-connectors, Balkan Stream, and TurkStream form the essential pipeline infrastructure and foundation of Russia's energy strategy in Southeast Europe. While initiatives such as South Stream and Nabucco were blocked by the European Union due to geopolitical and economic factors, the region has the potential of becoming an important energy hub within the southern corridor due to its geographical position vis-à-vis its Central and Western neighbors. TurkStream might also be perceived as an important upgrade of the failed South Stream that acts as a key asset in the future of Gazprom's natural gas strategy. It will allow Russia to continue to reinforce its position as the main natural gas supplier to Europe while at the same time not being dependent on gas transit via the most vulnerable transit point - Ukraine. The extension of TurkStream, the Balkan Stream, delivers gas from Turkey, via Bulgaria, Serbia, to Hungary.

Due to the geopolitical and geostrategic implications of existing pipelines in Eastern and Northern Europe – Brotherhood, Soyuz, Nord Stream I and Nord Stream II could face challenges in the future transport of natural gas to Western Europe. The ongoing geopolitical issues seem to have simmered down with the removal of the U.S. sanctions of the NS2 project (Shalal, 2021). However, the ongoing tensions regarding the ongoing conflict in the East of Ukraine (and annexation of Crimea), could expose the fragility of these pipelines that could be the first victim of renewed tensions. In the past (Korteweg, 2018), these pipelines are prone to shutdowns, technical issues, and bare a significant geopolitical punch Russia can deliver if exposed or threated by internal and external factors.

TurkStream consists of two lines that have a combined capacity to deliver 30 billion cubic meters annually (Jurusek, 2021). While one of the lines is intended for Turkey's energy market, the second continues towards Southeast Europe and is transported via Balkan Stream. In comparison, TANAP and TAP have a combined capacity of 16 billion cubic meters (Lmahamad, 2021). The supply of natural gas from a non-Russian pipeline has allowed Serbia and North Macedonia to plan for developing an interconnector with Bulgaria's gas network that will allow for the import of gas from Azerbaijan (Elliott, 2021).

The newly developed LNG terminal, on the island of Krk in Croatia, became fully operational in January 2021. The terminal is intended to be an entry point for LNG from the U.S., Qatar, and other LNG producers (including Russia). The terminal has an annual capacity of feeding 2.6 billion cubic meters into the national energy grid (Smith, 2021).

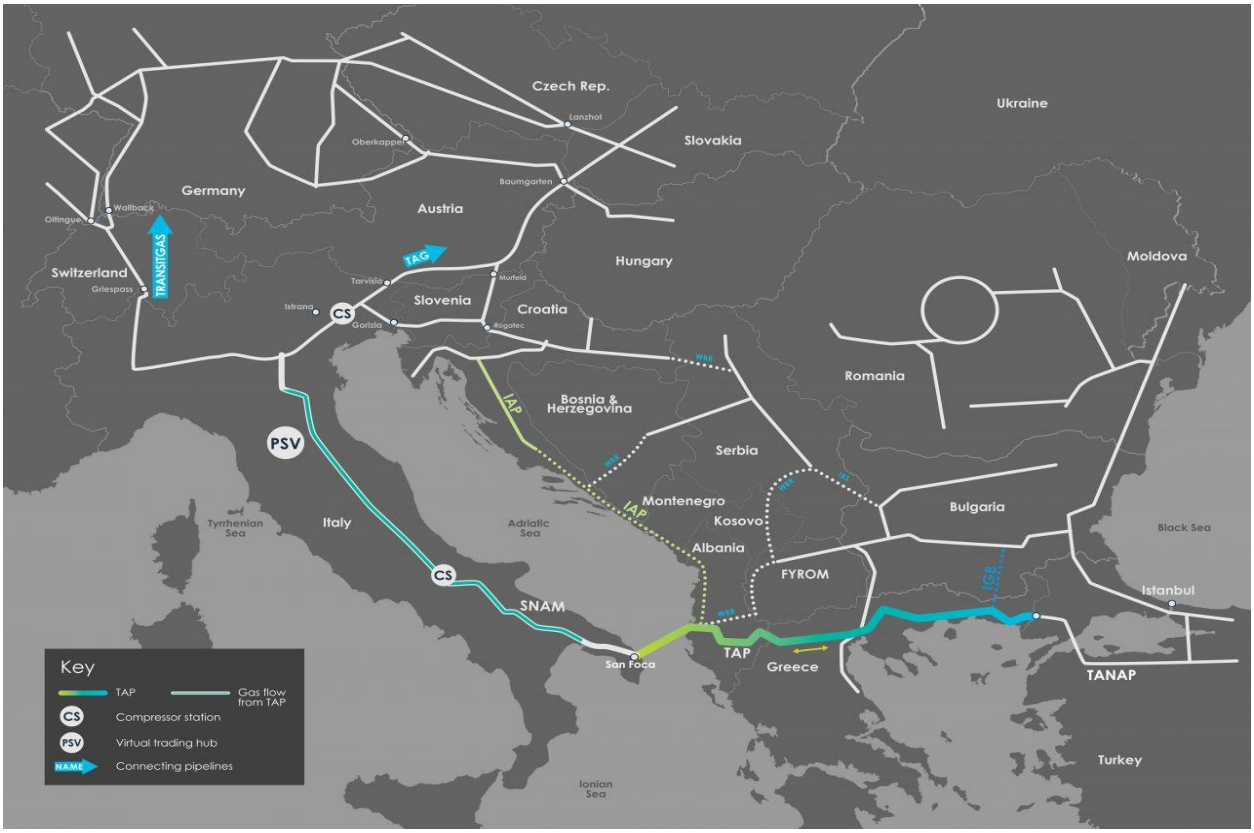
The LNG terminal is of geostrategic interest to the European Union to reduce reliance on Russian gas, while increasing competitiveness in the region and the possibility of integrating other natural gas infrastructure.

4.2.3 Future of natural gas market in Southeast Europe

With the caveat that the existing, combined volume of pipelines in the South and TurkStream could not substitute the volumes being transported by those in the North and East; Southeast Europe's existing and future pipelines could have the potential to deliver diversified volumes of Europe's much-needed gas and could satisfy the growing demands at a much lower geopolitical

cost. This possibility certainly would need to include Turkey as the main transit state in any analysis and projections, with Azerbaijan and Turkmenistan as supplier states with large natural gas reserves. Given Russia's strong bilateral relations with Turkey, such plausible scenario would enable Turkey to become a key player in all of Europe's natural gas market.

These developments and the EU's efforts to turn to renewable sources of energy and further diversify the energy market might jeopardize Russia's dominant role as the main supplier of natural gas to Europe. However, since Russia exported over 150 billion cubic meters in 2019 to Germany, Italy, Austria, Turkey, and France (Gazprom, 2019), the existing non-Russian pipelines do not have the sufficient capacity to satisfy the huge volumes demanded. In the case of Southeast Europe, the region can benefit from becoming a key transit region to Italy, Austria and neighboring countries, the possibility of developing interconnectors and a regional market for natural gas could in turn provide for more stability and regional cooperation (map 2).



Map 2 – indicates current non-Russian pipelines and gas infrastructure including TANAP, TAP and planned IAP in Southeast Europe

Source: [Trans Adriatic Pipeline]

Lastly, it is important to include the Ionian Adriatic Pipeline (IAP) project into this analysis as it is intended to connect existing natural gas infrastructure in Croatia with TAP via Albania and Montenegro. “The implementation of the entire Ionian Adriatic Pipeline project enables opening of the new energy corridor for the SEE region within the fourth EU transmission corridor, with the aim to establish a new natural gas supply direction from the Middle East and Caspian region” (Energy Community, 2021). The projected completion of IAP is set for 2025 (Plinacro); there are plans for connecting IAP with the LNG terminal in Croatia.

4.3 Regional state analysis

4.3.1 Bosnia and Herzegovina

In January 2021, Gazprom announced that it will start delivering natural gas to BiH via Serbia through the newly developed TurkStream (Gazprom, 2021). The new supply presents an opportunity for BiH’s energy market and the national gas company BH Gas to further integrate with the regional energy market. However, the fact that BiH remains almost entirely reliant on Russian natural gas demonstrates its exposure to market manipulations. Prior to TurkStream, BiH secured Russian gas via Ukraine, through Hungary and Serbia.

Russia’s geopolitical objectives are tangible in BiH and openly support the Serb entity in BiH (Republika Srpska). The Serbs in BiH see Russia as their Big Brother that shares religious Orthodox values and pan-Slavic ties (Kosmach, 2001). There are arguments indicating that Russia strategically utilizes energy security in BiH, in order to retain its sphere of influence and prevent and/or prolong Euro-Atlantic integration (Cancar, 2021).

In 2020, Gazprom notified BiH that in 2021, natural gas will be completely rerouted via TurkStream. The entry point would be the city of Zvornik, which is located in Republika Srpska. This is directly related to the efforts made by the Serbian entity (Republic Srpska) to strip the federation (Bosniak entity) of control of gas inflows in 2015. The Serbian member of BiH’s presidency council, Milorad Dodik has advocated on numerous occasions with visits to Russia to pass gas directly to Republika Srpska once TurkStream becomes operational (Bezdrob, 2019). As BiH remains a fragmented country along the lines of ethnicity and ideology, Russia utilizes its energy security assets and economic gain to indirectly influence any efforts by BiH to become

a NATO member, undertake constitutional reform, and affect the geopolitical environment and governance capacity in BiH. These actions have ripple effects across the entire region. While further research into the commercial aspect and economic impact the current energy situation invokes, it is obvious that Russia is a key regional power that has the capacity to exert power to protect its geopolitical interest in the region. Russia is engaging in long-term strategic planning in order to retain its geopolitical role in BiH and geostrategic influence across the region. Russia deployed soft power tools in order to retain power while avoiding direct escalation with the European Union or the United States (RUSI, 2021). The introduction and possibility of developing interconnectors to the new natural gas supplies via TANAP-TAP, LNG via Croatia, and future IAP could allow for energy diversification and alleviate Bosnia's dependence on Russia's natural gas. In geopolitical and economic terms, market monopoly has the negative economic consequences that do not provide for competing prices nor increase in quality.

Despite its small geographic size, BiH remains one of the most relevant geopolitical areas and topics that significantly defines Russia's role on a global level and will have a large impact on future regional dynamics.

4.3.2 Croatia

Although Croatia is an European Union member, the state adds an important energy component to the region. In 2017, Gazprom and the Prvo Plinarsko Drustvo (PPD) signed a 10-year contract that ensured the delivery of 1,48 bcm per year of Russian gas to Croatia. This amount of gas covers almost two thirds of Croatia's overall annual consumption (HINA, 2017). By securing this long-term contract, Russia managed to retain a foothold in the newest addition to the European Union family, while more importantly, to disrupt future plans for EU's strategic diversification policies. The price of gas was not disclosed, and has not been disclosed, despite several abstract assumptions.

One of the long-anticipated energy infrastructure projects in the region, which aims to ensure energy diversification in line with the EU's energy diversification policies (European Commission, 2020), was the LNG terminal on the island of Krk. With the financial and political support of the European Union and the United States (European Commission, 2021), in January

2021, Croatia's first LNG terminal started commercial operation with an annual capacity of 2,6 billion cubic meters that can be also transported to Slovenia and Hungary (Zebic, 2021). The LNG price is expected to be higher than Russian gas.

There is also a possibility of connecting BiH directly with the LNG terminal that would comply with the harmonization of Europe's Energy Community's goals that requires members to have two inter-connectors. Currently, BiH is only connected to Serbia's energy grid. When Croatia connects to the IAP, Russia's energy dominance could be challenged and because PPD's contract will be up for renewal in 2027, that could lead to a completely different geopolitical and energy environment. While the LNG terminal presents a real threat to Russia's energy security and geopolitical objectives in Croatia and the region, the terminal might also serve as an entry point for Russian LNG. While the expectations are that Qatar and the U.S. could become the main distributors of LNG, the Russian LNG tanker, *Methane Nile Eagle*, delivered for the first time Russian LNG to Croatia (LNG Hrvatska, 2021). Further research is needed to compare the prices of LNG and natural gas despite previously mentioned limitations in acquiring accurate data. Such analysis could create more clarity about the geopolitical impact of natural gas from an economic point of view, while comparing the commercial value of pipelines versus LNG (Paltsev, 2015).

4.3.3 North Macedonia

Russia exported approximately 300,000 million cubic meters in 2019; the pipeline partnership with Gazprom stems back to 1997 (Gazprom, 2020). While North Macedonia became a member of NATO in 2020, in 2017, Russia was accused of "meddling" in North Macedonia's internal affairs (Pancevski, 2017) which was defined as "the push to gain influence". The alleged geopolitical influence did not derail the efforts conducted by the state to ensure NATO membership and conclude a grueling 30-year-long name dispute with Greece.

According to the Center for Strategic and International Studies' report on the Russian influence in Southeast Europe, "Russian economic influence seeks to manipulate sectoral market dynamics and exploit governance loopholes to generate unfair profits and influence national decision-making" (Conley et al., 2016). Russia is driven by its geopolitical objectives, and in the case of

the region, it utilizes its energy assets as soft power tools to maintain and advance its influence. In the case of North Macedonia, it could be argued that since becoming a NATO member, the country has completed the first step towards Euro-Atlantic integration. However, North Macedonia remains energy dependent on Russia's natural gas. While this is extremely small energy market, it is important to continue to analyze the socio-economic dynamics that stem from this codependent relationship.

4.3.4 Serbia

Serbia continues to "sit on two chairs" between the West and the East. While the analogy indicates that Serbia wants to preserve good relations with both the European Union/United States and Russia, on the other hand, there is ongoing pressure from the West that such diplomatic balancing is not sustainable if Serbia wants to become an EU member. Another consideration is that Serbia remains a close military ally of Russia while conducting regular military drills and purchasing Russian military equipment.

In January 2021, the Serbian president formally opened a section of TurkStream that opens the path for additional natural gas imports to Serbia (Euractiv, 2021). The immediate impact of the new supply of gas will affect the price of Russian natural gas. Serbia will profit from the new pipeline with lower transit fees and the price of natural gas is anticipated to drop from $240 to $155 per 1,000 cubic meters (Gurkov, 2021). The potential for developing interconnectors with neighboring Bulgaria for access to Azeri gas via TAP, opens the possibility of energy diversification. Though it is yet to be determined how this dynamic will affect the price of gas overall.

The U.S. continues to remain skeptical of the new developments vis-à-vis TurkStream and its role in Southeast Europe. In July 2020, the then U.S. Secretary of State, Mike Pompeo, said that TurkStream (and Nord Stream) are "Kremlins tool to expand European dependence on Russian energy supplies". While Serbia is a current candidate for EU membership and is in the accession process, there is an ongoing effort by the Serbian government to retain its neutrality and to prosper, from its balancing act between with the East and West.

Russia indicates that this relationship is based on economic cooperation, pan-Slavic ties, and historic relations. That said, the West is highly concerned about the militarization of this relationship (Euractiv, 2021); Russia is engaged in the strategic preservation of its geopolitical status via an expanding grid of natural gas imports to Serbia as the military donations and cooperation do not provide Serbia any significant military edge, given the quality of the military equipment and the NATO environment that encircles Serbia. In addition, Serbia is currently in line for EU membership while NATO membership is off the table.

In comparison to the other countries in the region, Russia has significantly invested in the energy infrastructure in Serbia, by purchasing the majority stake in Srbijagas in 2010 and NIS oil to Gazprom (Staff, 2011). Russia has invested in the construction of inter-connectors and underground-storage facilities that can position Serbia as a regional hub for energy trade and an extension of Russia's energy security objectives.

4.4 External influence and geopolitical actors in Southeast Europe

In order to obtain a further understanding of Russia's geopolitical objectives in Southeast Europe and the implications of Russian natural gas, it is important to outline the main competing powers that want to retain and advance its sphere of influence. In this section, the thesis briefly analyzes the three crucial regional and global superpowers the United States, the European Union, and Turkey. While these three countries are the most relevant to the questions outlined in this thesis regarding the geopolitical and energy research within the region, other superpowers including China and the United Kingdom, are equally relevant to the socio-economic and political dynamics.

4.4.1 The European Union

Within the geographic scope of this thesis, as mentioned in chapter 2, the only country that is currently a European Union member, is Croatia. Bosnia and Herzegovina, North Macedonia, and Serbia are aspiring to attain member status. While the prospect of becoming an EU member is the most important driving force for social, judicial, and economic reform and further development, realistically this will not be the case in the short-term. While several obstacles

exist, one of the most relevant to this thesis is the region's over-dependency on Russian natural gas. The European Union has voiced concern that Russia is utilizing its energy assets as a tool to coerce and destabilize the region with an end-goal of derailing the regions Euro-Atlantic integration (Stronski, 2019). The European Union has attempted to develop several mechanisms to diversify the region's reliance on Russian natural gas and introduce renewable sources of energy.

Mechanism such as the Energy Community and the European Green Deal will benefit the region with the transformative elements of transitioning towards renewable energy sources, becoming a climate-neutral continent, and diversifying the suppliers of natural gas.

The European Community comprises the countries of the region and aims to "enhance the security of supply of the single regulatory space by providing a stable investment climate in which connections to Caspian, North African and Middle East gas reserves can be developed" and to "foster the use of renewable energy, among other objectives (Energy Community Treaty).

This in turn could result in lower gas prices and less carbon emission. These initiatives and further adoption of EU energy polices will also have a transformative effect on the geopolitical landscape, in particular, the energy sector (Leonard, 2021). If the non-EU members of the region will be able to successfully implement the reforms and diversify their energy markets, Russia's role as the dominant natural gas supplier could be threatened. As one of the soft power assets that allows Russia to retain and advance its geopolitical objectives, Gazprom's long-term strategic advantage and partnership with Turkey could allow for TurkStream to reduce TANAP's economic viability. Russia has already ensured that Turkmenistan does not enter into a partnership agreement with Azerbaijan to supply gas to Europe via TANAP.

Europe is pursuing the further development of Nord Stream II, which could become an inexplicable argument requesting that Southeast Europe abandon the further development of its own natural gas infrastructure regardless of the origin of the gas. There is an economic incentive for Western Europe to profit from developing gas infrastructure in its own backyard; the question is whether the geopolitical challenge of importing Russian gas trumps the commercial viability. In a carbon-constrained world, natural gas could be the future of fossil fuels as it emits much less Co2 than any other fossil fuel.

4.4.2 United States

Since 1945, the United States has supported the former Yugoslavia in its efforts to remain neutral and prevent the southern Slavs from aligning with the Soviets. While the United States wanted to bring the region under its sphere of influence, the former Yugoslav state managed neutrality, until it collapsed into bloody conflict. With the breakup of Yugoslavia, the U.S. had a crucial role in supporting Croatia's independence, brokering the Dayton Peace Accords in 1995, bringing the conflict to a close. Ony four years later, the U.S.-led NATO bombing campaign against Serbia ended the Kosovo conflict. This subsequently led to Kosovo's declaration of independence in 2008. While Russia opposed the bombing campaign, its forces were present and active in the region. The most prominent situation with Russian forces in the region during the war in Kosovo occurred amidst the end of the Kosovo conflict when Russian forces occupied the Pristina airport. The situation was resolved peacefully but demonstrated Russia's hard power projections in the region. Both the United States and Russia are competing geopolitical actors in the region and share a history of conflicting foreign policy objectives. While soft power is the most relevant asset both states use in the region to pursue its goals, hard power competition is also evident in the cases of U.S. military support of Croatia – the NATO and EU member, and Russia's military support of Serbia.

Since the mid-1990s, the United States has been the most important geopolitical power in the region. While the euro zone is the most important trade partner and Russia is the largest natural gas importer to the region, a combination of soft and hard U.S. power presence with a growing NATO alliance, has maintained and advanced the United States's sphere of influence. That said, it is important to recognize that the United States has not placed the region high on its list of foreign policy priorities in recent years despite statements of support for the region's path towards further European Union and NATO integration (Price, 2021).

The fracking revolution in the United States has created large surpluses of gas, which are currently being exported as LNG across the globe. the United States was one of the key proponents for the development of the LNG terminal in Croatia. While the European Union and Croatia funded the development of the terminal, the United States aims to export LNG to Croatia

and its neighboring countries. The United States sees energy diversification as an absolute necessity in order to remove Russia's ability to use natural gas a coercive tool (Price, 2021). It remains to be seen if the United States goes forward with its announced sanctions against the Balkan Stream given the fact that it recently dropped sanctions against Nord Stream II. Energy is the most prominent asset being utilized in the regional geopolitical competition.

4.4.3 Turkey

Southeast Europe is a region of high significance to Turkey, not only because of the economic and geographic ties, but also because of its shared historic and cultural ties. The overall region is the entry point for Turkey to Europe. As such, Turkey uses soft power to retain its sphere of influence over the region and defines the region as a high-priority area with proactive polices to further develop its presence in the region. The geostrategic and geopolitical approach has been labeled Neo-Ottomanism; this is a policy of socio-political and economic reengagement with the overall Southeast Europe.

Energy, and natural gas particularly, has the potential to further define this relationship and allow for Turkey to become an extremely important geopolitical actor in the region. In 2010, the Turkish Minster of Foreign Affairs described Turkey's vision for the region as "a hub for infrastructure, transportation, and energy projects as well as financial transaction" (Dursun-Ozkanca, 2013).

Turkey is a key energy transit hub for the European Union with natural gas coming from Russia (TurkStream, Blue Stream) and Azerbaijan (TANAP). In the future, gas from Turkmenistan and Iran could also transit via Turkey. Before natural gas reaches the larger gas markets such as Austria, Italy and further towards Western Europe, first it must transit via Southeast Europe. Therefore, Turkey needs to advance its sphere of influence in order to defend its geopolitical and economic objectives that it wants to strengthen in the coming decades. Russia is aware of the geostrategic importance of its relations with Turkey and needs to retain a positive and tactical partnership, while leveraging energy ties to its advantage. Amidst tensions with Russian pipelines in the North and East, Turkey provides an alternative gas corridor for Russian gas to reach Europe.

5. Conclusion

5.1 Answering the research question

Going back to the research questions of this thesis, we were able to document and assess the empirical data to gain an understanding of how Russia pursues geopolitical objectives across different countries in Southeast Europe. The main objective is to maintain a sphere of influence by leveraging its position as the main natural gas supplier to the region. The research demonstrates that the natural gas pipelines and other state-owned infrastructure are one of the main soft power assets at its disposal. This tactical approach includes a combination of geopolitical and commercial reasons presented in the empirical data. From here we can deduce that Russia must defend its sphere of influence in the region. The outcomes will result in geopolitical and commercial gains that provide Russia the incentive to remain highly engaged in the region.

The short-term objective (next decade) is to ensure a dominant position in supplying natural gas to Southeast Europe and use the region as a transit hub for supply to other larger gas consumers in Europe. It is important to mention that Russia does not need to have a monopoly over the market, however, Southeast Europe is vital for Russian short-term interests for the sustainable delivery of natural gas to Europe in combination with the pipelines in the North/East. While tension with pipelines that transit via Ukraine, Belarus, and the Baltic Sea might be targeted first in case on any future EU-Russian tensions, the South provides a less complex and volatile environment. Turkey is eager to become an energy hub and countries in the region also want a slice of the profits from the transit of the gas pipelines. In addition, not only will this be a profitable venture for all parties involved, it will also allow the region to diversify energy sources which will create a more competitive energy market and allow for the region to implement EU's energy policies.

Defensive realisms provide us a with a unique prism that can be utilized to shine a light on the primary and secondary research questions and contributes towards research of Russia's geopolitical role in Southeast Europe. The theory aligns with the empirical findings and explains several hypothesis and developments in the region while natural gas offers a strong framework

for conducting this research. It is almost inconceivable for Russia to take an offensive approach in defending its interests in the region because that would spark a stronger reaction from the European Union and the United States. Such approach might result in creating an unstable environment and further tensions in an already fragile region. Russia will benefit from stability in the region as it can consistently continue to pursue a combination of geopolitical and commercial objectives. This has created a co-dependent relationship where Russia will try to influence the region's Euro-Atlantic integration process to benefit its own interest, however with realistic expectations that such integration is inevitable.

This thesis and its findings demonstrate that each of the countries analyzed have different socio-economic and political reactions towards Russia's natural gas and its dependency towards it. However, we have to point out that the development of Southeast Europe as an energy hub could increase regional integration and as such reduce current socio-political tensions.

It is important to present the summarized findings that stem from the empirical data indicating Russia's challenges to its long-term geopolitical objectives in the region.

The European Union continues to propose/implement policies aiming towards energy diversification and transition towards renewable sources of energy. Until these policies and overall objectives are implemented across the European Union and among future EU members, Russia will wield leverage over Southeast Europe and the European natural gas market. Further on, the United States is increasing pressure that the region must move away from Russian natural gas and advocates for energy diversity. Such outcome will provide the United States a commercial opportunity to utilize the LNG terminal in Croatia to become an entry point for U.S. LNG that can be sold to neighboring countries within the European Union and region.

The development of pipelines originating in Azerbaijan and the LNG terminal in Croatia have jeopardized Russia's dominant role of being the only supplier of natural gas to the region and the neighboring countries in central Europe. Currently, Turkey is Russia's tactical partner ensuring energy security in the region and the European Union. As Thane Gustafson argues in his book, *The Bridge: Natural Gas in a Redivided Europe,* the natural gas pipelines serve as a bridge that

unites Russia with Europe through common economic and commercial interest. They take decades to build and involve investments from both sides. This co-dependent relationship will have an immediate effect on Russia's geopolitical objectives in the region. While Euro-Atlantic integration is not an issue *per se*, Russia needs to be able to maintain the current socio-political environment in order to deter external threats to its energy infrastructure. This will include cooperating with the European Union (as it is in the case of Nord Stream II), preventing other natural gas suppliers' access to Europe (as it is in the case of Turkmenistan), and maintaining lower prices in comparison to LNG.

As indicated in the research, the energy dynamics in Southeast Europe have the potential to impact the larger EU zone. Russia's partnership with Turkey will likely affect the regional geopolitical balance of power, most notably with competing powers the United States and the European Union. Further on, neo-ottoman ambitions might take on a different dimension if energy security of Russia's gas infrastructure could be jeopardized and therefore threaten Turkey's transit fees and regional energy hub status.

5.2 Further research

Russia will not retain the monopolistic status it has had in Southeast Europe, however that does not mean that its natural gas will lose its socio-political leverage over the regional economic and political landscape. A different scenario might be on the horizon if we look towards the future: as Europe strives to become carbon-neutral by 2050 and the regional non-EU states become members, how will Russia maintain its geostrategic and geopolitical influence in Southeast Europe?

Further research would need to include other countries of the region and conduct a combined comparative analysis including the commercial, economic, and geopolitical indicators. Such research could provide key insights and explanations for the academic community and private sector vis-à-vis Russia's geopolitical and energy objectives in the region.

Lastly, including renewables sources of energy in further research would add an important dimension, in particular the opportunity for Russia to repurpose existing natural gas pipelines to transport hydrogen. Hydrogen is seen as the green fuel of the future that can curtail greenhouse gas emissions and help in combating climate change. In addition, the *Energy Strategy until 2035* outlines that Russia aims to become the global leader in hydrogen production and export. How would this possibility align with its geopolitical objectives in Southeast Europe?

The thesis has assessed Russian energy objectives in Southeast Europe and provided explanation for its geopolitical objectives. In that regard, the research has identified valid arguments indicating that Russia's geopolitical objectives are correlated with its energy security that in turn have an impact on the socio-economic and political environment in Southeast Europe. Further on, the thesis provides evidence to support the theoretical approach and how the balance of power can be applied to contemporary Russian energy security.

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