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Energy Security in South-East Europe: Natural Resources as Causes of conflict or Building Stability

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Abstract

The article will focus on the energy regional security complex of South-East Europe, exploring the potential of the pipelines projects to serve both as sources of fuelling conflicts and building stability in the region. The impact of the great powers and of the regional powers penetrating the complex, as well as pipelines diplomacy will be analysed in determining what is the causal relationship between access to natural resources and conflicts in the region, exploring both risks and threats to energy security. The key issue remains the energy security interdependence, both among the actors within the complex, as well as between them and the neighbouring subsystems and the great and regional powers.
Keywords: *conflicts; energy security; natural resources; pipelines diplomacy; South-East Europe*

INTRODUCTION

Energy security has mainly been defined from the point of view of the consumer-states, with respect to the ability to provide constant supplies, without delays and interruption, for affordable prices to the consumer. On the other hand, exporter-states have their own energy security concerns, constantly looking for stable markets, reliable transit partners who can both pay the price they demand. And finally, transit-states see energy security as a two-ended process, dependent both on producer and consumer-states, in their need to be part of the so-called 'pipeline diplomacy', of the major transportation projects.

In this context, the article will attempt to analyse the energy regional security complex of South-East Europe, departing from Buzan's and Wæver's theory on regional security complexes, exploring the interaction and the

dynamics among the actors within the complex, as well as between them and the regional powers penetrating them. The role of Russia and its asymmetric energetic interdependence to Europe, as well as of Turkey as a major energy hub and regional power will be introduced, with a keen focus on the influence and impact of the Western (USA and EU) – Russian rivalry on the energy security dynamics in South-East Europe. The relations of amity and enmity, which lie at the base of the oil and natural gas pipeline projects from the Caspian Sea, through South-East Europe, to Western Europe will also be analysed.

The causal relation between energy security and conflict will be treated as a core component of the analysis, in an attempt to discuss the cyclic impact of energy securitisation and desecuritization processes on prospects for conflict or peace. Similarly, the effect of conflicts as risks and threats on the energy security in South-East Europe will be approached. Both risks and opportunities to energy security, with insight into the existing and proposed pipeline projects transiting the regions will be analysed. Summarising the findings, the article will conclude with a PEST analysis of the South-East European energy regional complex, during which all relevant political, economic, social and technological forces will be introduced, divided into threats and opportunities.

As a methodology, the *purpose* of the research is an explanatory one, investigating the possible causal relations between energy and reserves on one hand, and conflict and stability on the other hand, in a deductive *approach*, testing theory based on literature review. The *strategy* used concerns a holistic multiple case-study, with four *levels of analysis*, detailed under the PEST analysis tool: Political, Economic, Social and Technological environment.

I. ENERGY SECURITY AND ENERGETIC INTERDEPENDENCE

1. Defining Energy Security

The concept of energy security was developed mainly after the oil crisis following the Arab-Israeli war in 1973, which led to the establishment of the International Energy Agency (IEA) one year later, in an attempt on the part of the highly industrialised states to reduce their vulnerability when confronted to disruptions of energy supply. As a consequence, the tendency to define energy security from the supply security point of view of the consumer states was developed. From this perspective, the focus is clearly on the security of supply and on the affordable prices for the consumers, citizens and businesses, having "access to sufficient energy resources at reasonable prices for the foreseeable

future free from serious risk of major disruption of service" (Barton et al., 2004, p. 5, *see* Winrow, 2007). Therefore, consumer states are constantly looking for alternative sources and routes to meet their energy needs, especially when the threat level is increased, as happened in Europe during the 2006 and 2009 gas crisis and, more recently, in 2014, following the Russian-Ukrainian dispute which led to a cut-off of the gas supply transiting Ukraine to Europe. But, building new alternative pipelines, bypassing the sensitive regions and states, is not necessarily an ideal solution, as it implies smaller economies of scale and greater costs for each project (Winrow, 2007).

Energy security of the producer states, although less prioritised, must also be considered, as supplier and consumer state are in a tight interdependence relation. Thus, producer states see energy security in terms of having long-term access to stable markets, able to pay the price, so that constant revenues are secured. This is essential in order to be able to exploit more resources, to develop new resource fields and to build and maintain transportation routes. It can, thus, be concluded that securing the supply was the drive behind EU's motivation to promote the Nabucco pipeline project, while securing the demand stood behind Russia's investing in the Blue Stream and South Stream projects (Kirchner and Berk, 2010). Security of transportation routes, mainly of the natural gas terrestrial pipelines, which are very vulnerable to numerous threats, is a middle element of security, both for supplier and consumer states.

States achieve energy security through various techniques, which include diversity of energy resources, diversity of suppliers, storage of energy reserves, redundant energy infrastructure, and flexibility to shift fuels (Shaffer, 2009).

Baumann (2008) identifies four overlapping dimensions of energy security, seen as a multidimensional concept:

1. The internal policy dimension deals with the necessary infrastructure investments in order to maintain functional energy networks for production and storage, but also with emergency planning and reaction when facing sudden interruptions of energy supply, especially in the case of natural gas and electricity, which, unlike oil, cannot be stored. In addition, energy efficiency and developing alternative energy resources (nuclear, renewable) can increase energy supply security.
2. The economic dimension focuses on the existence of functional, well-regulated energy markets and on developing durable, long-term relations between exporters and importers. Moreover, technological development and innovation will contribute to reducing energy-related costs.

3. For the geopolitical dimension, the existence of transnational networks is important to secure worldwide trade in energy goods. On the other hand, in recent years, a trend towards the re-nationalisation of resource deposits, infrastructure and corporations has been observed, leading to overlapping the interests of the companies with those of the state. Such an example is the Russian gas company, Gazprom, which takes an active role in shaping the international politics of Russia. In the same context, the importance of the 'soft power', of the unconventional threats has been brought to light in the last years: international terrorism, piracy and political instability.

4. Finally, with respect to the security policy dimension, the major consumer states are actively engaged in using 'hard power' instruments, including military force, in order to secure the resource deposits and transportation routes all over the world, with a focus on the fragile states and risky transit zones, in an attempt to reduce their own vulnerability regarding the supply security.

2. Energetic interdependence: EU-Russia, an asymmetric relation

Despite efforts in the recent years towards diversification of the energy resources and transportation routes, the EU still finds itself in an asymmetric dependency relation to Russia, as a single natural gas supplier, a dependence expected to increase to over 60% until 2030. This happens in the context of depletion of its own resources in the North Sea, enlargement of the EU (with Baltic States being 100% dependent on Russian gas) and a growing gas demand and consumption. Moreover, the construction of new pipelines (South Stream, North Stream, Blue Stream II), as well as the long-term contracts concluded between Gazprom and various European energy companies (Gaz de France – until 2030, Ruhrgas – until 2035, ENI – until 2035) will increase the European dependence on the Russian gas. At the other end of the pipeline, it is unlikely that new actors will enter the Russian gas market, with the state-owned company Gazprom being in control over more than 90% of the country's reserves and exercising a virtual monopoly over ownership, production, processing and transportation (Kirchner and Berk, 2010). The overlap between Gazprom's and Russian government's interests allows Russia to manipulate this asymmetric dependency and to use energy as a foreign policy tool.

Dependence should nevertheless be treated with caution, as, despite absolute numbers, the implications are relative. Thus, diversification of the internal market of the consumer states should also be taken into account. As an example, although it appears that Finland has a 100% dependency on the

Russian gas, in reality, only 11% of its energy consumption is based on natural gas, nuclear power being the preferred source.

More important is probably the fact that EU lacks a single energy policy, failing to unify the aspects of competition, market regulation, and imports and exports. Member states have been left to deal with energy at a domestic level, as part of their own national security policy. The situation again increased Russia's and Gazprom's prevalence on the European market, the company signing bilateral agreements with the European states for exporting and transiting Russian gas. In the first 15 years after the collapse of the Soviet Union, the EU showed a relative lack of interest in active energy cooperation with the former Soviet states. But, the 2006 and 2009 Ukrainian gas crises and the EU Commission forecasts that the Russian portion of gas supply will rise to over 60% by 2030, led the EU to prioritise the promotion of the Southern Gas Corridor as a means of developing new supply sources and infrastructure to transport gas from the Caspian and Middle Eastern regions, including three main pipeline projects: (1) the Interconnection Turkey–Greece–Italy pipeline project (ITGI), (2) the Trans-Adriatic Pipeline project (TAP) and (3) the Nabucco (Kusznir, 2011).

Following the Ukrainian crisis in the beginning of 2014, EU found itself dealing with a new imminent energy security threat: Russia announced in May 2014 the intention to cut off the natural gas supply via Ukraine to Europe, due to the 3.51 billion USD accumulated debt of Ukraine to Gazprom. Among the suggested solutions, building several new LNG terminals in Europe, US lifting restrictions on the export of shale gas, investing in new pipelines transporting gas from West to East and increasing supply routes from North Africa. However, these are long-term and expensive measures and it is difficult to anticipate whether they will be able to completely take over the 76% of Russian natural gas, which is at the present transported through Ukraine to Europe. As a consequence, an internal transformation of the European Union regional security complex (EU RSC) is moving from the current fragmentation to a more homogenous energy policy. At the same time, the interaction between the EU RSC and the Central Asian sub-complex will most likely decrease, with Russia pressing for enhancing its influence in the region (Kirchner and Berk, 2010) and for discouraging energy diversification efforts, as, for the time being, Gazprom benefits from long-term contracts with the states in the Caspian Sea region, allowing it to buy gas for low prices and to sell it in Europe for world market prices. Almost one fourth of the Russian natural gas is imported from Turkmenistan.

II. THE SOUTH-EASTERN EUROPEAN ENERGY REGIONAL SECURITY COMPLEX

Buzan and Wæver (2003, p.4) have described regional security complexes (RSC) as follows:

The central idea [...] is that, since most threats travel more easily over short distances than long ones, security interdependence is normally into regionally based clusters: security complexes. […] Process of securitization and thus the degree of security interdependence are more intense between actors inside such complexes than they are between actors inside the complex and outside of it.

The interaction and the dynamics between the actors within a *regional security complex (RSC)* is defined by patterns of amity and enmity, often affected by historical factors, with the great powers and superpowers penetrating the system, while the smaller states are usually locked in an RSC, highly interdependent to the other participants in the system.

Similarly to Buzan and Wæver's theory, one can regard regional energy security complexes as highly interlinked processes of securitisation and desecuritisation between actors finding themselves in a high level of interaction and interdependence with each other, perceiving this (inter)dependence as a possible threat (*securitisation*). The level of interdependence and, therefore, the type of the energy RSC depends on the nature and availability of resources, the trade and political agreements between the participating states, the type of energy transport, means and routes, and the alternatives for energy diversification. The patterns of amity and enmity are crucial in defining the nature of interactions inside the energy RSC. The level of perceived threat and thus securitisation is lower, despite a higher energetic dependence, in the case of a beneficiary state in a friendly relation with the supplier state. This could be the case of Belarus-Russia interaction, as opposed to Romania-Russia, where, despite a low level of energetic dependence, the threat is perceived as high.

South-East Europe (SEE) lies in the immediate vicinity of more than 70% of the world's proven gas and oil reserves, which has a positive effect on transmission costs by reducing the negative effects of distance (Bozhilova, 2009, p.3). In the context of the lack of a European common energy policy, the actors in the sub-complex can benefit from their location and facile proximity in order to develop stronger interactions inside the RSC and to aggregate a common regional energy practice. Access to the Black Sea and an existing infrastructure of oil refineries in Romania and gas storage facilities in

Bulgaria are also strong incentives for SEE to develop itself into a major actor on the energy scene, as a bridge between the Caspian producers and the European consumers. Turkey is a powerful regional actor in the pipelines diplomacy of the SEE, having the capacity to act as an "insulator", despite its reluctance to accept this role, (Buzan and Wæver, 2003), due to its zero-problems foreign policy and involvement in mediating the conflicts in the Balkans. It also serves as the most important bridge between Caucasus, Caspian Sea and the Balkans.

In its need to diversify its energy resources, Greece imports natural gas via the Turkey-Greece Interconnector (TGI), part of a larger project pipeline to Italy (ITGI). The pipeline represented an important step in bypassing Russia and diversifying EU's gas supplies. However, in 2008 Greece joined the Gazprom/ENI led project, South Stream, counterbalancing Turkey's aspirations to become the most important energy hub in SEE (Bozhilova, 2009). But, given the fact that the Italian market is already oversupplied and the financial crisis affecting Greece, there are doubts regarding the realisation of the ITGI and of the Trans-Adriatic Pipeline (TAP). The Shah Deniz consortium has thus considered the alternative of expanding the capacity of the existing transport infrastructure in Azerbaijan and Georgia or using tanker routes across the Black Sea (Kusznir, 2011).

Maintaining a stable climate in Bosnia-Herzegovina and Albania is essential for the TAP pipeline project running through Greece, under the Adriatic Sea, to Italy. It would provide the Balkan countries, totally dependent on the Russian gas, a source of energy diversification and prospects for economic growth.

But, with Turkey becoming a growing gas consumer in the region, there are doubts that the Southern Corridor projects will be able to secure enough supplies from the Caspian Sea, bypassing Russia, to fuel the Balkan markets. Gas from Central Asia (Turkmenistan and Kazakhstan) has been considered as an alternative, but these former Soviet States are still closely connected, economically and politically to Russia and to its pipelines infrastructure (Kusznir, 2013).

After the fall of the Soviet Union, a new regional power, Turkey, came to light, trying to reinforce its influence on the newly emerged Turkic states in the Caucasus and Central Asia and to counterbalance Russia and Iran's pre-eminence over them. Also, Turkey is determined to use its advantageous geographical position in order to become the most important energy hub, transporting oil and gas from Russia and Central Asia to Europe.

Economic and political rivalry between Russia and Turkey are closely interlinked in the Caucasus and in the Balkans. On one hand, Turkey is

accusing Russia for tolerating activities of the secessionist Kurdish organisations on Russian soil and for ignoring the Caucasus section of the 1990 Conventional Armed Forces in Europe (CFE) Treaty which limits the military presence and heavy weaponry in European Russia and the Caucasus, as well as for the return of the Russian troops as 'peace-keepers' in Georgia and Armenia. On the other hand, Russia suspected Turkey of supporting the Chechens in the Russian-Chechen war and of encouraging the activity of the Chechens on Turkish soil (Bolukbasi, 1998). Moreover, the Yugoslav wars found Russia and Turkey on opposite sides, Moscow accusing Ankara of supporting the Kosovo Liberation Army against Serbia.

Despite the economic and political rivalry between Russia and Turkey in the Caucasus and in Central Asia, recent developments have shown an increased trend for cooperation between Moscow and Ankara, with new projects being developed, placing thus Turkey in a leading position in the region. In December 2014, president Putin announced that the South Stream pipeline project would be abandoned, mainly due to Bulgaria's refusal to continue its participation in the project, under the pressure of the EU to abandon the project and of the harsher EU rules on supplier diversification. Simultaneously, the launch of the Turkish Stream, carrying the Russian gas to Turkey and Greece has been stated, in an attempt to bypass the transit through Ukraine. The new 63 billion cubic meters gas pipeline project will empower the regional role of all the three major actors involved: Russia, Turkey and Greece. Firstly, with the Turkish Stream seeming to gain preference in Ankara over the Trans-Anatolian Gas Pipeline (TANAP) project that would have secured the transport of the Caspian gas of non-Russian provenance to Europe, bypassing the Russian pipelines (Gafarli, 2015), Russia will consolidate its position as a delivery state in Europe. Secondly, Turkey will have an increased role as a transit country and as an energetic hub, no longer playing the role of an end user of the Russian gas, but that of a key transit country. Thirdly, Greece will gain from Bulgaria's exit from the scene, with the recent SYRIZA-led government opening the way towards a rapprochement with Moscow and thus being offered a more important role in Russia's regional energy plans (Gafarli, 2015). It is envisioned that the new Turkish Stream will deliver 47.25 billion cubic meters of gas to Europe through Greece. However, the feasibility of the project is still under question in the light of the recent economic crisis in Russia, of the tensions between Athens and Ankara, of the arguable feasibility of Europe taking over the gas from the Greek border, as well as of the potential political and economic instability in Greece which might undermine the sustainability of the cooperation (Gafarli, 2015).

III. RISKS AND THREATS TO ENERGY SECURITY

1. Energy resources as a cause of conflict

Pipeline development, security and conflicts are highly interlinked. Gas and oil pipelines are at the intersection of politics and economics. The domestic affairs and the international relations of the transit countries are more important in the pipeline security than those of the producer state, as the latter would be motivated to prioritise economic considerations to political ones. "The greater the number of countries between the producer and the consumer, the more difficult the project operation becomes" (Karagiannis, 2002).

While causal relations between resources and conflict are still to be determined on a case-by-case basis, two major perspectives have been debated. On one hand, the scarcity of resources is considered to be a determinant of conflicts. Lack of access to essential resources, or the uneven distribution of highly demanded resources (oil, gas, water, minerals, timber) can lead to conflict. On the other hand, it is often the abundance of resources, rather than their scarcity, that creates conditions for conflict. Oil-rich countries like Azerbaijan and Kazakhstan are cases where states engage in rent-seeking behaviour rather than in democracy building (O'Lear, 2004).

Several arguments have been proposed in literature supporting the idea that energy-exporter states are conflict-prone. Among these: governments become less effective and more corrupt; rebels can attain funds to sustain a conflict either by attacking the infrastructure and hijacking the resources, or by demanding funds to abstain from attacks; secessionist conflicts may occur in oil and gas producing areas, especially if the revenues are high and the region is inhabited by a distinct ethnic or religious group (Shaffer, 2009).

Nowadays, in energy-exporting countries, in addition to the geopolitical competition, various domestic state and non-state actors compete for direct access to energy rents and engage in violent and often secessionist actions. However, the risk of state failure and interruption of supply can also act as an incentive for these actors to cooperate and maintain a minimum form of authority and rule of law. Three main types of arguments can be identified to explain the causal relation between resources and war: the *geopolitical argument* is about rent-seeking among energy-consuming countries, leading to direct or indirect conflicts among the great powers; the *greed argument* is about rent-seeking at local level, between non-state actors and dealing with civil wars; finally, the *petro-state argument* is about rent-seeking in the producing state, explaining different types of conflict, internal, external and mixed (Kaldor, 2007).

2. South-East Europe:energy security, threats and opportunities

After the dismantling of the Soviet Union in 1991, USA and Western Europe manifested a high interest in the rich oil and gas resources of the Caspian Sea. However, especially in the case of natural gas whose transportation is totally dependent on pipeline infrastructure, Balkans needed to be secured prior to transferring the resources further on to Western Europe or to the Adriatic, from where the oil could have been shipped out all over the world. The conflicts in former Yugoslavia slowed down and even blocked the projects. In July 1996, the Clinton administration set up its Southern Balkan Development Initiative (SBDI), a $30 million project designed to enhance regional cooperation over transport between Albania, Macedonia, and Bulgaria, intended for the East–West transportation development project Corridor VIII, almost the same route which the Burgas-Vlore (AMBO) oil pipeline would follow (Fisher, 2002). The US officials expressed their continued interest and concern in securing a safe transit for the pipeline, especially with respect to the danger of a spill-over effect of the Yugoslav war into Albania, the final destination of the AMBO pipeline. A year later after NATO troops were settled in Kosovo, AMBO's new feasibility study was released, mentioning:

In what one could term a 'bombing dividend' or a quid pro quo to the support provided by these surrounding states to NATO during the Kosovo conflict, Albania, Macedonia and Bulgaria now seek economic compensation from the West for their support (*AMBO Pipeline Consortium*, op. cit., p. I-78, *see* Fisher, 2002).

Threats and security risks: The pipeline projects in South-Eastern Europe are strongly marked by the Russian-Turkish rivalry, with the European countries and of Turkey attempting to diminish Russia's role as single energy supplier, while Russia is pressing to block any Western-backed alternative projects in the region. Therefore, trying to challenge the rival Nabucco project (a route connecting Turkey, Bulgaria, Romania, Hungary and Austria), Russian policy makers are pressing for the construction of the 'Blue Stream II' pipeline to connect Russia and Hungary, an extension of the already completed Blue Stream system that delivers Russian natural gas to Turkey along pipelines laid along the Black Sea. Hungary would thereby become a hub for the delivery of natural gas to states such as Slovenia, Croatia and Italy. This creates discomfort for Turkey who wants to promote itself as an energy corridor for the transportation of crude oil and natural gas to Europe enabling EU Member States to become less dependent on Russian for energy supplies (Winrow, 2007). Moreover, the political scene has witnessed a recent

rapprochement between Budapest and Moscow, visible in the energy cooperation field as well. Besides the above mentioned pipeline projects, Hungary and Russia agreed, in 2014, on a 12 billion Euros nuclear deal, designed to allow Russia to build two nuclear reactors in the Hungarian town of Paks. The project was blocked, in 2015, by the European Union, when its agency, Euratom, refused to allow Hungary to import the necessary nuclear fuel exclusively from Russia, further embittering the relations between Budapest and Brussels.

Several competing pipeline projects mirror the geopolitical rivalries in the Balkans. The Burgas-Alexandroupolis pipeline is based on an agreement between the Russian, Greek and Bulgarian governments in order to secure the transport of Russian and possibly Kazakh crude oil. Back in the 1990s, work was delayed for fear of instability in the Balkans and escalation of Greek-Turkish rivalry. On the other side, USA supported the construction of a pipeline of similar capacity (50mt/y), from Burgas to Vlore, in Albania (AMBO project), transporting exclusively Kazakh oil to Europe, in an attempt to distance the three Balkan countries (Bulgaria, Macedonia and Albania) from the EU-backed projects and to win the competition between the Anglo-American oil giants against the European ones. However, the AMBO pipeline project was suspended, in December 2011, by the Bulgarian government due to environmental and supply concerns. Moreover, it presents higher security threats due to possible destabilisation of the situation in Kosovo and Macedonia and thus offers incentives for governments and companies to favour the Russian-backed project.In May 2015, the Macedonian city of Kumanovo witnessed a deadly clash between the government forces and an armed group of alleged Kosovo Albanians, according to officials' declarations, possibly linked to the National Liberation Army (the Macedonian branch of the Kosovo Liberation Army), which reopened the speculations around a possible renewal of the inter-ethnic tensions in Macedonia, similarly to the events of the conflict in 2001.

As a consequence, US sought an alternative to deliver Kazakh and Azeri oil to Europe via a new pipeline project, Constanta-Trieste (PEOP, Pan-European Oil Pipeline), benefiting from the major refineries existing in Romania. Romania has been envisaged as a major transit state to deliver the Caspian oil and gas to the European markets. However, its government only joined US-backed projects, which all failed to materialise. Thus, Bulgaria will most likely take over this role in the Balkans. Another example in this sense is the Nabucco gas pipeline project, supported by US and EU and meant to deliver Caspian and possibly Iraqi gas to Europe through Romania, Bulgaria, Hungary and Austria, which was abandoned for the time being. The project

failed because of internal factors (US refused to allow for the transportation of Iranian gas), as well as external (Moscow pressured for the realisation of Blue Stream II in the region) (Winrow, 2007). In addition, Azerbaijan is much more interested in the diversification of its export routes and that it would prefer to concentrate on smaller pipeline projects, which could be more profitable.

As a result, Azerbaijan's SOCAR and Turkey's state operator BOTAS have declared the establishment of their own gas corridor across Turkish territory by building the Trans Anadolu Pipeline (TANAP), which will run parallel to Nabucco. Moreover, the costs have exceeded the initial estimation, which discouraged the investors and turned them to alternative projects. Similarly, the access to the Turkmen gas is uncertain, given the unsettled legal status of the Caspian Sea among the littoral states. And, most important, Nabucco has a strong competitor, South Stream, a pipeline project with Russian gas, transiting Austria, Bulgaria, Greece, Hungary, Serbia and Slovenia. Based on the successful cooperation in the Nord Stream, Germany is likely to support Russian in this new endeavour and to lobby the European institutions to change the regulation of the EU's Third Energy Package (Kusznir, 2011). Bypassing Ukraine, the South Stream and the Blue Stream II projects will allow Russia to strengthen its negotiations position with Ukraine and to counterbalance Turkey's rising position (Götz, 2009).

Opportunities: Western-backed pipeline projects in SEE would offer the possibility for the Balkan and EU countries to diversify their energy supplies and lower the asymmetric dependence on Russia. Russia-backed projects transiting SEE would defuse the fears generated by the possibility of gas interruptions given the situation in Ukraine. Furthermore, with Gazprom financing most of the costs, the participating countries may gain in terms of economic growth, jobs and assuming stronger roles in the region. In addition, the cooperation required by the projects may increase the stability and positive interactions between the members of the regional sub-complex.

3. South-East Europe: PEST analysis of energy security, threats and opportunities

PEST analysis is an analysis tool, useful for understanding market growth or decline, and thus its position, potential and direction. It has been used, for example, by the Indian government to assess the country's energy security. During a PEST analysis all relevant *political*, *economic*, *social* and *technological* forces will be introduced that are likely to greatly influence the development of the energy security dynamics. In addition, summarising the information above, we have decided to consider both threats and opportunities within all the four dimensions.

South-East Europe – PEST analysis

POLITICAL ENVIRONMENT		**ECONOMIC ENVIRONMENT**	
THREATS	**OPPORTUNITIES**	**THREATS**	**OPPORTUNITIES**
▪ Instability in the Balkans ▪ Russian-Turkish rivalry ▪ Greek-Turkish tensions ▪ Conflicting interests: USA and EU vs. Russia ▪ Organised crime and Corruption ▪ Lack of EU energy policy ▪ EU-Russia asymmetric interdependence ▪ New conflicts: Ukraine	▪ Increased cooperation among the states in the region ▪ Higher independence from Russia ▪ New role for transiting states ▪ Defusing tensions related to transiting Ukraine	▪ Fluidity of gas and oil prices ▪ Presence of monopolies: Gazprom ▪ Lack of funding to build new pipelines ▪ Financial crisis ▪ Incapacity of the consumer states to pay	▪ Economic prosperity for the states in the region ▪ Development of infrastructure ▪ Employment ▪ Diversification of energy supplies ▪ Gazprom's offer to cover most of the costs for the Russia-backed pipelines
SOCIAL ENVIRONMENT		**TECHNOLOGICAL ENVIRONMENT**	
THREATS	**OPPORTUNITIES**	**THREATS**	**OPPORTUNITIES**
▪ New gas crises ▪ Environmental	▪ Better standards of living	▪ Bosporus: narrow and	▪ Refineries in Romania

threats ▪ Lack of public support for the new projects	▪ Higher incomes ▪ Increased job security ▪ Less incentives for separatism	crowded ▪ Critical condition of the pipelines inherited from the USSR	▪ Storage facilities in Bulgaria ▪ New technologies ▪ Search for alternative energy resources

CONCLUSIONS

The energy regional security complex of South-East Europe displays high level of energy security interdependence among the actors within the complex, in the interaction framework of the so-called 'pipeline diplomacy'. At the same time, the great powers (Russia, EU and USA), as well as the regional powers (Turkey) penetrate the complexes and impact on their securitisation processes.

The pipeline projects have the potential to both serve as 'peace pipelines', as well as new sources of rivalry, division and conflict. Although the Balkans are currently more stable, concerns still persist regarding the stability of the region, especially regarding Bosnia-Herzegovina and Kosovo. The lack of a common EU energy policy and the amity and enmity pattern of cooperation influence the cooperation process and the pipeline projects to be developed. The local actors have gained significant independence from the great and regional powers as main transit states (Turkey, Bulgaria). However, the key word remains energy security interdependence, both among the actors within the complexes, as well as between them and the neighbouring subsystems and the great and regional powers.

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APPENDICES

Appendix 1: Existing and proposed oil and natural gas pipelines in Caucasus and SEE

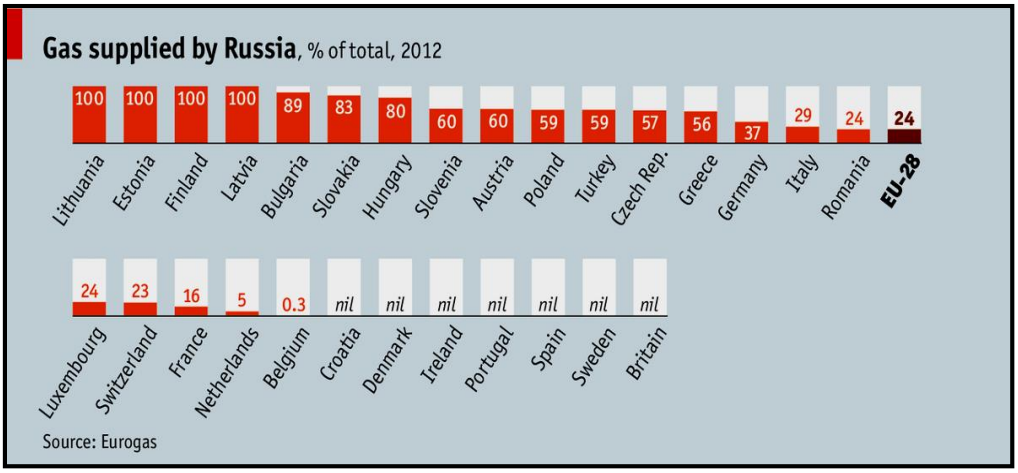
OIL PIPELINES			
EXISTING PIPELINES		**PIPELINES IN PROJECT**	
Name	**Participating countries**	**Name**	**Participating countries**
Baku-Tbilisi-Ceyhan (BTC)	Azerbaijan, Georgia, Turkey	**Burgas-Alexandroupolis**	Russia, Bulgaria, Greece
Caspian Pipeline Consortium (CPC)	Kazakhstan, Russia	**Burgas- Vlore (AMBO)**	Albania, Macedonia, Bulgaria
Baku-Supsa	Azerbaijan, Georgia, Turkey	**Constanta- Trieste (CPOT)**	Romania, Serbia, Croatia, Italy
Baku-Novorossiysk	Azerbaijan, Russia	**Samsun-Ceyhan**	Kazakhstan, Russia, Turkey
Atyrau-Samara	Kazakhstan, Russia	**Adria-Druzhba Integration**	Russia, Ukraine, Belarus, Poland, Hungary, Slovakia, Czech Republic, Germany, Croatia
Odessa-Brody	Russia, Ukraine	**Kiyikoy-Ibrikbaba**	Russia, Turkey

GAS PIPELINES			
EXISTING PIPELINES		**PIPELINES IN PROJECT**	
Name	**Participating countries**	**Name**	**Participating countries**
Baku-Tbilisi-Erzurum (BTC, South Caucasus Pipeline)	Azerbaijan, Georgia, Turkey	**Trans-Caspian**	Kazakhstan, Turkmenistan, Azerbaijan, Turkey
Yamal-Europe	Russia, Belarus, Poland	**Interconnector Turkey-Greece-Italy (ITGI)**	Turkey, Greece, Italy
Nord Stream	Russia, Germany	**Trans-Adriatic (TAP)**	Azerbaijan, Turkey, Greece, Albania, Italy
Blue Stream	Russia, Turkey	**Trans-Anatolian (TANAP)**	Azerbaijan, Turkey
		Nabucco	Turkey, Bulgaria, Romania, Hungary, Austria
		White Stream	Georgia, Crimea, Romania
		South Stream	Russia, Bulgaria, Serbia, Hungary, Slovenia, Italy
		Turkish Stream	Russia, Turkey, Greece

Appendix 2: Existing and proposed oil and natural gas pipelines (map)[1]

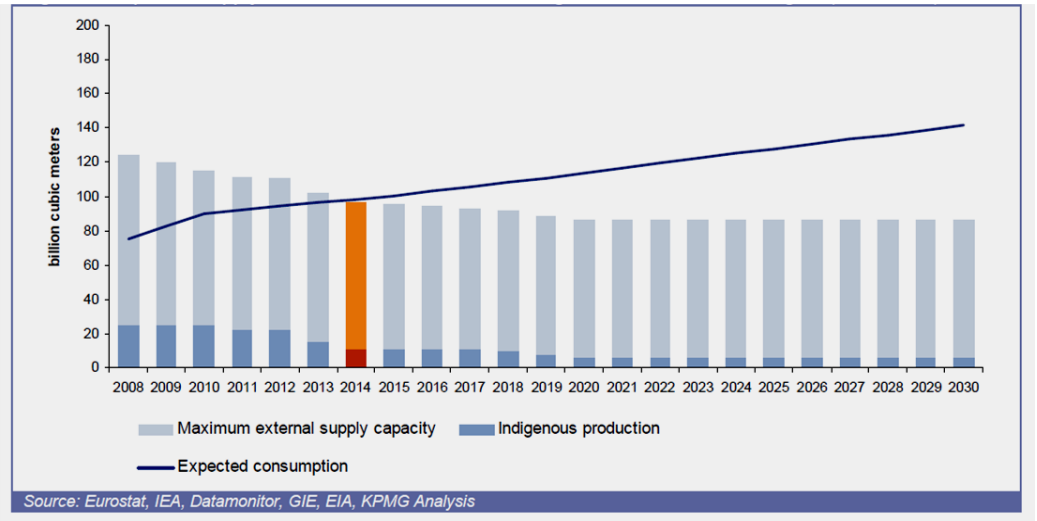
[1]Source: www.aworldincrisis.org

Appendix 3: Russian gas supply to Europe, 2012[2]



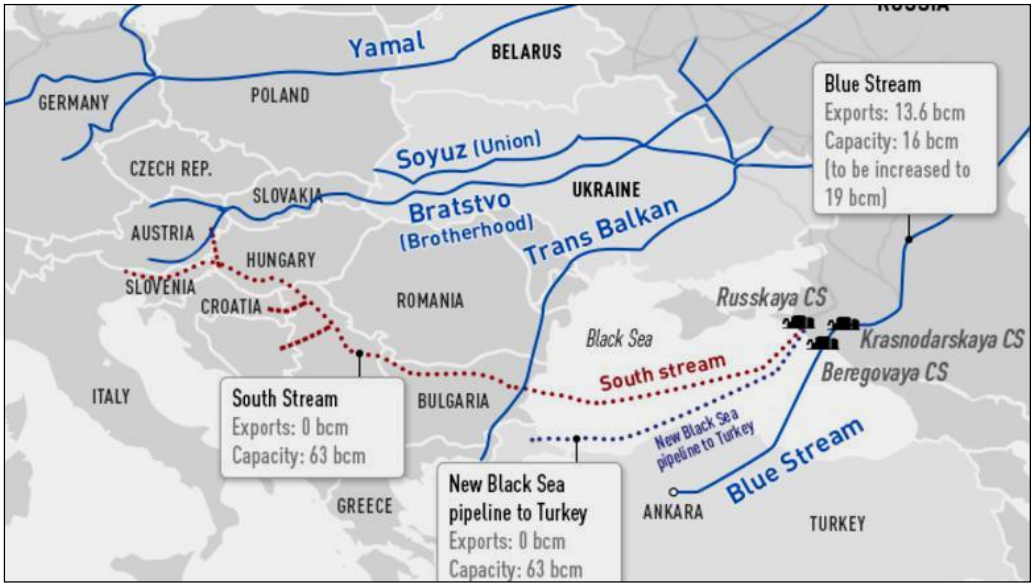
[2]Source: The Economist, *Conscious Uncoupling*, 2014

Appendix 4: Expected supply-demand balance in Europe, natural gas[3]



[3]Source: Lajtai et al. (2009). "Nabucco vs. South Stream: The Effects and Feasibility in the Central and Eastern European Region". *24th World Gas Conference Buenos Aires*, Argentina

Appendix 5: Turkish Stream, South Stream and Blue Stream pipeline projects[4]



[4]Source: http://www.thetoc.gr/eng/news/article/russia-turkey-announce-new-gas-route-with-hub-in-greece-borders