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Achieving Energy Security in the EU:

National Self-Interest vs. Multilateral Cooperation

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Abstract

Energy security has become an increasingly pressing issue in the EU since the turn of the century. In a context of increased import dependence and competition over natural gas, the approach to achieving energy security is explored here. With the aim of understanding the discrepancy between the EU approach and that of its member states, the strategies employed to achieve energy security are laid out. The neorealist notion of national self-interest and the neoliberal analogue of cooperation offer two competing perspectives on how to understand the problem. A case study design is used where the units of analysis are constituted by three distinct instances that illustrate the disconnect between the EU and member state level. These instances are the internal market for energy, diversification of supply, and bilateral supply agreements. Process tracing allows for studying the motivations of the actors involved. The results show that the national self-interest generally takes precedence over cooperation. This is in line with a neorealist reading of the issue and explains why it is difficult to achieve concerted action within the EU. The energy security case in this paper can be seen as an expression of the difficulties of finding a collective solution that fits widely different needs and preferences on a national level in the EU.

Contents

Abbreviations

bcma:	billion cubic meters per annum
BP:	British Petroleum plc
EBRD:	European Bank for Reconstruction and Development
EC:	European Commission
EIB:	European Investment Bank
EU:	European Union
IEA:	International Energy Agency
IFC:	International Finance Corporation/World Bank
ITGI:	Interconnector Turkey-Greece-Italy
LNG:	Liquefied Natural Gas
NICO:	National Iranian Oil Company
SDII:	Shah Deniz II
SGC:	Southern Gas Corridor
SOCAR:	State Oil Company of Azerbaijan Republic
TANAP:	Trans Anatolian Natural Gas Pipeline
TAP:	Trans-Adriatic Pipeline
TPAO:	Turkish Petroleum Corporation

1. Introduction

Energy security has become an increasingly discussed issue in the European Union since the turn of the century. Although energy cooperation was one of the the pillars of the very foundation of the EU, a common energy policy encompassing the security aspect has yet failed to materialize (Shaffer, 2008, p. 128). The issue has however made a comeback in the discussion on European integration, as well as of security in general. From languishing in the doldrums of security policy, the issue of energy security - more specifically security of supply - has gained prominence and today feature high up on the agenda in the EU (and elsewhere). The reason energy security has come to be seen as an increasingly critical issue is that the EU is becoming more import dependent due to declining production at home at the same time as it is experiencing a relative economic and demographical decline vis-á-vis Asia and other emerging regions, which translates to increased competition over energy resources (Truscott, 2009, p. 3, EU Institute for Security Studies, 2014, p. 61, Youngs, 2011, p. 41). And at the same time, the trajectory for the EU is towards even higher levels of import dependency: by 2030 EU energy dependency on non-European sources is projected to reach 70 per cent (Truscott, 2009, p. 9, EU Institute for Security Studies, 2014, p. 53). Although the import dependency of individual member countries may differ, the issue remains EU-wide.

1.1 Natural gas

Member states of the EU learned from the oil shocks of the 1970's and took measures to protect against supply disruptions through diversifying supply and installing storage capacity, as well as reducing the role of oil in their economies (EU Institute for Security Studies, 2013, p. 2). Today the issue is instead natural gas for which the EU's import dependency is 67% and on a path to reach 80% in the next two decades (EU Institute for Security Studies, 2014, p. 53). The gas market dynamics also makes it a more critical energy source since it is not as easily traded on the world market as oil is (natural gas is primarily imported through pipelines from the near abroad). Oil is liquid, both in its physical state and in the way it is traded on the market. That means that the oil market is global and transparent. Gas is generally[1] not, which means that the gas market is characterized by its physical supply infrastructure - pipelines. Whereas oil can be purchased from anywhere in the world, and the effects of political crises in supplier countries therefore can be mitigated by buying from other places, gas supplies is less easily replaced. That is why as the production of natural gas in the EU declines, in tandem with increased use, the dependency on the main suppliers bordering the EU increases.

1.2 (In)security of supply

The situation is exacerbated by the heavy dependence of one single supplier, namely Russia (the other main suppliers being Norway and Algeria). The dangers of being overly dependent on one supplier has been demonstrated twice during the last decade: first in 2006, and then again in 2009 when disputes with Ukraine (an important transit state for gas to the EU) led to Russia cutting off supply. The fear of supply disruptions is being revisited in 2014 as the Ukrainian crisis unfolds and the terms of the supply contract with Russia is being contested. While efforts to reduce this reliance and to mitigate the energy security threat to the EU have been made, it has been proven difficult to work out a strategy for achieving it (let alone implementing

[1] See chapter 2 for a definition of natural gas and liquefied natural gas (LNG) respectively.

it) (EU Institute for Security Studies, 2014, p. 62, Youngs, 2009, p. 41). The increased import dependency in general, and the unbalanced reliance on imported Russian gas in particular, has prompted the EU to devise a strategy to achieve energy security. This strategy has sought to offset the dependency on Russia by liberalizing the internal market for natural gas in the EU and diversifying imports through a pipeline infrastructure that is independent of Russian gas. These efforts are however complicated by the strategies several individual member states in the EU have chosen by way of bilateral supply agreements with Russia in order to achieve security of supply.

1.3 Previous research

Previous research relating to the subject of energy security can roughly be grouped into two foci. The term itself constitute one of them, and is a subfield where the perceived ambiguity of the concept is addressed and definitions discussed. The other subfield is concerned with assessing which theoretical framework might be best suited for analyzing energy security. Different brands of realism, liberalism and constructivism figure in this context. The gap that presents itself between the two directions described above is one where 1) the concept of energy security is operationalized, and 2) applied on the discrepancy between the strategies championed by the EU and the ones chosen by its member states. The case study in this paper thus synthesizes the conflict of interests between the EU level and that of its member states by focusing on a specific aspect of energy security: security of supply. Furthermore, the research referred to above have in common a theoretical approach. In that respect, this study contributes with a more empirical approach to the subject as accompaniment to the theoretical discussion.

Definitional clarity on the concept of energy security owes much to the work by Johansson (2013) where the relationship between the concepts of security and energy is elaborated on, a relationship Ciută (2010) also focuses on; Winzer (2012) where the more narrow term security of supply is explored; Chester (2010) where energy security as a concept is dissected and its different interpretations made explicit; Sovacool and Brown (2010) where energy security is conceptualized into several dimensions and then applied in a quantitative study of several OECD member states.

As regards the theoretical discourse there are several papers that have purposefully focused on which theoretical framework might be most apt when trying to understand energy security. Česnakas (2010) try out different versions of realism on the subject of energy in international relations; Hui (2011) delves into neorealism in a EU setting; and Sonnsjö (2014) brings in social constructivism alongside neorealism and neoliberalism. These papers are useful in that they contrast the different frameworks, and have thereby helped in guiding the theoretical direction in this thesis in which the theoretical contribution comes from positing two related theories against each other and applying them on a specific case.

1.4 The debate

The EU's stated approach to achieve energy security is through a liberal market orientation. Energy security will be accomplished by integrating the internal market for natural gas, together with diversification of imports. To this end coherence is championed on the EU level, in that the union strives to achieve a common

energy policy (EU Institute for Security Studies, 2014, p. 62). But since energy policy is the prerogative of the member states, the EU has found it difficult to unite on the issue as the member states adopt strategies for achieving energy security in accordance to their own national interests. These are determined by their respective energy mix (which differ significantly between EU members), level of import dependency, geographical location and foreign policy (e.g. relationship with Russia). The liberal rules-based governance approach by the EU is thus contrasted by the realist behavior by its member states. There has in other words been a resurgence of geopolitically guided national strategies for achieving energy security which challenges the liberal norms (Youngs, 2011, p. 49). Because when security of supply is challenged, energy security will increasingly become aligned with geopolitical interests (Truscott, 2009, p. 21). This hinders cooperation on energy security among EU members, which amounts to a difficulty of speaking with one voice for the EU.

1.5 Research problem

This paper sets out to understand from what this difficulty to speak with one voice stems from. In doing so the research problem that guides the inquiry throughout this study is formulated as follows: While the EU claims to be committed to a joint energy security agenda, the actions of its member states indicate otherwise. Why is there a discrepancy between the strategy to achieve energy security the EU is pushing for, and those of its member states?

1.6 Research questions

In order to find out, a few research questions have been operationalized from the research problem to help focus the inquiry. On the EU level, what has been done to achieve energy security? Which *strategy or strategies* has been chosen? And on the level of the member states, which *strategies* has the member states chosen? How do they seek to achieve energy security for themselves?

1.7 Delimitations

As for the scope of this paper, it is limited in several regards. First of all, the temporal boundaries are constituted by the fifteen or so years since the last turn of the century and concentrated on the last ten years. Although strategies for achieving energy security is highly path dependent, it is the policy choices made during this time that are of most interest when trying to understand the current situation. Secondly, energy security is, as mentioned, operationalized to security of supply. Furthermore, natural gas is the energy form in question. And more specifically, it is the strategies chosen involving the physical supply infrastructure (pipelines) which is the object of study, together with the efforts made by the EU to finalize the internal market for energy. Third, the main actors studied here are constituted by the EU through primarily the European Commission (EC) and the national governments of the EU member states respectively. That makes for the geographical delimitation as well. This study thus primarily limits itself to saying something about the tension between EU-level dictates and the national preferences of the member states, using energy security as a case.

2. Theoretical assumptions

In this section the theoretical assumptions underpinning this paper are presented. From the theoretical discussion a set of hypotheses then emanates that guide the inquiry. Energy security in the EU is a subject that involves the actions of states in an international relations setting. Theories that explain the behavior, or activities, of states in the international system are therefore suitable in the endeavor to gain insight into the issue.

2.1 The theoretical debate

Within the field of international relations the debate between the related, but competing, theories of neorealism and neoliberalism have long been the mainstay of scholarly dispute.[2] The two theories belong to the same paradigm in that the questions they ask, the role they ascribe to the state, and their understanding of how the international system is organized are agreed upon. But the answers they offer to those questions and what they make of the above conditions differ. And although sharing many underlying conditions about how the international system is structured they arrive at different conclusions. The most important core assumption they share is that the international system is characterized by a state of *anarchy*. How states act in order to deal with the effects of anarchy, however, is where the two theories part. While neorealists have a more pessimistic view of the prospects under anarchy and therefore sees a world in where states seek to achieve survival, neoliberals are of a more optimistic inclination and instead see cooperation as a fruitful avenue to counteract this anarchic environment (Baylis & Smith, 2013, p. 215). And whereas the former sees conflict as inevitable, the latter sees the opportunity for cooperation if states have mutual interests (ibid). Another significant dividing line is that of gains. Whereas neorealists are concerned with relative gains (zero-sum), neoliberals are occupied with absolute gains (win-win) (Baylis & Smith, 2013, p. 210). From a neorealist standpoint relative gains is coupled with power while the neoliberal parallel of absolute gains is one of mutual benefit. This premise gives us a setting in international relations where neorealist assumptions are more conducive to discord while the neoliberal assumptions instead are disposed towards cooperation.

Although neorealism traditionally has been more occupied with security issues within international relations and neoliberalism with issues related to political economy (Baylis & Smith, 2013, p. 205), the approach in this paper suggests, albeit implicitly, that both theories are equally fit to take on the issue of energy security. This is because the two realms of security and political economy are intrinsically tied together, which makes the pairing of them natural in a context like his one where politics and economic considerations are completely enmeshed. So why pit the theories against each other then? Well, because the two versions of international relations offer competing hypotheses of cooperation, they offer a useful dichotomy which (hopefully) will advance the understanding of under which circumstances cooperation is achieved or not within the EU.

The objective here is not to account for the theories in their entirety. Time and space constraints alone rules out such an endeavor. More importantly, however, a full exposé of the different schools of thought would not aid in formulating distinct hypotheses suited for application. Rather, the focus will be on those tenets of the two opposing views described that have most bearing when studying the phenomenon at hand. This is moti-

[2] Neorealism also goes by the term *structural realism* while neoliberalism is sometimes termed *neoliberal institutionalism* or *institutional theory*. In this paper *neorealism* and *neoliberalism* respectively are used throughout to denote these two theories.

vated by the fact that the two theories are broad in their outlook. They need a case to be applied on, which is what this paper presents. By applying the theoretical assumptions on a case, this paper also provides an opportunity to lend credence to the theories under scrutiny.

2.2 Neorealism

The version of neorealism drawn from in this paper leans heavily on the structural realism set forth by Kenneth N. Waltz in his seminal work *Theory of International Politics* (1979). His take on neorealism, (indeed, he formulated it) has since been subject to several revisions and additions within the field by other scholars, most notably by John J. Mearsheimer who in his version proposes a more aggressive brand of neorealism (see Mearsheimer, 1995). Mearsheimer's ”offensive” realism argues that the primary concern of states is power maximization as a means for survival which is contrasted by Waltz's ”defensive” neorealism where the main concern is security.[3] The common denominator for the two strands of neorealism is the assertion that under anarchy, self-help is the guiding principle (Lamy, 2011, p. 75). Although different brands of neorealism have emerged, and their potential utility notwithstanding, the type used in this paper is true to the one stipulated by Waltz. This is primarily motivated by that the less militaristic nature of neorealism construed is deemed better suited for the purpose of studying cooperation and discord in the EU.

The systems theory that is neorealism posits that the expected behavior of states can be inferred by understanding the forces that shape the organization of the international system (Waltz, 1979, p. 72). The ordering principle is that the international system is one of self-help (Waltz, 1979, p. 104) where cooperation is limited by competition between states. Cooperation is also limited by the apprehension to become too dependent on others. That is because states experience vulnerability because they are dependent on others, and will therefore strive to lessen this dependency (Waltz, 1979, p. 106). Furthermore, because states have to relate to a condition of anarchy they have to depend on themselves, through self-help, to achieve security and ultimately survival (Waltz, 1979, p. 111). In an anarchic order states will act according to their self-interest (Waltz, 1979, p. 112) and relative gains become more important than absolute gains, because in a self-help system someone's win is always another one's loss (Waltz, 1979, p. 195).

2.2.1 Neorealism applied on energy security

Applied on the subject of energy security, a neorealist interpretation would be that states will seek to secure energy security through self-help. The national self-interest would guide decisions regarding energy policies. As for securing energy imports, bilateral supply deals would trump multilateral agreements. Guaranteeing sufficient imports would be paramount, and as energy supply is subject to competition, securing supply deals thus crucial lest another state gains priority. Acquiescing to an international regime like the EU where a state would be subjugated to rules, quotas and other hindrances to energy supplies would therefore seem less appetizing. From a neorealist standpoint ”go it alone” strategies are thus employed, thereby circumventing the arduous nature of concerted action within the EU. The neorealist notion that nationalistic sentiments of importing states reigns supreme is coupled with the view that markets alone will not solve the issue of security of supply (Luft & Korin, 2009, p. 342). This presents a formidable obstacle to cooperation.

[3] The term ”defensive” is really a retronym, which together with ”offensive” are used to distinguish between the two versions of neorealism. Waltz's version of neorealism is the one referred to if not indicated otherwise.

Because energy is seen as strategically vital, supply becomes a question of national security. And as energy security is understood as a part of the security and foreign policies of states, multilateral cooperation becomes less feasible (Shaffer, 2009, p. 91). This explains the prevalence of national energy companies in many EU member states, if energy is seen as a national security prerogative (Shaffer, 2009, p. 128). States that are in the predicament of being highly dependent on their suppliers do what they can to secure the future supply of what they are dependent on (Waltz, 1979, p. 153). Energy security will then be achieved through bilateral deals, such as pipeline agreements for supply of natural gas (Marín-Quemada et al, 2012, p. 78). Competition between states over supply follows as the national self-interest takes precedence. As a consequence of competition over preferential supply agreements, the preeminence of security of energy security in international politics leads to a situation where (increased) tensions between states in other issue areas could arise, making cooperating at large more difficult to achieve. The spill-over effect of competition over supply stemming from the need to achieve energy security could therefore be that agreements in other issue areas would be prevented from materializing (Marín-Quemada et al, 2012, p. 88).

From a neorealist perspective on energy security, the picture that emerges is one where the national self-interest reign supreme, and self-help is conducted by way of bilateral supply deals. And the zero-sum logic that prevails furthermore prevents multilateral cooperation.

The hypothesis that emanates from the neorealist understanding of energy security thus read as follows:
States will act according to their national self-interest to achieve energy security.

2.3 Neoliberalism

As a response to neorealism, neoliberalism emerged primarily through the formulations in *After Hegemony* (1984) by Robert O. Keohane, who became the leading proponent of this school of thought. It is his conceptualization of neoliberalism that is used in this study. The neoliberal view, like in neorealism, also assumes anarchy. But unlike the neorealist conclusion drawn from that assumption, the neoliberal one is that rational self-interest is conducive to cooperation and not to discord. The contention is that cooperation will occur where there is common interest and that all will benefit from cooperation and multilateralism. Absolute gains (win-win) are thus achieved by concerted action. The nature of this cooperation is mutually beneficial and therefore motivated by self-interest (Keohane, 1984, p. xi), albeit with a different understanding of self-interest than that of neorealism. International regimes come about to promote cooperation and serve the purpose of achieving self-interest by reducing uncertainty among the participants. This reduction of uncertainty comes from lowering the transaction costs for states cooperation as well as mitigating problems of asymmetrical information (ibid).

This understanding of rational self-interest also informs the neoliberal view of gains, another important bone of contention in the debate, which is one of absolute gains. In contrast to the neorealist (zero-sum) view of relative gains, where one state's win is another state's loss, the win-win perspective of neoliberalism illustrate its inherent optimism towards cooperation. The neoliberal take on rational state behavior thereby implies that cooperation, even though it on the face of it can seem to be inconsistent with the self-interest of the

individual state, is in the interest of the state. Since international regimes alter how states view self-interest, rational behavior tilts towards multilateralism as a means to achieve it (Keohane, 1984, p. 99f). Translated to member state behavior in the EU: what is good for the EU is good for for the individual member state. However, that is not to say that cooperation necessarily will be frictionless.

2.3.1 Neoliberalism applied on energy security

The EU was founded on the principle of interdependence related to energy. Today the creation of an internal market for energy in the EU would be seen as a signifier of a neoliberal approach to energy security. The neoliberal understanding of cooperation, in theory, translates into a competitive internal market for energy. Interdependence by way of a liberalized energy market in the EU is the means for achieving energy security. And the final goal of a single European energy market would serve that purpose (Truscott, 2009, p. 54f). A competitive internal energy market would also address the energy security issue by making efficiency gains, thereby making security of supply less critical (Eikeland in Birchfield & Duffield (eds.), 2011, p. 13).

In the case of energy security in the EU the assumption is that member states will act together, multilaterally, to achieve their national aims of security of supply. That is because energy security is a mutual interest in the EU and cooperation between member states are thus deemed desirable. A firm belief in the market and that interdependence is the key to achieve energy security prevails (Luft & Korin, 2009, p. 340). Markets, being transparent, also work to reduce tensions. A not sufficiently enough interconnected market within the EU makes member states more exposed to energy supply risks (Luft & Korin, 2009, p. 164). This makes cooperation rational (Luft & Korin, 2009, p. 341). This is demonstrated by integration where market rules dictate the actions of the member states, as well as by adherence to mutual rules. The incentive provided by the market, coupled with a sense of community within the EU, leads to cohesion (a common ground) rather than nationalistic manifestations of security (Marín-Quemada et al, 2012, p. 77). A liberalized market would solve the energy security issue for the EU through a self-regulating supply/demand mechanism. If not sufficiently liberalized however, security of supply would be at risk. Barring a functioning internal energy market within the EU, diversification of supply would be the alternative to reduce import dependency. With respect to natural gas, that would achieved trough market based and privately funded initiatives to build additional pipelines to supply the EU (Eikeland in Birchfield & Duffield (eds.), 2011, p. 13).

From a neoliberal perspective on energy security, cooperation is the default setting. Market based solutions subject to competition ensures security of supply. Interdependence is embraced as a guarantor for cooperation. And a logic of absolute gains furthermore provides the incentive for multilateral cooperation.

The hypothesis that emanates from the neoliberal understanding of energy security thus read as follows:
States will seek cooperation in order to achieve energy security.

2.4 Definitions

This chapter concludes with the definition of key concepts used in this paper. Grand concepts like the ones below often suffer from being ambiguous. Defining them with enough precision as to avoid confusion is thus crucial in order to adequately help fulfill the purpose of this paper.

2.4.1 Security of supply

Security of supply is one of several dimensions of energy security, and the one focused on in this paper. There are, in turn, different aspects of the term which has made it subject to criticism because of its lack of clarity (see for instance Winzer, 2012). The International Energy Agency (IEA) defines energy security as "the uninterrupted availability of energy sources at an affordable price" (IEA, 2014a). This definition relates specifically to supply and is the one used in this paper to denote security of supply of natural gas.

2.4.2 Natural gas

Natural gas is available for delivery in gas form (through pipelines) or in liquefied form (the term used for the latter is LNG, short for Liquefied Natural Gas), delivered by tankers. LNG has been labelled a game changer because it is virtually unimpeded by physical supply infrastructure. It does however only account for a small portion of the market for natural gas, especially in Europe. In this paper, the focus is on natural gas in its original state and which mode of transportation is through pipelines.

2.4.3 Import dependency

Import dependency is the extent (share of consumption) to which a nation is dependent on (energy) imports to cover its consumption needs. The implication of the term is however somewhat subjective as a consuming nation can import the majority of its energy (from a single supplier or from multiple suppliers) without identifying this relationship as a problem. As long as security of supply is not threatened (see above), import dependency need not be a cause for concern.

3. Method

The research in this paper is based on several methodological considerations which are laid out in this chapter. Outlined below is the research design which contains a discussion of the method used and technique applied for data collection, as well as the material used. The methodological choices has been made to best fit the purpose of addressing the research problem and answering the adjoining research questions posited in this thesis. In answering these questions the two hypotheses raised in the previous chapter will be put to the test and judged according to how well they explain the research problem guiding this paper.

3.1 Case study

This paper constitutes a case study, where the case serves as an example to illustrate a phenomenon (Gerring, 2004, p. 341). The case at hand here is energy security in the EU, and the phenomenon at large it aims to elucidate features of is one of mutual interests through cooperation versus the primacy of the national self-interest. The purpose is to shed some light on the mechanisms that determines whether unity or disunity prevails, and the strategies employed by the EU and its member states respectively to deal with the issue of energy security serves to highlight this. Although energy policy of today is highly path dependent, and without delimiting the temporal boundaries explicitly, focus is on the developments during the last decade or so (Gerring, 2004, p. 342). This is motivated by the fact that the subject has become increasingly pressing during this timeframe during which time the gas crises of 2006 and 2009 (and again in 2014) unfolded and therefore serve as illustration.

This paper employs the case study design to illustrate the discrepancy between the stated aim of concerted action by the EU on the one hand, and national interests pursued by individual member states on the other. The case in question is the policies adopted and/or promoted by the EU and its member states respectively to achieve energy security, which is operationalized as security of supply. Furthermore, this case study is primarily descriptive as it provides an account of the strategies employed to tackle the energy security issue. It is also explanatory in that it seeks to answer the question why EU member states cooperate or fail to do so in terms of energy security. To get to the point of explaining, however, the answers to the *why* questions are preceded by a description of the phenomenon studied. When choosing a case study approach there is always the question of representativeness. Since the aim is to be able to infer something general from what is studied, the question then becomes: is the chosen case representative of the phenomenon that is intended to be explained? The implicit argument in this paper is that the strategies applied to achieve energy security in the EU is a well suited proxy for the dichotomy between unity and discord between the member states in general. While that position is open for challenge, it is the basic premise in terms of methodological justification here. The motivation for choosing a case study approach is that the aim of this paper partly is to be able to say something about the state of cooperation within the EU in general. The case study approach, in other words, allows for a descriptive and explanatory analysis which is considered fertile ground for achieving the objective of this study.

3.2 Units of analysis

To evaluate how the hypotheses in this paper hold up, a few instances (units of analysis) that highlight or illustrate the problematic have been selected. Three main instances (strategies) to achieve energy security

have been chosen that illustrate how the EU and its member states seek to achieve energy security. First of all, the internal energy market in the EU has been chosen to give an example of liberalization efforts. This represents the ultimate tool to achieve energy security in the EU and directly determines the structure for security of supply. The liberalization process of the European energy market is described using primarily EU sources. The diversification efforts by the EU, as regards supply, is highlighted as a another means to achieve energy security. The sample of cases used are also comprised of the strategies employed by member states to achieve energy security. More specifically, the cases are the natural gas pipeline strategies EU member states have chosen. The rationale of these pipelines (proposed or actual) are laid out. These cases are in turn built upon observations of the decisions made by the member states (Gerring, 2004, p. 342). What constitutes these units of observation is discussed below.

3.3 Technique

In order to answer the research questions posited in this paper, the technique of process tracing has been chosen. This approach focuses on the decision process, in this case the strategies or policies chosen by the member states and the EU in respect to security of supply and the outcome of those decisions (King et al, 1994, p. 226). This technique is deemed the most fruitful one when determining the motivations behind the decisions (observations) studied (King et al, 1994, p. 227). Evidence supporting the hypotheses put forth are then sought in the decision making process (the material used to serve as evidence is discussed below, e.g. written records). Whether states choose a strategy of cooperation motivated by mutual interests (win-win) or choose a ”go it alone” strategy motivated by their national self-interest, the decision process provides the opportunity to study the motivations of the actors involved. The expressed motivations of actors thus paints a picture of the mechanisms at work (ibid). Process tracing also guides the selection of material in that the documents that cover the decision process become those of primary concern. A description of the outcomes of the decision process lends itself to testing the hypotheses, as the observations made through process tracing help support or refute them (King et al, 1994, p. 228).

3.4 Material

The material chosen to describe the motivation behind the decision is determined by the units of observation. As for the strategies pertaining to security of supply for the EU, official EU documents are used. As for the strategies adopted by the individual member states, the material consists of a variety of newspaper articles and press releases (both governmental and company) where statements are made explicit. The rationale behind this data selections that it is deemed useful to consult documents of this kind in order to gain an understanding of the mechanisms at play. The official documents convey the motivations behind the decisions of the actors involved, which will be laid bare in the analysis section in this paper. The objection could be made here that the official documents and other sources as well merely serve as cosmetic communication, not unearthing the real reasons behind the decisions taken. While it is recognized that the data used does not give a complete account of all the mechanisms involved, process tracing is deemed purposeful for this paper as it provides an insight into the motives behind decisions nonetheless.

4. Material

In this section the empirical observations of this study are presented. They are presented as a chronological account of events within each episode described. In order to put the hypotheses to the test, the definition of what constitutes support of them needs to be laid out beforehand. How is support for the hypotheses to be measured then? To begin with the object of study here, the phenomenon, is the dichotomy between the national self-interest on the one hand and cooperation for the greater good in the EU on the other. As energy security, looked at from a security of supply point of view, serves to illustrate this dividing line, the empirical focus will be on the strategies employed by the EU as well as those by the individual member states to achieve security of supply. More specifically, how supply of natural gas has been, or attempted to be, secured is the focal point. What will amount of this approach is a description of instances where security of supply has been sought by the EU and by the member states respectively. There are cases where the EU, collectively through the European Commission, has tried to ”speak with one voice” as regards energy security by championing a pipeline. The multilateral attempts on security of supply from the EU side also include market liberalization as a means to incentivize security of supply by way of market efficiency. There are also several cases where individual member states has secured natural gas supplies through pipelines under bilateral agreements with producing states outside the EU. These instances, or episodes, are spelled out in this chapter. First, the EU’s efforts to construct an internal market for energy is described. The approach to achieve this and various opinions are laid out. Second, the EU’s efforts to diversify supply are described. Third, the bilateral agreements of individual member states to achieve security of supply are spelled out. Finally, after the empirical material has been presented, a brief discussion on reliability and validity concludes this chapter.

4.1 Internal market for energy

The creation of an internal market for energy is seen by the EU as the foundation for achieving security of supply and thereby energy security. To this end, a regulatory framework to realize an internal market has been promoted. The Third Energy Package is the legislative effort[4] to create an internal market for energy within the EU. The package was proposed by the European Commission in 2007 and was adopted in July 2009 after which it went into force in September 2009. Member States were then allowed 18 months for implementation (until March 2011, at which point a 2014 deadline for completing the internal market was decided). The stated aim is to create an integrated and competitive energy market for electricity and gas. The core elements of the package includes a series of efforts to liberalize the energy market in the EU and make it more competitive and interdependent, thereby increasing energy security (European Parliament, April 2014, p. 1f).

4.1.1 Rationale

Since the supply disruptions of gas in 2006, and then again in 2009, a sense of urgency has emerged for the EU in terms of energy security.[5] Acknowledging the rising import dependency, the concentration of supplies in a few countries, increased global demand for energy, and increasing energy prices, the need for a internal

[4] The legislation includes two directives and three regulations targeting the electricity and gas markets in the EU.

[5] In the winter of 2006 and 2009 respectively, disputes between Ukraine and Russia resulted in disruptions in gas deliveries to several EU member states.

energy market to counter these threats was recognized by the European Commission (Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy, 2006). This internal market was envisioned to be competitive, interconnected (by its very nature) and market driven in its constitution (EC, 2006, p. 3). The supply disruptions thus prompted the EU to push for a common European strategy for energy which balanced the goals of sustainability, competitiveness and security of supply (EC, 2006, p. 18). As for security of supply specifically, the strategy stipulated that the completion of the internal energy market was of paramount importance (EC, 2006, p.18f).

4.1.2 Strategy

Meeting the above challenges required an common response (EC, 2006, p. 4). Solidarity between the member states was called upon in order to achieve a well-functioning (liberalized and competitive) internal energy market characterized by transparency and predictability (EC, 2006, p. 8). While recognizing that each member state makes its own choices based on their respective circumstances, interdependence and a common European fate were referred to (EC, 2006, p. 17). Chief among the proposals put forth relate to the completion of the internal market, where interdependence and competitiveness are highlighted, and to security of supply by way of solidarity between member states in terms of physical infrastructure and transparency (EC, 2006, p. 18).

4.1.3 Implementation

The liberalization and integration of the internal market for energy in the EU is thus seen as of predominate importance. To that end, harmonization and interconnectedness is sought. In early 2011 the EU set the goal of completing the integration of all member states into the internal market by 2014 (European Parliament, 2014, p. 1). Implementation of the Third Energy Package has been patchy however, as several member states have not fully embraced the liberalization efforts needed to overcome the hurdles towards reaching an internal market characterized by interconnectedness and competition (EP, 2014, p. 2).

In a 2012 assessment of the progress of implementing the internal energy market, the EC expressed the urgency to complete the project (”Making the internal energy market work”, 2012). The EC points out that the 2014 deadline for completing the internal market is at risk as the member states has been loth to adjust their national legislations and cautions that nationalistic energy policies risk hindering the internal market and even threaten the progress made so far (EC, 2012, p. 2f). The EC further recognizes that the benefits of an internal market have not yet been picked up by national governments and companies alike (EC, 2012, p. 3). Market considerations has, in other words, not yet triumphed in full (ibid).

4.1.4 Frustration

While progress in implementing the internal market is also highlighted, challenges thus remain. Enforcement constitutes one of those challenges. Several member states have been subject to penalty procedures for failing to adequately implement the directives (EC, 2012, p. 7f). Another challenge is the gap between member states in terms of how developed their national markets are. Here, the EC has committed to help bridge that gap by providing assistance (EC, 2012, p. 9). As for interdependence, there has been progress through liberalization. But while the market participants are more interdependent than before, the EC cautions that public

intervention impeding private investments must be avoided lest the internal market becomes undermined (EC, 2012, p. 12). The EC concludes in the assessment that market liberalization is key and that it negates the need for member states to meddle (EC, 2012, p. 18). In 2014, while several steps towards achieving energy security have been taken, the implementation of the internal energy market remains incomplete. In a 2014 Communication from the European Commission (European Energy Security Strategy, 2014) the EC highlights the progress made towards completing the internal market while at the same time notes the continued lack of an adequately collective approach to energy security. Priorities at the national level still trump interdependence of the member states, the EC cautions. In pleading for concerted action, the EC recognizes that much remains to be achieved in order to complete the internal market (EC, 2014, p. 3f). While calling for member states to implement the internal energy market legislation, the EC continues to carry out infringement procedures against non compliant member states (EC, 2014, p. 11). A sufficient level of coordination on energy security in general among member states is felt lacking by the EC, who calls for increased solidarity and interconnectedness (EC, 2014, p. 20).

The European Commissioner for Energy, Günther H. Oettinger[6], has repeatedly expressed the EC's concern of the lack of a functioning internal market in the face of potential supply disruptions. As interdependence and market mechanisms are the tools for achieving energy security, depriving would-be aggressors the option of using energy as a political weapon, an integrated energy market is key. However, as several member states have failed to liberalize their respective markets to a sufficient extent, the finalization of the internal market remains elusive. (EC, 18 June 2014, p. 1). Regulated prices by some member states instead negate the calls for solidarity by the EC. Nationalist considerations in tandem with state intervention in the market, at the same time as coordination on the EU level is lacking, hence do not bode well. The EC maintains that energy security can only be achieved by overcoming these hurdles and unconditionally embracing the internal market and everything that entails in full (EC, 18 June 2014, p. 2).

4.2 Diversification

The over-dependence on Russian gas supplies has prompted the EU to seek to diversify its energy supply. The need for diversification became acutely apparent during the first gas crisis in 2006, and was further exacerbated during the 2009 repeat of that crisis, and it was in this context that diversifying natural gas supply became a priority (van Aartsen, 2009, p. 2). The primary EU initiative to achieve energy security through diversification has been the Southern Gas Corridor (SGC), proposed by the European Commission in 2008 (EC, COM(2008) 781). The SGC was loosely defined at the outset as consisting of several possible physical pipelines (Nabucco, ITGI, TAP and WhiteStream) that were deemed to hold the potential to supply natural gas from the Caspian region to the EU (van Aartsen, 2009, p. 2f), thereby alleviating the total dependence on Russian gas several member states experienced (EC, 2008, p. 4). The supply source in question is known as the Shah Deniz Phase II (SDII) gas field in Azerbaijan, owned and operated by an international joint venture[7] led by British oil and gas behemoth BP plc (van Aartsen, 2009, p. 7). As the chief priority in achieving energy security in the EU (EC, 2008, p. 4) the SGC was enthusiastically labeled the "New Silk Road" by the EC

[6] Commissioner for Energy between 2010-2014.

[7] The joint venture consists of BP (UK), Statoil (Norway) SOCAR (Azerbaijan), Lukoil (Russia), Total (France), NICO (Iran) and TPAO (Turkey).

when the project was launched in earnest in May 2009 (EC, Speech, 8 May 2009). The SGC was also meant to lay the foundation for additional supplies in the longer term, potentially connecting to countries such as Iran and Uzbekistan if and when the political conditions would permit (EC, 2008, p. 4).

4.2.1 Nabucco

Within the SGC there has been several proposed, and competing, pipeline projects. Of those, the Nabucco pipeline (see Map 1 below) became the frontrunner being backed by both the EU and the US to supply the EU with gas. Initiated in 2002, the Nabucco Intergovernmental Agreement was subsequently signed in July 2009 in Turkey's capital Ankara, where the terms and conditions where spelled out as to how to export natural gas from the Caspian Sea (and potentially the Middle East) to the EU through Turkey. The Nabucco pipeline was envisioned to supply around 5-10% of Europe´s gas demand, however for some member states in complete dependence on Russian imports the alternative supply option would provide substantially improved energy security (EC, Speech, 10 July 2009). The agreement was praised by the EC as one of solidarity and interdependence between the member states. The pipeline would connect southeastern Turkey (which in turn was connected to the Caspian Sea) with the gas hub of Baumgarten in Austria, passing through Bulgaria, Romania and Hungary on its way (ibid). The Nabucco consortium consisted by the time of six shareholders.[8] In September 2010, the appraisal of the Nabucco pipeline was initiated by the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation/World Bank (IFC) (European Commission, 6 September 2010). In January 2011, a deal between the EU and Azerbaijan was struck to supply gas to the EU without specifying which pipeline would carry the gas in the Southern Gas Corridor (EC, 13 January 2011). Thereby a specified source of supply was established, leaving the infrastructural means to deliver the gas to be decided at a later stage.

Map 1. The Nabucco, TAP, and TANAP pipelines.

Source: PhantomReport, 2013.

[8] OMV (Austria), MOL (Hungary), TG (Romania), BG Group (Bulgaria), BOTAS (Turkey), RWE (Germany) with equal shares (16.67%).

4.2.2 Competition

In 2011 Azerbaijan initiated the Trans Anatolian Natural Gas Pipeline (TANAP) together with Turkey, which would have seen gas being carried across Turkey to the EU border. TANAP (see Map 1) thus rendered the Turkish part of the Nabucco pipeline superfluous. This made Nabucco substantially shorter, and entirely within the EU borders. The pipeline projected was modified and rebranded Nabucco West, indicating its new reach. In June 2013, the Shah Deniz consortium chose the Trans-Adriatic Pipeline (TAP) which will bring gas from the Turkish border through Greece and Albania to Italy, over Nabucco. The TAP consortium consists of BP (20%), SOCAR (20%), Statoil (20%), Fluxys (19%), Enágas (16%) and Axpo (5%) (TAP AG, 2014).[9] TAP will be connected to TANAP which is the link to the Caspian Sea. Thus the pipeline decision for the Southern Gas Corridor was made (EC, 28 June 2013). This decision by the Shah Deniz consortium was hailed by the EC, declaring it a success and a milestone in achieving energy security by way of diversification by establishing the SGC (ibid). The TAP will supply the European market with initially 10 bcma (billion cubic meters per annum) by 2019, when the gas starts to flow (TAP AG, 2014).

4.3 Bilateralism

In order to achieve energy security, several member states have also sought to gain security of supply through bilateral supply agreements directly with Russia (through Gazprom[10]), thus circumventing a collective EU approach. The most notable examples of bilateral pipeline agreements to secure supply within the EU are Nord Stream (in operation) and South Stream (planned). Nord Stream (see Map 2, below), an offshore pipeline connecting Russia directly with Germany, has been in operation since 2011. South Stream (see Map 2), is another pipeline project, though still in the planning stage a potentially larger initiative, causing a rift in the concerted EU strategy to achieve energy security. South Stream was launched in 2007 as a competing pipeline to Nabucco and other potential alternatives in the Southern Gas Corridor strategy and will bring Russian gas to the EU via the Black Sea from late 2015, according to plans (South Stream, 2014). Crucially, both pipelines bypass Ukraine thereby offering security of demand for Gazprom, as well as security of uninterrupted supply for the importing Member States in light of the supply disruptions during the dispute between Russia and Ukraine in 2006 and 2009 (European Parliament, 16 December 2013). The share of Russian gas that pass through Ukraine to Europe is roughly 50% (2013 data), and has diminished since the Nord Stream pipeline became operational (IEA, 2014b). Relations with Russia illustrate how some member states have sought to achieve energy security. Bilateral deals, as illustrated below, show that member states have competing interests within the EU when it comes to energy security.

[9] BP (Great Britain), SOCAR (Azerbaijan), Statoil (Norway), Fluxys (Belgium), Enágas (Spain, joined in 2014, bought their stake from E.ON (Germany) and Total (France)), and Axpo (Switzerland).

[10] Gazprom is controlled by the Russian Government (50.23% as of 2013), and is the largest natural gas producer in the world.

Map 2. The Nord Stream and South Stream pipelines.

Source: The Economist, 2014.

4.3.1 EU gas imports in figures

Russia is the largest natural gas exporter to the EU, accounting for 39% of EU imports of natural gas in 2013 (*see Annex 1, Table 1*) followed by Norway and Algeria (EC, 28 May 2014, Eurogas Statistical report 2013). Russia's share of EU imports of natural gas declined between 2002 and 2010 but has since increased (*Table 1*). Germany is by far the largest importer of Russian gas in absolute terms (*see Table 2*) followed by Italy (Eurogas, 2013). Dependence on Russian imports, however, tilts heavily towards eastern Europe: the Baltic states and Finland rely on Russia for 100% of their gas needs (*see Table 3*). Bulgaria gets 89% of its gas from Russia, Slovakia 83% and Hungary 80%. Slovenia and Austria both relied on Russia for 60% of their gas, and Poland 59%. Czech Republic and Greece got 57% and 56% respectively of their needs from Russia. Germany, the largest EU importer of Russian gas by volume, relied on Russia for 37% of their natural gas and Italy 27%. The figure for EU-28 altogether is 24% (Eurostat, 2014). All figures refer to 2012. Thus the largest importers in terms of volume are not the same member states that are most import dependent.

4.3.2 Nord Stream

The Nord Stream pipeline project was initiated in the late 1990's and became formalized in 2005 when the initiative was incorporated into Nord Stream AG (Nord Stream AG, 2013a). The project was officially agreed upon on a state level in September 2005 when Germany's then chancellor Schröder[11] and Russia's president Putin oversaw the signing of the agreement (European Parliament, 2007). The pipeline is operated by a consortium led by the Russian state gas company Gazprom (51%) together with the German gas and oil company Wintershall (a subsidiary of German chemical company BASF) and German utility E.ON Ruhrgas (24.5% each) to deliver gas to (primarily) Germany through the Baltic Sea. The pipeline has a capacity of 55 bcma when fully ramped up, which can be contrasted to the consumption in the EU (462 bcm in 2012, of

[11] Gerhard Schröder became chairman of Nord Stream AG in 2006 shortly after stepping down as chancellor of Germany.

which 305 bcm (66%) was imported) (Eurogas, 18 March 2014, Eurogas 2013 Annual Report). Initially a project with only Russian and German interests, the ownership structure of the project company Nord Stream AG was subsequently diversified in 2007 when French utility GDF Suez acquired a 9% stake and in 2009 when Dutch natural gas transportation company Gasunie did the same (the stake sale did not affect Gazprom's share, still with a majority stake) (Nord Stream AG, 2013b). The project was initially, if tepidly, backed by the EU (European Parliament, 22 September 2006) but was primarily supported by the member states involved (Germany, France and the Netherlands) (Nord Stream AG, 2011a). The pipeline was inaugurated in November 2011 in the presence of all heads of state of those involved in the project, along with EU's Energy Commissioner (Nord Stream AG, 2011b). The rationale behind the pipeline was to bypass Ukraine and directly supply Germany, and the EU, with natural gas. This provided a steady source of demand for Russia and a steady source of supply for Germany. Angela Merkel, who succeeded Schröder as German chancellor in 2005, continued to call on the EU for support for Nord Stream citing energy security in light of the supply disruptions in 2006 and 2009 as reason for the diversification of supply routes (the Nabucco and South Stream initiatives where also included in this call for diversification) (Der Spiegel, 2009).

4.3.3 South Stream

South Stream is a planned pipeline that would bring Russian gas via the Black Sea to Bulgaria and through Serbia, Hungary, Slovenia, ending in northern Italy. In June 2014, an extension of the pipeline to Austria was signed (OMV Group AG, 2014) and an extension to southern Italy through Greece is also planned. The project was initiated in late 2006 when Gazprom and Italian energy company Eni signed a supply agreement for Russian gas. A joint venture for the offshore section of the pipeline was set up between Gazprom and Eni on a 50/50 basis in 2008. Intergovernmental agreements were then signed between Russia and Austria, Bulgaria, Croatia, Greece, Hungary, Serbia, Slovenia between 2008 and 2010 (South Stream, 2014). In 2011 French utility EDF (majority state owned) and German gas and oil company Wintershall acquired a 15% stake each from Eni, diversifying the European ownership base. Construction commenced in late 2012, and first delivery is expected in 2015 according to plans. The pipeline will deliver 63 bcma to Europe when ramped up and is thus larger in capacity terms than Nord Stream (ibid). For the onshore sections of the pipeline, the ownership is shared by Gazprom and the respective national utility companies. In late 2013 the European Commission declared the bilateral agreements underpinning the South Stream pipeline in breach of EU law and was in need for renegotiation (European Parliament, 16 December 2013). Bulgaria, which is dependent on Russia for 89% of its gas needs and 100% of its imports (2012) (Eurogas, 2013), was however less inclined to put the construction of its part of the onshore section of the South Stream pipeline on hold, insisting that the project was in line with EU law (Euractiv, 2014a,b). After the European Commission announced that infringement procedures against Bulgaria had begun in June 2014 (EC speech, June 4 2014), due to their recalcitrance to halt their part of the pipeline project, construction was eventually put on hold during the summer of 2014 (Euractiv, 2014c). Austria, in turn, remained defiant of the EU stance when in late June 2014 the Austrian portion of the pipeline was approved through the signing of a contract between the national oil and gas company OMV and Russia's Gazprom in the presence of the presidents of both countries (Euractiv, 2014d). Austria relies on imports to cover 78% of its gas needs, and 80% (2012) of those imports comes from Russia (Eurogas, 2013).

4.4 Reliability and validity

The empirical material used in this study is in the form of policies conveyed through public documents such as policy papers and statements. As such the material is verifiable and can therefore be considered to be in the public domain. The material is, as a result, robust and therefore considered reliable. As for the validity of the results, the selection of material warrants scrutiny of whether the data lends itself to answering the research questions. Are the three episodes explored here able to account for the strategies chosen for achieving energy security? In measuring which strategies have been chosen in order to achieve energy security, the three episodes are considered to purposefully describe those choices of strategies. The development of the internal market for energy, diversification efforts, and bilateral supply agreements illustrate what has been done on a EU level and on the member state level respectively to achieve energy security. The results therefore are deemed to measure what was intended. Furthermore, as the material serves to answer the research questions, the research problem becomes accessible.

5. Analysis

In this section the material presented in the previous chapter will be assessed and subjected to the research questions posed initially in this study. How well the two competing hypotheses offer answers to these questions will then be evaluated. Finally, the implications of the findings presented here will be drawn out. The analysis is presented in the same way as the empirical material, as three separate instances.

5.1 Internal market

The EU's stated approach to achieve energy security is based on a foundation of integration and interdependence expressed through the internal market fort energy characterized by competition and transparency, and underpinned by solidarity between the member states in the EU. As has been shown in the previous chapter, countering the energy security threat experienced by the EU by way of market liberalization has however proven difficult to achieve. Policy coherence is lacking among the member states and the EC finds it difficult to superimpose a regulatory regime which does not seem beneficial by all its members. Frustration has been expressed by the EC over the hurdles that stand in the way of finalizing the implementation of the internal market for energy. Lack of coordination contributes to rendering the internal market incomplete as the member states fail to comply with the overall EU strategy. Even though there has been progress towards an internal market for energy, it has been slower than desired.

Liberalization has thus not been fully embraced by the member states, instead nationalistic in their energy outlook. The benefits of integration and interdependence has arguably not been seen. Neither has market considerations been the norm, as state intervention has been practiced. This serves as an example of inward looking strategies. The situation has frustrated the EC, as seen by several statements (and penalties dispensed). What becomes visible is that the neoliberal approach to energy security championed by the EC has been difficult to achieve. Cooperation and interdependence has not gathered the member states in an common attempt to achieve energy security. And that the member states would come together through a mutual interest has not been seen. That the internal market has been an uphill struggle is testament to this. What would be expected from a neoliberal point of view is that the member states would realize that cooperation would benefit them all. Market mechanisms would from that perspective be the primary delivery system for energy security. Since this has not happened, the neoliberal hypothesis of member state cooperation in order to achieve energy security has thus not been able to describe or explain the lack of progress on the internal market for energy.

The inability of the EU to achieve an internal market for energy and the member states' reluctance to cooperate is instead better understood from a neorealist point of view. The neorealist idea of self-help is here expressed through the notion that the national level trumps multilateralism. That is because the benefits of cooperation and interdependence has not been appreciated. Furthermore, the apparent lack of solidarity is both reflected by the fact that several member states have not implemented the EC directives, for which several of them have been subjected to penalty procedures, and that state intervention has stood in the way of liberalization. A proposed neoliberal solution was thus met by a neorealist understanding of the problem, which the frustration expressed by the EC also reflects.

While it has not explicitly been shown here that the member states have been acting strictly according to their national self-interest, it has however become clear that cooperation has not been sought by the member states to achieve energy security, thus refuting the neoliberal hypothesis. The implicit argument is that if not cooperation is not sought, then a go it alone strategy is the corollary of that. The reluctance of member states to comply with the rules governing the internal market are testament to a neorealist interpretation.

5.2 Diversification

Efforts for achieving energy security through market based diversification, characterized by cooperation and competition, have not materialized. Instead, the initiative of an alternative supply route to the EU was launched. This was more of a top-down approach by the EC. Indeed, for all the talk of multilateralism and cooperation, the most enthusiastic backer of the project remained the EC. But backing the Nabucco alternative did not tip the scale in its favor. The flagship pipeline in the EU's ambition to diversify energy supply failed. Member states in most need of diversification (e.g. Romania and Bulgaria, and in extension several other eastern Member States through interconnections) were thereby left without an alternative to Russian supply. Member States in the southern EU, with less need of diversification, instead gained additional supply options. Apparently, a logic of absolute gains did not prevail in how the member states sought to gain security of supply. While a pipeline crossing several member states is indeed an exercise of cooperation, the rationale can hardly be understood as one of solidarity between member states or a case for increased interdependence in the EU. Rather, the national self-interest seems to have been the guiding star. As in the case of the internal market for energy, the neoliberal approach marketed by the EC was not reflected in how the member states understood the issue and acted accordingly. Again the strategy advocated by the EC and the strategies adopted by the member states differed.

The diversification initiative championed by the EC was not reflected in the member states and ultimately the supply route, subject to competing options, was chosen on economic grounds. It was a market based, largely privately funded initiative. While the companies involved in the pipeline projects and the governments of the member states that would host them can be seen as an expression of a market based approach, the EC was not a proponent of the same logic from a neoliberal point of view. The diversification instance thus offer a somewhat mixed picture as regards neoliberal assumptions, where market based solutions and competition are present at the same time as solidarity and the logic of absolute gains are missing. All the while the EC eagerly expressed content with the pipelines being chosen over the Nabucco alternative, the fact remains that the favored EC diversification solution was not endorsed, reflecting a mismatch between the EU level and individual member state preferences. This resulted in that the member states most in need of diversification did not achieve it. This speaks to a marked based approach but less to one of multilateralism and solidarity.

A neoliberal approach to solving the energy security issue where the member states would act multilaterally did thus not appear. Instead, the lack of member state cohesion speaks to that the strategies chosen are reflective of their self-interest. The different routes presented during the course of the SGC is representative of the difficulty of reaching a win-win scenario for the member states collectively. This is in line with the neorealist assumption that cooperation is difficult to achieve when energy security is on the line and as a result, the hy-

pothesis that states will cooperate to achieve energy security does not explain this episode. The national self-interest has been the overarching motivation for choosing strategy, which is more in line with a neorealist expectation. And although mechanisms that are consistent with neoliberal characteristics such as market rules (e.g. competition) are present, they are not substantial enough to the extent as to solve the issue of energy security.

5.3 Bilateralism

The bilateralism episode reviewed in the previous chapter shows that bilateral supply agreements have been a preferred strategy for achieving energy security for several member states. Although bilateralism is by definition not an EU level issue, the reactions of the EC to member state supply agreements showcase a rift between the EU level and the member states. As has been discussed above, the EC preferred other means for achieving energy security. The path that several EU member states has opted for is bilateral supply agreements directly with Russia as Russian gas bypassing Ukraine has been seen as a favorable option for achieving security of supply. The Nord Stream pipeline is an illustrative example of this. The national interests of mainly Germany, but also France and the Netherlands, where the primary driver for opting for that supply option. While perhaps cooperative amongst the member states with stakes in the project, this is not an example of neoliberal cooperation and multilateralism. The same goes for the South Stream option that would cater to the supply needs of the most import dependent southeastern member states. Together, these two examples show that self-interest has been more important than multilateralism and that bilateralism has been the strategy practiced in order to achieve energy security, contrary to the wishes of the EC. Understanding the bilateral inclination of the member states can best be achieved through a neorealist reading of the problem. Instead of mutual interests, the bilateral deals are testament to the competing interests among the member states when it comes to energy security.

A neorealist explanation, as expressed by the hypothesis being tested here, stipulates that national self-interest determines the strategy chosen in achieving energy security. In consequence, multilateral efforts become subordinate to bilateral ones. As energy is a issue of national security, the availability of supply is therefore of paramount importance. The assumption that states that are import dependent will do what they can in order to achieve supply security, is expressed through these supply deals. The national self-interest of the member states is in other words served by self-help.

Geography is a factor determining supply strategy, as is the volumes consumed and the level of import dependency. That Germany, being the EU's largest economy and top consumer of natural gas (but not the most import dependent), would opt for a supply deal with Russia by establishing the Nord Stream pipeline is not surprising. From a neorealist perspective this strategy is pragmatic. In the South Stream case it became even more apparent that national energy security trumps cooperation and multilateralism. In line with a neorealist interpretation, the intergovernmental supply agreements between several of the most import dependent member states of the EU and Russia signal that self-help overrides collectivism. The strategy of bilateral supply agreements shows the disconnect between the EU level neoliberal approach to achieving energy security and the interests of the member states. This is showcased by the conflict that emerged when several

member states involved in the South Stream project remained committed to the pipeline even as the EC made its stance clear that these kinds of bilateral deals would not be tolerated.

What can be seen through these examples of bilateral supply agreements is that a neorealist explanation of why the member states have chosen the strategies they have in order to achieve energy security in terms of security of supply holds up well. The neorealist hypothesis that member states will act according to their national self-interest to achieve energy security, in other words, does a pretty good job in offering an understanding of the problem formulation.

5.4 Closing discussion

The purpose of this analysis has been to examine which strategies has been chosen in order to achieve energy security by the EU and its member states respectively, and assess which of the hypotheses of the competing theories offer the best explanation of the research problem.

In the analysis of the efforts made to achieve energy security it has been shown that the neoliberal expectations of cooperation, multilateralism and absolute gains have not been able to account for the strategies chosen by the member states. And although it supports the rationale of the EC to an extent, it has not been able to fully explain the actions of the EC either. While there have been neoliberal attributes present, like competition and market rules in general, this perspective has not been able to fully capture the mechanisms at play. The internal market for energy is one expression, on the part of the EC, of neoliberal logic that has failed to sufficiently gain traction.

Instead, a neorealist explanation of bilateralism gets closer to the core of the problem formulation. In examining the strategies, or solutions, chosen by the EC and the member states respectively to achieve energy security, the neorealist assumptions provides fertile ground for understanding the actions taken by (primarily) the member states. The discrepancy between the strategy championed at the EU level and that of its member states is thereby best understood from a neorealist perspective. The neorealist hypothesis that states will act according to their self-interest accounts for the difficulty for the the EU to speak with one voice when it comes to energy security. The difficulty of implementing an internal market for energy is an expression of this, as the member states fail to recognize the win-win logic of such a solution. This is because when the logic of relative gains, or zero-sum, prevails, national interests take precedence. In practice this means that bilateral supply deals will provide the solution to the problem of security of supply. This setting, since the supply issue is tied to national security, is not conducive to cooperation, as predicted by a neorealist reading of the problem. Furthermore, the law of least resistance dictates that bilateral supply deals will be the preferred solution, in lieu of sufficient domestic supply and/or a fully liberalized and functioning internal market for energy.

6. Conclusions

In trying to understand why there is an apparent discrepancy between the approaches by the EU and its member states to achieving energy security, the respective strategies of addressing the issue have been explored in this paper. The results show that the neoliberal approach on the EU level is contrasted by the neorealist approaches preferred by the member states.

On the EU level, the EC has tried to achieve energy security primarily through pushing for the completion of the internal market for energy. This has proven difficult to achieve as the member states have been loth to implement the directives. This is best understood as an expression of that they do not see it to be in their best self-interest. The EC has also promoted the diversification of imports. The preferred solution has however not been reflected in the actions of the member states. Instead, bilateral supply agreements have taken precedence over multilateral efforts, which further illustrates the disconnect between the EU level and the member states in terms of which strategies are employed to achieve energy security.

The analysis has shown that a neoliberal expectation of the behavior that would emerge in order to achieve energy security have not been verified. While the strategies of the EC have been driven by a neoliberal approach, a neoliberal logic in the security of supply issue has not been adopted by the member states. The prevailing hypothesis is instead the neorealist one, which can account for why multilateral approaches have not been adopted. The member states follow their national self-interest and achieve energy security through bilateral supply agreements, rather than cooperate for the sake of the greater good for the EU. When the benefits of cooperation are not perceived, solidarity will also be lacking and the member states will choose a path of self-help to achieve its goals. Taken together, the state of affairs from a neorealist perspective is not conducive to cooperation and multilateral efforts which explains why there is a discrepancy between EU level preferences and member state strategies.

The disconnect between what the EC is promoting on a EU level and how the individual member states decide to handle the issue of supply security can be seen as an expression of a larger issue, namely that of finding a collective solution that fits widely different needs and preferences on a national level. As such, the case of energy security is an analogue to the friction that defines the EU project at large. The difficulty of speaking with one voice can therefore be transmitted to other issue areas other than energy. Consolidating the interests of the EU and of its constituent parts then becomes the overarching challenge.

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Annex 1.

Table 1. Country of origin (% share), EU natural gas imports 2002-2013

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Russia	45.2	44.1	43.6	40.7	39.3	38.7	37.6	33.0	29.5	31.6	32.0	39.0
Norway	26.1	25.5	24.3	23.8	25.9	28.1	28.4	29.4	27.5	27.4	31.3	33.0
Algeria	21.1	19.8	18.0	17.6	16.3	15.3	14.7	14.2	14.0	13.0	13.5	*na*

Source: Eurostat, 2014.

Table 2. Largest importers of Russian gas by volume (2012)

Germany	339.5
Italy	228.7
Poland	103.6
Hungary	85.8
France	78.8
Austria	57.6
Lithuania	56.9
Czech Rep.	49.6
Slovakia	46.2
Finland	38.8
Romania	35.2
Bulgaria	26.3
Greece	26.2
Netherlands	22.1
Latvia	15.2
EU-28	1 126.0

Source: Eurogas, 2013.

Table 3. Import dependency on Russian natural gas of EU member states (2012)

Lithuania	100 %
Estonia	100 %
Latvia	100 %
Finland	100 %
Bulgaria	89 %
Slovakia	83 %
Hungary	80 %
Slovenia	60 %
Austria	60 %
Poland	59 %
Czech Rep.	57 %
Greece	56 %
Germany	37 %
Italy	27 %
Romania	24 %
EU-28 average	24 %

Source: Eurogas, 2013.