Energy Policy ■ (■■■■) ■■■–■■■

Contents lists available at ScienceDirect

Energy Policy

journal homepage: www.elsevier.com/locate/enpol

EU's external energy governance: A multidimensional analysis of the southern gas corridor

Faig Galib Abbasov *

University of Sheffield, Elmfield, Northumberland road, Sheffield S10 2TU, United Kingdom

HIGHLIGHTS

- EU's Southern Gas Corridor strategy is structurally embedded in its external governance.
- The counterpart of the EU's energy imports is its attempt to export its *acquis*.
- EU's energy security necessitates diffusion of norms and values to producers.

ARTICLE INFO

Article history:
Received 29 January 2013
Received in revised form
21 September 2013
Accepted 1 October 2013

Keywords:
External governance
Southern Gas Corridor
Energy security

ABSTRACT

The major objective of this paper is to apply a multidimensional lens to the European Union's (EU's) vision to the yet to be establish Southern Gas Corridor. I will argue that, the EU's natural gas vision towards the Caspian basin is based not only on bringing additional gas volumes to the EU markets in order to ensure physical security of supply. It is rather multidimensional external governance geared, firstly, towards absorbing all the actors along the whole value chain in to the EU's common energy regulatory framework and shifting energy provision from a bilateral political domain onto a multilateral market domain. Secondly, it is a process of diffusion of norms and values into the governance system of the energy partners.

1. Introduction to the European Union's (EU's) energy security vision: introducing multidimensional lens

The main objectives of the EU's energy security policy proposed by the Green Paper of 2006, endorsed by the European Council (EC, 2007a: 11, 2007b: 18) and veneered in the Lisbon Treaty (EC, 2010b: 2) envisions the future energy system for the Union based on three principles: sustainability, competitiveness and security of supply in energy provision. Although the establishment of the new alternative energy corridors is expected to also contribute to environmental sustainability in one way or another (*e.g.* renewables corridor to North Africa), it has largely been associated with safeguarding the *security of energy supply* and ensuring *competitiveness* in the EU markets. To this end, the Green Paper argues that "diversifying sources and routes of supply of imported energy [and] better equipping the EU to cope with emergencies" is an integral part of ensuring the *security of supply* (EC, 2006a: 18), which in turn will contribute to a more competitive domestic energy market (EC, 2007a: 11, 2007b: 18). In this regard, the establishment of the Southern Gas Corridor (SGC) is envisaged to supply a significant amount of gas from the Caspian Basin and the Middle East in order to meet the Union's future energy needs (EC, 2008, 4).

However, there is more to the SGC than the current academic literature has acknowledged. The EU's strategy for the establishment of alternative energy corridors (SGC in particular) is rather based on the external dimension of its domestic market integration. Hereof, not only bilateral agreements between the member states and the third countries is expected to "be in full compliance with EU legislation" (EC, 2011c: 4), but also external energy policy is aimed at the creation of "an integrated energy market with all countries of [EU] neighbourhood based on regulatory convergence" (EC, 2011c: 6). Based on the existing EU instruments, *i.e.*, energy *acquis*, such an extended market integration is envisaged to reduce political risks along the whole value chain and encourage competition among suppliers, including commitments by private companies (EC, 2008: 8).

Last but not the least, the EC has pointed to the geopolitical challenges coming along with energy supply, as "some major producers and consumers have been using energy as a political lever" (EC, 2006b: 1). In a similar vein, the Committee on Foreign Affairs of the EP has stressed that external energy policy is an

* Tel.: +44 7871 301100.
E-mail addresses: abbasovfaig@yahoo.com, f.abbasov@sheffield.ac.uk

0301-4215/$ - see front matter © 2013 Elsevier Ltd. All rights reserved.
http://dx.doi.org/10.1016/j.enpol.2013.10.007

integral part of the Union's overall foreign security strategy and "high energy dependency of the EU on countries with authoritarian regimes deeply undermines the development of a credible, effective and consistent common foreign and security policy with regard, in particular, to respect for, and the support and promotion of, the values upon which the EU is founded" (EP, 2007: 4). This raises questions not only about the geopolitical implications of energy supply, but also a *values vs. interests* (energy security *vs.* democracy promotion) dilemma for the Union's external energy security strategy and might ultimately undermine its soft power in international relations. Hence, an external energy strategy must be pursued in synergy with the Union's broader CFSP and its normative agenda.

In this regard, one could observe that the EU's SGC strategy has more to it than simply providing additional gas supplies in order to ensure security of supply. In this regard, below I will argue that this strategy is rather multidimensional, which also includes external governance geared, firstly, towards absorbing all the actors along the whole value chain into the EU's common regulatory framework. This is a strategy to depoliticise the Union's energy supply and ensure market principles in energy trade both in and outside the EU.

Secondly, the SGC strategy is also indivisibly linked to the process of diffusion of norms and values into the governance systems of the energy partners. The latter is underpinned by an attempt to eliminate the latter's *gas trump card* on the EU's broader common foreign and security policy, and by the uniqueness of the EU's international normative identity as a democracy and rights promoter.

In this vein, this article attempts to create a link between the Europeanisation and energy security literature. Based on the EU's external governance conceptual framework, it takes an institutionalist approach in analysing the Southern Gas Corridor as a strategy to establish a long-term framework for pursuing the Union's energy security.[1]

Below, I will, firstly, introduce the concept of external governance to the EU's SGC vision, followed by a multidimensional analysis of the latter.

2. EU's external energy governance: a tool for engaging with partners beyond borders

While the primary goal here is the analysis of the EU's SGC strategy, conceptualisation of this strategy necessitates invocation of the concept of the EU's *external governance* to the general theoretical framework. Being less than a government and more than a simple cooperation, external governance is understood here as the extension of the boundary of the EU's internal institutions and rules to cover its relations with third countries. Lavenex (2004) notes that

> "In contrast to co-operation under an international agreement or convention, external governance takes place when parts of the *acquis communautaire* are extended to non-member states."

In a related manner, Lavenex and Schimmelfenning (2009: 792–4) note that the main characteristic of external governance is the rejection of the "projection of the unitary state actor model" on the EU and concentration on the "institutional processes of norm diffusion and policy transfer" . Similarly, unlike a unitary or federal state, the EU lacks the external policy authority over the sovereignty of member states in choosing "between different energy sources and the general structure of [their] energy supply" (Lisbon Treaty, 2007: Article 176A). In the absence of the competences for dealing with foreign actors and thereby containing relevant threats, external energy governance takes a different outlook to the resolution of the problem. Through the *politics of inclusion* (Smith, 1996: 5, 23), it rather aims to absorb the external disturbances into the common regulatory framework rather than contain it beyond the borders. Specifically, it entails engaging with third countries through the externalisation of internal norms and practices. Thereby, since the EU's domestic approach to ensuring energy security is based on a *regulated market model*, its external energy governance envisages the export of this model beyond its geographical borders.

With regard to the rationale behind the external governance, Lavenex (2004): 694 argues that external governance fulfills a dual purpose:

> "It is not only motivated by benevolent civilian 'milieu goals', but is also driven by strategic 'possession goals' […]. External governance combines a foreign policy strategy geared at stabilisation and integration with the attempt to bind third countries to the pursuit of internal policy goals and thereby benefit from the latter's political and material problem-solving resources."

Following this logic, I will argue that the EU's external energy governance, *i.e.* the export of the energy *acquis* beyond its borders is geared towards minimising uncertainty in dealing with non-member countries and narrowing down the strategic policy options available for the latter. *To this end, the EU's external energy governance will internalise the rules that condition the capacity of the third parties in making energy related strategic decisions by extending the Union's "regulatory boundary" over the partner countries, while stopping short of opening the "institutional boundary"* (giving them access to *legislative decision-making*). In this regard, third countries are expected to act in accordance with the EU's energy *acquis* in their energy deals with the Union and each other, while having no competence in the creation of these very rules. This is ultimately envisaged to ensure that the new energy partners along the SGC do not follow in the footsteps of the old ones and pursue political and/or monopolistic goals. Thus, if implemented successfully, external governance will depoliticise the EU's relations with the new energy players and ensure the consistency of its energy and broader foreign security strategies. To sum up, the Southern Gas Corridor concept can be (or rather must be) analysed in three dimensions:

The physical security of supply dimension – where additional gas supplies from the Caspian Basin and the Middle East will help to meet the Union's current and future energy needs and increase the resilience of the EU's overall energy system against unexpected cut-offs.

The Europeanisation dimension – includes measures geared towards reducing political and non-market risks by shifting energy supply from bilateral political domain onto the multilateral market domain through extension of domestic energy Europeanisation beyond the EU borders. In other words, it concerns the policies designed to integrate the players along the Southern Gas Corridor into a common institutionalised structure through which the EU can pursue its energy interests in a *preferred-depoliticised setting*. The EU is better at "translating political problems into technocratic ones" through external governance and dealing with market actors and bureaucrats, rather than politicians (Lahn et al., 2009: 9).

The energy and good governance dimension – encompasses measures intended to minimise energy related (geo)political risks

[1] For a similar, but not identical approach, see, e.g. (Nies, 2011; (Lahn, et al., 2009).

Please cite this article as: Abbasov, F.G., EU's external energy governance: A multidimensional analysis of the southern gas corridor. Energy Policy (2013), http://dx.doi.org/10.1016/j.enpol.2013.10.007

to the EU's CFSP and its international normative credibility *via* the diffusion of political norms and values.

This is not to say that all these dimensions of the SGC strategy are mutually exclusive or independent. In fact, the politicisation of energy supply can directly lead to a suspension of natural gas flow (*e.g.* Russo-Ukrainian gas crisis in 2006 and 2009) and endanger the physical security of supply in its narrowest definition. Quite the opposite, the identification of different dimensions is rather analytical and is aimed at directing scholarly attention to the aspects of the alternative energy corridor strategy, which has so far received little or no interest on the part of the actors along the Southern Gas Corridor due to the conflict of interests.

The following section and sub-sections will further elaborate on this multidimensional analytical framework and analyse in detail what are the EU's expectations with regards to the SGC with regards to each of these three dimensions.

3. The EU's southern gas corridor vision: applying a multidimensional lens

3.1. The physical security of supply

Academic literature is abound with definitions of security of supply. However the most concise one is captured by the IEA:

> the short term, security of gas supply covers the adequacy of supply and capacity to avoid unforeseen interruptions of customers" under rare and extreme events. In the long term, "it includes the capacity to mobilise investment to develop supply and infrastructure as well as the insurance to ensure reliable supply".
>
> *quoted in* Checchi et al. (2009: 14)

Thereby, the ultimate goal of supply security is the assurance that energy shortages stemming from supply cut-offs and/or misbalance between the supply and demand does not upset the development of the national economy, social stability and (military) security of a country. In this regard, one must differentiate physical security of supply from the (geo)politcal challenges energy import dependency might entail. Grounding the debate of energy supply shortages only on, *e.g.*, Russian retrospective premeditated or unintended natural gas supply cut-offs distracts the attention from the necessity of ensuring the resilience of the supply network. Supply risks can originate from plethora of sources, including terrorism, civil war, but also from civil strikes in energy industries that have no political premeditation. This was the case when Britain lost one quarter of its total energy supplies for several days due to the strike of Norwegian offshore workers in 1986 (Stern, 2002: 14).

Thus, unlike many other experts in the field, in this paper the physical security of supply is argued to be a feature of the supply system and not the nature of the relationships with foreign supplier countries. In a similar sense, Isbell (2007: 4) argues that "Consumers also need to be made aware of the real issues involved, within the context of emergency planning and demand management, as opposed to simply being led to believe there is a foreign demon on the horizon". This was further confirmed when several EU countries experienced gas supply shortages from Russia due to the cold snap sweeping across Europe during the winter of 2012. Cold weather resulted in increased domestic consumption in Russia while leaving the country with less export capacity (BBC, 2012a). In this case bringing up any notion of "energy weapon"[2] is nothing more than an ignorant apocalyptic determinism, as the shortages were triggered by environmental adversities and *not* by any strategic human calculations. Therefore, in order no to be mislead by the *same* impact of *unmediated* and *strategically conditioned supply cut-offs*, it is vitally important to regard *the security of physical supplies* as an independent dimension of overall energy security in its own right.

In this regard, diversification of supply routes and sources toward the Caspian Basin and the Middle East is envisaged to contribute to the resilience of the EU's energy system (EC, 2011a).[3] According to the IEA, the domestic consumption within the EU is set to increase in a manner (almost) inversely proportional to the steady exhaustion of indigenous production well into the foreseeable future.[4] This feeds into the fears about the potential misbalance of mid-to-long-term supply and demand equilibrium. Consequently, if these projections hold true, then the EU's import dependency will increase from the current 62.4% to 81% in 2030 (EC, 2010a: 21)[5] and this lends support to the view that the resilience of the supply system necessitates, *inter alia*, the diversification of the supply sources and transit routes. This is not to say that, new sources will replace the old ones. The region's export potential is far inferior compared to those of the current dominant suppliers, especially *vis-á-vis* Russia, which is dubbed as the biggest *political* challenger. It is rather to suggest that one must assess the Caspian alternative as a supplement to the current suppliers, rather than a substitute.

Yet without a pertinent regulatory and institutional back up, such a "naked" diversification will not solve the political/economic challenges associated with foreign energy supply. This is rather because the new political and non-market risks will emerge along with new supply routes and sources if the policy of diversification is not accompanied with the process of comprehensive institutional building.

Hence, in itself physical diversification must not be considered as an automatic remedy to the geopolitical and monopolistic challenges that the EU has been experiencing in last couple of years. Therefore, it is the role for *Europeanisation* that the EU envisages for decoupling energy supply from political agendas of relevant actors.

3.2. The Europeanisation dimension: depoliticising energy supply

The Green Paper (EC, 2006a: 5) argued that

> "Sustainable, competitive and secure energy will not be achieved without open and competitive energy markets, based on competition between companies looking to become

[2] For a good assessment of the actual and potential consequences of far-reaching energy imports from Russia and the political concerns that it has aroused in the European capitals and at the level of the EU, see, for example Högselius (2012).

[3] See also, Sobjak and Zasztowt (2012: 7).

[4] According to the New Policies Scenario – the central scenario in *World Energy Outlook 2011* of the IEA, which takes into account recently announced commitments and plans, even if they are yet to be formally adopted and implemented (IEA, 2011: 49), the EU's natural gas production is projected to decline in contrast to the increasing demands. EU production: 196 BCM in 2009 vs. 89 BCM in 2035 (IEA, 2011: 165). EU natural gas demand: 416 MToe in 2009 vs. 515 MToe in 2035 (IEA, 2011: 564).

[5] The EC indicated that the import dependency in gas sector is already high and will reach "81–89% by 2030, mainly due to the depletion of indigenous resources. Based on the different scenarios, the additional import need ranges from 44 Mtoe to 148 Mtoe by 2020 and from 61 to 221 Mtoe by 2030 (compared to 2005)" (all lower figures refer to the PRIMES reference scenario) (EC, 2010a: 21).

Here "the PRIMES Reference scenario for 2020 is based on a set of agreed EU policies, notably two legally binding targets (20% renewables share in final energy consumption and 20% greenhouse gas emission reductions compared to 1990 in 2020), PRIMES baseline is based only on the continuation of already implemented policies, whereby these targets are not achieved. For the period between 2020 and 2030, PRIMES assumes that no new policy measures are taken" (EC, 2010a: 18). For current dependency on imported gas, see Eurostat: http://www.epp.eurostat.ec.europa.eu/statistics_explained/index.php/Energy_production_and_imports.

Please cite this article as: Abbasov, F.G., EU's external energy governance: A multidimensional analysis of the southern gas corridor. Energy Policy (2013), http://dx.doi.org/10.1016/j.enpol.2013.10.007

European-wide competitors rather than dominant national players, [which eventually] would bring down prices."

Hereof, if *affordability* is one of the primary goals of energy supply, then an integrated and liberalised market is the environment where competition (and consequently lower prices for consumed energy) occurs. This, consequently, raises two more questions: (1) How to determine *affordability* of energy? (2) How to embed non-EU suppliers (which happen to provide the bulk of consumed energy) into the EU's liberalised markets? However simple it may sound, the determination of *affordability* has been an unsolvable impasse between the producers and consumers since the globalised trade of energy resources came into existence.

The affordability of consumed energy largely depends on which side of the trade fence one stands. If for the producers affordability denotes the *highest* possible price for the sold energy, for the consumers it is the *lowest* prices for the consumed energy. Such irreconcilable positions are further aggravated by the aspirations of the producers to increase their market share and ensure their dominance in price setting, which on the flipside is the number one hurdle against competition and competitive pricing. Therefore, in order to stand on the middle line and reduce the bias against either party, Escribano and García-Verdugo (2012: 27) suggest that

> "the requirement that prices be 'affordable' is assumed to mean that the price of energy should not be driven upward by market imperfections unrelated to the shifts in global or regional supply and demand".

In this respect, the authors point out to the fixed energy prices, long-term contracts, as well as non-market interventions to energy production, such as production quotas. Without these imperfections, it is expected that supply and demand balance in the markets will be the sole criterion for price formulation.

Then again, establishment of a competitive EU-wide natural gas market will reduce non-commercial and political risks from energy supply within the EU borders, but will not eliminate those beyond the EU jurisdiction. The latter is especially important, as virtually all the major gas cut-offs in recent years occurred beyond the EU borders.

Hereof, in order to tackle these challenges and embed non-member countries into the extended EU market, the EC proposed the establishment of an "energy interdependence" enshrined in legally binding "agreements with producer countries outside Europe" (EC, 2008: 8), which will integrate the neighbours into "a common regulatory area with shared trade, transit and environmental rules" (EC, 2006b: 2). Conceptually, this strategy involves the policy of institutionalised external energy governance that provides a *silver bullet* for dealing with external *disturbances* through *domestic legislation*. Being more than a mere international agreement, the *interdependence* that the EU has envisioned for the actors along the SGC is not that of international cooperation between the two independent actors, but the external dimension of the EU's internal energy governance. Thus, any partnership that the non-member states will build with the Union, including *via* the SGC, is ultimately envisaged to respect the EU *acquis*.

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

3.2.1. Europeanising the EU's domestic energy market(s): ensuring multiple access and building a common regulatory framework

Traditionally European gas markets were segmented into national markets, where each country's supplies was provided by a dominant national incumbent(s), who controlled supply (production or import from abroad) and transmission to the end consumers and ensured sufficient supply capacity "up to twenty years ahead" (Stern, 2002: 22). Although in itself these conditions ensured adequate infrastructure for meeting rising demand, inefficiencies and market concentration associated with them diminished competitiveness and resulted in higher natural gas prices compared to the liberalised markets (*e.g.* UK and US). Furthermore, these national markets were characterised by limited physical external supply sources due to the control of transportation networks by dominant (domestic or external) suppliers and the long-term contracts that they had tied the national providers with, thereby obstructing competition.

By default, the primary element of a competitive market is the multiplicity of the providers of service, in our case, suppliers of natural gas. Such a position is based on simple market logic that the ratio of supply to demand will ultimately determine market value of the service being provided. Thus, in order to create such a competitive market condition it is ultimately essential to ensure equal access of different suppliers to the same market. In this regard, high concentration of gas supplies in Central and Eastern member states (EC, 2008: 4) does not only entail security of supply risks, but also enables the monopolistic single supplier (*i.e.* Gazprom) to set the price for the imported gas (Cornell, 2008). As a remedy, the EU has embarked on unbundling natural gas supply chains and integrating domestic markets of the individual member states into the EU-wide common market.

The EU's latest Directive 2009/73/EC concerning the common rules for the internal market in natural gas, dubbed Third Energy Package, aspires to streamline the Union's internal natural gas market rules. One of the key provisions of the directive is to unbundle the supply, transportation and distribution segments of natural gas provision, with the main focus on *ownership unbundling* (OU) – *i.e.* forcing the supply companies to sell off their transmission stakes. The major objective of the package is, *inter alia*, to facilitate competition in energy markets by breaking down the incumbent suppliers' natural monopoly over the major transmission networks inside the EU and minimise the conflict of interests while facilitating equal and transparent third party access (TPA) to the main natural gas highways. As the Commission impact assessment argued:

> "[W]eakening the market power of vertically integrated companies [*via* ownership unbundling] has potentially a dampening effect on prices by encouraging efficiency and new entry" (2007b: 47).

In a nutshell, Third Package is designed to diminish the dominant suppliers' ability to hinder network access for the new entrants and ensure common network codes within the EU. By breaking up the national champions, market liberalisation will also make it harder for the "large non-European firms, like Gazprom, to negotiate their way into dominant positions simply through a small number of bilateral deals" (Youngs, 2007: 5).

Market integration (facilitated by TEN-E guidelines (Regulation (EU) No. 347/2013; EC, 2010a)), on the other hand, will enable the new sources of gas to reach the consumers afield from the entry point at the EU border. As the EC (2011a) explicates: "To have a functioning internal market with competition and fair and competitive prizes, we need the interconnections between member states, allowing companies to offer their energy in all member states".

All these energy market blueprints are ultimately designed to ensure the sourcing of natural gas from multiple origins. Caspian gas

Please cite this article as: Abbasov, F.G., EU's external energy governance: A multidimensional analysis of the southern gas corridor. Energy Policy (2013), http://dx.doi.org/10.1016/j.enpol.2013.10.007

reserves have long been the EU's favourite in this regard. The Second Strategic Energy Review argues that "The Commission and Member States need to work with the countries concerned, notably with partners such as Azerbaijan and Turkmenistan, Iraq and Mashreq countries, amongst others, with the joint objective of rapidly securing *firm commitments* for the *supply of gas* and the construction of the pipelines necessary for all stages of its development" (EC, 2008: 4–5). Thus, if the competitive gas pricing is the ultimate goal, then market liberalisation in the EU's view, will ensure simultaneous access of multiple suppliers to the same market and facilitate gas-to-gas competition and reduce the price ceiling of the consumed natural gas.

3.2.2. *The spillover of energy Europeanisation: absorbing the partners into a common regulatory framework*

In broad terms, the Europeanisation of internal market is designed to ensure the free-flow of gas within the EU and decoupling of energy provision from high politics. However, it is just as important to ensure that the imported gas physically reaches the EU in the first place without being subject to non-market interventions. In fact, both of the oft-cited Russian supply disruptions (2006/2009) occurred outside the EU's external borders. Similarly, Caspian and other alternative sources are not at the EU's doorstep and the gas pipelines have to traverse across multiple transit countries, while being subject to various non-market interventions. Thus, it is equally important to ensure that not only member states but also all the actors along the new corridors play by the same rules, *i.e.* EU market rules. As Buchan (2009: 84) neatly put it, "The counterpart of the EU's need to import physical energy has been an attempt to 'export' energy policy, meaning the political, commercial, legal terms on which the energy is imported" , which the EU calls "External Dimension of the Internal Energy Market" (Council of the European Union, 2011: 4).

The conceptual basis of the EU's export of energy *acquis* is institutionalised *hierarchic* or *network* mode of external governance, where the EU rules are adopted by third parties as part of the membership conditionality (e.g. Turkey) or adoption of the EU rules occurs through "voluntary" negotiations (Lavenex and Schimmelfennig, 2009). In this regard, existing EU institutions become a "template for the externalization of EU policies, rules, and modes of governance and condition their effectiveness" (Lavenex and Schimmelfennig, 2009: 802).

In practical terms the export of the EU *acquis* takes place on three levels: *multilateral*, *bilateral* and *project specific* levels.

3.2.2.1. Multilateral institutionalisation. On this level the major instrument at the EU's disposal is the Energy Community Treaty (2005), "the leitmotif [of which] is rather the import of the **EU energy policy into non-EU countries**" (Energy Community – *emphasis original*). As officially articulated, being comprised of "the **core EU energy legislation** in the area of electricity, gas, environment, competition, renewables, energy efficiency, oil and statistics", the Treaty establishing the Energy Community will extend the *acquis communautaire* to the territories of the contracting parties (Energy Community – *emphasis original*).

The countries to be absorbed by the EU rules are those, whose territories will constitute the main transit corridor for the Caspian gas exports. Turkey, accordingly, is the first country East of the EU to play the major transit role, whose accession negotiations with Brussels have stalled due to a number of political vetoes on the opening of several chapters of the EU *acquis* (Winrow, 2009: 7). In light of this, however, Turkey has natural-geographic leverage to play against the EU and its energy supply strategy. For this very reason, the export of the EU rules to Turkey is geared towards Europeanising the latter's energy system *below the membership threshold* and transforming it to an *energy market hub*, as opposed to a *geopolitical* one.

In this vein, it is important to analyse the potential impact of the EU *acquis* on Turkish politics in practical terms given the country's not so bright track record of stalling Nabucco intergovernmental agreement in the past (provided that the country accedes to it)

1. Turkey will have to adopt and implement the liberalisation rules of the Third Energy Package, more specifically, to unbundle its natural gas supply, transmission and distribution systems and allow *transparent* third party access (TPA) to the pipelines traversing its territory. With unbundling the major state energy company BOTAS will lose its control over the strategic transmission lines (energy routes), consequently becoming a mere import company (Winrow: 2009: 12).
2. This will inevitably decouple energy projects from Turkish high politics, hereby depriving the state from one of its strongest leverages. For example, if Turkey was a party to Energy Community the government would not be able to legally block the GdF of France to participate in Nabucco consortium for political reasons – "France's positions on Armenian genocide claims and Ankara's European Union bid" (Pitt, 2008) – however reasonable it might be.[6]
3. Thirdly, in the EU's ideal vision, Turkey would become a market based transit hub with shared trade, transit and environmental rules, rather than a geopolitical one. Buchan (2009: 84) notes that the essential aim of exporting the EU *acquis* is "to ensure that transit countries do not charge a ransom for letting energy pass through their territory". Consequently, acceptance of the EU rules will turn Turkey into a segment of a single market, rather than an independent transit state. Thus, once in the Energy Community Turkey would not "be allowed to have dual pricing of energy by, for instance, raising the transmission price for exports and subsidizing down the domestic price. Inside the Energy Community, Turkey would have to charge the same *cost-related fee to let* gas traverse its territory as any state inside the EU with gas pipelines crossing it" (Buchan, 2009: 107 – *emphasis added*). Given the high share of imported natural gas in domestic energy consumption and high dependence of power generation on natural gas, it will be politically painful (if not impossible) for the Turkish authorities to agree on the passage of substantial volumes of the West bound gas through its territory, without exerting significant discounts for the domestic consumers. In practical terms, it means that Turkey might lose the massive discounts it currently receives from Azerbaijan and Iran due to its geographical location (Winrow, 2009: 21).
4. Finally, the export of future gas supplies to the EU from the Caspian countries (as well as Iraq, Egypt and when politically relevant from Iran) will depend not on Turkey's (or any other transit country's or pipeline operator's: such as SOCAR of the future TANAP) willingness to grant the producers *equal passage* through its territory, but rather by market signals determined by supply and demand balance at the final destination. Thus, hypothetically, if higher prices in the EU market signal higher demand, then the market will be bound to channel more gas into that direction while reducing liquidity of the Turkish market and resulting in higher prices than would otherwise be. Therefore, Winrow notes that, "policy-makers in Ankara will find it exceedingly difficult to agree to allow the passage of substantial gas volumes across Turkish territory without being able to access a portion of these volumes for the Turkish market" (2009: 18).

[6] For Turkey's wider geopolitical energy interests, see Baykal (2009: 10).

Please cite this article as: Abbasov, F.G., EU's external energy governance: A multidimensional analysis of the southern gas corridor. Energy Policy (2013), http://dx.doi.org/10.1016/j.enpol.2013.10.007

However strategic it may be for the EU, Turkey is less likely to agree to full membership in Energy Community any times soon. As Winrow (2008: 8) artfully expresses it: "to the annoyance of EU bureaucrats and representatives of energy companies, officials in Ankara have questioned why they should accept the applicability of EU laws on Turkish territory when Turkey is not a member of the EU and the opening of the energy chapter remains blocked due to a political veto". Therefore, without significant advances in membership negotiations, such a Turkish geographical leverage is more likely to continue over the EU's Southern Energy Corridor for years to come.

East of Turkey, Georgia is the main transit country for the Caspian energy resources due to the protracted military conflict between Armenia and Azerbaijan over the occupied Azeri territories. The country is an observer in Energy Community and is highly dependent on Azerbaijan for its oil and gas provision, although it has no control over the operation of the pipes traversing its territory. The strategic geography allows Georgia to exact better terms from Azerbaijan regarding energy supply, however, has less weight for fine-tuning it to its political agenda due to its own conflict with Russia, the ex-major energy supplier. Furthermore, Azerbaijani oil company – SOCAR has bought and controls most of the distribution companies in Georgia (Lussac et al., 2012). Considering that SOCAR has started extensive gasification of remote Georgian provinces, it is expected that Georgian politicians will find it extremely difficult to apply the EU legislation domestically without undermining SOCAR's market interests, which might ultimately put brakes on the latter's gasification programme and endanger domestic energy supply.

To sum up, multilateral institutionalisation and Energy Community in particular, is an attempt on the part of the EU to restructure the energy sectors of the target countries under the former's domestic template, where legal obedience to the Treaty is monitored by a permanent Secretariat (Article 67). Although the Community has little or no legal remedy for non-compliance, the possibility of suspension of the EU accession negotiations can provide a mechanism of last resort for punishment (Padgett, 2009). Thus, if Turkey eventually accedes to Energy Community, it will be bound to comply with the EU *acquis*, since non-compliance will only play to the hands of the EU members who have so far obstructed Ankara's EU membership bid.[7]

3.2.2.2. Bilateral institutionalisation. Export of the EU *acquis* on bilateral level is more pertinent to the countries whose association with the EU is "under the membership line", although Brussels favours synergies with multilateral frameworks like Energy Community (EC, 2011c: 7). Being both a producer, as well as a transit country Azerbaijan's energy Europeanisation is, therefore, of ultimate importance.

The EU's longest lasting bilateral instrument so far have been INOGATE (INterstate Oil and GAs Transportation to Europe – 1995) and Baku Initiative: Energy (2004), the prime objective of which are the "convergence of energy markets on the basis of the EU principles" through bilateral and cross-border technical assistance (The INOGATE Programme and the Republic of Azerbaijan, 2012). The most specific bilateral project with Azerbaijan, however, is "The Twinning Project", the main task of which was "the approximation of the Azerbaijani Energy Electricity and Gas Legislation with the so-called *Acquis Communautaire* of the EU" (Sandtner, 2009: 5).

The EU legal texts to be approximated by Azerbaijan are the EU's electricity and gas directives and the Commission decision (later regulation) on establishing European Regulators Group for Electricity and Gas. This has a strategic interest for Brussels, as it will not only lead to market liberalisation in the producer country itself but also ensure the application of future updates and upgrades in due respect (Sandtner, 2009: 6).

Furthermore, Eastern Partnership umbrella (new toolkit with old objectives), which aims to bring the Eastern European neighbours closer to the EU through political association, economic integration and increased mobility, is designed to bring the element of conditionality to cooperation *via* more-for-more principle. In energy sphere, both bilateral and multilateral tracks of partnership envisage the creation of "competitive energy markets [and] enhancement of physical infrastructure according to *market principles*" (EC, 2011d: 5 - *emphasis added*).

Unlike Turkey who aspires for the Union membership, export of the EU *acquis* to Azerbaijan is in *negotiated mode* (to use external governance terminology), as the country has not expressed its desire for membership and has less dependency on the following reward. Nonetheless, the success of these initiatives will provide a basis for unbundling, transparency and TPA provisions in Azeri energy sector, while effectively diminishing the government's ability to tailor energy exports to its strategic (elite and national) interests. For this reason, the Memorandum of Understanding signed between the EU and Azerbaijan envisions "[t]he gradual convergence [of Azerbaijani energy sector] with the EU's internal energy market, aiming ultimately at its integration" (Memorandum of Understanding on a Strategic Partnership, 2006: 4).

Such a grand scheme will ultimately affix the "would be" EU single natural gas market with those of neighbouring countries up to the source of energy supply while leaving little, if any, role for "market distorting bilateral deals" and strategic energy-geopolitics nexus following the intra-EU energy experience. Lavenex (2004: 693), thus, concludes that, the rationale behind the EU's external energy governance is, firstly, "the desire to have market access in the transit and producing countries for energy supply and to increase their attractiveness for foreign private investors" and secondly, to transform the "oligopolistic or quasi-statist energy sectors in countries like Russia […] in order to liberate energy supply from the control of what are seen to be unstable elites and cartels".

In sum, the EU's external energy governance envisions not only the extension of intra-European cooperation, efficiency and environmentalism beyond the borders, but also the elimination of external disturbances through absorption of the players along the Southern Gas Corridor into a common institutionalised structure through which the EU can pursue its energy interests in a *preferred setting*, *i.e.* binding everyone to the rules of its own creation.

3.2.2.3. Project specific institutionalisation. In the absence of the fully functional common regulatory framework fostering *market principles* the EU's current preferred tool is the project specific external governance. With regard to this, the most discussed natural gas pipeline, Nabucco *classic* incorporated an element of external governance. Being a standalone, dedicated pipeline of massive capacity Nabucco *classic* was based on a stable regulatory framework respecting the EU *acquis*. Although one of its signatories, namely Turkey, is not a party to Energy Community, Nabucco *classic* was expected to provide "equal legal conditions for gas transit throughout the entire Nabucco pipeline system", transparent "tariff methodology and rules for network access",

[7] It is also important to mention that, although there is no direct link between the membership in Energy Community and accession to the EU, membership in the former is rather perceived to pave way for the eventual EU membership (author's interview with EC official Brendan Devlin, 03/05/2013; see also the preamble of the ECT). Hence, membership in ECT is a strong tool on the part of the EU to enforce its domestic energy legislation without or before admitting the third countries to the EU.

Please cite this article as: Abbasov, F.G., EU's external energy governance: A multidimensional analysis of the southern gas corridor. Energy Policy (2013), http://dx.doi.org/10.1016/j.enpol.2013.10.007

"Third Party Access" up to half of the capacity of the pipeline – the provisions lying at the heart of the EU's market approach to energy security.

3.2.3. Changing the mechanics of energy partnership and conflict of interests: spot-prices and short term contracts

Although such a stable regulatory framework might be acceptable for some producer countries, the last component of the EU's market vision for the Southern Gas Corridor and the Caspian reserves – the terms of price determination and contract length – is the breaking point between the interests of the producers and the EU. While the EU wants spot pricing in energy deals, producer countries clearly favour long-term contracts with take or pay provisions.

Currently, the Russian supplies to the EU are (mostly) based on long-term oil-indexed gas contracts with a take-or-pay provision attached to it. Such a pricing mechanism was introduced after the discovery of gigantic Groningen gas field in the Netherlands. The Dutch government, together with energy companies, fixed the price of gas to the price of its substitutes – mainly oil – at a level less than the full price of the latter that would guarantee the necessary return needed for large investments, which has been the practice in gas sales ever since (Nies, 2008: 49–50). In this vein, as Nies notes, in the long-term contracts the producers assume the production risks, while consumers take the demand risks (take or pay). Thus, "infrastructures are only constructed […] when all production is sold through long-term contracts" (Nies, 2008: 50).

However, with the skyrocketing oil prices the consumer countries are getting increasingly uneasy with long-term and oil indexed contracts. While many scholars consider that natural gas is already a mature commodity to be commercialised in its own right (Nies, 2011: 109) without any need for long term take-or-pay contracts, not all the producer countries, if any, share this sentiment. Firstly, despite increased interconnections between different energy consuming and producing regions, the world natural gas "market" still remains polarised and divided into regional segments as opposed to that of oil. Furthermore, unlike oil, natural gas is a less fungible commodity and is usually dependent on certain infrastructure (pipelines and to a lesser degree LNG plants). Therefore, any pipeline interconnection towards a regional market will create a dependence on the pipeline for the producers. If the market gets oversupplied, it will be the producer country who will assume the financial risks of spot priced contracts without take-or-pay provisions. Therefore, dedicated conduits and firm commitments (on the part of the suppliers) to supply without any obligation to buy contracted volumes (on the part of the EU consumers) will deprive the producers of their ability to divert their supplies to other markets and diminish their energy rents.

In this respect, although long-term contracts are vital for moving any project forward, in a well-diversified (and possibly oversupplied) market(s) consumers clearly prefer short length in contractual terms. With regard to this, Buchan, 2009: 33) notes that, "downstream contracts can damage competition as much as upstream ones, because incumbents can write them to effectively lock customers in and so exclude would-be new suppliers getting a foothold". Thus, if the EU market integration will enable the member states to source their supplies from any region, this opportunity, by definition, requires that the member states are not tied up yet in another long-term take-or-pay commitment with the Caspian alternative producers. This in fact will do little to improve competitive flexibility of energy market and diminish the consumers' ability to access other suppliers with more competitive prices.

To sum up, although the Commission has repeatedly justified its *market approach* to securing energy supplies in its efficiency, equality and fairness, Youngs (2007: 8) notes that, "the EU is no less 'egotistically geopolitical' than any other international actor, but seeks to dress its geopolitics in the finer cloaks of rules-based discourse". In this regard, through the spread of its own regulatory rules and policies beyond its borders, the EU attempts to change the balance of power in energy security *asymmetrically* in favour of the consumer countries and give them structural advantage in dealing with the producer countries.

Arguably, Russia is not the only supplier whose interests are being undermined by liberalisation of the EU markets. Nies (2008: 60) argues that, Norway is equally concerned by the "Community's policies such as unbundling and taxation, even though one is a part of the European Economic Area (EEA) and the other is not […]. Russia and Norway […] share an interest in maintaining 'reasonable' prices and avoiding excessive supply on the European market". Hence, application of consumer-made-legislation in producer and transit countries (especially those relating to price determination and control over the pipelines) might ultimately undermine the EU's long-term security of supply. This is due to the fact that consumer favoured trade mechanism (spot markets) makes suppliers more reluctant in investing in essential production and transportation projects, as this framework does not guarantee the necessary return needed for huge upfront investments.[8]

In this regards, it should be expected that the Caspian basin prospective gas exporters share similar interests in avoiding oversupply and maintaining "reasonable prices" in the EU markets. In this respect, firm supply commitments *via* (consumer controlled) dedicated pipes without reciprocated demand commitments on the part of the EU consumers is nothing more than entrenchment of the latter's structural power and market interests over the whole energy value chain that is underpinned by the market norms of the EU's own creation. In other words, here one is dealing with the EU's potential soft power, *i.e.* ability to influence the behaviour of the producing countries *via* the rules *made in the EU*. This will and does entail quite reasonable concerns about the equitability of this policy on the part of the SGC countries and condition the resistance against Europeanisation, since unlike international law or agreements these kinds of arrangements entail *imposition* of one actor's (the EU as a whole) internal rules upon others.

3.3. Energy and good governance: interests vs. values dichotomy

From a geopolitical perspective the main source of concern for the EU policy-makers is Russia, which seems not to have abandoned its ambition to maintain influence over the CIS countries and exert similar political leverage in international system (Checchi et al., 2009: 18). With a classical realist apprehension, Zeyno Bayan similarly argues that "Russian power and influence is no longer measured in ballistic missile accuracy or bomber production but in miles of pipeline constructed and barrels of oil per day exported, and for Europe, this energy invasion has already begun" (Baran, 2007: 131; Larsson, 2006). Concerns among European policy-makers, even those with zero dependence on Russian gas, were just as stark after the Russo-Ukrainian energy crisis and 2008 Russian invasion of Georgia. British ex-prime minster Brown (2008) noted that "No nation can be allowed to exert an energy stranglehold over Europe and the events of August have shown the critical importance of diversifying our energy supply […] with states such as Russia increasingly using their energy resources as policy tools it is apparent that the security grounds for this shift are stronger as well". Another EU official acknowledged that "whatever the EU's formal language on cooperation

[8] This was especially the case during the pipeline selection process by the Shah–Deniz consortium for the second-phase of the development of the Shah–Deniz field, which according to some estimates will cost the shareholders around $30 billion. For a similar analysis, see Ogutcu (2013).

Please cite this article as: Abbasov, F.G., EU's external energy governance: A multidimensional analysis of the southern gas corridor. Energy Policy (2013), http://dx.doi.org/10.1016/j.enpol.2013.10.007

and market integration, the primary need is to curtail Russia's power over its neighbours and that this is where geopolitics comes in" (Youngs, 2007:10).

However, in itself Russia is not the only source of concern. Conflicts and autocratic governments in the ME and Caspian Basin are also seen as the major threats to the EU's energy security and are directly related to its foreign strategy in these regions. Hereof, as was argued above, diversification of energy sources towards the Caspian Basin and absorption of the future energy partners into the EU's common regulatory framework are the most optimal strategy to reduce political and non-commercial risks stemming from energy supply.

However, this will not be a panacea for all the political inconveniences, *inter alia*, authoritarian political culture that is pervasive in the alternative supply countries, which as Youngs (2007): 15) puts it, "backing 'friendly autocrats' rarely optimises energy security in its broadest concept". In a similar vein, the Commission argues that

> "Diversification of fuels, sources of supply and transit routes is essential for EU security as are good governance, respect for the rule of law and protection of EU and foreign investments in energy producing and transit countries."

In this vein, the policy of diversification must not only offset current political dependence incurred by over-reliance on limited number of energy suppliers, but also to ensure that the remedy to ensuring energy security does not come at the expense of the EU's broader CFSP and its international normative agenda. Consequently, this raises two major questions: (a) What is the right balance between energy interests and democratic values? (b) How to minimise the impact of regional geopolitics to energy supply?

3.3.1. *Interests vs. values: democracy, human rights and the rule of law*

The Committee on Foreign Affairs (CFA) of the European Parliament, argued that

> "[E]nergy security must be regarded as an essential component of the overall security of the European Union. […] Present vulnerability and high energy dependency of the EU on [unstable and undemocratic] countries with authoritarian regimes deeply undermines the development of a credible, effective and consistent common foreign and security policy with regard, in particular, to respect for, and the support and promotion of, the values upon which the EU is founded" (2007: 4).

For this very reason, the Committee considered that any policy of securing energy supply must be "an integrated and prominent part of the common foreign policy, and that energy policy should be taken into account in all foreign policy contexts" (2007: 5). Along similar lines, the Green Paper notes the importance of integration of "energy objectives into broader relations with third countries and the policies which support them" (EC, 2006a: 16).

The CFA specifically identifies that any "comprehensive European foreign policy on energy must contribute to the promotion and implementation of the values and interests of the European Union and the main aims of its foreign policy, namely the safeguarding of peace and the primacy of human rights, democracy and the rule of law; recognises that the EU's dependency on imported energy may have significant effects on the independence of its decision-making in other policy areas" (2007: 6).

Therefore, any external energy policy that does not also address the problem of democratisation of supplier/transit countries can end up with "compromising a central feature of the EU's self-understanding and projected image: its role as a committed promoter of democratization and civil freedoms and as an unconditional defender against illiberal political behavior" (Wood, 2008: 133). Hence, democratic standards have become not only conditionality for membership, but also a criterion for engagement beyond the EU's borders, including with those countries, which have no chance or intention of membership.

It is largely argued that the dilemma is between the *normative consciousness* and *energy security* (with political, economic and social consequences), in other words, *values vs. interests* dichotomy. Pursuing the latter will contribute to the EU's *hard power*, however, at the expense of its *soft power* and a credibility as a global peace and equality beacon. In practice, the EU has hardly been the forerunner in punishing the wrongdoer energy rich Caspian governments, sufficing only with a single occasion of sanctions against Uzbekistan after the Andijan tragedy in 2005 and "token gestures" towards other regional oppressed nations (Boas, 2012: 4). A second and less advertised example could be the ban of direct gas purchases from Turkmenistan on human rights grounds in 2006 (Wood, 2008: 136).

Nonetheless, given the ambitious targets that the block has set for itself, which is *normatively veneered* in the Lisbon Treaty,[9] the EU attempts to ensure synergies between its energy security policy and its image and a "capacity for action in foreign policy, as well as its credibility as a global actor" (EP, 2007: 15). Nonetheless, its governance precepts have little or no resonance beyond its direct neighbourhood and are not placed on a "pedestal as a model to be emulated" (Boas, 2012: 2). In practical terms, the EU seems to prefer the integration of certain social norms into commercial relations (e.g. *economic carrots for human rights conditionality*), thereby inducing a behavioural change in ruling elite and making the relations more sustainable in the long term (Boas, 2012: 9–10). Although the executive European Commission seems to gradually tilt the preference towards the strategic rather than value laden policy towards this ex-soviet region, its actions are curtailed by the co-legislative power of the European Parliament, which has been steadily increasing its competences. Along these lines Buchan (2009: 109) notes that, "European commissioners not only cannot sign gas contracts, they are also under internal political pressure to protest about Turkmen human rights abuses. In that cause, the European Parliament has frozen negotiations for a formal EU agreement with Turkmenistan" and the current relations are based on Interim Trade Agreement which does not require EP approval. Although the latter is partially supported by the EP, almost every single article in the EP's endorsement resolution is a *human rights clause* for Turkmenistan (EP, 2009).

One theorist attempted to explain this conditionality as a "civilizing process", which reflects the projection of the EU's internal normative consciousness, values and success onto the rest of the world (Linklater, 2005). Others sought to interpret it as an integral component of the EU's broader foreign and security agenda:

> "[W]hen applied towards third countries which lack the prospect of membership, the attempt to extend the EU's legal boundary is not only a benevolent projection of acquired civilian virtues but also a more strategic attempt to gain control over policy developments through external governance".
>
> Lavenex, 2004: 685

Thereby, with regards to energy security, the issue of democratic governance can serve as a toolkit for eliminating the so-

[9] Article 3.5 of Lisbon Treaty states that "In its relations with the wider world, the Union shall uphold and promote its values and interests and contribute to the protection of its citizens. It shall contribute to peace, security, the sustainable development of the Earth, solidarity and mutual respect among peoples, free and fair trade, eradication of poverty and the protection of human rights, in particular the rights of the child, as well as to the strict observance and the development of international law, including respect for the principles of the United Nations Charter."

Please cite this article as: Abbasov, F.G., EU's external energy governance: A multidimensional analysis of the southern gas corridor. Energy Policy (2013), http://dx.doi.org/10.1016/j.enpol.2013.10.007

called "gas trump card" which the supplier countries may resort to when national/elite interests are undermined. As Solana (2006) explicitly acknowledged this point:

> "We may have to deal increasingly with governments whose interests are different from our own and who do not necessarily share our values. Sitting on huge reserves of oil and gas gives some difficult regimes a trump card. […] And it shields them from external pressure. Thus, our energy needs may well limit our ability to push wider foreign policy objectives, not least in the area of conflict resolution, human rights and good governance" (2006).

To start with, the rise of "resource nationalism" is widely perceived as integrally linked to undemocratic governance practices of producers, such as Iran, Nigeria, Venezuela and even Russia. In this vein, export of European norms, standards and values is seen as key "to ensuring both consistency with human rights aims and improving conditions for EU investment in producer states" (Youngs, 2011: 45). For this reason, the EU has explicitly acknowledged that good governance must become an integral part of the EU's external energy policy.

Moreover, others argued that "democratization would serve to delink the region from China and Russia: normative values would in this sense serve instrumental geopolitical purpose" (Youngs, 2011: 111). Thus, in this context, with respect to the EU's normative tone, Farrell (2005) argues that, the normative soft power of the EU is rather geared to further its "national interests" towards the *partner countries*, than to genuinely promote democratisation thereof. Lavenex (2004: 694) holistically summarises this function of the EU's foreign governance:

> "[E]xternal governance fulfills a dual purpose. It is not only motivated by benevolent civilian 'milieu goals', but is also driven by strategic 'possession goals'. […] External governance combines a foreign policy strategy geared at stabilization and integration with the attempt to bind third countries to the pursuit of internal policy goals and thereby benefit from the latter's political and material problem-solving resources".

Thus, the EU's foreign energy policy towards the Caspian basin is intrinsically tied to its broad democratisation and liberalisation vision towards the region, which reflects both the Unions value laden normative, as well as interest based strategic approach to its foreign and security policy. Nevertheless, it must be pointed out that, this normative agenda of the EU might consequently undermine its own supply security, as some of the potential suppliers increasingly turn to South/East Asia for their gas exports due to the latter's *no-strings-attached* policy in energy deals (Ahmadov, 2010: 16). Hence, although in many cases energy-values synergy may improve the EU's energy security, in certain circumstances it can also drive potential suppliers away, especially if other and non-imposing consumers are available in the vicinity.

3.3.2. The EU and Caspian geopolitics

The academic literature is abound with assessments of the risks that Russian gas strategy poses to the EU's energy security. Unlike most of the *energy security realists*, Isbell relates such risks not to the Russian progressive grand design, but to the Kremlin's heavy-handed reactions to the foreign interventions to the regions it considers as its zones of traditional influence. It "reflects a realignment of Russian influence in the former Republics after a long period of continual loss of relative power *vis-à-vis* the former periphery in the wake of the Soviet collapse" (2007: 4). Whatever stimuli have resulted in such an aggressive Russian reaction, 2006–2009 European supply disruptions or 2008 Georgian war reflects the geopolitical characteristics of energy security.

In this regard, the EU is quite aware of the geopolitical complexities that are specific to the region. It is not only that Russia has traditionally exerted the monopoly over the energy export routes from the region, but also managed to influence the political orientation of the regional states in doing so. Therefore, any EU involvement in the regional pipeline politics will intrinsically drag it to the regional problems, hereby negatively affecting its bilateral relations with Russia, which is exemplified in the EU's hesitancy in engaging in regional geopolitics. As a consequence, unlike the US, the EU has rather preferred to work in partnership with the Kremlin in negotiating its way into the Caspian energy resources (Youngs, 2011: 108).

Secondly, Iran has also long opposed to any foreign involvement to the Caspian energy production and export, especially in light of its own aspirations to become one of the major gas sources to Europe. With respect to these complexities the EU has opted out from being directly involved in the major regional security matters, knowing that Russia and Iran have their own geopolitical interests in the resolution (or rather maintenance) thereof as leverage against any *foreign intrusion*.

A main case in point is the Nagorno–Karabakh (NK) conflict between Armenia and Azerbaijan, the latter being viewed as a *facilitator* of the SGC. While the EU, as an actor in its own right, is involved in the resolution of the Israeli–Palestinian conflict through the Quartet (together with the US, UN and Russia), there is no cohesive EU participation in the resolution of the NK conflict. Unlike the former, the latter is in the EU's direct neighbourhood and on the main energy transit corridor towards the Union. Although the EaP roadmap towards 2013 indicated the EU's interest in the resolution of the conflict, the EU sufficed with its support to the existing multilateral frameworks, such as the Minsk Group of the OSCE (EC, 2012: 6). Similarly, although the EaP roadmap claims to "take a holistic view of its relations with partners, including efforts to tackle instability and conflict in the region", the advancements in the conflict resolution have effectively been exempted from the "more for more" conditionality in the regional partners' association negotiations with the EU (EC, 2012: 4). Quite the opposite, the roadmap notes that "progress in the political association and economic integration of partners with the European Union will be beneficial for conflict settlement efforts and stability in the region" (2012: 6). To put it into perspective, it rather seems that the political association and economic integration are seen as a roadmap towards conflict settlement, than *vice-versa*.[10] This effectively indicates that EU is rather interested in separating the conflict resolution from other aspects of the regional politico-economic association.

Nonetheless, from the regional producer and transit country, *i.e.* Azerbaijan's perspective any association agreement with the EU will be interlinked with the progress made on the advances on the status of Nagorno–Karabakh (Kobzova and Alieva, 2012: 4). As the Azerbaijani foreign minister made clear that the resolution of the problem is the top priority in the country's foreign affairs and closely interlinked with its energy policy and relations with the EU (Mammadyarov, 2012).

Hence, it can be summarised that in the governance-geopolitical dimension the EU's SGC vision is geared towards eliminating the impact of energy supply on the Union's broader normative agenda and its common foreign and security policy. This is to be achieved *via* the extension of the EU rules, values and governance practices onto the energy partners and by isolating energy supply from other regional security issues, which the EU prefers to avoid rather than to be engaged in.

[10] A similar sentiment can also be sensed towards the EU's position of delinking the resolution of the maritime border conflict between Azerbaijan and Turkmenistan from the construction of the Trans-Caspian Pipeline. See for example Rzayeva and Tsakiris (2012).

Please cite this article as: Abbasov, F.G., EU's external energy governance: A multidimensional analysis of the southern gas corridor. Energy Policy (2013), http://dx.doi.org/10.1016/j.enpol.2013.10.007

4. Conclusion

The EU's Southern Gas Corridor strategy has more implications for the Caspian energy players than it would initially seem. The EU needs additional and diversified gas supplies to ensure resilience and security of physical supplies in the backdrop of declining indigenous production, nuclear shutdown and expected growth in gas demand. However, this constitutes only one dimension (physical supply security) of the EU's energy security, and will not automatically eliminate the political and economic challenges that emerge together with the establishment of an alternative energy corridor. Hereof, it was argued that the export of the EU energy *acquis* eastwards is, geared to achieve this objective and minimise the ability of the exporters and transit countries to manipulate energy flow and tailor it to their political/economical objectives. In practical terms this is to be achieved by institutionalising energy partners through multilateral, bilateral and project specific rule transfer. This, in turn, is envisaged to make energy supply a matter of multilateral market activity, where private/state actors compete against one-another, as opposed to the one that is currently being ensured through politically defined bilateral agreements.

Finally, in the governance dimension the EU is interested in ensuring that energy supply from countries lacking democratic maturity does hinder the Union's broader international normative agenda and runs against its value laden foreign and security policy. In this dimension too, the preferred tool for the EU is its own normative politico-social values, *i.e.*, democracy, respect for human rights and most importantly the rule of law. This, of course, can be argued to be an integral part of the EU's international identity. However, as the above-mentioned examples indicated, whenever the values and interest collide, the EU seems to prefer the later in the short run; however unacceptable it might be for the European parliamentarians and the NGOs.

References

Ahmadov, I., 2010. The Southern Corridor and Nabucco — a promising challenge for Caspian countries in Beyond Turkey: the EU's energy policy and the Southern Corridor, Friedrich-Ebert-Stiftung, Kristin, Linke, Marcel, Viëtor, Berlin: (Eds.). pp. 15–19.

Baku Initiative: Energy, 2004.

Baran, Z., 2007. EU energy security: time to end Russian leverage. Wash. Q. 30, 131–144.

Baykal, A., 2009. Turkey's Energy Politics, SN/IA/5301. House of Commons, International Affairs and Defence Section.

BBC, 2012a. Europe Hit by Russia Gas Shortage.

Boas, V., 2012. Energy and Human Rights: Two Irreconcilable Foreign Policy Goals? The Case of the Trans-Caspian Pipeline in EU-Turkmen Relations. Istituto Affari Internazionali, IAI Working Papers 12.

Brown, G., 2008. This is how we will stand up to Russia's naked aggression. Guardian. 〈http://www.theguardian.com/commentisfree/2008/aug/31/russia.georgia〉.

Buchan, D., 2009. Energy and Climate Change: Europe at the Crossroads. Oxford Institute for Energy Studies, Oxford.

Checchi, A., Behrens, A., Egenhofer, C., 2009. Long-term energy security risks for Europe: a sector-specific approach. CEPS, No. 309/January 2009.

Cornell, S.E., 2008. Trans-Caspian pipelines and Europe's energy security. In: Cornell, S.E., Nilsson, N. (Eds.), Europe's Energy Security: Gazprom's Dominance and Caspian Supply Alternatives. Woodrow Wilson Centre Press, Stockholm–Nacka, pp. 141–155.

Council of the European Union, 2011. Council Conclusions on Strengthening the External Dimension of the EU Energy Policy.

Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 Concerning Common Rules for the Internal Market in Natural Gas and Repealing Directive 2003/55/EC, 2009, Brussels.

EC, 2006a. Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy. COM(2006) 105, Brussels.

EC, 2006b. An External Policy to Serve Europe's Energy Interests. S160/06, Brussels.

EC2007a. An Energy Policy For Europe. COM(2007) 1, Brussels.

EC, 2007b. Commission Impact Assessment. SEC (2007) 1179, Brussels.

EC, 2008. Second Strategic Energy Review: an EU Energy Security and Solidarity Action Plan. COM(2008) 781, Brussels.

EC, 2010a. Energy Infrastructure Priorities for 2020 and beyond – a Blueprint for an Integrated European Energy Network, COM(2010) 677, Brussels.

EC, 2010b. Energy 2020: a Strategy for Competitive, Sustainable and Secure Energy. COM(2010) 639, Brussels.

EC, 2011a. The Commission's Energy Infrastructure Package. MEMO/11/710, Brussels.

EC, 2011c. On Security of Energy Supply and International Cooperation – "The EU Energy Policy: Engaging with Partners beyond Our Borders". COM(2011) 539, Brussels.

EC, 2012. Eastern Partnership: a Roadmap to the Autumn 2013 Summit. JOIN(2012) 13. High Representative of the EU for FASP.

EP, 2007. Towards a Common European Foreign Policy on Energy. A6-0312/2007. Committee on Foreign Affairs.

EP, 2009. European Parliament Resolution of 22 April 2009 on the Interim Trade Agreement with Turkmenistan.

Energy Community, 2005. URL: http://www.energy-community.org/portal/page/portal/ENC_HOME/ENERGY_COMMUNITY.

Escribano, G., García-Verdugo, J., 2012. Energy security, energy corridors and the geopolitical context: a conceptual approach. In: Quemada, J.M.M., García-Verdugo, J., Escribano, G. (Eds.), Energy Security for the EU in the 21st Century: Markets, Geopolitics and Corridors. Routledge, London; New York, pp. 26–37.

Farrell, M., 2005. A triumph of realism over idealism? Cooperation between the European Union and Africa. J. Eur. Integration 27, 263–283.

Högselius, P., 2012. Red Gas: Russia and the Origins of European Energy dependence. Palgrave Macmillan; New York, NY.

Isbell, P., 2007. Paul Isbell revisits the energy security debate. Oxford Energy Forum, 3–6.

IEA, 2011. World Energy Outlook 2011, Paris.

Kobzova, J., Alieva, L., 2012. European Council on Foreign Relations. The EU and Azerbaijan: Beyond oil. European Council on Foreign Relations, London.

Lahn, G., Padgett, S., Lavenex, S., 2009. External European Union Governance in Energy and the Environment. Chatham House: Energy, Environment and Development Programme/University of Strathclyde.

Larsson, R.L., 2006. Russia's Energy Policy: Security Dimensions and Russia's Reliability as an Energy Supplier Scientific Report No. FOI-R-1934-SE. FOI: Swedish Defence Research Agency, Stockholm.

Lavenex, S., 2004. EU external governance in "wider Europe". J. Eur. Public Policy 11, 680–700.

Lavenex, S., Schimmelfennig, F., 2009. EU rules beyond EU borders: theorizing external governance in European politics. J. Eur. Public Policy 16, 791–812.

Linklater, A., 2005. A European civilising process?. In: Hill, C., Smith, M. (Eds.), International Relations and the European Union, New European Union Series. Oxford University Press, Oxford, pp. 367–388.

Lussac, S., Edward, H.Ch., Wolczuk, K., 2012. The EU and its Eastern Partners: Energy Needs and Future Prospects, Directorate-General For External Brussels: Policies of the Union, European Parliament.

Mammadyarov, E., 2012. Securing lasting peace in the Caucasus stability in Nagorno-Karabakh would open up new avenues for cooperation and regional integration. Wall Street J..

Memorandum of Understanding on a Strategic Partnership, 2006. Between the European Union and the Republic of Azerbaijan in the Field of Energy, Brussels.

Nies, S., 2008. Oil and Gas Delivery to Europe: an Overview of Existing and Planned Infrastructures, Paris, Les Études, Bruxelles.

Nies, S., 2011. Oil and Gas Delivery to Europe: an Overview of Existing and Planned Infrastructures. New ed., Paris, Les Études, Bruxelles.

Ogutcu, M., 2013. Hurriyet Daily News. 01 July 2013. Available at: 〈http://www.hurriyetdailynews.com/azerbaijans-shah-deniz-2-and-southern-corridor-potential-risks.aspx?pageID=449&nID=49749&NewsCatID=396〉.

Padgett, S., 2009. External European Union Governance in Energy Full Research Report ESRC No. RES-000-22-2562. ESRC, Swindon.

Pitt, A., 2008. Ankara Block to GdF's Nabucco Hopes, Upstreamonline.

Regulation (EU) No 347/2013 on guidelines for trans-European energy infrastructure and repealing Decision No. 1364/2006/EC and amending Regulations (EC) No. 713/2009, (EC) No. 714/2009 and (EC) No. 715/2009.

Rzayeva, G., Tsakiris, T.G.R., 2012. Strategic Imperative: Azerbaijani Gas Strategy and the EU's Southern Corridor. SAM Center for Strategic Studies, Baku.

Sandtner, W., 2009. Twinning Project: Legal Approximation and Structural Reform in the Energy Sector of Azerbaijan.

Smith, M., 1996. The European Union and a changing Europe: establishing the boundaries of order, J. of Common Mark. Stud. 34(1) 5–28.

Sobjak, A., Zasztowt, K., 2012. Nabucco West—Perspectives and Relevance: The Reconfigured Scenario. Polish Institute of International Affairs (PISM), Polish Institute of International Affairs (PISM), Warsaw, Poland.

Solana, J., 2006. Towards an EU External Energy Policy.

Stern, J., 2002. Security of European Natural Gas Supplies: The Impact of Import Dependence and Liberalization. Chatham House, London.

The INOGATE Programme and the Republic of Azerbaijan, 2012.

Winrow, G.M., 2009. Problems and Prospects for the "Fourth Corridor": The Positions and Role of Turkey in Gas Transit to Europe. Oxford Institute for Energy Studies, Oxford.

Wood, S., 2008. Energy and democracy: the European Union's challenge. Curr. Hist., 133–138.

Youngs, R., 2007. Europe's External Energy Policy: Between Geopolitics and the Market. CEPS, Centre for European Policy Studies, Brussels.

Youngs, R., 2011. Energy Security: Europe's New Foreign Policy Challenge. Routledge, London.

Please cite this article as: Abbasov, F.G., EU's external energy governance: A multidimensional analysis of the southern gas corridor. Energy Policy (2013), http://dx.doi.org/10.1016/j.enpol.2013.10.007