

## EUROPEAN ENERGY POLICY AND THE EU-AZERBAIJAN ENERGY COOPERATION

Aliyar AZIMOV<sup>1</sup>

---

*The lack of sufficient energy resources in the EU region has made this region dependent on imports. The crisis in 2006 and 2009 was an alarming signal for the EU. These crises have led the EU to take serious steps in the field of energy. The main research findings were to find answers the following research questions: First, why is it difficult to establish a common energy policy for the EU? Second, how does the EU pursue a policy for a competitive energy market and ensuring the security of supply? The main aim of the EU to diversify energy routes and to make more competitive prices in the energy market. However, Azerbaijan is a strategic and reliable partner for the EU because of its geographical position and energy resources. Energy resources in the Caspian Sea are important to the EU and Azerbaijan is the ideal destination for the transportation of these resources. Thus, after many years the EU has taken an important step on behalf of energy security by implementing the SGC project in the frame of cooperation with Azerbaijan.*

**Key words:** energy security; EU-Azerbaijan cooperation; EU energy policy; SGC; TAP and TANAP.

### 1 INTRODUCTION

Energy is the utmost important thing that the world challenges since its initial period. In fact, depletion of natural resources is a fundamental challenge. Thus, the International Energy Agency predicts that global demand for primary energy sources will increase by 36% until 2035 (World Energy Outlook 2010).

"On the Eve of World War, I, First Lord of the Admiralty Winston Churchill made a historic decision with shifting power source of British navy's ships from coal to oil" (Yergin 2006). After his decision, energy became the most significant fragment of the industry during World War II. Expanding mass production of energy sources was a historically recurrent phenomenon. Having natural

---

<sup>1</sup> Aliyar AZIMOV, PhD candidate, Corvinus University, Budapest. Contact: [aliyar.azimoff@gmail.com](mailto:aliyar.azimoff@gmail.com).

resources gave a huge opportunity to develop and extend military power in terms of guns, chemical weapons, and military machinery and equipment. In this regard, during World War II the usage of new energy-intensive machines increased rapidly in the shortest possible period of time. For instance, in August 1914 Britain had only 154 airplanes, however, during World War II Britain produced and used 131549 airplanes, which gave an opportunity to win the war at the end by massive consumption of oil (Cleveland 2009).

Ever since the creation of humankind, human beings have always been in search of energy. Energy plays a vital role in the shaping of society. It is no coincidence that in the two world wars that took place in the last century, the seizure of energy centres, along with military power and strategy, played a decisive role in the course of the war.

As alternative energy sources require new and expensive infrastructure, traditional energy sources are still in the spotlight. The EU ranks third in the world in terms of energy consumption after the USA and China (Eurostat 2020c). However, the European region is poor in terms of energy sources. Therefore, the EU is looking for new opportunities to supply energy sources and ensure security of supply.

The EU tries to establish a common energy policy to meet its energy needs. After the crisis in 2006 and 2009, the energy-economic situation of the Central and Eastern European countries has aggravated. Therefore, energy policy, which will be formed within the common interests of member states, has become even more actual. The EU has tried to implement security policies in the field of energy to ensure the security of supply of the Member States while making competitive prices and forming one single energy market as a priority. On the other hand, political interests are influential in the energy trade. In this regard, the EU particularly aims to diminish energy dependency level of CEE countries from Russia at the initial stage. CEE countries have a significant geographic location by combining energy pipelines as well. Furthermore, being a single actor in this region endangers the energy economy of the region seriously.

One of the most important strategies of EU in the energy policy is to ensure energy security through diversification of energy routes. The resources of the Caspian Sea can be considered an ideal source of raw materials for the EU. In this sense, Azerbaijan is a strategic and reliable partner for the EU thanks to its geographical position and energy resources. The energy cooperation between the EU and Azerbaijan has come up on the agenda with the Nabucco project. Though, the EU-Azerbaijan energy relations have intensified with the Southern Gas Corridor signed in 2011. This article explores the EU's current energy policy and the relations with Azerbaijan in the frame of the Southern Gas Corridor project. The main research question, what is the EU's current energy policy and what SGC promises to Europe, tries to find an answer the geopolitical importance of the projects, which the EU implemented together with Azerbaijan. In this paper, quantitative and qualitative research methods have been used for analysing the current situation and giving more information about the ongoing projects. The main statistical database of this paper comes from Eurostat, one of the most significant institutes of the EU.

## 2 THE EU IN THE INTERNATIONAL ENERGY SYSTEM

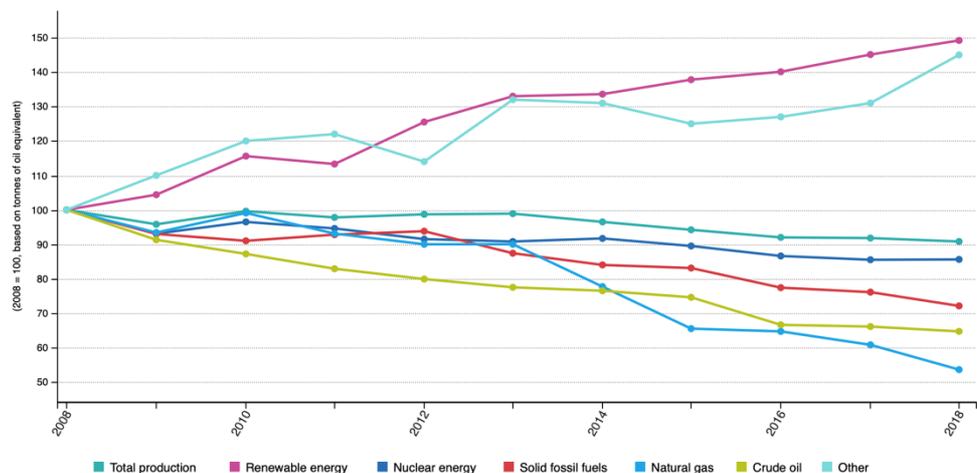
After World War II the establishment of European Atomic Energy community in 1957 with Rome treaty laid the foundation of European energy policy. The main aims of this community were the noncontroversial tasks of improving nuclear safety and maintaining safeguards against escalation as well as nuclear energy research for possible future technologies and energy centres (Szczepański 2017).

Although the subject of energy security first came into sight on the European agenda during the oil crisis of 1973/74 (Closson 2008), it was difficult to forge and implement common energy policy at a union level. As the national interest and policies vary, the EU members have always struggled to agree on common priorities and strategies, which still is up to date. The anti-thesis of this fact, growing global energy demand, declining European energy production, dependence on Russian energy sources and concerns about the reliability, increasing energy prices, threats to energy pipelines, need for ensuring energy security led the EU leaders to adopt an "Energy Policy of Europe" in March 2007. Energy Policy of Europe is three-pillar strategies focusing on the competitiveness, the security of supply and sustainability of energy (ibid.).

The EU's energy demands are covered by the energy produced in the EU and imported from third countries. In 2017, the EU's energy demand and supply were diversified into five categories: petroleum (including crude oil), natural gas, solid fossil fuels, renewable energy and nuclear energy. Oil and natural gas still have a major role in the EU's energy demand. However, oil and natural gas demand differ according to the energy needs of the EU Member States. Despite less production in the EU in recent years, the consumption of energy, especially oil and natural gas, led natural resources to have the largest share in gross inland energy consumption in the EU's industry.

Below, the chart demonstrates a slight difference between 2008 and 2018. Total production of energy in 2008 was 698 million tonnes of oil equivalent (Mtoe); however, by 2018, it was 635 Mtoe decreasing by 9.2% (Eurostat 2020a).

FIGURE 1: PRODUCTION OF PRIMARY ENERGY FUEL TYPE, EU-27, 2008–2018



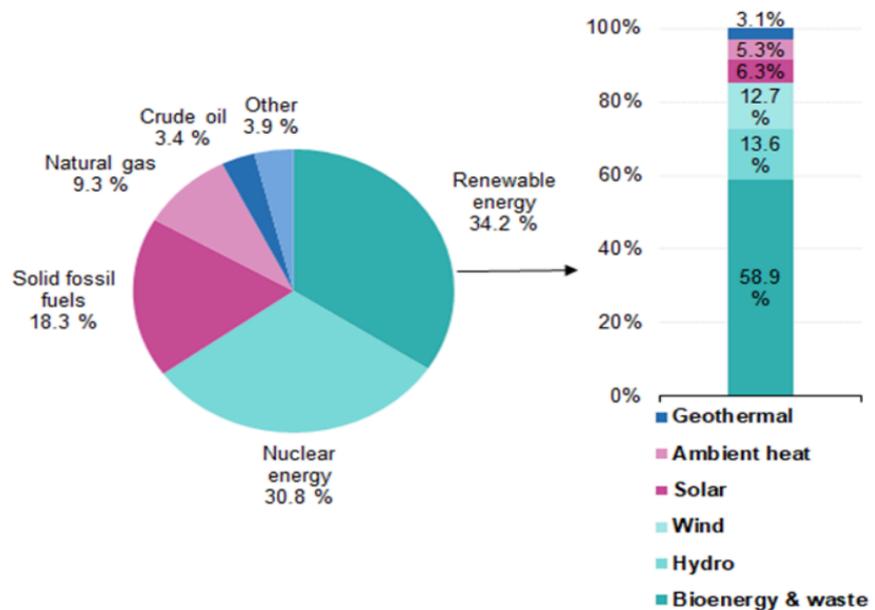
Note: the y-axis is cut.

Source: Eurostat (online data code: nrg\_bal\_c)

In 2018, at the EU level the highest primary energy production was observed in France (21.7% share of the EU total), followed by Germany (17.8%), Poland (9,7%) and Italy (5.9%). Within a decade, the level of primary energy production increased in 14 Member States. Compared to previous years, the highest expansion of energy production was observed in Italy (+4.5 Mtoe), followed by Spain (+4.4 Mtoe), Sweden (+4.0 Mtoe), Ireland (+3.4 Mtoe) and Finland (+3.2 Mtoe). On the contrary, in the Netherlands (-31.2 Mtoe), Germany (-23.4 Mtoe), and Denmark (-12.7 Mtoe) primary energy production moderately fell down further than in previous years (Eurostat 2020a).

It is evident that traditional energy sources were the primary energy production in the EU as they have a large share in the industry. However, the EU is looking for alternative ways to reduce its dependence on traditional energy sources. Thus, as shown in the diagram below, the share of nuclear energy and alternative energy in energy production has increased sharply over ten years. Nuclear energy accounts for 30.8% of total energy production. The largest increases in nuclear energy production were observed in France (78.0%), Belgium (63.1%) and Slovakia (62.7%). At the same time, a significant increase in renewable energy production demonstrates that Member States support the direction of the new EU energy policy. The diagram also illustrates the growth of renewable energy production in the total share of energy production of the EU. By comparison, production levels for other sources dropped, with the largest declines in natural gas, crude oil and solid fossil fuels (Eurostat 2020a).

FIGURE 2: PRODUCTION OF PRIMARY ENERGY, EU-27, 2018 (% OF TOTAL, BASED ON TONNES OF EQUIVALENT)



Source: Eurostat (online data codes: nrg\_bal\_c)



Despite a mass-energy production in the EU including nuclear and renewable energy, Member States still remain net importers of external energy sources. The deterioration of primary energy production, especially in the oil, natural gas and recently nuclear energy turned the EU into more reliant on energy imports to meet energy demand. Nevertheless, the primary energy productions are imported from Russia, Norway, Algeria, Caspian Basin countries (Azerbaijan, Kazakhstan), Saudi Arabia and others. In 2018, the import level of primary

energy sources in the EU-27 was 886 Mtoe. The main importers of energy production were Germany, Italy, France and Spain. During 2008-2014 Spain was able to decrease its energy imports from 122.8 Mtoe to 91.5 Mtoe. In the Italy side, import level in 2008 was 155.3 Mtoe; however, in 2014, Italy has managed to decrease its energy imports 115 Mtoe. In the Netherlands, this trend continued with 27.2 Mtoe in 2014 down from 33.1 Mtoe in 2008 (Eurostat 2020b). In 2008, while Denmark was remaining as a net exporter of energy only; since 2014, Denmark also started to import primary energy sources. After energy crisis with Russia and global financial crisis, implementing efficient energy policies led reduction of energy consumption in eight Member States: Estonia (-4.2%), the UK (-1.6%), Ireland (-1.4%), Sweden (-1.6%), Finland (-1.2%), the Netherlands (-0.5%), France (-0.3%), and Belgium (-0.3%). On the other hand, in Malta, Romania, Spain and Slovakia energy consumption was recorded as the highest increase +12.9%, +5.8%, +5.4% and +5.1% respectively. The dependency rate of the EU in 2017 was about 55%, which was the highest rate since 2000. It means that the EU provides half of its energy needs at the expense of external energy sources. However, the dependency rate of Member States varies according to their consumption. Thus, the highest rate is observed in Malta, following in Luxembourg and Cyprus, with the least dependence being in Estonia and Denmark (Eurostat 2019).

The EU has diverse routes and energy policy directions towards import regions. However, the Russian- Ukrainian gas crisis in 2006 and 2008 hit the European energy market. As a result, these two gas disputes brought some important issues upon agenda. After dramatic consequences on individual EU members, three significant issues revealed the importance of new energy policy formation by the EU in the institutional level: 1) need to ensure required investments; 2) the reliability of exporters; 3) security risks on supply and transit countries. The EU is trying to reduce Russia's political and economic influence on Central and Eastern European countries by using geographical proximity advantage to the energy centres. During the Soviet period, Russia implemented a communist regime and policies in the CEE countries by establishing the Russian political and economic system (Wiatr 2018). The political and economic system, which was built by Russia, continued after the collapse of USSR. However, after 2000 CEE countries had a high priority in the EU's political and economic packages. Additionally, the EU is also providing substantial support for the reconstruction and development of the infrastructure of gas and oil pipelines, which passes from transit countries and brings energy resources to Europe. In this sense, relations with transit and producer countries are of particular importance in the EU's foreign energy policy. Moreover, the EU's foreign energy policy focuses on and results in increased social and economic activity, improved living standards and developed cross-regional cooperation in all spheres in these countries.

### **3 EU ENERGY POLICY AND THE CURRENT STATE OF AFFAIRS**

Energy plays a crucial role in the evolution of modern society with its core position in lifestyle. On the other hand, it can be considered a strategic tool due to security issues which are in undergoing a process of "securitization." Therefore, energy policy is a more complex and multidimensional issue. For the first time, the energy policy issue came up to the agenda with the 1973/1974 oil crisis. The 1973 oil crisis and OPEC oil embargo undermined the European Community's economy and put Western European countries' economic models at risk. The oil crisis led the leaders of the EC to make strategic decisions around

energy supplies and to start an investigation of low energy technologies and alternative energy sources. However, during that period, some Western European countries, such as France, Great Britain, and Western Germany, preferred to distort different energy policy dimensions (Dyduch 2012). The Council of Europe adopted a strategy for common energy policy and the objectives of the energy policy by decision in 1974 and 1986. The increasing demand for natural resources causes to strengthen the position of resource owners. However, most of the owners of the natural resources have fewer democracies as well as the non-stable political system in the western sense. It makes negotiations difficult, and although the EU corporates mostly state-controlled companies such as Gazprom in Russia, most of the companies in the EU are in private ownership (Geden et al. 2016). On September 1986, the European Council issued a report on the creation of an energy market in and to pursue more liberal energy policy in terms of the future corporation (Ercan 2011). Although the EU is working on real common energy policy, Member States prefer bilateral negotiations to ensure energy supply in accordance with their national interests depending on geostrategic elements and needs.

Since 2004/2005, almost 80% of external gas resources came through Ukrainian gas pipelines (Nichol et al. 2006). The EU entered a new crucial stage in energy policy during the European Council meeting at Hampton Court in 2005. Member States commenced new initiatives on the EU's energy policy and the internal energy market (Sapir 2007). The "Green paper" in 2006, which adopted by the EU Member States in a union level, was the establishment of a new multilateral governance structure, so-called "A European Strategy for Sustainable, Competitive and Secure Energy". To be more precise, it was a significant step in terms of the pan-European dimension and the intention to have a global impact (Westphal 2006). The energy policy consisted of three major pillars: sustainability; competitiveness; and security of supply. Russian - Ukrainian gas dispute was a wake-up call for the EU and the issue was resolved after several days with the EU mediation. But at the same time, it revealed the need for common energy policy within the EU. In March 2007, new objectives proposed by the European Council within Energy Policy aiming to increase the security of supply and ensure the competitiveness of European economies. The initial stage was a push regarding crisis-response mechanisms based on cooperation, effective diversification of energy sources as well as prevention of possible future energy crisis.

Since 2007, the EU achieved some steps such as the implementation of Energy Security Correspondents (NESCO), and formation of the Euro-Mediterranean Energy Market in 2008. At the end of 2008, the European Commission publicized a review of its strategy in the field of energy, containing "Energy Security and Solidarity Action Plan." Energy institutes and instruments play a significant role to develop trust and deeper ties among the EU, producer and transit countries. In this regard, the Energy Charter Treaty, being in force since 1998, is aiming to strengthen the rule of law and to extend the EU's market principles from its own sphere. Since 1998, the treaty was signed by 51 countries; however, Russia has not ratified it yet, while having energy dialogue with the EU. Energy Community is another instrument, which is aiming to integrate many countries of South-East Europe step by step to the internal market of the EU.

On the institutional level, the European Commission is willing to create rules of energy through new proposed regulations and framework strategies. These strategies include revision of the security of supply regulation,

intergovernmental agreements, Clean Energy Package and the Energy Union. Former Polish Prime Minister and President of European Commission Donald Tusk was one of the initiators of the Energy Union. Energy Union is considered an unofficial pan-European umbrella strategy as well as a necessary tool in a bureaucratic struggle between Brussels and the Member States (Bochkarev 2018). Despite many aspects of the national energy policies belong to the Member States, European Parliament and the European Commission has adopted several articles and legislative procedures in terms of security of supply and functioning of the energy market. However, according to the Lisbon Treaty, "such measures shall not affect a Member State's right to determine the conditions for exploiting its energy resources, its choice between different energy sources and the general structure of its energy supply" (EUR-Lex 2012).

The current energy policy aims to define, ensure and implement three considerable long-term objectives; security of supply, reducing gas emissions, and maintaining the EU's international competitiveness. However, achieving these three targets simultaneously is not possible at a fast pace. European energy demand is very high in the current period, mostly from Russia. Without new developments on the supply side, this increasing energy desire leads to higher and controlled prices in the long-term periods, which is also posing a real threat to the EU's energy security. The EU supplies most of the energy needs from Russia, which leads to Russia's use of this strategic advantage as a political weapon in many cases. Also, government-regulated investment policy determines the level and effectiveness of possible systems in the future. The technology available in some countries still does not meet modern standards and requires more years for further development due to physical conditions, economic instability and investments.

In the modern era, the prior direction of the state's foreign policy is to ensure security. In a general sense, national security combines several security concepts, and energy security has a matter of utmost importance. Energy security can be described either additional category to the national security or a class which is based on the synthesis of economic and political security. The political aspect of energy security recently became more topical. Thus, individual states that possess and export energy resources use energy factor not only as an economic but also as a means of political influence. Those states put into operation this incentive if they face any moment against their national interests or want to show their power to any country and consequently, achieve their will successfully very soon. Energy security has become an integral part of national security concepts. The crisis in 2009 showed that the cost of building an energy infrastructure is less than the losses as a result of the situation (Šolc 2013).

## 4 GEOPOLITICS AND ECONOMY OF ENERGY

### 4.1 Geopolitical Approach to Energy

Geopolitics can be understood as a study of the effects of geography on politics and international relations (Devetak et al. 2012). Rudolph Kjellen was the first who coined the term "Geopolitics" and defined as "the theory of the state as a geographical organism or phenomenon in space" (Cohen 2003). Nowadays, energy plays a significant role as part of geopolitics because geopolitical landscape and energy factor are always interconnected. The struggle of regional powers with each other has a severe impact on the energy sector and makes it

more vulnerable. Because the crisis, which occurs during the geopolitical confession, has either a direct or indirect effect on the energy markets and disrupts the balance between geopolitical dynamics. In all periods of history, the energy was used as a tool in many geopolitical struggles. Energy is the tactical and strategic weapon in modern politics as well as a tool for negotiation, and indeed political and economic power. The gas dispute between Russia and Ukraine revealed the importance and real power of the use of energy. Besides, energy is a mean for governments to put sanctions and to restrict investments in future oil production (Ladislaw 2014).

Energy issue has geopolitical features from several perspectives. Firstly, the political systems of energy-rich countries are indispensable in terms of ensuring supply and corporation. In some states, such as the Middle East countries and Russia, the process of democratic institutionalization is very slow, and as a result, the lack of democratic values endangers future cooperation. Secondly, the geopolitical positions of transit countries and the standpoint of the political elite affect the formation of relations between energy exporting and importing countries. It seemed clear in the sample of Russian-Ukrainian gas dispute and Russian-Georgian military crisis. Ukraine and Georgia have a crucial position on energy routes as a transit country. Therefore, the crises have slowed down the development of Ukraine and Georgia. Also, it led to the deterioration of political stability and tensions between Russia and the EU. Recent events in Ukraine demonstrated that Russian energy plays a crucial role in European geopolitics. Eastern and Southern European countries, and Balkan states import their entire oil and gas supplies from Russia. Additionally, half of the supplies coming from Russia into the EU through Ukraine, this is why CEE and transit countries play a "gate" role between Russia and the EU, and it is particularly important for Russia to influence the region. From this point of view, the price is the most significant element for uninterrupted energy flows and political, economic cooperation. Russia has been used the pricing regulation as it wished because the energy needs of these countries and lack of alternative routes made Russia advantageous in pricing policy. On the contrary, the European market is high priority for Russia as the vast majority of the Russian economy depends on energy revenues (Wile 2014), which means that any problem in energy transportation and pricing can lead to determinative consequences in the Russian economy. Therefore, the Russian pipeline policy is focused on the dominance of Russia in the energy market of the EU. Alternative energy routes also affect Russian energy prices, and diversity of energy resources reduces Russia's political influence in Europe.

A lack of coordination in the EU's foreign energy policy erodes European abilities to negotiate with other regions on an institutional level. For instance, Nabucco, as an alternative energy route from the Caspian Sea, was the supreme energy project from Azerbaijan to Austria. The definite purpose of the Nabucco pipeline project was to undermine Russian influence over the European region. There are several problems beyond the abandonment of the Nabucco pipeline project. Firstly, those countries, who are heavily dependent on gas sources, did not have a priority objective of gas supply. Secondly, this project was an essential weakness of the EU common energy policy (Thomas 2013). Thirdly, Gazprom was dominant in the energy market of CEE and did not face substantial competition in terms of alternative routes and energy companies. This advantage led the countries in the region to support Moscow's South Stream project, which was proposed to bring Russian gas into Eastern as well as Southern Europe (Palti-Guzman 2014).

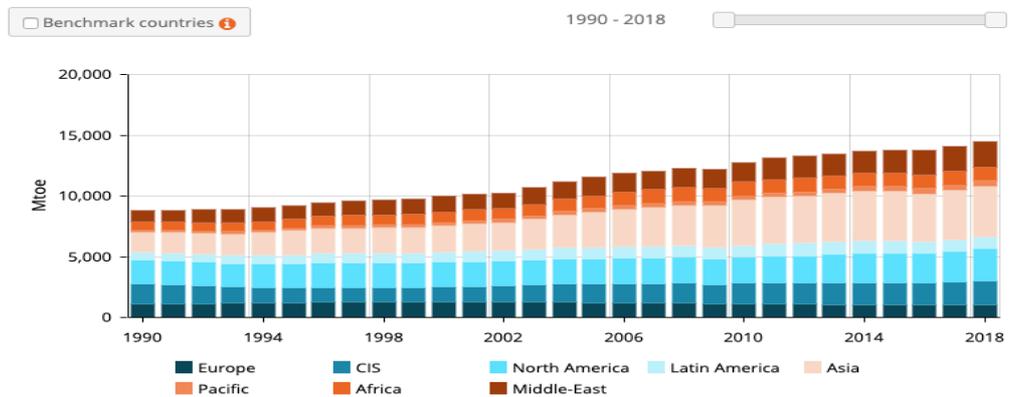
Despite several political difficulties in the South Caucasus, the EU achieved to implement the TANAP pipeline project. It was the replacement of the Nabucco pipeline project by the more sensible plan which was proposed to carry Azerbaijani gas through Turkey into Greece and Italy. TANAP is a central part of the Southern Gas Corridor, which is aimed to bring natural gas through the Southern Caucasus Pipeline, TANAP and Trans Adriatic Pipeline. The strategic importance of this project is very high for the EU and Azerbaijan. Thus, the EU will both meet a part of its natural gas demand by alternative energy route and be closer to the Caspian Sea region, which has the possibility for future cooperation. The Southern Gas Corridor is a project that embodies the EU foreign energy policy. The SGC was proposed by the European Commission to supply gas resources from Caspian Basin and the Middle East to Europe with the US \$ 40 billion (Stoica 2019). The SGC is aimed to reduce Europe's energy dependence from a single supplier, create competitive prices in the European energy market, and ensure market liberalization in this region. This project is the most optimal way to export energy resources of the Caspian region to the European market through Azerbaijan without any intervention of Russia. Due to geographical position, Azerbaijan is involved not only as an exporter, but also a transit country in this sense. The main aim of the Southern Gas Corridor and even future project Trans-Caspian is to reach Turkmen gas and suppress in the European energy market. Also, the legal status of the Caspian Sea is necessary in terms of pipeline politics. On August 12, 2018, the five Caspian littoral states signed Convention on the Legal Status of the Caspian Sea. They agreed that water surface will be legally treated as a sea and will be open for joint use as well as the seabed will be considered as a lake (Brzozowski 2018). This convention gave a ground that other countries cannot intervene in the projects in Caspian Basin unless they are official partners. Nevertheless, with the convention, Moscow has ceded ground on underwater pipelines.

#### 4.2 Economy of Energy

Energy has always played a crucial role in economic development and trade based on fossil fuels. Energy products are crucial for both producer and importer. Because the basis of energy trade relies on investments, energy strategies, consumption level and dependency rate of parties. Energy production should be taken into account in analysing the effects of energy on the economy. Below the figure indicates primary world energy production rates in the regions. According to the table, large oil and gas exporters; Middle East, Asia, and developing countries are the leading suppliers of world energy markets. On the contrary, during the 28 years trend of production in the EU was stable, because there are a few countries which contribute oil and gas as well as coal resources since 1951.

FIGURE 3: WORLD PRIMARY ENERGY PRODUCTION

Trend over 1990 - 2018



Source: <https://yearbook.enerdata.net/total-energy/world-energy-production.html>.

Figure 3 forms the basis of the energy economy. The US and Asian countries were the main contributors to global energy production by 54% of growth in 2018. Energy production in the European Union has continued to decline as a result of the slight downturn in nuclear electricity production, the depletion of natural resources and climate policy that limits the use of coal (Enerdata 2019). In recent years, the fluctuations in gas and oil prices have had a large-scale impact on the EU's economy; especially the Ukraine gas dispute hit CEE countries strongly. At the same time, the role of foreign and local oil companies has increased in line with growing demand.

In this sense, the EU has many advantages regarding maintain stability with producers:

1. The EU has the second largest energy market in the world. The lack of the European Union's natural resources makes the European energy market more important for other regions. The main purpose of the EU to eliminate internal crisis and to liberalize the energy economy by implementing action plans;
2. Protecting national interests and foreign policy of the Member States is the key priority of the European Union;
3. The action plans, which is designed by the European Commission to improve the EU energy policy, make the European energy market more stable (Hrubý 2008).

Analysing energy policy from an economic perspective, the fact occurs that energy is a traded asset on markets (Sovacol 2011). Since 2007 the level and stability of energy prices were on the agenda. Energy prices usually are controlled by governments and firms, especially when talking energy policy of CEE countries, the Russian government and Russian company – Gazprom play a dominant role in their energy market. Energy importer states try to keep stable as well as competitive energy prices to regulate operatively energy economy. In this sense, liberalization, and transparency intrinsically connected with well-developed infrastructure in terms of allocation of energy resources. Therefore, according to action plans drawn up by the EU, a free flow of natural resources should be ensured to complete formation of the fully operating energy market. Well-functioning energy market requires investments by the producing countries because of ensuring the security of supply. For instance, Gazprom is the leading player in the CEE by investing a lot to ensure the security of pipelines as well as uses imposes economic influence in order not to lose its hegemony in the region.

Energy flows are driven by markets and institutions that form those markets. This is widely reflected in the EU's latest market-based strategy towards a single energy market known as the third package, which is adopted in 2009. On February 25, 2015, the Energy Union Framework Strategy was introduced with five pillars:

- Supply security
- A fully integrated energy market
- Energy efficiency
- Climate action (reducing greenhouse gases)
- Research and Innovation in low-carbon technologies (European Commission 2015).

Given all this, the EU aims to create a sustainable, competitive and secure internal energy market. Russia still remains best positioned in the European energy market due to geographical location, which allows Russia to have an economic and infrastructural advantage to intervene in the European energy market. Infrastructure is a structural tool to ensure security and fluidity of supply. However, Russia is also the best option for the EU, because geographical proximity minimizes the traffic distance and reduces the cost of building energy infrastructures.

Energy infrastructures are the main element that forms the energy market before and after deregulation. Well-operated energy market requires all actors to collaborate to manage the market effectively. However, when the only actor in the market participates in all processes ranging from production to retail, the emerging monopoly hinders the effective development of the market and results in an uneven price formation. In a monopoly, big companies are not interested in building an infrastructure for sustainable competition and development. Therefore, the formation of a free market should be prevented from being a state intervention and becoming a single shareholder. On the contrary, the liberalization process results in a competitive environment, which offers to parties to choose their supplier and producer. In the EU energy market liberalization has been shaped differently according to countries' energy demands and foreign policy strategies. The EU offers several energy policies to the Member States to meet their needs with competitive prices and to achieve more efficient energy market. The Southern Gas Corridor is one of the critical projects in terms of the economy of the EU's energy policy. The SGC was proposed by the European Commission to supply gas resources from Caspian Basin and the Middle East to Europe with the US \$ 40 billion (Stoica 2019). This project is aimed to reduce Europe's energy dependence from a single supplier, create competitive prices in the European energy market, and ensure market liberalization in this region.

## 5 AZERBAIJAN AND THE EU ENERGY RELATIONS

In 1991, after the dissolution of USSR Azerbaijani nation got a second chance of independence and the Republic of Azerbaijan was recognized with its sovereign, democratic, political and economic development strategy by the world community. Azerbaijan is an energy-rich country, and it was an ideal choice to bring its energy resources to the world market to revive the economy of Azerbaijan. On September 20, 1994, one of the most political, economic, and strategic necessary contracts – "An agreement on the joint development and production sharing of the Azeri, Chirag and Gunashli fields located in the

Azerbaijani sector of the Caspian Sea"<sup>2</sup> was signed under the leadership of ex-President Heydar Aliyev (Şahverdiyev 2013). For the first time since its independence, Azerbaijan was able to implement an international treaty aiming to revive its economy. The contract had historical, political and international importance for all the joined parties. The agreement was financially beneficial for Azerbaijan. This should have given Azerbaijan access to global oil markets and generate immense revenues for the state treasury. This agreement put Azerbaijan back on the oil map of the world and gave impetus to the revival of political stability and economic independence of the country (Nasirov 2010). Therefore, this agreement has been dubbed the "Contract of the Century" and became one of the vital projects in Azerbaijan's energy history. At the initial stage, the "Contract of the Century" was signed by 11 international oil companies (Amoco, BP, McDermott, UNOCAL, SOCAR, Lukoil, Statoil, Turkish Petroleum, Pennzoil, Ramco, Delta) representing seven countries (Azerbaijan, the USA, the UK, Russia, Turkey, Norway and Saudi Arabia) (Ciarreta and Nasirov 2010). Since 1999, Azerbaijan plays a key role in European foreign policy towards South Caucasus. Azerbaijan was in the constant interest of the EU due to its rich energy resources and geostrategic location. Because the EU was in sought of alternative energy sources to reduce its oil and gas dependence from Russia. In this regard, Azerbaijan was an ideal and reliable partner for the EU to bring Caspian Basin energy resources to the EU. Azerbaijan achieved its economic development through the "Contract of the Century". On the other hand, the European market had strategic importance to Azerbaijan. Firstly, the integration of Azerbaijan into the West promotes the further consolidation of democratic values. Secondly, strengthening Azerbaijan-EU relations boosts the economy and diplomacy of Azerbaijan. Thirdly, from its independence, the absence of internal conflicts in Azerbaijan, continuous promotion of peace, active involvement in international missions resulted in the stable political system. Last but not least, from the beginning of the century, Azerbaijan's economy has risen, and today, Azerbaijan has a solid, durable and stable economy. Azerbaijan connects West and East due to its geographical location and incorporates important potential energy lines. Therefore, strategic cooperation with Azerbaijan in the most pivotal energy projects in Europe is always a top priority.

The Republic of Azerbaijan is now recognized as a reliable partner in the world with its independent foreign policy. The multilateral cooperation with the EU has defined Azerbaijan as one of the salient dimensions of its foreign policy doctrine. As a result, on April 22, 1996, the Partnership and Cooperation Agreement was signed in Luxembourg between the European Union and the Republic of Azerbaijan on cooperation in trade, investment, economy, legislation, culture, immigration and illegal trade. The trade relations between the EU and Azerbaijan started with TACIS<sup>3</sup> programme, which was proposed to help member countries' economies. The INOGATE<sup>4</sup> project has been established within the Eastern Partnership, and this project has played an invaluable role in the development of energy trade since 1996. The main objectives of INOGATE were to emerge energy

---

<sup>2</sup> A production sharing agreement on the joint development of marine reserves of Azeri, Chirag and Gunashli was signed at the Gulistan Palace in Baku September 20, 1994. The contract was called the "Contract of the Century" due to its historical, political and international importance and was reflected in 400 pages and four languages.

<sup>3</sup> TACIS is a foreign and technical assistance programme implemented by the European Commission to help members of the Commonwealth of Independent States (as well as Mongolia), in their transition to democratic market-oriented economies, launched by the EC in 1991.

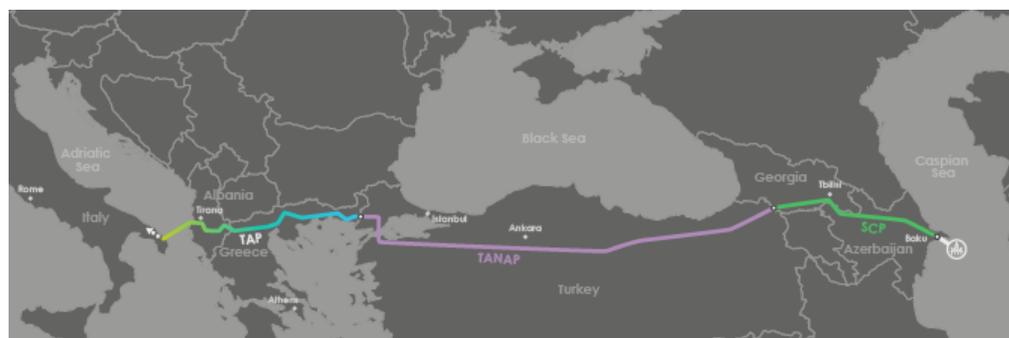
<sup>4</sup> INOGATE is one of the longest-running energy technical assistance programs funded by the European Union. It started in 1996 and worked within the policy frameworks of the Baku Initiative and the Eastern Partnership.

markets with the principles of the EU internal energy market, to ensure the security of supply and to support partner countries' energy industry by attracting investments.

In the context of positive trends in the development of relations over the past period, the Eastern Partnership initiative since 2009 envisages raising the EU-Azerbaijan ties to a higher level and expanding existing partnerships in bilateral and multilateral formats. Azerbaijan has strategic importance for the EU in promoting the potential of the South Caucasus, the Caspian and Central Asian regions, the development of various regional energy, transport, and trade infrastructure projects. This dialogue, which accelerated the integration of Azerbaijan into the European Union, has intensified in the Nabucco project. Originally it was proposed to bring 31 billion cubic meters of gas resources per year to the EU; however, Nabucco failed due to both economic and political reasons. Firstly, due to Russian artificial obstacles the security of pipelines was uncertain. Secondly, full gas supply through this pipeline did not seem possible. Because Baku was not able to supply this pipeline with gas within the available capacities (Gasimli 2015). Therefore, during negotiations, Baku decided to withdraw from the project and as a result, Nabucco pipeline project was abandoned. At the same time, the signing of the "Memorandum of Understanding on the strategic partnership in the field of energy between the European Union and the Republic of Azerbaijan" on November 7, 2006, was one of the crucial steps. The principal purposes of this document are diversification and ensuring the security of energy supply of EU member states, as well as the development and modernization of Azerbaijan's energy infrastructure, and efficiently use of energy-saving and renewable energy sources. As a result of the implementation of the Memorandum, on January 13, 2011, President of Azerbaijan Ilham Aliyev and European Commission President Jose Manuel Barroso signed a Joint Declaration on the Southern Gas Corridor. Total proved gas reserves in Azerbaijan exceed 1,2 trillion cubic meters. Generally, gas reserves are estimated to be close to 3,5 trillion cubic meters, with unexplored fields in Caspian Sea shores (Rzayeva 2015).

In 2011 Azerbaijan and the EU signed a joint declaration on the Southern Gas Corridor.<sup>5</sup> SGC was more an optimal and promising version of Nabucco. At the initial stage, TAP and TANAP, which is an integral part of SGC, will deliver Azerbaijani gas to the South of Europe - Italy and Greece from the Shah Deniz field.

FIGURE 4: SGC PIPELINE MAP



Source: <https://www.tap-ag.com/the-pipeline/the-big-picture/southern-gas-corridor>.

<sup>5</sup> The Southern Gas Corridor (SGC) is a term used to describe planned infrastructure projects aimed at improving the security and diversity of the EU's energy supply by bringing natural gas from the Caspian region to Europe.

The length of the SGC is 3,500 kilometres and costs about the US \$ 40 billion and consists of three main pipelines: South Caucasus Pipeline (SCP), Trans Anatolian Pipeline (TANAP), Trans Adriatic Pipeline (TAP).

Unlike Nabucco, the Southern Gas Corridor is a more promising and strategic start to bring gas resources from Caspian Sea, Middle East, and Central Asia. The primary purpose of this project was to diversify energy routes by using completely new and alternative directions. Initially, it is planned to bring 10 billion cubic meters Azerbaijani gas through SCP and TANAP to Turkey in 2018 and through the TAP to Italy and Greece in 2020.

Even though the Nabucco project failed, with the choice of TAP and TANAP projects, the EU and Azerbaijan proved their pragmatic partnership to deliver natural resources without Russian intervention and increase revenues. Azerbaijan is interested in delivering energy to the West by supporting transit projects. Therefore, the EU does not face any difficulties in the region because of Azerbaijan's positive willing, which promises a secure flow of energy. Moreover, within the framework of the European Neighbourhood Policy and the Eastern Partnership, the EU is committed to protecting its concerns as well as Azerbaijan's national interests.

Currently, Azerbaijan meets 5% of Europe's energy needs through the Southern Gas Corridor by bringing Caspian gas to the EU energy market (Hasanov et al. 2020). The Southern Gas Corridor is a strategic tool in terms of diversification of energy routes and security of energy supply. The Southern Gas Corridor consists of three main pillars which bring Azerbaijani gas from the Shah Deniz field to the European market:

- South Caucasus pipeline – brings gas from Azerbaijan via Georgia to Turkey
- The Trans-Anatolian Pipeline (TANAP) - starts from Georgia, crosses Turkey and connects with Europe
- The Trans-Adriatic Pipeline (TAP) - starts from the Turkish border and connects with Italy via Greece and Albania.

It should be taken into account that its future prospects and economic efficiency determined the choice of gas export routes, and TAP is considered to be the most successful option. Thus, the length of this pipeline is 459 km less than NABUCCO-WEST. Firstly, this means reducing construction costs. Secondly, the shortage of the length of the pipeline is more profitable by reducing transport costs. Thirdly, the TAP consortium is represented by powerful states, such as Switzerland, Norway, and Germany, which is indicating that investment demand is based on severe economies. Fourthly, this project will allow the Azerbaijani gas to be exported to the Western European markets in the future via Italy. Lastly, the provision of direct access to the Italian market will increase the country's huge economic potential. TAP is a strategically important project for Azerbaijan as well. The investment program under the project will provide an investment flow to Azerbaijan, opening new jobs, improving the ecological situation in the Caspian Sea, accelerating the flow of modern technology and Innovation into Azerbaijan. On the other hand, it will increase investment opportunities of the SOCAR in the EU and Italy as a shareholder of Shah Deniz consortium.

Italy will not be the final target for delivering Azerbaijani gas to Europe, and it is planned to be exported gas resources from the Shah Deniz field to Austria, Switzerland, Germany and other countries. From this point of view, TANAP and TAP projects as well as Greece-Bulgaria, Bulgaria-Romania and Romania-

Hungary gas networks supported by the European Union, are significant in terms of establishing the infrastructure of transportation of energy, carrying energy resources, and the integration of the European energy transport system.

## 6 RUSSIAN INTERESTS AND INFLUENCE TOWARDS SOUTHERN GAS CORRIDOR

The EU is Russia's most prominent energy partner, and the EU depends on Russia in terms of energy supply as well. Russia is the 11th largest economy in the world; however, almost entire of the economy relies on oil and gas revenues. This factor causes Russia to pursue a more rigid policy in the region. Russia is not interested in diversifying energy resources of the EU. Therefore, Russia is trying to prevent the realization of all projects that can be competing with its oil and gas pipelines. For instance, in 2006, the Russian – Ukraine gas dispute affected the EU because, since 2004/2005, almost 80% of external gas resources came through Ukrainian gas pipelines (Nichol et al. 2006). Russian – Ukrainian gas conflict was a struggle over prices and tariffs.

Russian – Ukrainian gas dispute was a wake-up call for the EU, and the European press elucidated it as a foreign policy tool against the pro-Western Ukrainian government. The issue was resolved after several days with the EU mediation, but it showed the need to establish a common energy policy within the EU. The EU entered a new crucial stage in energy policy during the European Council meeting at Hampton Court in 2005. However, after that period, the EU's biggest step was the Southern Gas Corridor. Within the Southern Gas Corridor, TAP and TANAP Pipeline projects are of particular importance, and since 2011, the EU has provided substantial political and economic support for these projects.

Since recent decades, energy is used as a political tool by some countries to be influential and to pursue geopolitical goals for strengthening their international positions. Recent events in Ukraine demonstrated that Russian energy plays a crucial role in European geopolitics and shaped potential risks and responses in the region. Eastern and Southern European countries, and Balkan states import their entire oil and gas supplies from Russia; thus, energy dependency leads to higher threats and risk during the crisis period. On the other hand, Russia provides about 40% of the EU's gas supplies (Eurostat 2020c) and half of the supplies coming from Russia into the EU through Ukraine. This is why CEE and transit countries play a "gate" role between Russia and the EU, and it is particularly important for Russia to influence the region.

These countries are heavily dependent on Russian natural gas. From this point of view, the price is the most significant element for uninterrupted energy flows and political, economic cooperation. Russia uses the pricing policy as it wishes because the energy needs of these countries and lack of alternative routes make Russia advantageous in pricing policy. Besides this, period by period Russia applies or removes price discounts for political aims. The European market is vital for Russia. Because the vast majority of the Russian economy depends on energy revenues (Wile 2014), and any problem that can arise in energy transportation and pricing can lead to serious consequences in the Russian economy. Therefore, the Russian pipeline policy is focused on the dominance of Russia in the energy market of the EU. Alternative energy routes also affect Russian energy prices, and diversity of energy resources reduces Russia's political influence in Europe.

On January 24, 2017, the Deputy CEO of Gazprom Alexander Medvedev has officially demonstrated its enthusiasm to use TAP as a route to deliver Russian gas to the EU in European Gas Conference in Vienna (Gurbanov 2017). On the contrary, this step could prevent future gas supplies and destroy the EU's diversification plans. According to Alexander Medvedev, Russia is able to send more than 100 billion cubic meters of gas annually to the EU; however, the scope of the pipeline project should be further increased because of insufficiency of Turkish Stream. For this purpose, Gazprom signed a Memorandum of Understanding with Edison (Italy) and DEPA (Greece) in 2016 to deliver Russian gas via the Black Sea to Greece and from Greece to Italy via ITGI/Poseidon pipeline, which was proposed as an extension of Turkish Stream (Gurbanov 2017). Russia can transmit gas to Europe through this pipeline without breaching the EU's Third Energy Package (TEP) and join the TAP project. However, TAP is open to Third Party Access, and when TAP's capacity is expanded up to 20 billion cubic meters per year, Russia can request additional space for Gazprom according to Third Party Access regulation in the second stage. But at the first stage, Azerbaijan has already secured 100% of the initial capacity of the TAP for 25 years. In this sense, Russia cannot use TAP as a route unless major market and geopolitical changes take place in this period.

On the other hand, SOCAR does not consider Gazprom as a rival in energy projects. Nevertheless, in the future, Russia's joining this project will create competition between the Russian and Azerbaijani gas in terms of price and market share. In his statements, Medvedev stated that TAP is not likely to fill up in the future, and the production of Azerbaijani gas is expected to decline significantly. With these negative statements and opinions against Southern Gas Corridor, Gazprom does not want to lose its monopoly in Europe's gas supply market. Russia does not want to see a rival in the European gas market and is not interested in the EU's energy diversification. At the initial stage, it is planned to export 10 billion cubic meters of gas through the Southern Gas Corridor and 20 billion cubic meters in the next phase. These numbers are much smaller than the volume of gas exported by Gazprom, and the Southern Gas Corridor will not have a significant impact on Russia's share of the EU's natural gas imports at the initial stage. The Southern Gas Corridor is one of the next and most important steps in diversifying the EU's energy supply. However, the possibility of delivering natural gas from other fields of Azerbaijan, Turkmenistan and from Iran and Northern Iraq, if the events will change positively, to Europe via the Southern Gas Corridor may lead to significant changes in Europe's energy supply at the next stage. In this case, the Southern Gas Corridor can seriously hinder Russia's dominance in the European gas market.

## 7 CONCLUSION

The findings of the energy work can be summarized in a few points: First, strong and effective European energy policy is essential due to global competition, the security of energy supplies and diversification of energy routes. Second, energy policy is at the core of national sovereignty, therefore establishing adequate energy security within national security is the critical priority for the EU. Third, all Member States support existing energy policies, but none of them stands for the integration of the common energy market. There are several reasons behind this unstable stand. Each Member State has its national interests and foreign policies. Also, consumption and import rates of European regions are different. Fourth, after the Nabucco project, the EU has taken more serious steps. The

Southern Gas Corridor is the paramount project in terms of alternative energy sources. Fifth, in the case study of EU-Azerbaijan energy relations, it seems evident that Azerbaijan is a reliable and strategic partner due to economic, geopolitical and security interest of the EU.

Since the restoration of state independence in 1991, the Republic of Azerbaijan has defined integration and expansion of cooperation with the EU as one of the strategic directions of foreign policy. The economic integration interests of Azerbaijan towards Europe are shaped by geopolitical and geo-economic position and socio-economic development of the country. The EU and its Member States recognized the independence of the Republic of Azerbaijan in 1991, and official diplomatic relations were established between the parties since 1992. An analysis of the development features of the Azerbaijani economy shows that the following directions should be preferred within major energy projects; to expand the utilization of modern management and deepen institutional reforms, technical assistance of the EU should be provided in the form of experts, equipment and software products to enhance the capacity of relevant government agencies. In addition, further improvement of the investment environment will make Azerbaijan more active in energy projects.

As a result, relations between the European Union and Azerbaijan are intensifying rapidly. The European Neighbourhood Policy, the Eastern Partnership Program and the Southern Gas Corridor are the main contributors for further integration of Azerbaijan into Europe. Thus, after many years the European Union has taken an important step on behalf of common energy policy. With the TAP and TANAP projects, several European regions will be supplied with energy in the future, and it will lead to the most important thing, which will ensure Europe's energy security by reducing dependence on one source.

On the other hand, Russia is trying to prevent the EU from supplying natural gas from new sources by creating barriers. These barriers vary depending on the course of events in the geopolitical sphere. From this point of view, at the initial stage, Russia is questioning the reputation of the Southern Gas Corridor with its negative comments. At the same time, the Trans-Caspian pipeline, which will form the basis of Azerbaijan and Turkmenistan's energy export infrastructure, will be contrary to the interests of Russia. Future steps of Russia can impede the realization of the project in any form with large-scale geopolitical manoeuvres.

To put it briefly, the EU prefers to cooperate with Azerbaijan due to several reasons. Firstly, Azerbaijan has an ideal geographical location as a producer and transit country by being the perfect point for the transportation of energy resources from the Caspian Basin. In this sense, the cooperation between Azerbaijan and the EU has further intensified with the European Neighbourhood Policy and followed by the Eastern Partnership Program. Azerbaijan plays a significant role between the West and East; this feature makes it strategically important for Western countries in terms of security as well. On the other hand, Azerbaijan is also interested in political and economic cooperation with the EU to reach the global market and to be recognized as a regional power.

The EU has different strategies to reduce its dependency from one supplier and tries to make its direction by implementing several projects. The Southern Gas Corridor is one of the promising projects that in future will become the main route for the European energy market. The main elements of the Southern Gas Corridor are TAP and TANAP projects. The EU will supply gas through these

pipelines from the Caspian Sea. However, the main aim of this project is to provide European regions with energy. The Southern Gas Corridor is an important project for the EU after the Nabucco pipeline project. Because:

- SGC is not long-distance route as Nabucco
- SGC is affordable in terms of price
- SGC will lead to competitive prices and free energy market, especially for the Southern Europe, and later on CEE and Balkan regions
- One of the main aims of this project is to deliver gas to Balkan countries in the future. Thus, Russia's political and economic influence will be somewhat diminished
- SGC will also strengthen the EU-Azerbaijan relations.

The energy is a complex issue, but the following thoughts should be emphasized; there is still a need for a fully integrated EU energy policy. A number of options have been set up to ensure common and fully integrated energy policy. However, these options should be in line with the political, economic, and security interests of the Member States. Also, the liberalization of the energy economy leads to the competitive environment, the free energy market, and a stable economic relationship between producer and consumer.

## REFERENCES

- Bochkarev, Danila. 2018. "Let's be cautious about trying to "crack" Europe's energy software: The new European Energy Governance Strategy." *Reflections - Working Paper Series* 6–16.
- Brzozowski, Alexandra. 2018. *Caspian Five settle row over sea's legal status, demarcation pending*. Available at <https://www.euractiv.com/section/central-asia/news/caspian-five-settle-row-over-seas-legal-status-demarcation-pending/>.
- Ciarreta, Aitor and Shahriyar Nasirov. 2010. "Impact of Azerbaijan's Energy Policy on the Development." *International Association for Energy Economics*, 43–46.
- Cleveland, Cutler J. 2009. *Concise Encyclopedia of the History of Energy*. Cambridge: Academic Press.
- Closson, Stacy. 2008. Energy Security of the European Union. *CSS Analyses in Security Policy* 3 (36): 1–3.
- Cohen, Saul Bernard. 2003. *Geopolitics of the world system*. New York: Rowman & Littlefield Publishers.
- Devetak, Richard, Anthony Burke and Jim George. 2012. *An Introduction to International Relations*. Cambridge: Cambridge University Press.
- Dyduch, Joanna. 2012. EU Energy Policy: The specifics of the European Energy Policy and its analysis. *Selected Policies of the European Union: Evolution in the context of the treaty of Lisbon and the Europe 2020 strategy*, 83–115.
- Enerdata. 2019. *Total energy production*. Available at <https://yearbook.enerdata.net/total-energy/world-energy-production.html>.
- Ercan, Murat. 2011. Avrupa Birliği'nin Enerji Politikasında Türkiye'nin Önemi. *Akademik Bakış Uluslararası Hakemli Sosyal Bilimler Dergisi*, 1–11.
- EUR Lex. 2012. Declaration on Article 194 of the Treaty on the Functioning of the European Union. *Official Journal of the European Union* 55: 351.
- European Commission. 2015. Energy Union Package. *Eur-Lex*. Available at [https://eur-lex.europa.eu/resource.html?uri=cellar:1bd46c90-bdd4-11e4-bbe1-01aa75ed71a1.0001.03/DOC\\_1&format=PDF](https://eur-lex.europa.eu/resource.html?uri=cellar:1bd46c90-bdd4-11e4-bbe1-01aa75ed71a1.0001.03/DOC_1&format=PDF).
- Eurostat. 2019. *What energy is available in the EU*. Available at <https://ec.europa.eu/eurostat/cache/infographs/energy/bloc-2.html>.
- Eurostat. 2020a. *Energy production and imports*. Available at [https://ec.europa.eu/eurostat/statistics-explained/index.php/Energy\\_production\\_and\\_imports#Production\\_of\\_primary\\_energy\\_decreased\\_between\\_2008\\_and\\_2018](https://ec.europa.eu/eurostat/statistics-explained/index.php/Energy_production_and_imports#Production_of_primary_energy_decreased_between_2008_and_2018).

- Eurostat. 2020b. *Energy production, 2008 and 2018 (million tonnes of oil equivalent)*. Available at [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Energy production, 2008 and 2018.png](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Energy_production_2008_and_2018.png).
- Eurostat. 2020c. *The EU in the world - energy*. Available at [https://ec.europa.eu/eurostat/statistics-explained/index.php/The EU in the world - energy#Total energy supply](https://ec.europa.eu/eurostat/statistics-explained/index.php/The_EU_in_the_world_-_energy#Total_energy_supply).
- Gasimli, Vusal. 2015. *Geo-economics*. Baku: Aston Print.
- Geden, Oliver, Clémence Marcelis and Andreas Maurer. 2016. *Perspectives for the European Union's External Energy Policy: Discourse, Ideas and Interests in Germany, the UK, Poland and France*. Berlin: SWP German Institute for International and Security Affairs.
- Gurbanov, Ilgar. 2017. *Russian Gas in the Southern Gas Corridor Could Undermine the EU's Diversification Plans*. Available at <https://cacianalyst.org/publications/analytical-articles/item/13437-russian-gas-in-the-southern-gas-corridor-could-undermine-the-eu's-diversification-plans.html>.
- Hasanov, Fakhri J., Ceyhun Mahmudlu, Kaushik Deb, Shamkhal Abilov and Orkhan Hasanov. 2020. The role of Azeri natural gas in meeting European Union energy security needs. *Energy Strategy Reviews* 28: 1–10.
- Hrubý, Zdeněk. 2008. *The new EU energy policy: Economic rationality for the single market?* Prague: Charles University.
- International Energy Agency. 2010. *World Energy Outlook*. Available at <https://www.iea.org/publications/freepublications/publication/weo2010.pdf>.
- Ladislav, Sarah. 2014. Geopolitical Instability and Energy Markets. *Global Forecast*, 85–87.
- Nasirov, Elman. 2010. *The Contract of the Century*. Available at <http://www.visions.az/en/news/206/1ee04b7e/>.
- Nichol, Jim, Steven Woehrel and Bernard A. Gelb. 2006. *Russia's Cutoff of Natural Gas to Ukraine: Context and Implications*. Washington DC: Library of Congress.
- Palti-Guzman, Leslie. 2014. *Don't cry for the Nabucco pipeline*. Available at <http://blogs.reuters.com/great-debate/2014/05/01/dont-cry-for-the-nabucco-pipeline/>.
- Rzayeva, Gulmira. 2015. *The Outlook for Azerbaijani Gas Supplies to Europe: Challenges and Perspectives*. Oxford: The Oxford Institute for Energy Studies.
- Şahverdiyev, Zəhmət. 2013. Heydər Əliyevin imzaladığı "Əsrin Müqaviləsi" müstəqil Azərbaycan iqtisadiyyatının təməlidir. *Tarix və onun problemləri* (2): 132–139.
- Sapir, Andre. 2007. *Fragmented Power: Europe and the Global Economy*. Brussels: Bruegel.
- Šolc, Marek. 2013. Energy Security – an important aspect of national security. *Univerzita Obrany v Brně*. Available at [https://www.unob.cz/eam/Documents/Archiv/EaM\\_1\\_2013/%C5%A0olc.pdf](https://www.unob.cz/eam/Documents/Archiv/EaM_1_2013/%C5%A0olc.pdf).
- Sovaccol, Benjamin L. 2011. *The Routledge Handbook of Energy Security*. New York: Routledge.
- Stoica, Adrian. 2019. *Southern Gas Corridor project*. Available at <https://energyindustryreview.com/oil-gas/southern-gas-corridor-project/>.
- Szczepański, Marcin. 2017. *European Atomic Energy Community (Euratom) – Structures and tools*. Available at [http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/608665/EPRS\\_BRI\(2017\)608665\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/608665/EPRS_BRI(2017)608665_EN.pdf).
- Thomas, Aleksander. 2013. *Nabucco – A study in failed EU energy policy*. Available at <http://www.esthinktank.com/2015/04/06/nabucco-a-study-in-failed-eu-energy-policy/>.
- Westphal, Kirsten. 2006. "Energy Policy between Multilateral Governance and Geopolitics: Whither Europe?" *Internationale Politik und Gesellschaft* 4 (4): 44–63.
- Wiatr, Jerzy J. 2018. "Democratic Experience in Central Europe: 25 Years Later." *Journal of Comparative Politics* 11 (1): 5–11.
- Wile, Rob. 2014. *Here's how dependent Russia's Economy is on oil and gas*. Available at <https://www.businessinsider.com/russia-oil-and-gas-dependence-chart-2014-7>.
- Yergin, Daniel. 2006. Ensuring Energy Security. *Foreign Affairs* 85: 69–82.



## EVROPSKA ENERGETSKA POLITIKA IN ENERGETSKO SODELOVANJE MED EVROPSKO UNIJO IN AZERBAJDŽANOM

*Zaradi pomanjkanja zadostnih energetskega virov v Evropski uniji (EU) je ta regija odvisna od uvoza. Krizi v letih 2006 in 2009 sta bili za EU alarmanten signal. Zaradi teh kriz je EU naredila resne korake na področju energetike. Glavni cilji raziskave so odgovoriti na naslednji raziskovalni vprašanji: Prvič, zakaj je težko vzpostaviti skupno energetska politiko v EU? Drugič, kako EU vodi politiko konkurenčnega energetskega trga in zagotavljanja zanesljivosti oskrbe? Glavni cilj EU je diverzificirati energetske poti in zagotoviti bolj konkurenčne cene na energetske trgu. Azerbajdžan je strateški in zanesljiv partner EU zaradi svojega geografskega položaja in energetskega virov, saj so viri energije v Kaspijskem morju za EU pomembni, Azerbajdžan pa je idealna destinacija za transport teh virov. Tako je EU po dolgih letih naredila pomemben korak v imenu energetske varnosti z izvajanjem projekta SGC v okviru sodelovanja z Azerbajdžanom.*

**Ključne besede:** energetska varnost; sodelovanje med EU in Azerbajdžanom; EU energetska politika; SGC; TAP in TANAP.