

El Mar Negro: El corredor energético entre Europa y Asia

Summary:

1. - Introduction. 2. - backs and forths among Turkey and Russia. 3. - A new European roadmap. 4. - Final remarks. Bibliography.

Abstract:

The Black Sea is one of the most important geostrategic enclaves in the oil and gas connection linking Asia with Europe and Russia. However, the presence of Turkey on the Bosphorus Strait directly affects how the geo-strategic interactions of the region develop.

The crisis in Ukraine has spurred Turkish-Russian relations, positioning the country as a key player in the gas transit to Eurasia and projecting the aspirations of the Kremlin, under President Vladimir Putin has sought to regain an influential weight in the region - as shown by the crisis in Georgia or, more recently, Crimea - especially in the Black Sea and the Caspian Sea.

Thus, the following work seeks to put a little light on new relationships and geopolitical aspirations, especially in Russia and Turkey and, likewise, have a direct impact on the European context.

Keywords: Black Sea, Gas, Oil, Russia, Turkey

Resumen:

El Mar Negro se trata de uno de los enclaves geoestratégicos de mayor importancia en la conexión gasífera y de petróleo que une Asia y Rusia con Europa. Sin embargo, la presencia de Turquía sobre el estrecho del Bósforo afecta directamente a cómo se desarrollan las interacciones geoestratégicas de la región.

La crisis en Ucrania ha espoleado las relaciones turco-rusas, posicionando al país como un actor clave en el tránsito del gas hacia Eurasia y proyectando las aspiraciones del Kremlin que, bajo el mandato de Vladimir Putin, ha buscado recuperar un peso influyente en la región – como muestran las crisis de Georgia o, más recientemente, de Crimea – especialmente en el Mar Negro y el Mar Caspio.

Así, el siguiente trabajo busca poner un poco de luz en las nuevas relaciones y aspiraciones geopolíticas, especialmente de Rusia y Turquía y que, igualmente, repercuten directamente sobre el escenario europeo.

Palabras clave: Mar Negro, Gas, Petróleo, Rusia, Turquía

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The Black Sea: The Energetic Corridor between Europe and Asia

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1. Introduction

The Black Sea has turned out to be a strategic milestone regarding the gas and oil transit from Asia and Russia towards Europe. Indeed, there is a rollback in order to exploit the oil and gas wells located over there. According to that, Turkey's control of the Bosphorus Strait reshuffles and shapes the geopolitical scenario. Once locked the pipelines through Ukraine, Turkey has gained power in accordance to negotiate with Russia and control the gas transit such as one of the main hubs to Eurasia.

The Ukrainian conflict has underpinned a complex roadmap between Russia and the Eastern European countries. Whether in 2008 the invasion of Abkhazia and South Ossetia built up a framework of impunity and its non recognized secession revealed a fracture within the International Legal System, the United Nations Security Council and the International Community, the ongoing conflict in Ukraine has reinforced and increased the gap between Russia and most of the permanent members of the UNSC. The illegal secession of Crimea in March 2014 to the Russian Federation has impinged the International Treaties and has deepened the Russian impunity and independence within the international political and legal system.

During the last decades, Russian policies have been focused on regaining its power and recover its geopolitical predominance in East Europe and the Middle East. On this basis, the Black Sea has been and remains as an important milestone and Russia has lobbied for setting up important framework agreements with Turkey, the Black Sea's and the Caspian Sea's countries, for instance Georgia or Armenia. Crimea has been and it is hitherto a crucial achievement in order to cope the military and economic interests of the region (Dempsey, 2015).

The agreements outreach with Ukraine for settling down Russian vessels and military fleets in Sevastopol, the last one the Kharkiv Treaty signed until 2042, shifted Russian predominance in this region and empowered Russia's aspirations to surpass a critical geopolitical checkpoint in accordance to grasp the Middle East and Eastern Europe's control (Luke, 2010).

Turkish energy supplies heavily relied on Russian gas and oil imports and the establishment of the Blue Stream pipeline crossing the Black Sea has reinforced the Russian empowerment in the region controlling this path (Bacin, 2001).

Turkish pipelines represent a prior strategic keystone on Russian policies. That's why the ongoing war in Ukraine and the invasion of Crimea and its artificial independence have underlined Turkey's importance and willingness in order to stabilize the region. Russian military deployment in Ukraine represents as well a threat to Turkey in its Black Sea backyard.

2. Backs and forths among Turkey and Russia

The ongoing and historical relations amid Moscow and Ankara have been remarked by differences and approaches (Tanrisever, 2012). The Black Sea's policies have drawn and highlighted a cut and thrust relations between both nations. Within the Cold War, their bilateral relations reached a tension's peak due Turkey was aligned with the USA and the NATO's system. The USSR's shut down shifted the economic and political scope. Thereby, Russia mellowed its regional relations in order to accomplish an economic recovery and to soften the impact of the USSR's division and the independence of its Baltic Republics, Ukraine and the step down of its Iron Curtain (Özdal et al., 2013).

In accordance to that situation, Russia's Heartland was seriously affected and its economic and political dynamics changed drastically reshuffling the geopolitical map (Mackinder, 1904), establishing hereinafter a win-win bilateral economic relation with Turkey. Russian policies were focused on regaining its power and recover its geopolitical predominance in East Europe and the Middle East, albeit.

On behalf of that, Andrei Kortunov, director of the Russian Council, underlines the possible win-win scenarios on the Turkish – Russian relations. The first one settles down a cooperative and collaborative relation, establishing interactive and functional agreements in order to tackle possible common threats. The second scenario is focused on strengthening their bilateral and regional-level

cooperation, balancing their interests on the political and economic sphere. This association may enhance the ongoing relations one step further in the economic, political and social realms. Actually, the energy relations between Russia and Turkey are accurately related to that theory.

On this basis, supporting Kortunov's theories, Turkish authors believe that the forthcoming dynamics are going to be based on a mutual success on Turkish-Russian multilevel cooperation (Özdam, et al., 2013). According to their thesis the relations among Turkey and Russia have resisted the both side effects of the regional crisis on bilateral relations, and both nations have been compartmentalizing their relations in different areas. Even, social dynamics advance swiftly playing a catalyzing role.

This theory handles a different scenario due the unrestrained economic crisis all over the world focused on the developing economies, which are suffering nowadays the counter effects provoked by the European and the USA's financial crisis. On behalf of that, the last projections manifested by the World Bank and the International Monetary Fund reflect a deep crisis in Russia related to the western economic sanctions and the setback on oil and gas prices.

Focused on the oil prices effects the Turkish- Russian bilateral relations may confront a different level of cooperation because of the presence of external stakeholders, such as Iran, and the internal consequences derived from the economic crisis in the developing countries. Paying attention to their energy framework, Russia is still the main source of gas and oil towards Turkey. Reinforcing that idea, in 2010, both nations signed the Akkuyu's nuclear agreement, a movement that underlines the Turkish energy dependence from Gazprom and other Russian companies, as Novatek or Rosneft.

The main aims and challenges for Russia are focused on controlling and to cope the European market. As the researcher Manfred Hefner has remarked, there are three substantial aims that Russia wants to accomplish¹; the first one, to get and to keep the operational control over transit routes. Thereby, bypassing Ukraine or reaching new routes through Belarus or Turkey are specific strategies for Moscow. The second strategy is focused on diversify and strengthen the exports infrastructure. i.e. underlining the establishment of nuclear capabilities and the deployment of nuclear energy Russian systems in the Middle East, and essentially in Turkey. Finally the last policy would be to minimize the role of transit countries. Notwithstanding, Moscow has no option in order to bypass every transit country. In this sense, they need to look for the most suitable option to avoid expensive investments and political instability. Belarus and its Yamal pipelines are for now the safest and profitable option, but the European sanctions and the Polish and Baltic attitudes against Russian policies in Ukraine have flamed fears and hatred against Russian expansionists policies and strategies in the former USSR countries.

Regarding the US Energy International Agency, Turkey has a deep energy dependency from Russia. Thereby it has been estimated that the Turkish natural gas dependency from Russia is roughly %70-80. Hence, the household and industrial prices are higher than other European countries.

Lasts years have manifested the Turkish economical development and, thus, It has to be borne in mind the high level of energy's consumption of oil, natural gas and also Liquefied Natural Gas (LNG). This consumption has peaked up the Turkish energy dependency from Russia, provoking an increment of the household and industrial bills.

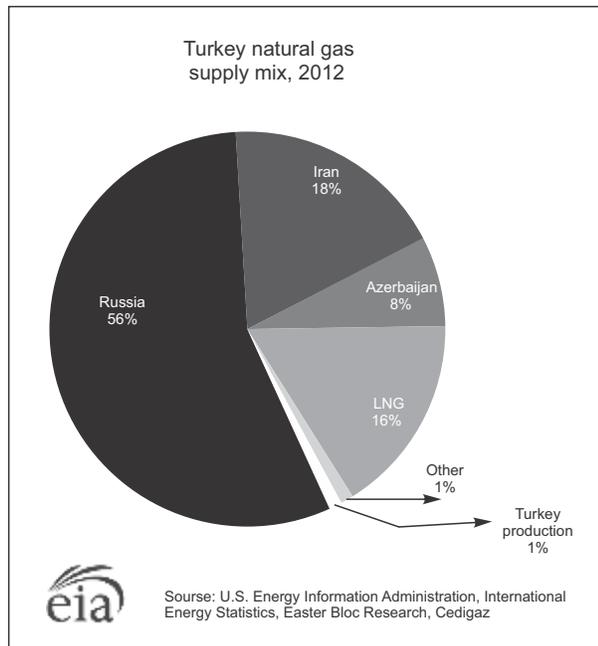


Figure 1: Turkey Gas suppliers

Spite the negotiations carried out between both nations to come down gas prices, the Russian policy has been always unalterable reflecting historical differences and highlighting a complex roadmap in the forthcoming years.

On this basis Russia has been negotiating in the last years strategic pipelines with Turkey. The main one has been the Blue Stream I, proposed in 1998 and accomplished in 2005. This project connects Russia and Turkey - from Izobilnoye to Samsun on the Turkish coast, and a further 300 miles link from Samsun to Ankara-supplying 9.5 billion cubic meters of gas.

On the other hand, Blue Stream II, proposed several times between 2002, 2005 and 2009, was expected to become a direct competitor of the Nabucco pipeline, which led by European countries was fostered for warding off the Russian control supplying gas to Central and South Europe from Iraq, Azerbaijan, Turkmenistan, and Egypt. After several negotiations Blue Stream II was rejected and surrogated to Blue Stream I which is supplying gas from Russia to Turkey.

South Stream pipeline has been till recently the most suitable and optimistic project launched by Russia in order to bypass the Ukrainian GTS (Gas Transit System). That project was founded in 2012 by Russia and the European Commission for shattering the EU Trans-European Energy Network Nabucco's project which finally was abandoned in 2013 due a lack of economical viability after Shah Deniz consortium took the decision of investing in the Trans-Adriatic Pipeline over Nabucco.

¹ As Hefner (2012: 2) considered: "The major Russian strategic goals in the sphere of energy export is to guarantee security of energy flows to solvent customers in order to assure the needed cash flows to the Russian economy, but due to the importance of energy in the region's economies, politics and economics become often intertwined".



Figure 2: South's Stream feasibility project
Source: South Stream / Gazprom

Thus South Stream would deliver 63 bcm of natural gas from Russia to the heart of Europe. According to the graphic the feasibility project settle down by the end of 2011 by Gazprom, the gas company announced the route of South Stream in Europe crossing Bulgaria, with a possible pipeline extension to Greece; Serbia, with extensions to Bosnia and Croatia; Hungary and Slovenia cutting the project at the Italian edge without a direct branch to Austria. Gazprom wiped out the idea to build a pipeline through Greece and the Adriatic Sea to Southern Italy.

After signing bilateral agreements² with most of the European countries involved in that initiative, South Stream was petered out and rejected in 2014 due to the lack of investment related to the financial crisis in Europe and the

lack of political understanding between Russia and several European countries.

Despite the mentioned unaccomplished projects, the context emphasizes the increasing importance of Turkey as a mainstream corridor between Europe and Asia (Souleimanov & Kraus, 2012). Indeed, there is a new project under negotiation between Russia and Turkey, the Turkish Stream. According to the lasts statements the project launched in December 2014 by Vladimir Putin has not already been accepted by Turkey. That initiative is not solid due two factors; on the one hand, the negotiations carried out by Turkey with Iran and the possible fostering of the Persian pipeline. And on the other hand, the American interests in order to press and diminish the Russian influence in the Middle East and especially in Syria.

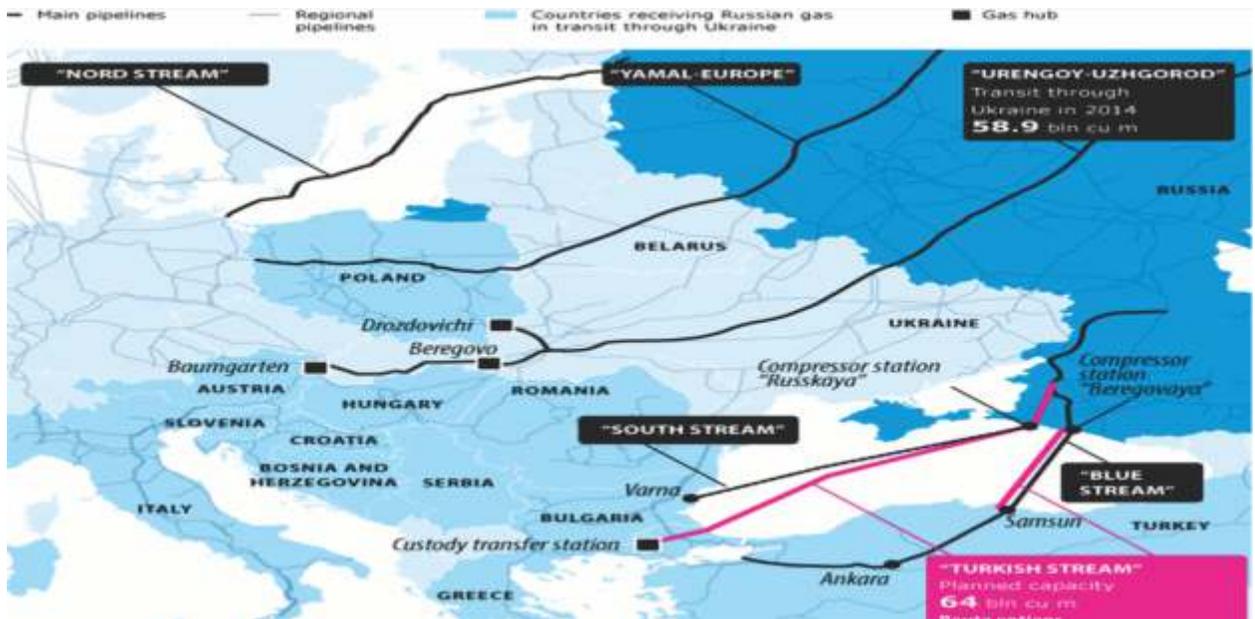


Figure 3: Gas pipelines in 2018
Source: Tass Russian News

² Russia signed intergovernmental agreements with: Bulgaria – January 18, 2008; Serbia – January 25, 2008; Hungary – February 28, 2008; Greece – April 29, 2008; Slovenia – November 14, 2009; Croatia – March 2, 2010; Austria – April 24, 2010.

Negotiations with Iran are at the International Court of Arbitration because beneath the last visit to Tehran on April 6th, 2015, the Turkish President, Recep Tayyip Erdoğan, rejected the discount proposed by Iran assuming that the price is not convenient for Turkey. Both States will continue their negotiations using the arbitration system to reach a deal. Regarding unofficial versions, Turkey pays \$490 for 1,000 cubic meters of Iranian gas, \$425 for Russian gas and \$335 for Azeri gas.

Going on this idea, Turkey is looking forward to coming down the Russian natural gas dependency. Turkey imports 27 bcm of gas from Russia, 6 bcm from Azerbaijan, and 10 bcm from Iran. Though it, and the sign of an agreement with Azerbaijan and the Baku-Ceyhan pipeline or the negotiations with Iran to access to the Iranian gas and oil, the Turkish energy security lingers on that the Russian dependency will be remained for the forthcoming years. As It shows the sign of a contract with Russia to build the first nuclear capability in Turkey and the projection of a second nuclear central.

Russia and Turkey signed in 2010 the Akkuyu's Framework Agreement in accordance to build the first nuclear reactor in Mersin and strengthen the nuclear energy in Turkey³. That agreement, acutely criticized by environmental groups due the lack of safe protocols in an earthquake zone, has reinforced Russian control of Turkish energy security jeopardizing any possible Turkish energy step back in case of future tensions between both states.

Regarding the lasts estimations pointed out by several sources like the World Bank and the International Monetary Fund, the economical growth manifested by Turkey during the last years is stagnant nowadays. According to that thesis, other developed nations such as India, China or Brazil are suffering setbacks with GDP levels substantially lower than the last years. Last official surveys indicates that Turkey is dealing with a 8% of inflation and its growth in 2015 would be less than 3% which assert the idea of urgent measures and reassure the country against an economic crisis.

3. A new European roadmap

Europe undergoes and struggles with the crossroad and the blatant conflict in Ukraine and its energy

consequences as the main corridor towards the EU. After the disruptions in 2006 in Ukraine and in 2009 in Belarus, the energy strategy has been focused on warding off its 28 countries from energy emergencies due conflicts between Russia and the Eastern States. The last political and economic sanctions imposed to Russia because the violations of the international conventions in Ukraine has impinged a financial crisis in the Russian economy and has affected like a deterrent effect on its aspirations of stepping down the Ukrainian sovereignty. Reinvigorating the sanctions against Russia, the European Commission approved the new Energy Security Strategy on which the European policies tested the consequences under two circumstances;

- a complete halt of Russian gas imports to the EU;
- a disruption of Russian gas imports through the Ukrainian transit route;

Estimations underline the difficulties that Europe and especially the Eastern countries would confront if they should handle their energy security necessities with an absolute halt of Russian gas imports. Depending on the forthcoming months and the evolution of the Ukrainian conflict and its peaceful agreement, Minsk II, the crossroad that the EU has to deal with would change their strategies. According to the International Energy Agency (IEA) the European natural gas demand will rise from 536 bcm in 2010 to 592-640 bcm in 2030, an increase of 10-19%.

On the other side, Eurogas Statistical Report 2014 estimates that gas demand across the European Union dropped by 9% in 2014, compared with 2013⁴. In the first half of 2014 demand decreased by 18%, compared with the same period in 2013. Eurogas Statistical Report 2014 estimates that 27% of the European Union's demand of gas is supplied by Russia. Norway is the second supplier with an estimated 21% of gas imports, followed up by Algeria 8% and Qatar 6%⁵. Indicators, besides, settles that different countries in Africa and the Middle East supply gas and LNG to the European Union.

The Energy Security Strategy establishes a group of short

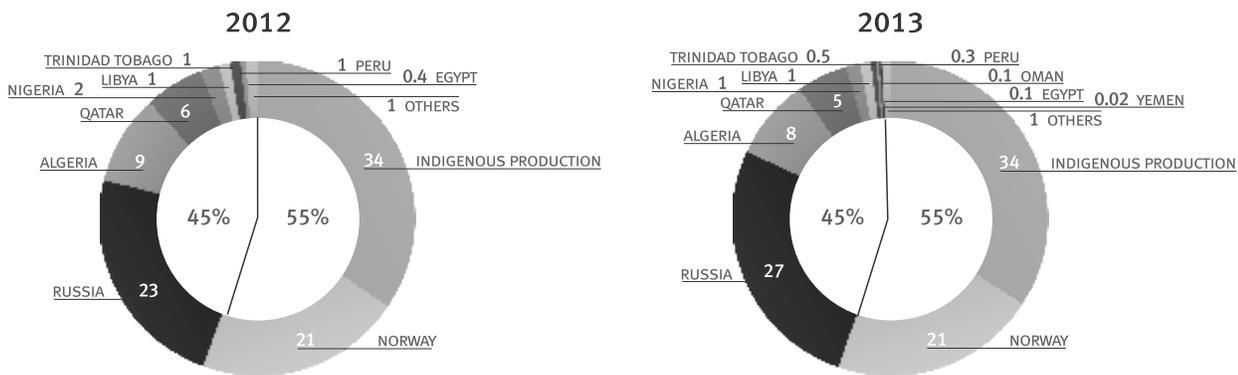


Figure 4: Gas imports towards the European Union
Source: Eurogas Statistical Report 2014

3 Russia and Turkey signed a cooperation Agreement in Ankara on May 12, 2010. The Agreement agrees on the construction of a nuclear power plant consisting of four power units of NPP-2006 project with VVER-1200 reactors of total capacity 4.800 MW in Mersin. See more information about that agreement at <http://www.akkunpp.com/akkuyu-nuclear-jsc#sthash.gEoGm8M4.dpuf>

4 Eurogas points out that in 2013, primary energy consumption (PEC) in the European Union (EU) decreased by 0.9% compared with 2012, to 1 675.8 million tonnes of oil equivalent (Mtoe). Consumption of natural gas decreased by 1.5%, oil by 2.2%, solid fossil fuels (i.e. coal and peat) decreased by 2.7%. Consumption of nuclear electricity decreased slightly by 0.3% between 2012 and 2013. The consumption of hydropower increased by 11.0%, other renewable energy sources by 5.0% and the category others, including heat, increased by 16.0%. Statistical Report (2014: 10).

5 According to Eurogas Statistical Report, the share of gas from Qatar in EU supplies, the EU's main LNG supplier, decreased from 6% in 2012 to 5% in 2013. Ibidem. pp. 6-7.



term measures in order to bypass the halt of the Russian energy in Europe⁶. The initiatives are 1) the EU should follow a market-based approach to guarantee secure supplies. Interventionist measures by governments should be avoided; 2) countries should increase energy coordination with each other, including through the maximisation of interconnector capacity and the removal of restrictions to cross-border energy trade; 3) short-term behavioral changes should be enacted to boost energy efficiency and lower demand; 4) the EU's Gas Coordination Group should continuously monitor developments in the gas supply;

Besides, the Strategy would foster long term measures in order to diversify its sources and ensure the energy market system within the European Union. Likewise, there are five milestones that should be taken under consideration; 1) Increasing energy efficiency and reaching the proposed 2030 energy and climate goals. Priorities in this area should focus on buildings and industry, which use 40% and 25% of total EU energy respectively. It is also important to help consumers lower their energy consumption, for example with clear billing information and smart energy meters. 2) Increasing energy production in the EU and diversifying supplier countries and routes. This includes further deployment of renewables, sustainable production of fossil fuels, and safe nuclear where the option is chosen. It also entails negotiating effectively with current major energy partners such as Russia, Norway, or Saudi Arabia, as well as new partners such as countries in the Caspian Basin region.

In addition, 3) Completing the internal energy market and building missing infrastructure links to quickly respond to supply disruptions and re-direct energy across the EU to where it is needed; 4) Speaking with one voice in external energy policy, including having EU countries inform the European Commission early-on with regards to planned agreements with non-EU countries that may affect the EU's security of supply; 5) Strengthening emergency and solidarity mechanisms and protecting critical infrastructure. This includes more coordination between EU countries to use existing storage facilities, develop reverse flows, conduct risk assessments, and put in place security of supply plans at regional and EU level.

Concerning the European emergency mechanisms Norway has exported 29.2 billion cubic metres (bcm) towards Europe in the first quarter of 2015. The data reflects that imports from Russia have been decreased to 19.8 bcm, turning out the sempiternal European energy dependency from Russian gas. According to Gassco and Gazprom, Norwegian imports increased from 34% to 38% in 2014 and it seems that in 2015 this situation can get worse for Russia. This strategy confirms the economic and political sanctions against Russia related to the geopolitical row over Russia's annexation of Ukraine's Crimea region and the sovereign violations committed in the East of Ukraine.

Pipelines are locked from Russia to Ukraine due to the tough and complex negotiations that both countries have been fulfilling lately. Norway has changed the flows to Ukraine and even the Gas Transit System from Ukraine to Europe has redirected its gas flows and actually Slovenia, Slovakia and Hungary are supplying gas to Ukraine in order to fill up the gas storage for the next winter.

The establishment of the major transport capacity system to Ukraine through the Budince interconnection gas transit, mechanism stipulated by the European Commission and the Memorandum of Understanding signed on 28th April

2014, allows the gas transmission and to flow gas between the Slovak transmission system operator Eustream and its counterpart, Ukrtransgaz⁷.

Negotiations between Ukraine and Russia have been frozen until the Stockholm Arbitration Court will decide whether the overcharging price that Ukraine had paid to Russia after the negotiations in 2009 and 2012 are fair or, whether on the contrary, it will affect the trade regulations established within their bilateral agreement (Rodchenko, 2015).

On the one hand, Ukrainian Gas company, Naftogaz, and Russian Gas Consortium, Gazprom, have lodged cases against each other within the Arbitration Institute of the Stockholm Chamber of Commerce to judge whether one or the other have breached the contract signed in 2009 by Ukrainian former President, Yulia Tymoshenko. According to that agreement renegotiated in 2010 under the Kharkov Fleet Accord, by the former President of Ukraine, Viktor Yanukovich, and former President of Russia, Dmitry Medvedev, Naftogaz agreed to pay \$268.5 per 1,000 cubic meters; after the last disputes in April 2014, albeit, Gazprom and Russia modified the agreement and cancelled the discount increasing the price to \$485 per 1,000 cubic meters.

Under those discussions there is a substantial matter: the control of the Gas Transit System towards Europe that Russia wants to tie and include within a new gas agreement. With this movement Moscow undergoes the idea of restraining and managing the GTS and to wipe out in the forthcoming years any possible conflict with Ukraine such as transit country. Since 2012 Naftogaz has been negotiating the discount of its gas prices signed in 2009 by Yulia Tymoshenko. That agreement took place under an emergency situation because the continuous conflicts with Russia and the disruption in 2009 of the gas flows to Ukraine but as well to Europe. Naftogaz agreed under those unfair circumstances of paying an expensive bill of \$485 per 1,000 cubic meters without any support by the European Union.

Forthcoming negotiations with Moscow revealed political and economic prosecutions in Ukraine jailing to every single person opposed to the Russian carrot and stick negotiations in order to control the Ukrainian GTS. The stepped down former President Viktor Yanukovich was negotiating a new discount but the Russian intransigence in order to decrease the gas prices or even the gas minimum flows to Ukraine provoked an economic and financial war, affecting for instance the prices of cheese or wheat exported towards Russia.

The successive negotiations in 2011, 2012 and 2013 were under the Russian threats of disrupting the gas through Ukraine and under the obstacles of renegotiating every year the minimum flows of gas that Ukraine could use. Following the 2009's bilateral contract, there were several clauses related to the negotiation of gas flows year by year and, indeed, the discount of their payments, but Gazprom dragged out the negotiations, delaying the process until the expiration of the deadline dates for that negotiation.

Under that situation and the Naftogaz negatives to sell the control of its GTS, the Russian Government agreed at the end of 2014 to resume gas supplies to Ukraine and to arrange a winter package temporary gas price until the end of March 2015. Stockholm Tribunal has to determine whether the prices for those gas flows and the debt are under the arrangement or if Naftogaz or Gazprom broke and breached the contract. Probably the hearing will begin in 2016.

In the other hand, the Arbitration Institute of the

6 Communication from the Commission to the European Parliament and the Council. European Energy Security Strategy /^{*} COM/2014/0330 final. <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52014DC0330>

7 Based on the solution which is presented in the MoU, the existing and unused Vojany pipeline at Veľké Kapušany on the Slovakian side will be modernised during a short construction period. There is a clear perspective that 22 million cubic meters of gas a day can flow from Slovakia to Ukraine via the Vojany pipeline as from autumn 2014. This corresponds to approximately 8 billion cubic meters a year. Eustream will swiftly check some technical details in order to be able to confirm the implementation of this solution within a few weeks. Should this option unexpectedly prove not to be feasible, the 2 alternative would be to start with a smaller volume and scale the pipeline up to 22 million cubic meters a day until April 2015. http://europa.eu/rapid/press-release_IP-14-487_en.htm [Consulted on 30th Aug 2015].

Stockholm Chamber of Commerce must determine the breach of the Natural Gas Sale and Purchase Contract No KP for the period of 2009-2019. The Supply Contract was broken in June 2014 when Russia cut off the gas flows to Ukraine due to the aforementioned disputes related to the gas prices and the minimum flows that Naftogaz might use from Russia. For that shortfall of the gas flows Naftogaz has lodged to Gazprom and claimed a compensation for the transit contract breach of \$6.2 billions.⁸

Naftogaz's claim is based on the June's 2014 disruption of gas and the cancellation of the "take-or-pay" provisions; besides, the Ukrainian national Consortium seeks for revising the aforementioned gas prices calculation mechanism and recover \$6 billions of overpayment for the gas supplied since 2010. On the contrary, Gazprom claims \$4.5 billions that have to be paid in accordance to the unpaid debt for the natural gas flows supplied from 2009 to 2014.

The sue lodged to the Arbitration Stockholm, besides, contains the "take-or-pay" provisions related to the minimum flows towards Ukraine. On this basis, Naftogaz has been required to pay for 41.6 billion of cubic meters as the minimum consumption regardless if Ukraine receives less than that quantity. For example, Naftogaz roughly imported 28.1 billion of cubic meters in 2013, while in 2012, the imports were 32.9 billions. Allegations are based on the ongoing conditions of the liberalized European gas market, under which the "take-or-pay" provisions become abusive and out of the European Competence market. Thus Gazprom's conditions and clauses would be classified such as abusives and the lodge introduced by Naftogaz is looking forward to compensating the breakdowns.

At the same time, Naftogaz is trying to repeal the Contract for Volumes, Terms and Conditions for Transit of the Natural Gas along the Territory of Ukraine 2009-2019, as was executed in 2009. The Transit Contract signed amid Naftogaz and Gazprom would infringe the Energy Accession European Protocol and the implementation of the Third Energy Packet. Upon the Protocol, the new Ukrainian legislation should revoke the aforementioned Transit Contract. On behalf of that, Naftogaz would derived its obligations to the Ukrainian consortium Ukrainian's Transmission System Gas Operator (Ukrtransgaz). As a result, Ukrtransgaz would control and assume the GTS

and the Transit Contract with Moscow. Notwithstanding, and regarding several clauses within the mentioned contract, there is no specification about if the contract may be executed for Naftogaz or Ukrtransgaz or whether the Transit Contract can be extinguished due to the contract contravenes the Ukrainian and European legislation in terms of a Liberalized and Competence free Market. The Arbitration Court of Stockholm must settle down a sentence in this respect.

Beneath all the disputes emerge three important questions; the first one, and the milestone on the overall situation, there is a clear intention of controlling the Ukrainian GTS. Russia has been trying to negotiate and access to control the GTS in repetitive and several opportunities. Every renegotiation of the Supply and Transit Contracts stipulated the Russian GTS control. Despite every attempt and every threat, the Ukrainian Government is aware about its GTS' importance in order to control the European Market and the Russian oil and exports to Europe.

According to the independent consultant company Baker Tilly Ukraine, probably a worthy estimations of the Ukrainian GTS may be close to \$29 billions. A consortium between Naftogaz, Gazprom and an European energy company, probably ENI, GDF Suez or E.ON Ruhrgas have been discussing for the last 10 years the possible investment of billions of dollars in order to upgrade the GTS system. Moreover, and in spite the Joint Venture would be a great opportunity for Gazprom and Russia, the counter positions and different interests in order to invest in South Stream, Nord Stream or the Ukrainian GTS have been always a counterbalance for Russia and the European Union (Hafner, 2012). With the South Stream's cancellation probably Russia and the European Union will try to renegotiate a Joint Venture with Ukrtransgaz and invest between 6 to 8 billions of dollars on this project.

Naftogaz pointed out in 2010 that its GTS modernization and renovation would cost \$8.5 billions ensuring the accomplishment of its transit obligations, the annual loading of 120 bcm and the modernization aimed on capacity, reliability and efficiency enhancement of Ukrainian GTS. Its estimations establish that only the creation of Nord Stream would suppose the investment of \$55 billions, \$63 billions for South Stream and \$31 billions of investments on Nabucco's project. Hence, and regarding those provisions, Russia would pay



Figure 5: Ukrainian GTS Renovation
 Source: Ministry of Energy of Ukraine/ Naftogaz

⁸ According to Rodchenko (2015), the Supply Contract itself provides for a possible change of the price calculation mechanism and contains the price re-opener clause. Within this context, Naftogaz's claims may be accepted by the tribunal as justifiable and fair.



more if wants to launch new projects, like South Stream or Turkish Stream, than supporting the renovation and modernization of the Ukrainian GTS. On this basis, It's compulsory to remind that Ukraine has ruled out any Russian attempt to control the GTS. Even, if Moscow agrees to develop the Turkish or the South Stream pipelines or any other future project, the investments would be more and there will not be any guarantee of controlling the pipelines without the meddling of Turkey or the European Union States. The final aim of bypassing the Ukrainian GTS is to export gas to Europe and the European Commission has warned to Russia about the consequences if its troops intervene in Ukraine after signing the Minsk II Peaceful Agreement.

The complexity of this energy puzzle is utterer whether the conflict between Ukraine and Russia is still ongoing and without a clear determination. In spite the ceasefire, accorded in Minsk II, the tensions are still latent in the East of Ukraine, highlighting Donetsk and Mariupol, cities close to Crimea and just in the middle of a possible corridor connecting Russia and Crimea.

The second circumstance that remarks the Russian hopes is the creation of the Commonwealth of Independent State⁹. This regional organization looks forward to rejoining the former USSR Republics under the Russian control. CIS would have supranational powers reinforcing the Russian sphere and empowering its intentions of having a major control within international political and economic negotiations. Most of the former Central Asian states have ratified their integration on the Commonwealth, but the Baltic States haven't even agreed to negotiate about its incorporation. Ukraine has not ratified any chapter and works only as a participating state but It's not a member state.

The last situation that warns and threatens the Russian dominance is the negotiations between Turkey and Iran in order to import natural gas and oil as It was mentioned previously. Those negotiations are under the Arbitration of a Court but the agreement between Tehran and Ankara would impinge the construction of the Turkish Stream or any other pipeline towards Europe. Especially beyond the failures of South Stream and Nabucco.

If the European Energy Strategy establishes the pillars and structure of a reliable security system, there are different approaches in Asia that can stimulate and strengthen the European Union energy puzzle. On behalf of that, the Joint Comprehensive Plan of Action (JCPOA) signed between the Islamic Republic of Iran, the P5+1 and the European Union recognizes a setback in order to normalize the diplomatic, political and economical relations amid Iran, the United Nations, the USA and the European Union. In spite there are still several sharp edges to be shaped within the Joint Plan Action, after years of negotiations, rolling backs and a long term and tough process, the agreement foresees a win-win roadmap for softening the tensions in the Middle East region¹⁰.

This agreement would pave the way to normalize and to smooth the trade sanctions against Iran affecting the oil and gas imports. The negotiations that Turkey and Iran carry out

in order to set up a corridor towards Europe mean a stimulus for Europe. Notwithstanding, and in spite all the positive approaches and the ambitious agenda formulated by JCPOA, the possibility of importing gas by the Persian pipeline from Iran to Europe is still a project without a clear definition. In the case of positives steps monitoring the agreement, the delay to create all the necessary infrastructures and the sign of a trade Treaty with Iran would remain for a long time.

Albeit, there are shapes that can delay and to drag out the sign of any agreement between Europe and Iran¹¹. One of those shapes is Israel and its diplomatic ties with several States in Europe. Israel has shown its reluctance to that comprehensive approach. Jerusalem does not want a strengthened and vigorous country such as the Islamic Republic of Iran in the Middle East. Their fears about a strong actor supporting Hezbollah in Lebanon and Hamas in Palestine would impinge a rollback to their enemies in the region and can back the idea of the Palestinian recognition as a State.

4. Final remarks

After the 2006 and 2009 Russian energy disruptions towards Europe, due to the conflicts with Ukraine and Belarus, Russia tries to find out a safe way to rule the European energy market. Regarding that, and above all highlighting the ongoing tensions with Ukraine and the Eastern countries, the Turkish hub is more meaningful than years ago.

Bearing in mind the everlasting and difficult roadmap in order to find a solution in Ukraine, the Bosphorus Strait and the Black Sea have been underlined as the main energy transit paths from Russia to South and Central Europe. Indeed, after the recent Iranian Joint Comprehensive Plan of Action (JCPOA) with the P5+1 and the European Union, which built up a new framework in the Middle East and the region, Iran hitherto ratifies its position such as energy hub in Eurasia and jeopardize to diminish the Russian gas monopoly in the region and keen the Iranian proposal to sell gas to the European Union.

The European political and economic sanctions against Russia are modifying the geopolitical spectrum in the Middle East and the energy relations between every political actor. The bloodsheds in Syria and the UN resolutions looking for solutions to that conflict are connected to every single step that the European Union and the United States are giving in this conflictive region. The geopolitical chess, that Russia and the USA are playing using different tools, like NATO, the Syrian conflict, the Palestinian everlasting peace process, the Iraqi stabilization or the Afghanistan peacebuilding and the establishment of a Rule of Law, remarks a back and forths game that probably will affect Turkey as It is going on in Ukraine.

There are several consequences for Russia after all. On the one hand Russian's energy and political prevalence may be come down in Europe and the Middle East. One of the reasons -or geopolitical tricks- has been Vladimir's Putin lack of cooperation regarding the Syrian conflict. Despite the fact that the UNSC was looking for Russian cooperation in order

9 Commonwealth of Independent States (CIS) was created in December 1991. In the adopted Declaration the participants of the Commonwealth declared their interaction on the basis of sovereign equality. At this moment CIS unites to Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine. Notwithstanding, Georgia withdrew its participation in 2008, Turkmenistan is an Associate State and Ukraine, has not ratified any Convention

10 The JCPOA settles down a cut off all potential nuclear weapons and reshuffles any atomic intention towards civil and peaceful nuclear purposes. According to that, Iran has agreed to reduce by approximately two-thirds its installed centrifuges; indeed, Iran will set back from having about 19,000 installed to 6,104 installed and all excess centrifuges and enrichment infrastructure will be placed in IAEA monitored storage and will be used only as replacements for operating centrifuges and equipment.

11 Not only Israel has shown its doubts and opposition to the agreement, but as well several Gulf countries are lately pointing out that despite the positiveness exposed, the GCC needs a comprehensive, verifiable deal that cuts off the pathways to a nuclear weapon. Likewise, the emir of Qatar, Sheikh Tamim bin Hamad Al Thani, in a meeting with the President of the United States, Barack Obama, welcomed the agreement and hopes "that this will be a key factor for stability in the region". Meanwhile, the Saudi foreign minister, Adel al-Jubeir remarked in that briefing that "Saudi Arabia welcome any deal that stops Iran from having a nuclear capability and this is what we have been assured by the US and by the other P5+1 countries – that all pathways to a bomb will be closed to Iran." BORGER, Julian (2015). "Iran nuclear deal: the winners and losers". The Guardian. [Consulted on 30th May 2015] <http://www.theguardian.com/world/2015/apr/03/lausanne-nuclear-deal-winners-and-losers>

to step down the Syrian President, Bashar Al Asad, and to stop the bloodshed in Syria, Vladimir Putin has not only ruled out any peaceful agreement, but as well has supported a long term conflict. So, similar motivations is finding the European Union sanctioning to Russia and trying to punish smoothly its energy market.

On the other hand, the Iran's Comprehensive Plan, linked to every step that Moscow is following up in Ukraine and Syria, reshuffles the geopolitical pivot in the region. Iranian and western economic and political interests might shatter the Russian dominance in the Middle East. The USA's Heartland interests destabilise the chess game and create new paradigms and conflicts in a shaky region. The rings surrounding the heartland have been affected for the American and Russian interests in every country. Turkey probably is the next chess game because of its strategic situation between Europe and Asia. The Black Sea's management, as it fortifies the reason for Russia to ratify its control over Crimea, modifies the European and American perception about Turkey as the main political, energy and economic hub-gate from Asia to Europe.

Turkey, as Ukraine or Georgia or the Caspian Sea's countries are the next focus of conflict in the forthcoming years. If someone is able to tackle and handle this ring, it can be possible to destabilise the interests of the rest of the actors and holders. That's why Turkey and its strategic energy plan can determine and balance the control of this convulse part of the world.

Indeed, Turkey will not cut off any possible path and the success or failure of the Turkish Stream will run away parallel to the negotiations that Turkey and Iran are carrying on in order to extend the ongoing gas agreement. Whether the President of Turkey is able to double the Iranian supplies and to get a notable discount, the Turkish Stream would shrink. In this sense the Iranian interest of selling gas to the EU is going to strive in favour of Turkish interests. On the other hand, if the negotiations with Iran fail, the projection of creating the Turkish Stream will rebirth.

This paper emphasized the idea of looking for new energy sources and to explore new markets such as central Asian countries in order to diversify and to achieve lower natural gas and LNG prices. On behalf of that, the new oil and gas wells found in the Kurdish region (Mills, 2013) and especially the forecast of gas and oil reserves within the Caspian Sea basin will underpin the settlement of diversified agreements with Azerbaijan, Iran and the Middle East countries.

Geopolitically, Kurdish oil and gas wells reinforces the possibility to settle down diverse and independent sources for nourishing Europe with gas and oil. Turkey would represent an important asset in order to build the pipelines from Iraq. On the hand, Turkey might import gas from Erbil, and on the hand, execute the construction of a stream towards Europe. As *Geopolitics of Energy Project Belfer Center* points out, It has been estimated that Iraq possesses 112 trillion cubic feet (Tcf) of natural gas, which means the eleventh largest reserves in the world. Moreover, as with its oil reserves, Iraq's gas reserves numbers are likely significantly underestimated. According to the EIA, "probable Iraqi reserves have been estimated at 275-300 Tcf, and work is currently underway by several IOCs and independents to accurately update hydrocarbon reserve numbers. (Elliot & Beryl, 2012, p. 9).

Notwithstanding, and in spite the estimations for exploiting the Kurdish gas, the political situation, overwhelmed by the sovereign project of independence of Erbil and the Kurdish region from Iraq, is delaying any possible advance in order to take up to exploit the oil and gas in Erbil using the maximum possible efforts. Indeed, the instability in the region and the presence of terrorist groups

can reshuffle the economic and political efforts fulfilled by the USA in Iraq. The ongoing instability will slow down the impact from Exxon and American companies in Erbil and the North of Iraq.

Iraq has the potential to become a major exporter of natural gas, especially to Europe. Some estimations situate Iraq's export potential by 2030 at 0.5 to 1.1 Tcf of natural gas per year, which would help meet Europe's energy demand requirements in the future and lower its dependence on Russian gas. This possibility reinforces the idea that Iran, Iraq or different countries in Central Asia can foster a different approach with Turkey and to try to create a gas flow to Europe.

To conclude, Zbigniew Brzezinski (1997, p. 46) asserted that "neither the West nor Russia can afford to lose Ukraine to its strategic and economic adversary. If Moscow regains control over Ukraine, with its 52 million people and major resources as well as access to the Black Sea, Russia automatically again regains the wherewithal to become a powerful imperial state, spanning Europe and Asia. Ukraine's loss of independence would have immediate consequences for Central Europe, transforming Poland into the geopolitical pivot on the eastern frontier of a united Europe". Holding on this asseveration and extending that, this author asserts that whether Moscow strives and takes over the Black Sea and the utter control of the energy hub to Europe, Russia will curb the USA heartland geopolitic's theory and will restrain the Europeans aspirations of handling its energy security. Turkey should be an empowered actor and take advantage of this geopolitical situation.

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