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### The Southern Gas Corridor infrastructure project – implications for the energy security of the European Union

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Justyna Misiągiewicz\*

# The Southern Gas Corridor infrastructure project – implications for the energy security of the European Union

**Abstract:** Nowadays, energy security is a growing concern in state foreign policy. Interdependency in the energy field is a very important dimension of contemporary relations between states and transnational corporations. Energy security is becoming a key issue for the European Union (EU). The Union is one of the world's fastest-growing energy markets and the biggest importer of energy resources. For the foreseeable future, Europe's energy dependence will probably increase. Facing a shortage of energy, Europe is dependent on imports and the EU member states need to diversify their energy supplies. The Caspian region contains some of the largest undeveloped oil and gas reserves in the world. After the collapse of the Soviet Union, the newly independent Caspian states became open to foreign investment. The growing energy needs have given the EU a strong interest in developing ties with energy-producing states in the Caspian region to build the necessary pipeline infrastructure. In this analysis, the pipeline infrastructure that exists or will be built in the near future will be presented. The analysis will concentrate on routes transporting gas from the Caspian region and the most important problems and solutions in designing the midstream energy system in the region. The key aim of the article is to analyse the Southern Gas Corridor (SGC) infrastructure project, which will inevitably contribute to the EU's energy security interest.

**Keywords:** energy security, European Union, Caspian region, Southern Gas Corridor

## 1. Introduction

The research topic of this article is the extraction and transportation of natural gas from the Caspian region to European markets.

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This process requires the expansion of the so-called southern supply route in order to effectively transport resources while circumventing Russia. The focus of this analysis is the Southern Gas Corridor (SGC) project, a network of three complementary natural gas pipelines – the Southern Caucasus Pipeline, the Trans-Anatolian Pipeline (TANAP), and the Trans-Adriatic Pipeline (TAP) – which are in various stages of development.

The research goal of this study is to analyse the nature and distinct features of the energy security policy of the EU in the Caspian region in the context of the SGC project and its implementation. This study will test and ultimately confirm the following hypothesis: the EU's strategic objective is to diversify its energy resources, and in view of this objective, the expansion of the southern natural gas supply route from the Caspian region presents a challenge to the energy security of the EU<sup>1</sup>.

The theoretical framework that underlies this article is a geopolitical approach that allows us to analyse the Caspian region as a 'geoenergetic' space. This geopolitical (geoenergetic) approach focuses on the intensity and structure of interests among various loci of power involved in the realisation of the SGC. As a project, the corridor reflects not only the economic calculations of these countries, which stem from the need to diversify their natural gas supply routes, but also the goal of circumventing Russian territory. A second theoretical approach used in this paper is interdependence theory. The interdependence of energy policies fuels the dynamics of international relations in the Caspian region. The distinct interconnections in the energy sector of the region derive from the complexity of relations among the entities engaged in the planning and execution of the SGC.

The methods used in this paper are well established in political science. I used factor analysis to identify, classify, and create a hierarchy of internal and external conditions that determine the trajectory of the natural gas transportation infrastructure between the Caspian region and the EU market. Comparative analysis enabled an outline of the dynamics of the relations between producers, consumers, and transit countries in the context of the SGC project.

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1 For more, see J. Misiągiewicz, *Bezpieczeństwo energetyczne Unii Europejskiej. Implikacje nowych projektów infrastruktury gazociągowej w Europie*, Lublin 2019.

## 2. Determinants of the SGC

As one of the most dynamic energy markets in the world, the EU is a key actor among those that influence the situation of international energy security<sup>2</sup>. The EU's energy security policy reflects the real problems affecting the international energy market<sup>3</sup>. Thus, some of its pivotal components are the completion of a common internal energy market, the implementation of an effective policy to allow the diversification of supply routes, and the expansion of the number of energy links between member states. At the same time, it is important to distinguish the declared interests and needs of individual member states from their real equivalents<sup>4</sup>. Achieving a unified 'single voice' among the 28 countries is very challenging, particularly given the fact that the entities involved in the energy market include not only states but also non-state actors such as transnational corporations, all of which act according to their own interests. As a result, ensuring consistent supply and delivery of energy resources has become the main priority of the EU's energy security policy, especially in light of the region's growing dependence on imports<sup>5</sup>. The expansion of the so-called southern resource supply route from the Caspian region to various European markets while steering clear of Russia is an important manifestation of this priority. The promise of this geographical region lies in its sizable reserves of natural gas, which are extracted primarily in the coastal areas of the Caspian Sea in Azerbaijan as well as in Turkmenistan (Table 1).

The political crisis in the relations between Russia and the EU in the wake of the conflict in eastern Ukraine has brought the SGC closer to fruition. The EU sees in it the opportunity to tangibly diversify its natural gas supply routes and strengthen its position relative to Russia. One important participant in this initiative – and the primary transit country for pipelines as well as their peripheral infrastructure – is

2 European Commission, *EU Energy in Figures*, Statistical Pocketbook 2016, [https://ec.europa.eu/energy/sites/ener/files/documents/pocketbook\\_energy-2016\\_web-final\\_final.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/pocketbook_energy-2016_web-final_final.pdf) [12.02.2018].

3 J. Misiągiewicz, *Strategia bezpieczeństwa energetycznego Unii Europejskiej*, [in:] J. Gryz, A. Podraza, M. Ruszel (eds), *Bezpieczeństwo energetyczne. Koncepcje, wyzwania, interesy*, Warszawa 2018.

4 European Commission, *Communication from the Commission to the European Parliament and the Council, European Energy Security Strategy COM (2014) 330 final*, Brussels, 28.05.2014.

5 Ibidem; S. Wood, *Europe's Energy Politics*, „Journal of Contemporary European Studies” 2010, vol. 18, no. 3, p. 309; J. Stern, *Security of European gas supplies*, London 2002.

**Table 1. Natural gas potential of states in the Caspian region (2017)**

	Reserves (billion m <sup>3</sup> )	Reserves: Percentage of global market	Production (billion m <sup>3</sup> )	Production: Percentage of global market
Azerbaijan	1.3	0.7%	17.7	0.5%
Turkmenistan	19.5	10.1%	62	1.7%

Source: *BP Statistical Review of World Energy 2018*, <https://www.bp.com> [13.09.2018].

Turkey<sup>6</sup>. This country aims to create on its territory a redistribution centre that would serve as a conduit for natural gas transit bound for Europe<sup>7</sup>. Turkey's increasingly prominent role in the Southern Corridor improves its bargaining position in its relations with the EU, which has been compelled to devote greater attention to diversifying its sources of gas as a result of the conflict between Russia and Ukraine. At the same time, it is important to note that Turkey is currently experiencing a severe economic and political crisis due to deteriorating relations with the United States; closer economic collaboration with the European Union is, therefore, one of its crucial macro-level interests.

The diversification of natural gas supplies is currently one of the main priorities for the member states of the EU, particularly in light of the gas conflicts between Russia and Ukraine in 2006 and 2009, which choked off a significant portion of the EU's gas supply<sup>8</sup>. If brought to its full potential, the SGC could effectively render the EU independent from supplies of gas from Russia. Concurrently, it would allow the EU to play a more prominent role in Central Asia, the Caucasus, and the Middle East. The enormous energy potential of these regions and their important geostrategic position are highly desirable attributes in relation to European Neighbourhood Policy.

The execution of the SGC will be possible thanks to the engagement of Azerbaijan and Turkey. As such, the Corridor constitutes an

- 6 However, it is important to consider the political changes in this country stemming from the radical expansion of presidential authority after the referendum on April 16, 2017. This may result in a transformation in relations between this country and the EU, including those pertaining to the energy sector.
- 7 A. Jarosiewicz, *Więcej Turcji, mniej Zachodu w Południowym Korytarzu*, Analizy OSW, 04.06.2014, <https://www.osw.waw.pl/pl/publikacje/analizy/2014-06-04/wiecej-turcji-mniej-zachodu-w-poludniowym-korytarzu> [11.01.2019].
- 8 J. Misiągiewicz, *Bezpieczeństwo energetyczne współczesnych państw Europy Wschodniej*, [in:] H. Chałupczak, M. Pietraś, J. Misiągiewicz (eds), *Europa Środkowo-Wschodnia w procesie transformacji i integracji. Wymiar bezpieczeństwa*, Zamość 2016.

indirect instrument of leverage over the EU for these two countries<sup>9</sup>. In the short term, however, the project will not be a critical energy pillar for the EU. At present, the only reliable supplier of gas to the Southern Corridor is Azerbaijan, which has allocated gas from the second stage of the *Shah Deniz* deposit<sup>10</sup>. The available reserves amount to 16 billion m<sup>3</sup> (bcm) of gas per annum<sup>11</sup>. Additionally, Azerbaijan is planning to extract reserves located in the *Umid* and *Babe* gas fields, with the Azerbaijani State Oil Company of the Azerbaijan Republic (SOCAR) at the helm<sup>12</sup>. It is estimated that the extraction of gas from these reserves will take place within the next five years, but there is a dearth of concrete plans with regard to their allocation and especially the size of the production<sup>13</sup>. Azerbaijan also possesses reserves in the Absheron Peninsula; exploration and monitoring of the reserves are conducted by the French multinational company Total. Preliminary estimates indicate that these reserves are as large as 300 bcm of gas<sup>14</sup>.

Other potential sources of gas for the purposes of supplying the SGC are problematic. Transportation from Iraq, Egypt, and Iran is impossible, primarily due to the unstable situation in the Middle East, and both Turkmenistan and Kazakhstan lack the necessary infrastructure to enable the export of the resource across the Caspian Sea<sup>15</sup>. However, if Azerbaijan, and to some extent, Turkey, were to take complete control over the Corridor, both countries could face the 'strategic mistake of overestimating their own capabilities,' according to Aleksandra Jarosiewicz<sup>16</sup>. Western companies have shown scant interest in constructing the transit infrastructure and have gradually withdrawn from investments in Azerbaijani reserves, which places the ultimate

9 Trans-Adriatic Pipeline, *Southern Gas Corridor*, <https://www.tap-ag.com/the-pipeline/the-big-picture/southern-gas-corridor> [12.01.2019].

10 Ibidem.

11 A. Jarosiewicz, *Południowy Korytarz Gazowy Azerbejdżanu i Turcji*, Komentarze OSW, 18.07.2012, <https://www.osw.waw.pl/pl/publikacje/komentarze-osw/2012-07-18/poludniowy-korytarz-gazowy-azerbejdżanu-i-turcji> [11.01.2019].

12 Ibidem.

13 Ibidem.

14 Ibidem.

15 Ibidem.

16 A. Jarosiewicz, *Start zmodyfikowanego Południowego Korytarza Gazowego*, Analizy OSW, 24.09.2014, <https://www.osw.waw.pl/pl/publikacje/analizy/2014-09-24/start-zmodyfikowanego-poludniowego-korytarza-gazowego> [12.01.2019].

cost-effectiveness of the project under question<sup>17</sup>. At the same time, Moscow has mounted pressure on Azerbaijan, which still perceives the Corridor as an instrument of emancipation from Russian influence. In this context, it is likely that Russia will attempt to take control over or otherwise intercede in Azerbaijan's planned projects<sup>18</sup>.

Given the above considerations, the question of how to trace the course of individual pipelines constitutes one element of a geostrategic game whose participants include not only states but also corporations, which take these issues into account in their business plans and projections.

### **3. Distinct features of the SGC project**

The SGC is currently a network of three complementary gas pipeline projects controlled by Azerbaijan and Turkey, in various stages of realisation (Map 1). Two of them – TANAP and the pipeline that runs parallel to the Baku–Tbilisi–Erzurum route – are administered by Azerbaijan and, to a smaller extent, by Turkey.

According to Natural Gas Europe, the overall cost of building the SGC is estimated at about USD 40 billion<sup>19</sup>. Most of the expenditures were allocated to the development of the extractive infrastructure of *Shah Deniz 2*, the expansion of the Sangachal Terminal on the Caspian coast of Azerbaijan, three pipeline projects (Trans-Caucasian, TANAP, and TAP), a gas intake system in Italy, and prospective links with parts of Southern, Central, and Eastern Europe<sup>20</sup>.

The transportation of gas to Europe and Turkey involves constructing the second branch of the Baku–Tbilisi–Erzurum pipeline, the trans-Anatolian (TANAP) route (which crosses the territory of Turkey), and the trans-Adriatic (TAP) route from Greece to Italy. The TANAP and TAP comprise the main operationalisation of the concept behind the Southern Corridor.

<sup>17</sup> Ibidem.

<sup>18</sup> Ibidem.

<sup>19</sup> M. Perzyński, *TANAP oficjalnie otwarty w Baku*, *Biznes Alert*, 29.05.2018, <http://biznesalert.pl/po-ludniowy-korytarz-gazowy-oficjalnie-otwarty-w-baku/> [12.12.2018].

<sup>20</sup> Trans-Adriatic Pipeline, *Southern Gas Corridor...*

**Map 1. The SGC (SCP, TANAP, and TAP)**

Source: Southern gas corridor on time, BP executive says, Euractiv, 12.05.2016, <https://www.euractiv.com/section/energy/news/thurs-southern-gas-corridor-on-time-bp-executive-says/> [12.12.2018].

The first component of the Corridor is a route known as the South Caucasus Pipeline (SCP), which runs parallel to the existing Baku–Tbilisi–Erzurum route. The 692-km pipeline connects the *Shah Deniz* reserves in Azerbaijan, then runs through the territory of Georgia to Turkey. It was inaugurated in July 2007<sup>21</sup>. On September 20, 2014, construction began on a second branch of the Baku–Tbilisi–Erzurum pipeline; the event was described by Azerbaijan as the official opening of the SGC. The ceremony was attended by the presidents of Azerbaijan and Bulgaria, the prime ministers of Georgia, Greece, and Montenegro, the energy ministers of Turkey, the UK, and Italy, and one representative of the United States<sup>22</sup>. A consortium consisting of BP (28.8%), TPAO (19%), SOCAR (16.7%), Petronas (15.5%), LUKoil (10%), and the Iranian NICO (10%) operates on the *Shah Deniz* reserves and is one of the stakeholders of the initiative<sup>23</sup>. The segment of the pipe-

21 South Caucasus Pipeline (SCP), Georgia, Turkey, Azerbaijan, Hydrocarbons Technology, <http://www.hydrocarbons-technology.com/projects/south-caucasus-pipeline-scp-georgia-turkey-azerbaijan/> [03.04.2014].

22 A. Jarosiewicz, *Start zmodyfikowanego Południowego Korytarza Gazowego...*

23 A. Jarosiewicz, *Południowy Korytarz Gazowy. Azersko-turecki projekt w rozgrywce Rosji i UE*, „Punkt Widzenia” 2015, no. 53, p. 13.



line that runs through the territory of Turkey belongs to BOTAS, Turkey's state-owned company. In order to increase the capacity of the route from 8 to 25 bcm annually, the operators are planning to build a separate section with a capacity of 17 bcm of gas<sup>24</sup>. The cost of this endeavour, estimated at USD 3 billion, is to be fully covered by Azerbaijan. Baku will also enjoy complete control of the completed route.

Another component of the SGC is the TANAP pipeline. This is the central transit segment of the entire Corridor. The pipeline stretches along the border between Georgia and Turkey in the northeast to the border between Turkey and Greece in the west. Plans to construct the TANAP pipeline through the territory of Turkey were announced in November 2011 during the Third Black Sea Energy and Economic Forum. On June 26, 2012, President Ilham Aliyev of Azerbaijan and Prime Minister Tayyip Recep Erdoğan of Turkey signed an international agreement on the joint construction of the pipeline. The two countries are the primary builders of the new gas export route and will exercise control over most of the infrastructure.

At the Caspian Forum in Istanbul, Rownag Abdullayev, director of the Azerbaijani energy monopoly SOCAR, announced that 'the first supply of gas will reach Turkey in 2018 and European countries in 2019. We see the transportation of gas from *Shah Deniz* as merely the first link in the larger chain that is the Southern Corridor. We can state with full confidence that the cumulative potential of natural gas exports from Azerbaijan will total 40-50 bcm by 2025. We believe that a large portion of this resource will ultimately be transported to European markets'<sup>25</sup>.

Currently, the only stakeholders in this project are the Azerbaijani SOCAR (58%), the British BP (12%), and BOTAS (30%). Total (France) and Statoil (Norway) withdrew from participation in the project. Total also decided to exit the *Shah Deniz* project and sell 10% of its shares to the Turkish oil company TPAO<sup>26</sup>.

24 Ibidem.

25 Abdullajew: *Pierwszy gaz z Azerbejdżanu dotrze do Europy w 2019 roku*, Biznes Alert, 09.12.2013, <http://biznesalert.pl/abdullajew-pierwszy-gaz-z-azerbejdżanu-dotrze-do-europy-w-2019-roku/> [12.12.2018].

26 Ibidem.

According to information provided by SOCAR Turkey Enerji, the second construction stage of TANAP will conclude in 2019. Once the relevant tests are conducted with satisfying results, the first supply of gas will be dispatched to Greece by the end of 2019. On June 12, 2018, the inauguration ceremony of TANAP was held in the Turkish province of Eskisehir. Attendees included the presidents of Azerbaijan (Aliyev), Turkey (Erdoğan), Ukraine (Petro Poroshenko), and Serbia (Aleksandar Vučić)<sup>27</sup>. At the inauguration ceremony, President Erdoğan called the occasion a ‘historic moment (...) [in which] we inaugurate a project that can be called the Silk Road of Energy’<sup>28</sup>. President Aliyev called the SGC a ‘new format of cooperation in Eurasia that embodies a victory for the Azeri-Turkish brotherhood’<sup>29</sup>. Ukraine has also expressed interest in receiving supplies of Caspian gas. The president of Ukraine argued that ‘the TANAP pipeline enhances the energy security of the entire region and functions as the polar opposite of the energy policy of Russia, which leverages its energy reserves to pursue its political agendas’<sup>30</sup>.

In the first stage, the capacity of the new route is predicted to be 16 bcm annually, increasing to 32 bcm in 2026 once planned improvements are completed<sup>31</sup>. Building the pipeline from the Turkish-Georgian border to the Turkish-Greek border is projected to cost around USD 11 billion; this is expected to be covered exclusively by the individual stakeholders involved in the project proportionally to the size of their participation<sup>32</sup>. Construction work commenced in the Turkish province of Kars in March 2015. The articles and provisions of the 2012 agreement between Turkey and Azerbaijan regulate the mutual relations of the actors involved in TANAP<sup>33</sup>. Azerbaijan’s retention of

27 R. Bojanowicz, *TANAP ruszy w 2019 roku*, Biznes Alert, 13.08.2018, <http://biznesalert.pl/tanap-ruszy-w-2019-roku/> [01.01.2019].

28 *Inauguracja Gazociągu Transanatolijskiego*, Biznes Alert, 13.06.2018, <http://biznesalert.pl/gazociag-transanatolijski-tanap-inauguracja/> [01.01.2019]; A. Kublik, *Kaspijski gaz u granic Europy. Nadchodzi konkurencja dla Gazpromu*, Gazeta Wyborcza, 13.06.2018, <http://wyborcza.pl/7,155287,23531503,kaspijski-gaz-u-granic-europy-nadchodzi-konkurencja-dla-gazpromu.html> [01.01.2019].

29 *Ibidem*.

30 *Ibidem*.

31 *Ibidem*.

32 A. Jarosiewicz, *Południowy Korytarz Gazowy. Azersko-turecki projekt...*, p. 14.

33 *Ibidem*.

58% of the shares gives it a deciding voice in decision-making related to the provision of gas by other producers, to the extent that it can hamper or even block the transit of gas from source countries other than Azerbaijan through TANAP<sup>34</sup>. In addition, the agreement stipulates that no more than 10 bcm of Azerbaijani gas will be transported to the EU<sup>35</sup>. This means that Azerbaijan is forced to offer all supplies of gas above this volume flowing through TANAP to Turkish recipients. Only if Turkey refuses to purchase the Azerbaijani supply does Azerbaijan gain the ability to reroute it to other markets<sup>36</sup>.

The TAP is the final component of the Corridor, stretching for a mere 800 km (478 km in Greece, 204 km in Albania, 105 km through the Adriatic Sea, and 5 km in Italy)<sup>37</sup>. Its stakeholders include BP (20%), SOCAR (20%), Statoil (20%), Fluxys (19%), Enagas (16%), and the Swiss company Axpo (5%)<sup>38</sup>. The capacity of the route is estimated at 10-23 bcm per year. As a result, the pipeline may satisfy the energy needs of around 7 million households in Europe<sup>39</sup>. The cost of construction is predicted to be about USD 2 billion<sup>40</sup>. Construction on the pipeline began in 2016. The European Bank for Reconstruction and Development approved a loan in the amount of EUR 500 million for the consortium responsible for building the TAP<sup>41</sup>. In total, EUR 4.5 billion were allocated to support this initiative<sup>42</sup>. The consortium also secured a series of agreements with gas corporations and states in the Western Balkans on connecting infrastructure to the planned TAP. This would allow for deliveries of Azerbaijani gas to Bosnia and Herzegovina, Montenegro, Slovenia, and Croatia<sup>43</sup>.

European Commissioner for Climate Action and Energy Union Maroš Šefčovič has publicly stated that the EU will support plans for

34 Ibidem.

35 Ibidem; A. Kublik, *Kaspijski gaz u granic Europy...*

36 A. Jarosiewicz, *Południowy Korytarz Gazowy. Azersko-turecki projekt...*, p. 15.

37 *Trans Adriatic Pipeline (TAP), Italy, Greece*, Hydrocarbons Technology, <http://www.hydrocarbons-technology.com/projects/trans-adriatic-pipeline-italy-greece/> [12.12.2017].

38 A. Jarosiewicz, *Południowy Korytarz Gazowy. Azersko-turecki projekt...*, p. 14.

39 *Trans Adriatic Pipeline (TAP), Italy, Greece...*

40 Ibidem; A. Jarosiewicz, *Południowy Korytarz Gazowy. Azersko-turecki projekt...*, p. 14.

41 R. Bojanowicz, *Południowy Korytarz Gazowy z dofinansowaniem EBOR*, *Biznes Alert*, 06.07.2018, <http://biznesalert.pl/poludniowy-korytarz-gazowy-z-dofinansowaniem-ebor/> [01.01.2019].

42 Ibidem.

43 A. Jarosiewicz, *Południowy Korytarz Gazowy. Azersko-turecki projekt...*, p. 14.

the creation of the TAP. He declared that ‘we are ready to engage and present all arguments to demonstrate that this project is good for both Italy and the European energy union’<sup>44</sup>.

TANAP, TAP, and the *Shah Deniz* reserves are all critical elements of the iteration of the SGC that has received support from the EU. It entails the construction of infrastructure that will allow for gas to be imported from the Caspian region and the Middle East.

## 4 Implications for the energy security of the EU

● As one of the most dynamic energy markets in the world, the EU is a key player influencing the dynamics of international energy security. Nevertheless, it is stymied by its extensive reliance on imported energy resources. The primary supplier of hydrocarbons to the European market is Russia, which treats its resource potential as an instrument of its foreign policy. Thus, the EU has recognised the need to expand its efforts to improve its economic relations with alternative suppliers of energy resources. To date, EU member states have not arrived at a cohesive set of policies in this regard and their efforts are largely individual in scope.

The EU’s energy security strategy reflects the real problems facing the EU, but it is important to distinguish the declared interests and needs of individual member states from their real equivalents. Finalising the construction of the internal European energy market and increasing the number of energy links between member states are both key pillars of the current energy policy of the EU<sup>45</sup>.

One of the EU’s important initiatives in the Caspian region was the Transport Corridor Europe–Caucasus–Asia (TRACECA) project, initiated in 1993, and the Interstate Oil and Gas Transport to Europe (INOGATE) project, which began operations in 1996. The goal of these initiatives was to link Europe with the countries of the Caspian region in the domains of transport and energy. However, the unstable political situation in the region and Russian dominance in the energy

44 R. Bojanowicz, *Południowy Korytarz Gazowy...*

45 J. Misiągiewicz, *Bezpieczeństwo energetyczne Unii Europejskiej...*, passim.

market contributed to stalled progress among the EU initiatives in the post-Soviet region in the 1990s<sup>46</sup>.

In 2009, the European Council approved a series of investments in the energy sector, particularly the Southern Corridor, as a means of supplying gas to the EU, primarily to Southern and Central Europe. The transportation infrastructure built for this purpose would potentially enable imports of gas from the Caspian region (Azerbaijan, Turkmenistan, and perhaps Kazakhstan and Iran) as well as the Middle East (Egypt and Iraq). Stronger energy bonds with these countries would cement the EU's position in both the economic and political spheres<sup>47</sup>. The project aims to guarantee a diversified set of routes and suppliers of natural gas to Europe while limiting the EU's dependence on Russia.

Initially, the main transportation infrastructure project in this context was the Nabucco pipeline (Map 2), which was supposed to channel gas from Central Asia and the Middle East to Europe via Turkey. The project entailed the construction of a pipeline with a length of 3,300 km running through Turkey, Bulgaria, Romania, and Hungary to Austria, which would receive gas from Azerbaijan, Egypt, Iraq, and Turkmenistan<sup>48</sup>. On July 13, 2009, the prime ministers of Austria, Bulgaria, Turkey, and Hungary, as well as the president of Romania, signed an international agreement on building the pipeline. The primary goal of the Nabucco project was to ensure a dependable supply of gas to the EU without Russian participation. The plan was supported by both the US and the EU<sup>49</sup>.

46 S. Georgescu, M. Munteanu, T. Garayev, *Positions of the states involved in energy project in the South Caucasus*, „Constanța Maritime University Annals” 2013, no. 18, p. 292; B.A. Gelb, *Caspian Oil and Gas: Production & Prospects*, „CRS Report for Congress”, 09.04.2002.

47 A. Jarosiewicz, *Południowy Korytarz Gazowy Azerbejdżanu i Turcji...*

48 J. Misiągiewicz, *Działania Turcji wobec państw Azji Centralnej. Implikacje dla Unii Europejskiej*, [in:] A. Szymański (ed.), *Turcja i Europa – wyzwania i szanse*, Warszawa 2011, p. 247.

49 *Podpisanie umowy międzyrządowej w sprawie Nabucco*, „Best OSW” 2009, no. 25, p. 2.

## Map 2. Nabucco pipeline project



Source: *Nabucco Pipeline Project Finally Gets Going*, [http://www.nabucco-gaspipeline.com/english/800px-Nabucco\\_Gas\\_Pipeline-en\\_svg.png](http://www.nabucco-gaspipeline.com/english/800px-Nabucco_Gas_Pipeline-en_svg.png) [01.01.2017].

However, one of the major challenges to the successful realisation of the Nabucco project was the hostile response from Russia<sup>50</sup>. Its government attempted to convince EU countries and potential suppliers to back out of the initiative.

The idea underlying Nabucco was an important dimension of the EU's policy toward Turkey and other potential providers of natural gas. A key transportation infrastructure project in this context is the Baku–Tbilisi–Erzurum (BTE) pipeline, which carries gas from the *Shah Deniz* reserves in Azerbaijan to the Western market. This pipeline has been in operation since 2007. BTE represents the first step in the realisation of the Trans-Caspian pipeline.<sup>51</sup>

The SGC, as a project whose explicit aim is to diversify the EU's routes and sources of natural gas, was first announced in the Second Strategic Energy Review in 2008. Its creation was the culmination of several processes, including the growing concern for energy security

50 P. Goble, *Nabucco After Budapest: Old Problems, New Challenges and a Changed Role for Azerbaijan*, „Azerbaijan in the World” 2009, vol. 3.

51 Republic of Turkey, Ministry of Foreign Affairs, *Turkey's Energy Strategy*, <http://www.mfa.gov.tr/data/DISPOLITIKA/EnerjiPolitikasi/Turkey%27s%20Energy%20Strategy%20%28Ocak%202009%29.pdf> [12.12.2014].

following the Russia-Ukraine gas crisis of 2006 and western gas companies' interest in deliveries of natural gas from the Caspian region<sup>52</sup>.

The goal of the Corridor is to ensure an additional supply of gas in Europe in view of the projected decrease in production by Norway and the EU's unwillingness to increase its dependence on imports from Russia, in addition to realising the EU's objective of limiting greenhouse gas emissions, particularly CO<sub>2</sub><sup>53</sup>.

The infrastructure developed within the scope of the Corridor project is intended to allow for the import of gas from the Caspian region (Azerbaijan, Turkmenistan, and potentially Kazakhstan and Iran) as well as the Middle East (from Egypt through the Arab Gas Pipeline and from Iraq via new connections). Stronger ties with these countries could reinforce the EU's position in the region and ultimately become one of the instruments of its foreign policy<sup>54</sup>.

Following this vision, on September 12, 2011, the Council of the European Union entrusted the task of conducting negotiations with Turkmenistan and Azerbaijan to the Commission, the goal of which is an agreement on the Trans-Caspian Pipeline<sup>55</sup>. This route will allow for gas to be transported across the Caspian Sea to Azerbaijan and eventually to the European market. The Trans-Caspian Pipeline is expected to run along the bottom of the Caspian basin and link the reloading station in Turkmenbashi with the Sangachal Terminal near Baku<sup>56</sup>. The planned throughput is 30 bcm per year<sup>57</sup>. However, construction of the pipeline cannot proceed at the moment due to the conflict between Azerbaijan and Turkmenistan regarding jurisdiction over the areas of Kapaz/Serdar, Azeri/Omar, and Cirag/Osman, all of which have proven oil reserves<sup>58</sup>.

52 A. Jarosiewicz, *Południowy Korytarz Gazowy. Azersko-turecki projekt...*, p. 9.

53 Ibidem.

54 Ibidem.

55 Ibidem; A. Jarosiewicz, *Komisja Europejska będzie reprezentować UE w negocjacjach gazowych między Turkmenistanem i Azerbejdżanem*, Analizy OSW, 14.09.2011, <https://www.osw.waw.pl/pl/publikacje/analizy/2011-09-14/komisja-europejska-będzie-reprezentować-ue-w-negocjacjach-gazowych> [10.02.2019].

56 T. Sikorski, *Perspektywy realizacji gazociągu transkaspjskiego*, „Biuletyn PISM” 2011, no. 50.

57 Ibidem.

58 Ibidem; J. Misiągiewicz, *Boundaries and energy security under dispute in the Caspian region*, [in:] A. Moraczewska, W. Janicki (eds), *Border Conflicts in the Contemporary World*, Lublin 2014.

The above scenario was the first time that an institution representing the community of European states acted as the EU's representative in negotiations with non-EU states on a key issue for the realisation of the SGC<sup>59</sup>. In granting this mandate to the Commission, the EU confirmed the importance it attaches to the SGC as a significant import path for energy resources entering the EU. At the same time, it reaffirmed the potency of the Caspian region in the same context<sup>60</sup>. The mandate formalised the Commission's preceding efforts, which revolved around brokering an agreement on energy policy between Turkmenistan and Azerbaijan. This is a positive impulse for the realisation of the trans-Caspian project but does not make it inevitable<sup>61</sup>. The project's actual prospects depend on the preferences of both countries in question – an important consideration given that Azerbaijan does not appear to be keen on allowing the transit of Turkmen gas through its territory until it procures a favourable position for itself on the European market<sup>62</sup>. Thus, Azerbaijan and Turkey will be the key 'veto players' with the capacity to decide what volumes of gas will reach the European market and when. This pertains to both Azerbaijani gas and potentially to future transportation of Caspian and Iraqi gas<sup>63</sup>.

Within the scope of the SGC, the EU initially supported a plan outlined with Nabucco, which it perceived as the most ambitious and the closest to fully achieving the strategic goals of the EU. The Commission exerted pressure on Turkey and Azerbaijan to lend their support to this project<sup>64</sup>. However, in light of the Commission's inability to impose its chosen option on those countries, the EU announced that it would support any project that would allow for the realisation of the same goals as the Nabucco pipeline. The TANAP is the most significant of the projects that followed. Its construction will allow for the realisation of a key EU priority –

the diversification of sources and transportation routes of natural gas. In this sense, the EU achieved a victory despite losing the ability

59 A. Jarosiewicz, *Komisja Europejska będzie reprezentować UE w negocjacjach gazowych...*

60 *Ibidem*.

61 *Ibidem*.

62 *Ibidem*.

63 European Commission, *Gas and oil supply routes*, <https://ec.europa.eu/energy/en/topics/imports-and-secure-supplies/gas-and-oil-supply-routes> [02.02.2019].

64 A. Jarosiewicz, *Komisja Europejska będzie reprezentować UE w negocjacjach gazowych...*



to dictate the shape and operations of the Corridor<sup>65</sup>. Still, the EU can use the opportunity to take advantage of the friction between the interests of Turkey and Azerbaijan and influence the rules underlying TANAP's operations, to an extent.

In the political dimension, the Corridor is in keeping with the EU's Eastern Partnership programme, announced in May 2009. Originally, it was also intended to bring about closer relations between Turkey and the EU following the start of accession talks in 2005<sup>66</sup>. By restoring the strategic dimension of the Southern Corridor and framing TANAP as one of its critical components, the EU imbued it with the additional role of serving as a geopolitical tool in the rivalry with Russia, which opposes the creation of energy infrastructure that circumvents its territory<sup>67</sup>.

Given the absence of clear windows of influence on the planned and existing infrastructure of the Corridor, the European Commission has resigned itself to providing political support for the project, namely by participating in the SGC Advisory Board, organising visits to Turkmenistan, Azerbaijan, and Turkey by the Commission's vice-president for the Energy Union, and signing primarily declaratory documents. In addition, the EU has classified the SGC infrastructure as a Project of Common Interest (PCI). This allows it to obtain benefits such as financing under the Connecting Europe Facility<sup>68</sup>.

Although the Commission has been more active than ever on this front, it still lacks practical instruments that would allow the EU to exert real influence on the Corridor's development. According to Jarosiewicz, the tools currently available to the EU are inadequate to provide proper political and financial support for the project<sup>69</sup>. Deeper

65 Ibidem.

66 A. Jarosiewicz, *Południowy Korytarz Gazowy. Azersko-turecki projekt...*, p. 9.

67 Ibidem, p. 26.

68 The Connecting Europe Facility (CEF) is a financial instrument that replaced the previous TEN-T program. It supports the development of three sectors – a transportation network, an energy network, and a telecommunications network. The European Union has allocated a separate pool of funds from its budget for this purpose for the years 2014-2020, earmarking them for general investments in the field of building and modernizing transport, energy, and telecommunications infrastructure. See European Commission, *Gas and oil supply routes...*; Portal Funduszy Europejskich, *Instrument „Łącząc Europę” (CEF)*, <https://www.funduszeuropejskie.gov.pl/strony/o-funduszach/zasady-dzialania-funduszy/program-laczac-europe/> [12.03.2018].

69 A. Jarosiewicz, *Południowy Korytarz Gazowy. Azersko-turecki projekt...*, p. 27.

engagement by western countries in the realisation of the Corridor is also rather unlikely, as the prevailing circumstances on the gas market (i.e., lack of demand and low gas prices) and the uncertain evolution of the geopolitical situation would make it a risky investment<sup>70</sup>. The scholar also argues that ‘nevertheless, it is important to note that EU support for the infrastructure that makes up the Corridor has only begun and its effectiveness is ultimately contingent on the success of the tools being developed for this purpose by the EU. In the current geopolitical circumstances – most notably the loss of credibility by the West in post-Soviet spaces – such instruments would have to be cross-cutting and include components of support for financial and political security, which is incredibly challenging<sup>71</sup>.

The Commission’s activity around the SGC is, therefore, a clear indicator of the project’s growing political significance<sup>72</sup>. For the EU, however, the SGC, as embodied by TANAP, is of limited importance in terms of energy security. Azerbaijan’s projected exports of gas to Europe (10 bcm, of which 8 bcm are to reach Italy and 2 bcm are to be divided between Greece and Bulgaria) will not contribute to increasing the robustness of the EU’s energy security as a whole, as they constitute about 2% of the Union’s current energy needs<sup>73</sup>. At the same time, individual countries (i.e., Greece, Bulgaria, and, to a smaller extent, Italy) will benefit considerably from a reinvigorated supply route from Azerbaijan, which will diversify the sources and trajectories of their gas, particularly in light of their considerable dependence on Russian supply routes<sup>74</sup>.

The ongoing crisis in the EU’s relations with Russia, largely stemming from the conflict in eastern Ukraine, has mobilised the EU to revise its energy security policy and assign renewed importance to the SGC. As a result of the crisis with Ukraine, Russia has altered the landscape of its gas infrastructure in and around the Black Sea, offering participation in the Turkish Stream pipeline project to Turkey and Greece. Russia’s actions are complicating the full realisation of

70 Ibidem.

71 Ibidem.

72 Ibidem, p. 33.

73 Ibidem, p. 20.

74 Ibidem.

the SGC, which is quickly revealing itself to be a burgeoning locus of geopolitical conflict between Russia and the West<sup>75</sup>.

The EU's renewed interest in diversifying and restoring the status of its gas supply through the SGC results is largely driven by the political dimensions of the bloc's activities<sup>76</sup>. Another factor was the creation of a new Commission in the fall of 2014, as the new structures undertook diplomatic and political measures to support the project<sup>77</sup>. Specific manifestations of this renewed activity include Vice-President Šefčovič's participation in the first meeting of the Southern Gas Corridor Advisory Board – an advisory body convened by Azerbaijan whose purpose is to support the realisation of the Southern Corridor – and the Commission's efforts to facilitate cooperation between Turkmenistan, Azerbaijan, and Turkey in order to enable Turkmen gas supplies to reach European markets<sup>78</sup>. Palpable results include a high-level meeting between the relevant ministers of Turkey, Azerbaijan, Turkmenistan, and the Commission vice-president in Ashgabat as well as the joint declaration on energy cooperation on May 1, 2015<sup>79</sup>. The parties involved agreed to convene a vice-ministerial working group and prepare a framework agreement on the delivery of gas from Turkmenistan to the EU.

## 5 Conclusion

The completion of the SGC in a truncated but less expensive form (with the TANAP pipeline instead of Nabucco) is currently the most likely scenario. This project is especially meaningful in the context of the EU's policy of diversifying its sources of energy, the projected increase in demand for gas in Europe, and tensions between the EU and Russia. At the same time, it is important to note that the project is primarily the realisation of the interests of Azerbaijan and Turkey. At present, Azerbaijan is the only reliable provider of natural gas to the Corridor. Its goal is to maintain this status quo and elimi-

75 Ibidem, p. 5.

76 Ibidem, p. 9.

77 Ibidem, p. 7.

78 Ibidem, p. 9; European Commission, *Gas and oil supply routes...*

79 A. Jarosiewicz, *Południowy Korytarz Gazowy. Azersko-turecki projekt...*, p. 9.

nate other supply options that could deliver gas to Western markets via the Southern Corridor. However, it is not certain whether it will be capable of meeting the needs of its clients in this respect. Turkey, on the other hand, as the main transit country for the Corridor's infrastructure, aims to improve its status in the region, especially in light of its worsening relations with Western governments.

It is unclear to what extent the Corridor will be able to provide EU member states with energy security. Nonetheless, it is a marker of a clear 'energy game' between East and West, manifested in a number of competing pipeline projects for the transportation of gas to the European market. The completion of construction work on the Corridor and the future full activation of the transportation infrastructure will make clear whether this is a zero-sum game.

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