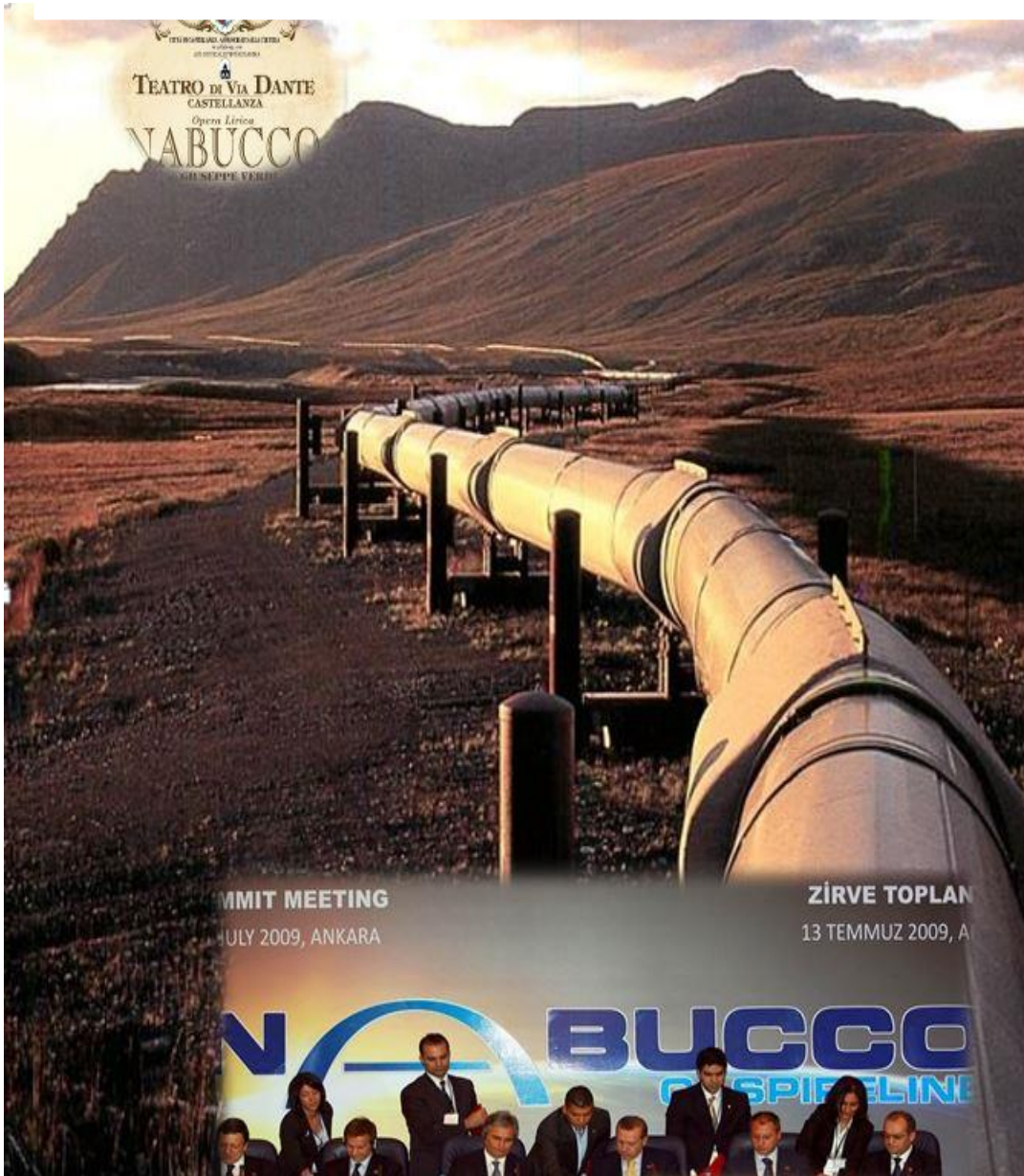


INTERNATIONAL PUBLIC MANAGEMENT & POLICY (IMP)

ERASMUS UNIVERSITY, ROTTERDAM

FACULTY OF SOCIAL SCIENCES



Viktoriya Petkova
Student number:418330
Supervisor: M. Onderco
Co-reader: F. van Nispen
Date: 25.07.2015
Word Count: 29,097

NABUCCO: A GAME OF POLITICS

The European Commission in the pursuit for external energy policy

Abstract

The aim of this thesis is to find out why the European Commission was unsuccessful in the realisation of the Nabucco project. To do so, this thesis uses the theoretical frameworks of liberal intergovernmentalism and multi-level governance approach which help the researcher to identify which factors matter and which do not to the case. This thesis further tests the explanatory power of these two theories to Nabucco by conducting a congruence analysis. The focus of this research is placed on the states' preference formation along the interests of the actors involved: the EU institutions, the shareholders, Turkey and Azerbaijan. Based on this analysis, this thesis concludes that the theory of intergovernmentalism better explains the failure of the European Commission in successfully launching Nabucco.

Acknowledgement

I would like to express my sincere gratitude to my supervisor, Mr. M. Onderco for his support throughout the whole learning process of this thesis. His comments, remarks and engagement during the process were of a great help to me for the completion of this master's thesis. I would like to further thank my second reader, Mr. F. van Nispen whose lectures inspired the persuasion of this topic and whose comments contributed to the improvement of the research. To all my family and friends who supported me during the process of writing, I would like to say: Thank you!

Important abbreviations

Bcm: billion cubic metres

Gwh: Gigawatt hour

LNG: liquefied natural gas

Tcf: trillion cubic feet

Table of Contents

Chapter I: Introduction.....	1
1.1 Introduction.....	1
1.2 Motivation, research question and problem statement	4
1.3 Relevance of the research	5
1.3.1 Theoretical relevance.....	5
1.3.2 Social relevance	6
1.4 Structure: Thesis	6
Chapter II: European integration theories.....	7
2.1 The theory of LI.....	7
2.1.1 Core notions of LI.....	7
2.1.2 LI & Nabucco	9
2.2 MLG approach.....	9
2.2.1 Core notions of MLG.....	10
2.2.2 MLG & Nabucco	11
Chapter III: Research design & Operationalisation.....	12
3.1 Research design: availability and selection	12
3.2 Case selection.....	14
3.3 Operationalisation & congruence analysis.....	16
3.3.1 Predictions & expectations drawn from LI.....	17
3.3.2 Predictions & expectations drawn from MLG.....	20
3.4 Data collection method	22
3.5 Data analysing method.....	23
Chapter IV: Nabucco: LI & the member states	25
4.1 Central and Eastern European Countries	25
4.1.1 The Visegrád group and the Baltic States.....	26
4.1.2 Bulgaria- Romania- Hungary.....	27
4.2 The Big Three and Austria.....	31
4.2.1 The Big Three	31
4.2.2 Austria: between Nabucco and OMV	35
4.3 Nabucco: ‘a better alternative’	36

Chapter V: Nabucco as MLG: plurality of actors	38
5.1 The EC & EP: an urge for external energy security	38
5.1.1 The Council.....	41
5.2 Turkey and Azerbaijan.....	42
5.3 The Shareholders	44
A. Bulgargaz and Transgaz	45
B. OMV and MOL.....	46
C. RWE & GDF Suez	46
D. Botas.....	47
Chapter VI: Findings and Comparison (LI & MLG).....	48
6.1 Reviving LI theory in the EU energy policy.....	48
6.1.1 LI and findings.....	50
6.2 Nabucco and MLG.....	52
6.2.1 Turkey and Azerbaijan.....	54
6.2.1 Shareholders.....	56
6.2.2 MLG findings.....	56
6.3 Nabucco: between MLG and LI	59
Chapter VII: Conclusion	60
7.1 Overall conclusion	60
7.2 Practicality of the research.....	63
7.3 Reflection on the research.....	64
References.....	65
Appendices.....	79
Appendix 1: Chronology of Nabucco	79
Appendix 2: The South Stream Pipeline.....	80
Appendix 3: The Nord Stream Pipeline.....	81
Appendix 4 : Shares of Russian gas consumption in EU-28	82
Annex	83
1. Energy policy in the EU.....	83
2. Previous literature	84
2.1 Deficiencies in previous studies.....	86

List of Figures

Figure 1 Nabucco Map.....	2
Figure 2 TAP & Nabucco project	3
Figure 3 Flow Chart: Nabucco.....	16
Figure 4 Natural Gas Consumption Turkey	43

List of Tables

Table 1 Predictions LI.....	18
Table 2 Indicators & Observations (LI).....	19
Table 3 Predictions MLG.....	20
Table 4 Indicators & Observations MLG	21
Table 5 Indicators and Measurements	24
Table 6 An overview of the states' position to Nabucco.....	37

Chapter I: Introduction

This chapter provides an introduction to the reader to the case and the problem studied. Section 1.1 introduces the problem and the case by providing a general background. Section 1.2 clarifies the motivations, the questions, and the problem statement of this research. Section 1.3 elaborates on the relevance of the research. Section 1.4 presents the overall structure of the thesis.

1.1 Introduction

Since the establishment of the European Community, energy policy has gradually become a major area of increasing European policy-making competences. Although energy remains an issue of high national sensibility and national governments still retain a significant influence over their domestic energy mix, recent events have placed energy on the priority list on the European Union's (the EU hereinafter) agenda. This has been stimulated by the increasing acceptance that energy cannot be fully isolated from the internal market policy, by the high EU over-reliance on energy from non-members, and by the strong attention placed on climate (Nugent, 2010). In this context, the European Commission (EC hereinafter) has been the most significant player in the EU in developing a unified approach towards a common energy policy. The EC's goal is to create a durable energy union with an ambitious climate change, thus focusing on concepts of security of supply, sustainability and competitiveness (Benson & Russel, 2014). This would profoundly reduce the EU's energy vulnerability considering that the member states are the world largest importers of energy resources. According to Ratner et al. (2013), the EU states import about "55 % of their energy supply- approximately 84 % of their oil and 64 % of their natural gas" (p. 5).

The several cut-offs of Russian gas supply, due to price disputes between the country and Belarus and Ukraine in 2006 and 2009, have challenged the creditworthiness of Russia as being a credible supplier. The construction of Nabucco is considered as one of the main alternatives for diversifying and enhancing the EU's energy security. Nabucco¹, an approximately 3,300 km long pipeline, is to bring Caspian gas supplies to Europe starting at the Georgian/ Turkish border, running to Austria via Turkey, Bulgaria, Romania, and Hungary (Figure 1) (Rowley, 2000). The

¹ The chronology of Nabucco is summarised in Appendix 1

main shareholders of the project are OMV (Austria), MOL (Hungary), Bulgargas (Bulgaria), Transgaz (Romania), and Botas (Turkey).

Figure 1 Nabucco Map



Source: Bülent Aras & Emre Iseri (2009). *The Nabucco Natural Gas Pipeline: From Opera to Reality* (p. 10).

According to the former EU Energy Commissioner, Andris Piebalgs, Nabucco has become “the flag project of the diversification efforts of the EU for security of supply” (Baev & Overland, 2010, p. 1077). In the EC’s views, the project provides a great alternative to Russian gas supply since the pipeline connects the world’s largest natural gas deposit in the Caspian/ Middle East region to Europe (European Commission, *n.d*). Despite the costs of Nabucco amounting to €7.9 billion, the EC has shown her commitment by offering €200 million to the pipeline and by facilitating the negotiation process between Turkey, and the EU partners. Due to Western reservations to the Middle East, the Nabucco consortium decided to secure the gas from Azerbaijan to Turkey to Central Europe. The competition for the Azerbaijani gas was not limited to Nabucco but also included other running projects, its major competitor was the Trans-Adriatic-Pipeline (Figure 2).

Figure 2 TAP & Nabucco project



Redazione (2013). *Gasdotto Tap scelto per forniture azere, arriverà in Italia*. Retrieved 1 June, 2015 from <https://geopoliticaitaliana.wordpress.com/2013/06/28/gasdotto-tap-scelto-per-forniture-azere-arrivera-in-italia/>

In 2013 the Shah Deniz Consortium, developing the gas fields of Azerbaijan, selected the TAP project over Nabucco for delivering gas to Europe. The decision was based on many factors, most important of which were the financial aspects of TAP and the political implications Nabucco could have imposed on Azerbaijan. After all, the country had to choose a bidder that will not disrupt the balance between its relations with Russia and its ties to the EU (Abbasov, 2013). The Nabucco's failure should not be regarded as a single case issue resulting from the Shah Deniz consortium's decision. Internal problems within the EU enhanced the victory of the TAP project, for instance the EC could not secure full support from the states to the project politically and financially. Nabucco's failure also reveals the unsuccessful attempt by the EC in securing an unified EU energy approach for gas diversification and continues the encouragement for Russia to foster bilateral agreements with important European states. The aim of this thesis, therefore, is in finding and explaining in depth the reasons leading to the failure of the EC in successfully realising the project. This aim is achieved by using the theories of intergovernmentalism and multi-level governance which identify which facts matter and which do not (Smith & Owens, 2011).

1.2 Motivation, research question and problem statement

Energy policy stands at the core of the economic and social activities in the European countries. A unified EU energy approach is crucial for ensuring the smooth functioning of the Single Market in terms of energy products and services but also in terms of relatively cheap and secure energy supplies. The European engagement in Nabucco can be seen as a great attempt by the EC but also by some member states in finding alternative routes for transporting gas to Central and Western Europe, independent from Russia. The failure of Nabucco in winning the Azerbaijani gas competition diminishes the hopes of many in realising a successful EU gas diversification and most notably, in developing a true European energy union. The motivation driving this research is the limited scientific literature explaining the social phenomenon. Most of the literature (*Refer to Annex for previous literature and background on Nabucco*), is reduced to explaining the problems of gas diversification for the EU market with a slight focus on the states' preference divergence to energy. More focus should be dedicated to identifying the political reasons within and outside the EU that have led to the failure of Nabucco. Based on these motivations, the research question has been formulated as follows:

How can the failure of the European Commission in realising the Nabucco project be explained?

The focus of the question is placed on the weak lobbying position of the EC in persuading the states in the process of Nabucco. The thesis investigates the most important actors participating in the process, focussing on their motivations, preferences or goals that might have weakened the EC's position. The research question is a theory orientated question, thus testing the explanatory nature of *liberal intergovernmentalism* and *multi-level governance*. To guide the overall course of the central research question and the thesis, a set of sub-questions have been developed:

- *What is the position of the Central and Eastern European countries to Nabucco?*
- *What is the position of the Big three and Austria to the project?*
- *How the position of the states affects the overall viability of Nabucco?*
- *Does Nabucco address a negative policy externality, and why?*
- *What is the coordination between the EU institutions? Do their interests differ and why (why not)?*
- *What role do the external actors in Nabucco in terms of Turkey and Azerbaijan play and why are they important?*

- *What are the motives of the energy firms for participating in Nabucco?*

The case of Nabucco is important to study because its failure affects all EU countries, citizens and industries. The main problem is the lack of diversification of gas supply in the European market, and if no solution can be found, the EU countries will continue its dependence on Russian gas supply. This strengthens their vulnerability to energy security but it also questions the ability of the EU to act as a unified actor on the international stage. Furthermore, the lack of solution also affects the full realisation of a true Single Market. The problem requires an immediate solution considering that the EU energy demand keeps increasing. If the problem is not addressed, the EU might find itself with higher gas prices and shortage of gas supply. Politically, the ignorance of the problem damages the EU's reputation internally as an institution incapable of delivering adequate solutions to common problems and externally, to important players such as Russia.

1.3 Relevance of the research

The concept of relevance comprises of social and theoretical relevance. The theoretical relevance refers to the research's contribution to the scientific body of knowledge whereas the social relevance refers to "the project's outside perspective and ideally increases citizens political knowledge and awareness" (Gschwend & Schimmelfenning, 2007, p. 23).

1.3.1 Theoretical relevance

A theoretical relevant work increases "the analytic leverage political scientists have at their disposal" when they explain a particular phenomenon (Gschwend & Schimmelfenning, 2007, p. 23). Furthermore, such a research contributes to the body of literature by improving the understanding of the social phenomenon. This thesis has a theoretically relevant research question because the scientific literature is still limited in testing the European integration theories to Nabucco (*Refer to Annex*). This research question allows the empirical testing of untested theoretical hypotheses, in this case, predictions of intergovernmentalism and multi-level governance to Nabucco. This means that the two theories are extended to a new domain to which their frameworks have not yet been applied. This research contributes to the research community by determining the degree to which these theories apply to Nabucco and on the other hand, by increasing the empirical knowledge of the issue studied.

1.3.2 Social relevance

It is not as easy to say what constitutes the social relevance of a research but Gschwend & Schimmelfenning (2007) offer a conceptualisation of social relevance by judging at two elements. The first element is the level of affection, meaning that the researcher should establish whether somebody is affected by the social phenomenon. The second element relates to its impact, thus the researcher should find whether “one possible outcome or state of a social phenomenon is better-or worse, for that matter- than another” (Gschwend & Schimmelfenning, 2007, p. 26).

In this context, Nabucco should be seen as more than just a pipeline aimed at transporting gas to Europe. The core at the project is demonstrating the European unity against the Russian energy empire and the failure of this project raises questions about the future integration of the EU towards the energy sector, about its competences and capacity in delivering goods so vital for the functioning of the Single Market. If implemented, Nabucco would have reduced the over-reliance of EU on Russian gas and would have enhanced the EU’s power on the international stage. The failure of Nabucco negatively affects all European countries and their respective industries and citizens which are now left in the faith of Russian gas supply. Thus by finding what are the milestones to the EC’s efforts in the successful persuasion of the project to the states can raise awareness to the problem and improve the future prospects for alternative projects.

1.4 Structure: Thesis

This section provides the overall structure of the thesis. Chapter I introduces the reader to the case and it explains the research problem, the motivation and the relevance of the study. Chapter II provides the theoretical frameworks used for this case. Chapter III explains the research design of this thesis and the operationalisation of the hypotheses. Chapter IV discusses Nabucco from an intergovernmentalism perspective, focusing on the member states. Chapter V discusses Nabucco from a multi-level governance perspective, focusing on the EU institutions and the other actors involved. Chapter VI juxtaposes the findings of intergovernmentalism to the multi-level governance. Chapter VII discusses all findings to the case and provides the concluding remarks and recommendations to the case.

Chapter II: European integration theories

This chapter discusses the theoretical frameworks of the case which are substantive part of a research because they provide the systematic ordering of ideas about the issue studied and they constitute the base of much academic writing. The theories chosen for this research are: *Liberal intergovernmentalism* (LI hereinafter) and *Multi-level governance* (MLG hereinafter) on the basis that these theories remain the most relevant theories trying to explain the EU integration process. Setting these theories against each other helps the researcher to show the dynamics embodied within the EU process of interaction between the different levels of government, thus not only limiting the focus of study to the nation states. Section 2.1 explains the theory. Section 2.2 discusses the MLG.

2.1 The theory of LI

LI has its origins in the field of international relations, particularly in the Realist tradition. Realism paints a rather ungracious picture of the world politics by positioning the states at the core in international affairs and by giving a little accord of importance to supranational or transnational actors (Mearsheimer, 1994). For realists, states can cooperate through institutions but these institutions are generally devised by the most powerful states which create them to advance their own share of world power (Mearsheimer, 1994, p. 12). Applied to the EU, intergovernmentalism shares similar perceptions of inter-state cooperation. Keohane & Nye (1997) argue that LI should not be confused with Realism because in this theory “national security is not the dominant motivation, state power is not based on coercive capabilities, state preferences and identities are not uniform, and interstate institutions are not insignificant”(Moravcsik & Schimmelfenning, 2009, p. 68). LI primary concentrates on the decisions and actions taken by the governments of the European states whereas the functions of the supranational actors such as the EC, the EP, and the Court are not taken as having a controlling function at the EU level.

2.1.1 Core notions of LI

The core assumption of this theory is that the EU politics are dominated by the states in general and the governments of the bigger states in particular (Germany, France, the UK). States are rational and they attain their goals through intergovernmental negotiations and bargaining rather

than through a centralised authority making (Moravcsik & Schimmelfenning, 2009). National governments have clear preferences of what they want to achieve at the EU level and these preferences vary across policy areas and over time. At their disposal, governments have a good flow of information about the positions of the other actors in the EU politics and they know what a likely result of a particular EU decision would be (Hix & Hoyland, 2011). A main preposition of this theory is that states are very careful in delegating powers to the supranational institutions and it is assumed that such a delegation occurs only when they want to further their collective interests. According to Hix & Hoyland (2011), power balances matter in this context because these balances are asymmetric between the states and the member state with the most to lose from a particular EU decision or policy tends to get what it wants (p. 16). In this line of thought, economic incentives are important features determining the national preference formation of the states. Governments have incentive to cooperate where a particular policy cooperation increases their control over domestic outcomes, in this way permitting them to achieve goals that would not have otherwise been possible. Such cooperation can occur when the policy coordination at the EU level is most likely to eliminate possible negative externalities. Negative externalities occur where “the policies of one nation impose costs on the domestic nationals of another, thereby undermining the goals of the second government’s policies” (Moravcsik, 1993, p. 485). Thus, cooperation takes place when states believe the EU can “manage flows of goods, services, factors of production, and economic externalities more effectively than unilateral policies” (Moravscik, 1993, p. 485).

The states achieve their set of goals through intergovernmental bargaining and the outcome of the EU negotiations is determined by the states’ relative power and the advantages they gain from the decision or the measurement at hand. The necessary condition for an agreement is that rational governments perceive the benefits of cooperation as desirable compared to the benefits of their best alternative available to them (Moravcsik, 1993). Governments with attractive alternatives will not accept undesirable agreements whereas governments with unattractive alternatives are more likely to make concessions since they will gain from the cooperation (Moravcsik, 1993). Sovereignty in this context is also important because where a policy area affects the sovereignty of the states, they are unwilling to cede more powers to the EU, unless in this way they can achieve something in their own interest. Furthermore, if governments are faced with negative externalities, they have an incentive to join

the agreement, thus compromising on common standards whereas with positive externalities, members have incentives to free ride and “agreements above the lowest common denominator are possible only through linkages and side payments” (Moravcsik, 1993, p. 504). Positive externalities refer to domestic policies which confer benefits on foreign groups, thus governments prefer to deal with this policy on a national level (Moravcsik, 1993).

2.1.2 LI & Nabucco

Until the late 1980s, a very little progress has been made towards achieving a common EU energy policy. Recently the growing recognition of the EU’s over-reliance on gas from non-members, in particular Russia, has pushed the energy policy as a top priority on the EC’s agenda. According to the EC, the energy policy should not be isolated from the internal market and it should become “a subject to the liberalization policies that affect other sectors” (Nugent, 2010 p. 343). Despite the EC’s efforts in liberalising the energy sector, the Nabucco’s failure has revived the core notion of LI that states remain the primary actors in the EU affairs. Following the theory’s line of thought, it seems that a collective EU action towards a diversification of gas immensely depends on the benefits such an approach would provide to the individual member states. In this case, cooperation is likely to occur if the preferences of the states were converging with the preferences of the EC, or if Nabucco project was itself reflecting the interests of the states. Cooperation is also likely to occur if Nabucco reduces negative externalities and reflects a better choice compared to governments’ best alternative. This framework allows studying the reasons why the EC is unsuccessful in persuading the states with Nabucco and helps us identify what role the EC plays in structuring the energy choice of the states.

2.2 MLG approach

The increasing dispersion of decision-making away from the central states have gained the attention of a growing number of scholars. MLG is a young concept which was originally developed by Gary Marks (1992) and used to understand the decision-making dynamics of the EU. Governance here is a related concept referring to both “the power relations resulting from such rules, as well as the substance of policies” (Kersbergen & Waarden, 2004, p. 149). The concept of multilevel, on the other hand, refers to the different government levels as well as to the involvement of both, public and private actors (Kersbergen & Waarden, 2004). Hix (1998),

argues that the EU governance has transformed the politics and government at the European but also at the national level into:

“(…) a system of multi-level, non-hierarchical, deliberative and apolitical governance, via a complex-web of public/private networks and quasi-autonomous executive agencies, which is primary concerned with deregulation and reregulation of the market” (p. 54).

The concept of MLG is important because it helps us understand the dynamic inter-relationships within and between different levels of governance and to study the complex relationship between the EU institutions.

2.2.1 Core notions of MLG

MLG does not reject the view that states are important actors at the EU arena but it argues that the European policy making process authority and influence are shared across multiple levels of government (sub-national, national and supranational) (Hooghe & Marks, 2001). Although national state executives are important, supranational actors such as the EC and the EP have gained independent influence over policy-making processes and outcomes. Because of this collective decision-making, states have lost an extent of national sovereignty which in turn undermines their controlling functions at the EU level. There are various constraints on the governments’ abilities to control and determine the outcomes at the EU level. On the one hand, there is the increased use of a qualified majority voting which covers most of the EU policy areas and therefore, individual state executives may be outvoted (Marks et al, 1996). This has been achieved by the Maastricht Treaty which extended the use of a qualified majority voting in favour of a collective decision-making and in favour of the EP. On the other hand, the control of national governments is weakened through the multiplicity of principals at the EU level, information asymmetries, and the unintended consequences of Treaty changes (Marks et al, 1996). Even the areas in which governments have been considered to hold a strong control have been weakened. For instance, Treaty ratification processes display that the process has been shifted to “politicized realms of party-political competition, parliamentary debates, and mass referendums” (Marks et al, 1996, p. 353). The conclusion here is that governments no longer monopolise the EU policy making process, and they can no longer take autonomous decisions “be it on *de jure* or *de facto* grounds” (Eising, 2004, p. 215).

MLG emerges where “experts from several tiers of government share the tasks of making

regulations and framing policy, usually in conjunction with relevant interest groups” (Hague & Harrop, 2007, p. 282). Non-governmental actors, therefore, are important participants in the policy-making process and the EC operates as a mediator between the government and these non-governmental actors (private and public groups) lobbying in Brussels. The EU is taken as a political system of three layers (European, national, and regional) and these layers are interconnected and interact with each other. States cannot monopolise the links between the domestic and the European actors because the institutional environments are based on very complex inter-relationships and domestic politics that do not stop at the national borders but they extend or spill over to the EU level (Marks & Hooghe, 1996; 2001).

2.2.2 MLG & Nabucco

MLG is an important approach in understanding how collective decision-making and the independent role of supranational institutions, in particular the EC has eroded the sovereignty of the national states. EU energy governance should be treated as a multi-level issue within the EU next to which this policy area has increasingly been becoming supranational. The framework of MLG allows the departure from studying just the nation states and it focuses more on other important actors involved in the policy-making process, public and private actors, interests groups and their contributions to shaping EU decisions. This approach serves as a good base for examining the role of these actors and their contribution to the unsuccessful realisation of Nabucco. This approach further allows the identification of the complex picture of agents capable of influencing the EU development of Nabucco.

Chapter III: Research design & Operationalisation

This Chapter presents the research design of the thesis. Section 3.1 discusses the research design. Section 3.2 discusses the case selection. Section 3.3 discusses the operationalisation of the case. Section 3.4 discusses the data collection method. Lastly, section 3.5 discusses the data analysing methods.

3.1 Research design: availability and selection

According to Creswell (2014), research designs are “types of inquiry within qualitative, quantitative, and mix methods approaches that provide specific direction for procedures” (p. 12). Quantitative research designs are those including true experiments and less rigorous experiments called quasi-experiments (Creswell, 2014, p. 12). Quantitative research designs can have a non-experimental nature called “a causal-comparative research in which investigators compares two or more groups in terms of a cause that has already happened” (Creswell, 2014, p. 12). Qualitative research designs, on the other hand, involve “tracing back and forth between the different components of the design, assessing their implications for one another” (Maxwell, 2013, p. 3). The main difference between these two types of designs is that a qualitative design does not begin from a predetermined starting point or follows a fixed sequence of steps but involves a process of tracing back and forth between the different research components (Maxwell, 2013). A mix research design combines a procedure of collecting, analysing, and mixing both quantitative and qualitative research and methods in a single case to better understand the problem (Creswell, 2014). In the selection of research designs, one needs to further differentiate between large-N and small-N research designs. The main difference between these two types is that whereas a large-N research seeks to increase the validity of cause inferences by increasing the number of cases and data-sets, the small-N research seeks to “attain the same goal by carefully matching a limited number of cases and increasing the number of causal-process observations” (Gschwend & Schimmelfenning, 2007, p. 11).

This thesis uses a qualitative research design because the sample of the study is small, the scale of the sample is not known, and the sample size cannot be defined in advance. Furthermore, the sampling strategy is very purposive, thus relying on theoretical sampling whereby the cases are selected because of their crucial information they provide. This thesis further conducts a congruence analysis which according to Mills et al (2010) focuses on

“drawing inferences to the relevance of theories from the (non-) congruence of concrete observations with predictions deduced from these theories” (p. 210). This type of analysis is a small-N research design using particular case studies to test the explanatory relevance of competing or complementary theories (Blatter & Haverland, 2014). The use of qualitative approach further allows for iterative interactions “between theoretical implications and empirical indications, thus leveraging the full richness of information present in the empirical case to draw inferences about the relevance of the theories” (Mills et al, 2010, p. 210). Before being able to draw interferences, one has to develop predictions to the theories. Two types of congruence analysis exist: a competing theories and a complementary theories approach. The latter one implies that theories lead to complementary implications in the real world and they are “the basis for conceptual and practical innovations” (Blatter & Haverland, 2014, p. 145). This thesis however applies a competing theories approach meaning that the empirical information is used to judge the explanatory power of a theory by comparing the observations to the relevant expectations of this theory and the expectations from the other theory (Blatter & Haverland, 2014). Two important elements for control exist: the vertical and the horizontal ones. The vertical control consists of first, deducing prepositions and predictions from the abstract theories, and second, comparing these expectations to the empirical observations (Blatter & Haverland, 2014). The horizontal control includes that a theory should have a higher level of congruence compared to other theories.

The congruence analysis is based on predictions generated by the theories and compared to the actual observations. This analysis is based on the assumption that an inferential leap between concrete empirical observations and abstract theories concepts cannot be performed in a mechanical way through assigning “a fixed set of observable properties/attributes to every concept or by delineating exclusion categories in which every observation is exclusively connected to one abstract concept” (Blatter & Blume, 2008, p. 342). The most important component here is the concept of validity. This design is focused on making predictions to establish the level of congruence between the observations and the theories. Based on this, the internal validity is determined. The established predictions determine the level of validity and they should be precise and contradictory to the other theory. A disadvantage here is the concept of external validity because it is difficult to generalise the findings to the population. The congruence analysis has been chosen for this thesis on the premise that it serves best in assessing

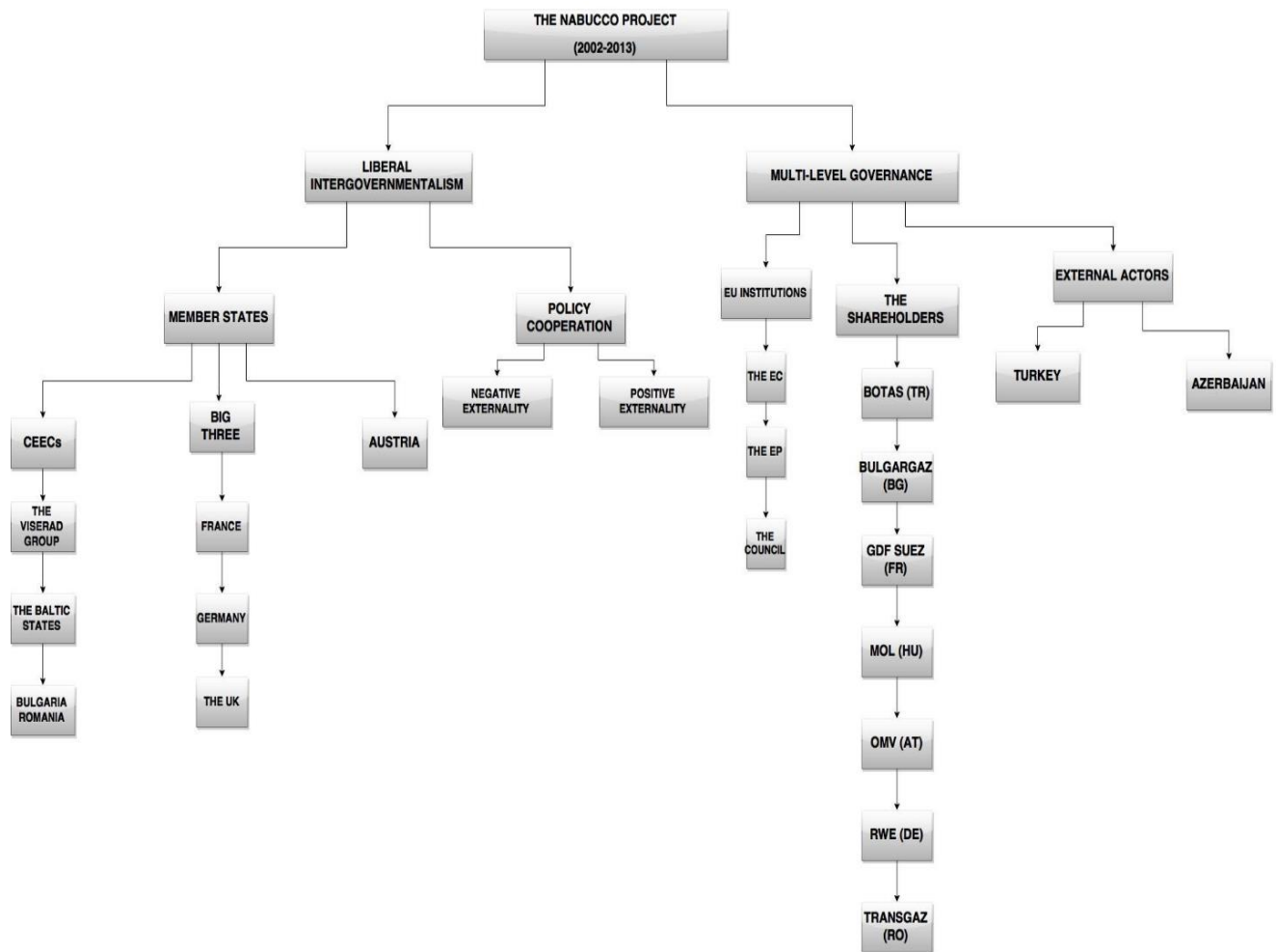
the explanatory power of the two competing theories chosen for Nabucco, namely LI versus MLG. This design allows identifying and displaying the relative strengths of the best-fitted theory to the case by providing understandings and explanations to the phenomenon. It further allows demonstrating the relative power of a theory to shed some light on an objectively existing reality which in turn, provides a comprehensive understanding of the specific case (Mills et al, 2010, p. 210). This thesis conducts a small-N research which in turns increases the concept of validity because “focusing on a few cases allows the variables to be conceptualised in complex and multidimensional ways” (Blatter & Haverland, 2012, p. 34). By conducting a small-N research, this thesis allows for a process tracing which enhances the understanding of “the causal mechanisms of the relationships and phenomena of interest” (Gschwend & Schimmelfenning, 2007, p. 10). This, on the other hand, enhances the internal validity of this research because it leads to precise causal stories but unfortunately, it comes at the expense of generalisability. This thesis is particularly interested in finding the causal stories for the failure of the EC in persuading the states for Nabucco’s support, thus generalisation is not an aim of this research which makes the external validity low.

3.2 Case selection

According to Gschwend & Schimmelfenning (2007), a researcher has to distinguish between a unit of analysis, cases and observations. They further argue that a unit of analysis generally refers to the abstract entity given by the theory whereas cases refer to the specific unit of analysis (p. 5). The case chosen for this thesis is the Nabucco project which is visualised in Figure 3. Nabucco has been selected on the basis that it provides the first EU opportunity for a real diversification of gas supply. The time frame has been narrowed down to the years of 2002-2013. The year of 2002 has been selected because at this time the main shareholders of Nabucco: Bulgargaz, Botas, MOL, OMV and Transgaz engaged in cooperation for constructing the pipeline. Following the year of 2003, the EU engaged in the project through awarding a financial support to Nabucco. The year of 2013 is the ending point of this case because in this year, Azerbaijan or more specifically the Shah Deniz consortium chose TAP over Nabucco for transporting Caspian gas to Europe. The Nabucco case is studied through the frameworks of LI and MLG. Since in the framework of LI, the central unit of analysis is the nation-states, this thesis focuses on the CEECs countries, the Big three and Austria. The CEECs

countries have been chosen because of their high support and participation in the project. The Big three have been chosen due to their influence to shape a policy development in the EU. Austria has been chosen based on its participation in the project through OMV. With MLG, the central unit of analysis is the individual government rather than the individual policy. Therefore, in this framework the focus is placed on the EU institutions and their interaction, coordination, and the level of agreement. More focus is placed on the EC which has been one of the driving forces behind the project and in securing cooperation between the different actors involved. Furthermore, this thesis looks at the shareholders and the external actors involved. Cooperation from these actors is important in the realisation of the project due to the financial and gas implications. To examine the case of Nabucco, this thesis looks at the various opinions, positions, motives and interests towards Nabucco which differ between the countries and the other actors involved such as the EU institutions , the energy firms, and the external actors. These opinions and positions but also the level of participation are not constant and they are susceptible to change under different circumstances.

Figure 3 Flow Chart: Nabucco



3.3 Operationalisation & congruence analysis

According to Blatter & Blume (2008) at the heart of the congruence analysis lies the linking of abstract concepts to concrete observations (p. 326). The congruence approach resembles the process of writing a code-book or when we conduct a content analysis (Blatter & Haverland, 2014, p. 166). Thus, there are three steps to be observed in the operationalisation of such an analysis. First, one needs to look at the broad spectrum of predictions deduced from the theories. Deductions here are not limited to expected co-variation between dependent and independent variable (Blatter & Blume, 2008, p. 326). Second, the emphasis is placed on interpretation rather than operationalisation and the importance lies in linking the abstract concepts to concrete

observations whereas the concretisation of these concepts is determined by “their embeddedness in a theoretical context” (Blatter & Blum, 2008, p. 326). In this context, the most relevant criterion for the deduced indicators is the concept of validity, namely the question whether the predicted observations express the meaning of the abstract conceptualisation in a correct manner (Blatter & Blum, 2008, p. 327; Blatter & Haverland, 2014, p. 166). With this type of analysis, all observations should be aligned to drawing confirming or disconfirming inferences to the particular theory. Most weight should be given to the conceptual core of the theoretical framework which provides the empirical relevance of these conceptual elements (Blatter & Blum, 2008, p. 328). The difference in the level of congruence between the predictions drawn and the observations made from the data shows which theory has the stronger explanatory power. Predictions in this case formulate the concrete observations expected in the empirical world (Blatter & Haverland, 2014).

3.3.1 Predictions & expectations drawn from LI

The EU cannot achieve a common energy approach as long as the states differ in their energy preferences. According to Moravcsik (1993), an important implication of bargaining in the EU is based on the intensity of preferences of the states and the need for a compromise with the least forthcoming government imposing “a binding constraint on the possibilities for greater cooperation” (p. 501). Furthermore, one needs to differentiate between high and low politics areas which explain the limitations to the EU integration process. Accordingly, high politics areas refer to these areas concerning security and the status of the state in the international system (Leuffen et al, 2013). In these policy areas, it is very hard to achieve integration because of the zero-sum game and the relative gains dominations. Low politics, on the other hand, provide more opportunities for integration because states can pursue common goals and realise mutual benefits without compromising their sovereignty (Leuffen et al, 2013). In this context, it is hard to place energy between these two notions because although characterised as a low politics area, the energy sector directly concerns the sovereignty of the states. According to the EU Treaties, it is up to the states to determine their energy mix but nonetheless, the EU competences keep extending to this policy area (Stolte, 2008). States, which are disadvantaged by an increased EU- policy coordination in the area, are likely to oppose projects like Nabucco. Thus, the only way governments will favour delegating more powers to the EC would depend on decreasing negative externalities and enhancing states’ own interests. The predictions

formulated to this include that the failure of the EC in the Nabucco project can best be explained as a result of diverging national political interests to the project, and as a result of differentiation between positive and negative externalities. The predictions are summarised in the Table 1.

Table 1 Predictions LI

Predictions: Liberal Intergovernmentalism (LI)	
A: Preference formation	B: Policy cooperation
<i>A₁: The more Nabucco reflects the interests of the member states, the more likely the project is to succeed.</i>	<i>B₁: The more Nabucco reduces the EU's negative externality on Russian gas over-reliance, the more likely it is to succeed.</i>
<i>A₂: The more Nabucco reflects the interests of the bigger member states (Germany, France and the UK), the more likely the project is to succeed.</i>	<i>B₂: The more Nabucco reflects the best alternative option for the states to Russian gas supply, the more likely states will cooperate.</i>

Expectations in this case refer to all prepositions which we can derive from the theories (Blatter & Haverland, 2014). First of all and related to the preference formation (A), this thesis expects to find that the Nabucco project does not reflect the will and the interests of most of the EU states. This expectation anticipates that states cannot agree on common EU external energy policy and on projects like Nabucco considering other pressing problems within the EU such as divergence of energy infrastructures and energy mixes. However, most support is expected to be found in the Central and Eastern European countries. The second expectation relates to the Big three and anticipates that whereas the Central and Eastern European countries favour Nabucco, the Western European states such as Germany, and France are not interested in changing the status quo. Thus, in this expectation Nabucco clearly lacks a strong political support from Germany and France, and this divergence of interests and preferences between the states plays a big stumbling block to the EC's effort in securing full support for Nabucco's successful realisation. This, on the other hand, also undermines the EC's ability to speak with a single voice to the external energy suppliers which also decreases the potential realisation of the project. The third expectation relates to the policy cooperation (B), and anticipates that Nabucco does not

address a negative externality, thus even in a worst case scenario being leaving some states out of the agreement, these states are unlikely to face major negative consequences. This expectation assumes that even if the project was successfully implemented, Nabucco would not have been able to provide a sufficient and cheaper gas supply to Europe nor to secure a true gas diversification from Russia. The last expectation relates to the best alternative to governments, and it assumes that states prefer to deal with the issue of energy security nationally and are unwilling to cede more to the EU which will significantly help the EC in pursuing a successful implementation of Nabucco. It is expected to find that there is no impetus for states to cooperate because Nabucco does not provide a better alternative to them and thus, they would still prefer their best option which is Russian gas supply and bilateral commitments. Table 2 summarises the indicators used for this theory.

Table 2 Indicators & Observations (LI)

THE EC AND NABUCCO'S FAILURE	INDICATORS	EXPECTED OBSERVATIONS
LIBERAL INTERGOVERNMENTALISM	<ul style="list-style-type: none"> • Preference formation • Policy externality 	<p>No convergence of preferences between the states, and the bigger member states.</p> <p>Nabucco does not address negative externalities.</p>

With the indicator of preference formation, this thesis examines the positions of the states, in this case being the CEECs countries, the Big three (France, Germany, and the UK), and Austria. The position of these countries can be constructed by examining their opinions to the project and their level of involvement. Opinions are expressed through their statements of (non) support to the project and their level of participation, such as being part of Nabucco and their willingness to finance the project. With the indicator of policy externality, this thesis looks at the economic benefits Nabucco can bring to the states. These benefits can be measured by looking at the level of diversification, the level of security to gas delivery, gas capacity and pricing. All this helps the researcher to understand the positions of the states which accordingly affects their level of cooperation.

3.3.2 Predictions & expectations drawn from MLG

With MLG, public actors from at least two levels of government share political authority in the formal institutional arrangements (Eising, 2004, p. 215). Public actors at upper levels such as the EC have some independency and autonomy in higher-level decision-making. Furthermore, when it comes to the modes of interactions or bargaining, multi-level proponents focus on characteristics such as “competition, bargaining based on self-interests, negotiations to build consensus, majority decisions and hierarchical imposition” (Eising, 2004, p. 215). In the context of such a setting, they argue that no public or private actor can be omnipresent because negotiations are not multilateral but interconnected and sequential. Despite governments’ unwillingness to cede more control to the EU over energy, the EC has used many ‘window’ opportunities to extend the Community’s powers in the field. Nabucco reflects another window opportunity and this approach allows us to understand the system of governing in all its complexity by looking at different actors in the process and by focusing on their interaction. The predictions formulated to MLG argue that Nabucco failed because of the divergent interests between the EU institutions (the EC and the Council in particular), the divergence of interests between these institutions and the shareholders and the external actors involved: Turkey and Azerbaijan. The predictions are summarised in Table 3.

Table 3 Predictions MLG

Predictions: Multi-level governance (MLG)	
C: EU level	D: External level
<i>C₁: The more Nabucco reflects the joint interests of the Commission, the Council, and the Parliament, the more likely it is to succeed.</i>	<i>D₁: The more Nabucco reflects the joint interests of the EU institutions and Turkey, the more likely it is to succeed.</i>
<i>C₂: The more Nabucco reflects the joint interests of the EU institutions (the EC, EP, and the Council) and the shareholders, the more likely it is to succeed.</i>	<i>D₂: The more Nabucco reflects the joint interests of the EU institutions and Azerbaijan, the more likely the project is to succeed.</i>

The first expectation relates to the EU level (C) and anticipates that Nabucco does not reflect the common interest between the EC and the Council. It is most likely that the EC had the support from the EP but there was no political will from the Council in securing full support to the Commission’s efforts in diversification. The second expectation relates to the shareholders in the project, thus anticipating that although initially the EC and the shareholders shared similar interests, in the course of Nabucco, these interests shifted apart and there was a lack of good coordination between them and the EC. The third expectation relates to the external level (D), anticipating to find a divergence between the interests of the EU institutions and Turkey. This is because Turkey is an actor with its own interests, for instance strengthening its position to the accession talks with the EU. The fourth expectation relates to Azerbaijan and anticipates that the EU institutions and Azerbaijan pursued a good cooperation and the country had similar interests to the EC. However, Azerbaijan’s interest was to strengthen its political ties with the EU with its willingness to supply gas but with no actual intention of supplying the gas considering the Russian influence in the region. Table 4 summarises the indicators developed to MLG.

Table 4 Indicators & Observations MLG

THE EC AND NABUCCO’S FAILURE	INDICATORS	EXPECTED OBSERVATIONS
MULTI-LEVEL GOVERNANCE	<ul style="list-style-type: none"> • EU institutional interest 	<p>No convergence between the interests of the EC, EP and the Council.</p> <p>No convergence between the EU’s institutional interests and those of the shareholders.</p>
	<ul style="list-style-type: none"> • External actors 	<p>No convergence of interests between the EU institutions, Turkey and Azerbaijan. Both countries have their own interests in Nabucco.</p>

Firstly, this thesis looks at the interest of the EU institutions by examining the positions of the EC, EP, and the Council. To find out their positions, this thesis examines different statements,

opinions, and speeches published on the subject by these institutions and their representatives. This will help in constructing their position on the subject and reveal their level of support to Nabucco. Secondly, this thesis examines the interests of the external actors to Nabucco because of their geographical location and the fact that they are not part of the EU organization. These actors are Turkey and Azerbaijan and they are important players in Nabucco because they both can influence its development: Turkey as being the bridge between the Caspian region and Europe and Azerbaijan holding the gas fields. To find out their interests, this thesis looks at the political implications and the positive externalities Nabucco will bring for them. Thus, it is looked at the financial benefits of Nabucco in terms of affordable investments, developing gas markets and fair pricing.

3.4 Data collection method

A qualitative research typically relies on four main methods for collecting the information. These methods are: observation, interviews, participation, and analysing documents and material culture. This thesis conducts a desk research which means that it gathers and analyses information, in particular documents, already available in print and published online. The data collection method includes sources such as EU official documents, reports, public statements and speeches, academic articles, foreign policy documents and CRS country reports for gas supply. Official sites of the EU institutions and energy firms are further consulted for obtaining more information. This type of method involves a specialised analytical approach called a content analysis. The strength of this method is that it is unobtrusive and non-reactive which means that the method contains exact names, references and details of events and covers a broad span of settings next to which the researcher determines where the emphasis lies after the data have been collected (Saga publications, 2006).

A major weakness of this method is that it involves a high level of interpretation which might bias the information. Most of this information reflects the opinions, and positions of the actors involved in the process but this information is hard to find, it is biased and highly politicised. The researcher cannot be fully aware of the real motives behind the position or the participation of the actors in Nabucco. This is because these interests and motives are often entangled with complex national politics, and therefore, they are not publically and openly declared in the press. While reading this thesis, one needs to further take into consideration the

effect of triangulation which refers to the use of multiple sources and their slight difference in the perception of the same phenomenon. Therefore, the reader should consider that the final conclusion of this thesis is slightly different than the conclusion reached by an individual source because it takes into account the multiple sources that differ between each other. The final conclusion of this thesis is thus a reflection of our best guess of the true situation but it is also possible that the true situation actually lies in one of the sources or even beyond that.

3.5 Data analysing method

To draw inferences on the relevance of the theories, the researcher needs to reflect on the relationship between the abstract concepts and the concrete observations. This can be done deductively through generating ex-ante predictions about the observations that are going to appear in the world according to these theories and inductively, by reflecting which theory fits more to the specific observation (Blatter & Blume, 2008). In this context, a congruence analysis relies on what Blatter & Blume (2008) calls a “discriminatory power of specific observation” and on the competition of the theoretical frameworks used for the particular case (p. 325). To help find the observation, data have to be carefully analysed. The collected empirical information is compared to the expectations deduced from the theories and four steps apply. First, the information is compared to the expectations deduced from theory (A), namely LI theory. This comparison relies on the techniques of interpretation and justification. By doing this, three outcomes should become available. Blatter & Haverland (2014) summarise these outcomes as follows: the observations being in line with the expectations, observations being contradictory to the expectations or the observations lie outside the set of expectations (p. 189). The second step is comparing the information with the expectations deduced from the other theory (B), MLG. This type of comparison leads to the same results (Blatter & Haverland, 2014). The third step is combining the results of the two comparisons for evaluating the explanatory power of the two theories (Blatter & Haverland, 2014).

This thesis uses a qualitative analysis where the focus is placed on meanings, interpretations and the collection of many data on few cases. Such data have been collected from multiple sources: press releases, official sites, EU communications and reports, foreign policy documents, and academic articles. Two variables have been developed to the case: position and interest, and these variables have their own indicators and ways of measurement. Therefore,

Table 5 provides an overview of the variables, their indicators and the way the researcher is going to measure them.

Table 5 Indicators and Measurements

Variables	Indicators	Measurement
Position	Statements (communications, resolutions)	Reading & drawing conclusions
	Speeches	
	Council discussions	
	Economic benefits	Pricing, gas capacity, risk diversification
	Level of involvement	Participation in the project
Interest	Pricing	The difference between the world price and the selling price
	Political implications	Possible alternative political motives for participation
	Positive externalities	Possible alternative motives for participation

Chapter IV: Nabucco: LI & the member states

This chapter discusses the national interests of the CEECs countries and the Big three to Nabucco. Section 4.1 elaborates on the CEECs' previous energy policies. Section 4.1.1 discusses the position of the Visegrád countries and the Baltic states. Section 4.1.2 discusses the positions of Bulgaria, Romania, and Hungary. Section 4.2 continues with discussing the positions of the Big three. Section 4.2.2 discusses the position of Austria. Section 4.3 discusses the economic and financial feasibility of Nabucco.

4.1 Central and Eastern European Countries

The CEECs are the biggest supporters of the EU project and they comprise of Bulgaria, Romania, Croatia, the Czech Republic, Hungary, Poland, Slovakia and the three Baltic states, Estonia, Latvia and Lithuania. This section analyses the overall attitude of these countries to Nabucco and focuses more in depth on the Bulgarian, Romanian and Hungarian national interests in the project. The CEECs' support to Nabucco should first be understood through some previous historical developments.

With the break-up of the Soviet Union, the socialist countries of Central and South-Eastern Europe had to undergo a process of economic reconstructing including significant changes in their energy sectors. Under the communist regime, the energy in this region was supplied by the most monolithic fuel mixes in Europe: for instance, Poland was mostly relying on coal for its primary energy whereas Bulgaria, Hungary, Lithuania and Slovakia were relying on nuclear energy for their electricity supply (Vorsatz et al, 2005). In terms of energy, these countries were extremely unsustainable because of their high energy intensities (high costs of converting energy into GDP) and their over dependence on Soviet supply of natural gas, electricity, oil, and nuclear fuel (Vorsatz et al, 2005). Nowadays, this over-reliance has not changed significantly and at the current stage, Russia keeps providing gas to most CEECs countries through its pipeline networks. Gazprom, therefore, remains the only supplier of natural gas to Estonia, Latvia, and Lithuania and is responsible for "91 % of Hungary's natural gas imports, 79 % of Poland and about 70 % of the Czech Republic" (Vorsatz et al, 2005, p. 2280). In the past, energy security

was not a priority on these countries' political agendas but the recent energy crises have signified the importance of the issue. The first energy crisis occurred in 2006, lasting for four days and giving Europe "a foretaste of what would ensue in 2009" (Sauvagot, 2010, p. 1). The tense relations between Russia and Ukraine led to a far more severe crisis in 2009 when the European states in general and the CEECs countries in particular, suffered significantly from the energy cut-offs which lasted two weeks, thus making their domestic production difficult. These countries were left in the hands of their available storage supply but the lack of alternative fuels and emergency stocks raised concerns over their vulnerability to external disruptions. In the aftermath of the crisis and in a response to public pressures, governments of these countries pledged for diversification of energy sources and began to look for alternatives to Russian gas supply. These countries also experience problems in terms of their energy infrastructure because most of them still rely on the outdated Soviet pipeline networks for their gas imports which undermines their competitive position in the market.

4.1.1 The Visegrád group and the Baltic States

The Visegrád group of countries (Poland, the Czech Republic, Hungary, and Slovakia) are united in their support to Nabucco. These countries are primarily supplied by the pipelines coming through Ukraine from Russia with the exception of the Czech Republic which imports a certain percentage of gas from Norway through the Olberhauborder transfer station (Czech National Report on electricity and gas, 2010). Since the energy cut-offs from 2006 and 2009, energy security prioritised the agenda of these countries and the appearance of Nabucco in the EU energy architecture was the first sign of moving away from Russian energy dominance. The Czech commitment to Nabucco was strongly shown during the country's EU presidency in 2009 which established the project as an EU top priority and included the pipeline in the list of projects for EU funding. The former Prime Minister, Mirek Topolánek, publicly declared that Prague firmly stands behind Nabucco and it makes significant efforts in reducing its supply dependency on Russia. Warsaw shares the same interests as the Czechs, especially because it has a personal motivation in the successful realisation of Nabucco. From some time now, Warsaw has been investing in liquefied gas (LNG) and working on the Czech-Polish gas connector STORK which is a direct transmission system for gas between the two countries. Petr Nečas, the Czech Prime Minister, confirmed the closer cooperation in this field between the two countries which want to see "an identical connector with Austria in order to continue the North-South Link

and to have terminals for liquefied gas operating on both the Baltic and Adriatic coasts” (Government of the Czech Republic, 2013). In 2008, both countries undertook a joint project for the construction of a pipeline through Moravia which would in the future grant an access to Poland to Central Asian gas via the Nabucco pipeline (Gniazdowski, 2009). Slovakia and Hungary have a slightly different position to Nabucco. Both countries have shown support to Nabucco but their positions have been rather pragmatic. Due to their inland geographical locations, Hungary and Slovakia have remained exclusively dependent on the pipeline networks from the times they still were satellite countries of the Soviet Union (Hirman, 2006). Nabucco reflects their national interests in terms of securing a new gas route and improving their energy infrastructures but these two remain more attached to their closer policy cooperation with Gazprom.

The Baltic states stand behind the Visegrád group, or more precisely the Czech Republic and Poland in their support to Nabucco. Nabucco clearly represents some of their political and economic national interests. Generally, the Baltic region has energy imports which are very high relative to their GDPs, and according to Koranyi & Sprud (*n.d.*), the region experiences a high energy poverty where “households typically spend 25-30 % of their income on energy, compared to less than 10 % in Western Europe” (p. 2). Gas prices are also highly politicised and as a consequence, there is no stable business environment for energy investments in their region. Thus, these countries see Nabucco as an option to liberalise their energy market by allowing new entrants in the sector and to re-new their out-dated post-Soviet power grids.

4.1.2 Bulgaria- Romania- Hungary

Bulgaria, Romania and Hungary are the only shareholders in the Nabucco Gas Pipeline International GmbH and they all have an equal share of 16.67 %. Bulgaria is represented through Bulgargaz, a state-owned company and a 100 % subsidiary of the Bulgarian Energy Holding. Romania is represented through Transgaz in which the governments holds 73 % of the shares. Hungary is represented through MOL which is an international and independent gas company but the government still holds a ‘golden share’.

A. Bulgaria

The matter of gas security has become a priority issue for Bulgaria only in the last 6-7 years. Bulgaria has a relatively well organized energy mix with main source of energy being coal (36

%), next to oil and petroleum products (24 %), nuclear energy (21 %), natural gas (12 %), and renewable energy sources (6,5 %) (Daborowski, 2011). All of the imported energy sources such as oil, gas, and nuclear fuel come from Russia which places Bulgaria in a very vulnerable position to external energy shocks. The former government of Stanishev (2005- 2009) favoured a continuation of closer energy bonds with Russia rather than focusing on the country's national economic interests (Chiva & Phinnemore, 2012). During its term of office, the government signed long-term gas contracts with Russia ensuring that the country will not suffer energy shortfalls. According to the former Energy Minister, Rumen Ovcharov, Bulgaria is willing to diversify its energy supply and seeks arrangements for this but these efforts for diversification can only take place if the country has meanwhile secured a stable supply of gas:

“We talk how bad Gazprom and Russia are, but this talking did not stop France from signing a 30 year contract for Russian natural gas, nor did it stop Germany (...) What should Bulgaria do? Join in the talking and then find itself without natural gas supplies in several years?” (Sofia News Agency, 2006).

The government further joined the South Stream project, is a pipeline supposed to transport natural gas from Russia through the Black Sea to Bulgaria (*Appendix 2*). Bulgaria's decision is not surprising considering the country's special trading relations with Russia. Russia has a particular interest in the country due to the Bratstvo pipeline (the Brotherhood pipeline) which passes through Bulgaria and delivers gas to Romania, Turkey, Greece and Macedonia. Moreover, Russia takes priority in the Bulgarian nuclear sector with Kozloduy, the only operating nuclear plant, which is built on Russian technology and supplied with Russian nuclear fuel (Daborowski, 2011).

The new government of Bulgaria (the first Borisov cabinet) came into power in 2009 and was sceptical to the policies conducted by Stanishev, especially to the South Stream project. A priority on the new government's agenda was pushing through with Nabucco and changing the old Bulgarian landscape by the principle “anything Russia wants” (Dzhambazova, 2009, p. 1). The energy policy included discontinuation of the closer Russian cooperation and establishing interconnectors with Bulgaria's neighbours for securing gas diversification. Taking the EU stand on the South Stream, Borisov did not oppose the project and he publicly argued that both rival pipelines can co- exist along each other. Sofia has shown full support in realising Nabucco, with

the government willing to invest more than 300 million euros of its own funds in the pipeline. The Bulgarian Parliament has passed all the necessary legislation, thus giving the full readiness for the building up of the pipeline. Nabucco, therefore, reflects the interests of the Borisov government, which is trying to distant Bulgaria from Gazprom and decrease the country's overall vulnerability to gas supply.

B. Romania

Romania is one of the least dependent countries on Russia and has the most diversified energy mix in the EU (Sobajak & Zasztowt, 2012). The primary sources of the energy mix are natural gas (30 %) and oil (26 %) but the country has a comparative advantage over the other CEECs countries because of its natural gas reserves and the Romanian OMV-Petrom and Rompetrom which are the most important oil producers and refiners (European Commission, 2013). Romania has a very pro-European energy foreign policy, thus favouring diversification by the EU and meeting objectives such as reducing energy intensities and gas emissions numbers. The country's diversification of gas is a high issue on the political agenda and due to its rather independent position to Russia, the country has been considered a very stable partner to Nabucco. Politically, the project should benefit the country by re-affirming its geographical position as an important transit country close to the Black Sea. Economically, Nabucco is going to diversify supply of gas, giving Romania an access to Turkey and Central Asia, and it is expected to increase the country's revenues from the transit of hydrocarbons and create new jobs where there is redundant workforces (Sageata, 2011, p. 230). Romania further expects that Nabucco would benefit the country in terms of "1.5 billion euros in investments in infrastructure, and logistics, in transit fees" (Sobjak & Zasztowt, 2012, p. 5).

Although Nabucco fits the Romanian pro-EU energy policy, in 2009 the country's loyalty to Nabucco was questioned. When the Bulgarian Parliament that year ratified the agreement for building up Nabucco, Russia took a defensive position to Sofia arguing that "Russia could go by a different route", namely replacing Bulgaria with its Romanian neighbour (Socor, 2010). Romania welcomed the Russian invitation and showed an interest in the South Stream pipeline with the reasoning that if anything, Romania will still be directly connected to Turkey. Due to some domestic political tensions and the increasing support for Nabucco in 2009, the former Romanian President, Traian Băsescu announced that "Nabucco is our priority and Romania is firmly committed to this European project" (Socor, 2008). Romania further criticised the Russian

attempt to make neighbouring states compete for the South Stream and reaffirmed its loyalty to Nabucco arguing that “if somebody wants to force Bulgaria’s hand, pretending to offer to build South Stream through Romanian territory, that somebody must be naïve for making such calculations” (Socor, 2008).

C. Hungary

The highest share of Hungarian energy mix is for gas (38 %) whereas the wholesale gas market is dominated by long-term purchasing agreements with Russia (European Commission, 2013). This makes the energy system of Hungary as one of the most vulnerable in the EU. Energy security has a very low profile in Hungarian domestic politics, and as Deak (2006) argues, the Hungarian policy of gas diversification is somehow black and white. The relationship between the country and Russia has always occupied a significant place on country’s foreign policy agenda but the Hungarian political elites are not united in their views to Russia. Under the Orbán government (1998-2002), Hungary was pursuing a hostile approach towards its dominant gas supplier whereas under the Ferc Gyurcsány government (2005-2009), Hungary began a reconciliation policy with Russia. In 2002, the participation of Hungary in Nabucco was secured through MOL, a privatised energy company. Already from the beginning, MOL showed a strong interest in the project which was coinciding with the Orbán’s government policy of a more distant Russia and a closer EU cooperation. In the course of action, MOL maintained its support for Nabucco compared to the South Stream but with the overthrow of Orbán’s government, the Hungarian policy switched back to closer Russian cooperation.

Weighting Nabucco’s drawbacks in terms of financial insecurity and gas capacity insufficiency, the government under the cabinet of Gyurcsány preferred cooperation through long term contracts with Russia rather than confrontation by fully committing to EU’s Nabucco. The primary fear was that “a wait-and-see attitude about pipeline projects could be a costly mistake, leading Gazprom to increase the cost of future supplies if no long term contract is signed” (Dujisin, 2007, p. 3). In the words of Gyurcsány, energy policy should consist of “less past, more future, less ideology, more business”, thus it is obvious that Hungarian dependence on Russia would continue in the future (Dujisin, 2007, p. 3). These interests became apparent when Hungary engaged in the South Stream pipeline and in the view of the government which considered Nabucco anything but “a long term dream and an old plan” (Orbán, 2008, p. 150). Due to some internal domestic pressures, specifically public opinion criticism and opposition

from the Fidesz party (the national conservative party), the country reaffirmed its support to Nabucco and announced that if it has to make a choice between both projects, Hungary would prioritise Nabucco. If no choices have to be made, then Hungary believes both projects can coexist next to each other.

4.2 The Big Three and Austria

A sufficient analysis of Nabucco requires discussing the national preferences of the Big three (Germany, France, and the UK) in the EU. The position of these countries places a lot of weight on the realisation of the project since these members still rely on their own power to influence and shape the EU energy policy and any developments in this field. This section also discusses the Austrian position to the project, considering that the country was one of the initial shareholders in Nabucco.

4.2.1 The Big Three

Thanks to its extensive network of pipelines, Germany is the main energy transit country in the EU transporting gas from Norway, Russia, the Netherlands, and to a lesser extent from the UK (IEA, 2013). France, which is often referred to as the ‘black sheep’ of the EU because of its energy model built on a strong state intervention, is an important transit country of Norwegian gas (Meritet, 2011). Official statistics indicate that about 45 Gwh of gas “exits France to Spain daily and a further 125 Gwh per day enters Italy” (IEA, 2009, p. 60). Although France is one of the world’s largest energy consumers, the country is very poor in resources, thus it is expected to influence heavily on the EU direction towards gas diversification. Despite the fact that natural gas production in the UK is recently declining, the country still exports almost two-thirds of its crude oil and natural gas to the Netherlands, Germany and France (IEA, 2012). These countries, have a particular interest in the EU policy towards securing energy supply and they are likely to influence the overall direction of Nabucco.

From the proceedings between the Austrian OMV and the Turkish Botas in 2002 to the joint venture agreement that was signed between the partners in 2005, Germany did not take a firm political stance to the project. The country’s interest has primary been centred on meeting climate change objectives rather than on securing energy supply. After all, Germany has not questioned beforehand the creditworthiness of Russian gas supply and as mentioned by its both leading energy firms, Wintershall and E.ON Rhurgas, the reliability of Gazprom has never come

up on the agenda (Abdelal, 2011). Thus, the government has been focused on making “Germany one of the world’s most energy efficient and environment friendly economies” (IEA, 2013, p. 9). It was not until the first energy crisis that energy security gained some political attention in the country and Angela Merkel, the German Chancellor, announced that the security element to energy will be added to the economic and environmental approaches next to a national strategy for energy security (Benoit, 2006). The UK, on the other hand, under its former Prime Minister, Tony Blair, seemed more supportive to Nabucco. At the EU informal summit at the Hampton Court (2005), Blair welcomed the EC’s efforts for diversification arguing that states should work together on establishing an European energy grid. According to him, states should work together “given the fact that according to the European Commission, over the next years we will start to import around 90 % of our oil and gas needs” (Blair, 2005). French position to Nabucco was rather neutral considering that the country has generally shown interest in both running projects, the Nabucco and the South Stream pipeline. However, France places more importance on renewable energy sources rather than on gas diversification options and between the availability of gas projects, the country was slightly caught in “scrambling for a foothold in the emerging energy architecture of Europe” (Abdelal, 2011, p. 36). Thus, all three member states have a rather different perception on the necessity for ‘energy security’.

A. Germany

Parallel to Nabucco, the German Social Democratic coalition government led by Gerhard Schröder has supported a Russian-German project, called the Nord Stream pipeline. This pipeline (*Appendix 3*) represents a direct route from Vyborg, Russia under the Baltic Sea to Germany. Following the German elections in 2005, Schröder was preceded by Angela Merkel which continued a supportive policy to the Nord Stream and a lot lesser enthusiasm to the EU’s pipeline. The German government clearly has a stronger interest in securing the Nord Stream pipeline compared to Nabucco since the project reflects the energy policy of the country: it allows for a direct transmission of gas to Germany without bypassing transit countries like Ukraine, it is risk averse since it reduces transmission costs and eliminates political risks, and it complies with international and national legislation on environment (Gazprom, Nord Stream). Between 2002 and 2008, Berlin was not very firm in its stance to Nabucco. In February, 2008, the German company RWE became an equal partner to Nabucco which somehow meant that Germany might take a stand in supporting the EU pipeline. The problem of defining the German

position is that at the beginning, the country was supporting all running projects. Merkel called for the EU to work on its dependence on energy supplies and called support for all projects that “should be politically desired and supported by all EU member states” (Merkel, 2009).

At the same time, German opposition came out in light during the informal summit of heads of states and governments in Brussel, 2009 when Merkel announced that Germany does not support EU funding for Nabucco. Merkel’s arguments followed that Nabucco does not need EU financing considering that there are enough private lending offers and that the problem lies more from where the gas comes from, rather than from financial aspects. According to Merkel, Nabucco cannot be constructed within the time frame of 2009-2010 which is a problem for the EU since at this stage, the EU needs projects that would have a substantial stimulating effect on its economic situation (Glover, 2009). Berlin tried to appease all sides involved in the gas diversification projects, particularly the ones from Russia. In reality however Germany has shown zero commitment to Nabucco by not supporting the project for EU funding and by fully committing to the Nord Stream (Barysch, 2007). Thus, Berlin does not want to risks its relations with Moscow and the national strategy of gas security would rather be placed on stronger bilateral agreements with Russia.

B. France

The French position is similar to the German attitude to Nabucco. The country rarely lobbies for a common EU energy strategy and “does not publicly regret the Putin regime’s drift away from rule-of-law politics” (Russian Analytical Digest, 2013, p. 5). The former Foreign Minister, Bernanrd Kouchner declared that France supports both running projects, the Nabucco and the South Stream. The general interest of France lies in accessing the Central Asian gas, no matter whether the gas is delivered by Russia or an EU supplier (Socor, 2008). In 2006, France showed an interest in becoming a shareholder of Nabucco through its state-owned company, GDF Suez. The application for Nabucco was ruled out by Turkey which was not coincidental considering that the French National Assembly passed a bill recognizing the Armenian deportation of the Ottoman Empire as genocide (Socor, 2008). Following this development, France orientated towards the South Stream pipeline but it did not close its option to join later the Nabucco consortium. In 2009, Electricite de France company (EDF) signed an agreement with Gazprom on its participation in the South Stream and the government commented that the French energy policy is orientated towards diversifying the transportation routes of oil and gas, and that the

decision to join the South Stream should not be taken by the EU as a liability to Nabucco.

The French position is not that surprising considering the French open opposition to Turkish membership in the EU. After all, Turkey as an important connector to Azerbaijan and an equal shareholder to Nabucco, significantly improves its relations to the EU. Furthermore, France seems to follow German orientation to energy, praising long-term bilateral arrangements with Gazprom instead of an EU diversified gas pipelines. After the German RWE sold its Nabucco shares to Austria, the French GDF Suez concluded a share purchase agreement with OMV joining the Nabucco consortium. The managing director of Nabucco, Reinhard Mitschek announced that the entry of GDF “strengthens the shareholder structure of Nabucco significantly and paves the way to the French market” (Ahmedova, 2013). Despite the fact that Paris supported the GDF Suez entry to Nabucco, France places among the yes/ no policy orientation, and orientates to the projects that are willing to include her but still, she will push for the ones that include Russia as a supplier.

C. The UK

Out of the Big three, the UK seems to be the biggest supporter of Nabucco. Generally, the country relies on its own gas reserves and on the growing importance of LNG but considering that domestic production is declining, the British might need more gas pipelines in the near future. In 2005, Blair called for more EU action in terms of energy policy. The Prime Minister defended that previous opposition to the EU energy policy has come in a response of previous British fears that “the EU Commission would go in and start regulating North Sea oil platforms, causing difficulties for us and all the rest of it” (Blair, 2005). Blair argued that at the current stage, this is a wrong approach through which the EC’s efforts for diversification should be taken. Instead he was calling for more cooperation between the states to Nabucco because by working all together in this direction, significant improvements in the competitiveness and efficiency in the energy market can be achieved (Blair, 2005). Therefore, the UK stands behind Nabucco which is to offer exactly the aforementioned competitiveness in the market, and might reduce prices for the EU consumers. Support from the UK was also shown in 2007, when after the Nabucco’s conference in Budapest, the Minister of Energy Malcom Wicks paid visits to Azerbaijan and Turkmenistan. The purpose of these visits was to enhance the cooperation for gas supply. After all, the British company BP is one of the main stakeholders in the Shah Deniz consortium which is to decide which project would transport the Azerbaijani gas to Europe. The

British position was that Nabucco is an important step towards achieving an EU external energy policy because its energy security “will rise if it is a part of a flexible and resilient European gas market” (Barysch et al, 2010, p. 19). The more states orientate towards bilateral agreements with Gazprom, the more difficult the realisation of such an EU gas market, which is in no favour for the British who would like to extend their gas pipeline routes. The UK did not however propose any concrete measurements to strengthen the EC’s role in the project, and did not propose a further transfer of energy competences to the EU. The UK did not involve in an extensive lobbying for Nabucco.

4.2.2 Austria: between Nabucco and OMV

In 2006, Austria took the Presidency of the Council of the European Union which coincided with the first Russian-Ukrainian energy dispute. At a plenary session held at Strasbourg, the former Austrian Chancellor, Wolfgang Schüssel argued that diversification has become an absolute long-term objective because ‘it is a question of reducing our dependence on one supplier’ (European Commission, 2006, p. 1). Nabucco was reflecting a pure commercial interest by OMV, the largest oil producer in Austria. After successful talks with Botas, the Turkish state-owned crude oil and trading company, partners were invited to join the project. Thanks to the OMV strong lobbying position at the EU level, the EC awarded in December 2003 a grant covering “50 % of the estimated total cost of the technical, commercial, and financial feasibility studies” (Sartori, 2012, p. 6). With the support of the EC, the project quickly gained support from the Austrian government for which Nabucco reflects most of its foreign policy goals since 1990s, namely closer contacts with Central and Eastern Europe (Roskogler, *n.d.*).

Despite the initial euphoria around Nabucco, and the strong support the Austrian government invested in OMV, both supporters turned to closer cooperation with Russia. The motivations for OMV to turn to Gazprom were based on the financial problems of Nabucco, the availability of gas supply and the geopolitical risks within Azerbaijan and Turkey. In the course of 2007-2008, the Austrian company agreed to share the Baumgarten Gas Terminal near Vienna with Gazprom and to participate in the South Stream, which taken all together, it seems that Baumgarten, originally designed for Nabucco is to be supplied with Russian gas from the South Stream (Astrov, *n.d.*). The position of Austria was that it did not want to affect the decision making of OMV which is to provide the energy security of the country and such a security can also be achieved through developing infrastructures that do not bypass Ukraine.

4.3 Nabucco: ‘a better alternative’

Energy security focuses on the supply side of primary energy or energy carriers of “one or more of the exhaustible fuels: oil, natural gas, and or/coal” (Jansen & Seebregts, 2010, p. 1654). Energy security is therefore defined as “the uninterrupted availability of energy sources at an affordable price” (IEA). The problem of energy supply is that if there are unforeseen changes in the availability or the prices of the energy carries, this normally has significant consequences on the countries’ economic growth. The EU has spent many efforts in investing how to manage the economic externalities to energy more efficiently. The EC has been pushing for reducing greenhouse gas emissions and for decreasing the consumption of imported fossil fuels. The EC has been trying to liberalise the energy market since the 1990s because it believes that “a reliable, transparent and interconnected market has the potential to mitigate these risks” (COM, 2014, p. 8). According to the EC, the gas demand in the EU has been rapidly increasing, in 2003 the demand accounted to 502 bcm/y with the expectations to grow to 815 bcm/y by 2020 (COM, 2009). In 2013, the EU’s gas consumption only from Gazprom was more than 161.5 bcm, (See *Appendix 4*).

Nabucco’s proposal includes that the pipeline is to be built in stages, starting with a small capacity of 8 bcm/y and eventually expanding the pipeline’s capacity to 31 bcm/y. After Azerbaijan was selected as the primary donor of gas, it was expected that the country should supply 8 bcm/y, which however is not sufficient to cover the EU gas demands. In financial aspects, Nabucco was relatively cheap to its rival pipelines such as the South Stream. Despite the fact that the EC secured EU funding (€200 million), the funding from the European Investment Bank and the European Bank for Reconstruction and Development and the shareholder was not sufficient to cover the costs of the project. Based on a simple cost-benefit analysis, finding additional funding might be problematic considering that private investors might not be interested in a project which provides a very limited capacity of gas transmission and which still has not secured a stable supplier that can fill in the pipeline. Even in the best case scenario if the Shah Deniz consortium choses Nabucco for Azerbaijani gas, the country does not have a sufficient capacity to fill in for 31 bcm/y. Thus, Nabucco is inefficient in decreasing the overall reliance on Russian gas supply, and if it can transit 31bcm/y by 2020, it will cover only 3.8 % of the total EU demand.

A major political instability is also related to the transit countries. The gas disruptions of

2006 and 2009 were based on political disagreements between Russian and Ukraine, and Nabucco cannot guarantee that such disagreements would not occur between Turkey and the EU, in case the accession talks for Turkey do not go the way the Turkish governments plans to. Considering that Nabucco crosses over 2,000 km from Turkish land, the country would most likely use the project as a political leverage over the EU and in case of a conflict, it would have the ability to cut off the gas supplies from Nabucco. Although a good alternative, Nabucco is not the best option governments can turn to if they want to pursue national strategies of energy security. Even if they are left out of the agreement, this would not affect their energy markets because the states can chose between other alternative pipelines that can successfully meet their commitments in terms of gas capacity supply. For instance, the Nord Stream pipeline is a better alternative to Nabucco: the pipeline can transport 55 bcm/y gas to Europe, and the construction is already in place. The two lines of the pipeline system have already been installed, and they each have a rough capacity of 27.5 bcm/y. Furthermore, the pipeline does not cross Ukraine which significantly reduces the risks of gas cut offs and secures a direct transmission between Russia and Germany. Thus, one sees that the position of the states is also constructed on the basis of the economic benefits and the political implications of Nabucco and these two play important role in the support for the project (See Table 6 for the overall position of the states).

Table 6 An overview of the states' position to Nabucco

Statements	P	P	P	P	Ne	N	N	P	P	P	P
Speeches	P	P	P	P	Ne	N	N	P	P	P	P
Council discussions	Ne	N/a	P	P	N	N	N/a	P	N/a	N/a	P
Economic benefits	Ne	P	P	P	Ne	N	P	P	P	P	P
Level of involvement	P	N	P	P	P	N	P	Ne	P	P	Ne
Pricing	Ne	P	P	N/a	Ne	Ne	Ne	Ne	P	P	Ne
Political implications	Ne	P (EU) N (RU)	P (EU) N (RU)	Ne	N (RU)	N (RU)	N (RU)	P	P	P(EU)	P
Positive externalities	P	P	P	P	P	N	P	P	P	P	P
Countries	AT	AZ	BG	CZ	FR	DE	HU	PO	RO	TR	UK

Legend:

P: positive **N: negative**
Ne: neutral **N/a: not available**
P (EU): positive in terms of the EU
N (RU): negative in terms of Russia

Chapter V: Nabucco as MLG: plurality of actors

This chapter examines the institutional interests of the EC, EP and the Council to Nabucco. It looks at how compatible the interests of these institutions are to the external actors in the project, Azerbaijan and Turkey and to the states' energy companies. Section 5.1 discusses the convergence of EU institutional interests to Nabucco. Section 5.2 examines the interests of Azerbaijan and Turkey. Section 5.3 examines the interests of the shareholders

5.1 The EC & EP: an urge for external energy security

In early 2000, the EC announced that the issue of energy security requires the attention of all states and consequently, more EU involvement since by the year of 2020, it expects that EU oil imports from foreign suppliers would increase up to 90 % and gas imports up to 70 % (COM, 2003). The EC published a Green Paper² through which it clarifies that the new EU approach to energy will be linked to the areas of environment and competition by “reconciling energy security with reduced environmental impacts of energy productions and use while ensuring simultaneously that our economies remain competitive and growing” (DG Energy and Transport, 2003, p. 3). The reason why the EC links the energy sector to competition and environment is because energy still remains a national prerogative, whereby with the latter the EU enjoys an extent of competences. Joining the initial cooperation proceedings between Austria, Turkey and the other partners in the end of 2002, the EC awarded a financial grant to study the feasibility of Nabucco in terms of market analysis, technical and economic viability. By the end of 2004, the study positively concluded that Nabucco was a feasible project, and following these results, Nabucco became a priority on the EC's agenda.

With the first dispute between Russia and Ukraine, the EU's awareness was raised on the strategic costs of overdependence on Russian gas supply (Roberts, 2007). These external events were favourable for Nabucco, thus the EC pushed its diplomatic efforts in securing political support for the project, including publishing a second Green paper³ calling for support to the EU's external energy security. The EC regards that the energy policy is an integral part of SEM which still experiences problems in this area. First, the energy market continues to reflect a concentrated structure of national or regional monopolies, which limits the possibility of new

² Towards a European Strategy for Security of Energy, 2000

³ A European strategy for sustainable, competitive and secure energy, 2006

entrants, and second, there is a lack of transparency considering that energy lies under national terms (Kroes, 2006). According to Neelie Kroes, the European Commissioner for Competition, these are the main reasons “why the Commission is favourably predisposed towards projects such as the planned ‘Nabucco’ pipeline” (Kroes, 2006). Taking the advantage that the first energy crisis generated political support for Nabucco, the EC engaged in securing additional natural gas suppliers for the project. A Memorandum of Understanding was signed with Kazakhstan which according to the former EU Energy Commissioner, Andris Piesbalgs, would mutually benefit both countries, “Kazakhstan- in terms of diversification of exports and for the EU- in terms of security of energy supplies” (Piebalgs, 2006). Subsequently, another memorandum was signed in 2008 with Turkmenistan and an Energy partnership was achieved with Iraq, making the country a possible supplier to Nabucco (European Commission, 2010). These memorandums signify a strong commitment by the EC to secure gas supply for the EU’s pipeline and show its success in foreign energy diplomacy.

The situation of Nabucco between 2007-2009 was rather undefined. On the one hand, after the turmoil of the first energy crisis declined, the political support for Nabucco started to vanish but at the same time, the German involvement in the project through RWE boosted back states’ confidence in the project. Taking these events into consideration and with the subsequent energy crisis which occurred in 2009, José Barroso, the former President of the EC, called once again for EU support towards the efforts in achieving external energy security. He argued that:

“New Year is for fireworks and celebration, not gas crises. This cannot be an annual even. We have to stop simply talking about energy security in Europe, and start doing something about it” (Barroso, 2009).

In line of his reasoning, it is now the time to promote a rapid development of infrastructure which is exactly what the EC tries to achieve with Nabucco. Gas diversification has been a top priority on the EU’s agenda and the second crisis was “a sharp reminder that the EU needs to take energy security seriously” (Barroso, 2009). The EC facilitated an intergovernmental summit in Budapest, which was an important step in realising the construction of the pipeline in terms of establishing the planning, tax, and regulatory issues that ensure that the project is bankable and legally sound.

Already from the start of the project but particularly after the two energy crises, and the

successful intergovernmental agreement in Budapest, the European Parliament (EP hereinafter) welcomed the EC's proposal for improving the external energy security of the EU. The EP welcomed the call for "improvement of interconnections within Europe as essential, since filling the existing gaps is vital to the efficient functioning of the internal market and energy solidarity" (EP, 2009, § 7). During 2006, the EP issued two resolutions⁴, in which it calls for Common Energy Policy and establishes an explicit connection between energy and security, thus considering "the EU's dependency on a limited number of energy producers and supply routes as a serious risk to its stability and propensity" (EP, 2006). Compared to the Green Papers on energy, the Parliament's resolutions included far more reaching proposals on addressing the external energy issue. Therefore, the EP urged the EC and the Council to work together on developing and adopting appropriate measurements to make the EU more efficient market economy by the 2020 and urges the states "to take very seriously the real danger of a deficit in gas supplies from Russia after 2010" (EP, 2006).

The EP's support was strongly evident in 2009 when the institution passed a motion urging the EU support for funding the project, agreeing with the EC's initial proposal to provide €250 million to the project (EP, 2009). Nabucco has a strategic importance in diversifying the gas and transit routes to the EU, and therefore, it calls on the EC and the Council to extend all possible means including "financial support, and to prepare practical measure proposals aimed at rapid implementation of the Nabucco pipeline project so that the project becomes operational as soon as possible" (Rosati & Broek, 2008, p. 2). Having a green light and full support by the EP, the EC continued efforts in speeding up the EU's project. In 2011, the Project Support Agreement (PSA) was signed between Nabucco and the transit countries complying with EU law and soon after, in 2012 the Nabucco consortium proposed the Nabucco West⁵. With PSA and the proposal of Nabucco West, the Shah Deniz consortium partners agreed that they will take 50 % stake in the project and provide the additional financing if Nabucco is chosen for an export route to Europe. For the EC, this was considered a success because as Günter Oettiger, the Energy Commissioner argued:

⁴ Both resolutions were on the European strategy for sustainable, competitive and security energy Green paper: 2006

⁵ Nabucco was originally supposed to transport 31 bcm per year whereas Nabucco West was to transport 10 to 23 bcm/y

“With this pre-selection, we are a step closer to getting gas directly from Azerbaijan and other countries in the Caspian region (...) Azerbaijani gas is certain to come to Europe” (Oettiger, 2012).

In 2013 however, the Nabucco West project lost the contest for Azerbaijani gas from the Shah Deniz consortium. Oettiger commented that choosing TAP over Nabucco was purely based on commercial interests from the consortium, nonetheless this should not be taken as a failure since both projects in practice serve the purposes of gas diversification to Europe. Barroso concluded that both projects are of strategic importance for the diversification of supplies and the EC remains positive that in the future both projects could be ultimately built.

5.1.1 The Council

Only recently the issue of EU external energy security gained a momentum on the Council’s agenda. The first crucial step came with the informal meeting in 2005, at the Hampton Court, where governments accepted that there is a need to take some measurements towards energy policy. The appearance of Nabucco and the Russian energy cuts in 2006 served as catalyst for discussions in the Council for enhancing cooperation to energy policy. The discussions that took place in 2006 revealed that the Council is not ready to commit to EU external energy security: on one side Germany was prompting for closer regional cooperation with energy suppliers, including Russia, whereas on the other hand, CEECs countries opted for moving away from Russian dependence. The CEECs countries were rather united in their position towards Russia but this is due to their dependence on Russian gas which is comparatively stronger than the rest of the EU. The UK was favouring energy diversification but did not propose any concrete measurements to tackle the problem. Due to this division in the Council, the discussions did not include any proposals for pooling EU’s competences in the energy policy and instead they orientated to closer governmental cooperation. Such cooperation came with the Polish proposal on establishing a ‘European Energy Security Treaty’ to the Council which requires countries’ cooperation in bringing assistance to any party affected by restrictions in energy supplies. France also contributed to the debate by placing more importance on electricity interconnections and the use of renewable energies, through which the EU can reduce greenhouse emissions but also reduce its vulnerability to energy dependence (French delegation Council of the European Union, 2006).

Despite the urge of the EC, through its Green papers and the EP, through its resolutions, the Council did not favour the adoption of any far reaching decisions that would pool the EU's competences in this area. Germany, for instance, elaborated that the choice of the countries' energy mix and the general energy supply, even in the case of a crisis, remains a matter of the member states (German delegation, Council of the European Union, 2006). The general conclusion was that efforts to energy should be undertaken but the energy policy should still "preserve member states sovereignty over primary energy sources" and the EU should respect the states' choices of energy mix and diversification options (Council of the European Union, 2006, p. 2). In terms of Nabucco, states had different positions on the benefits of the project and they argued that Nabucco cannot address more pressing issues, such as the diverse energy structures and mixes of the states. The discussions during 2006 confirmed that on the one hand, Nabucco does not have the confidence of the Council and on the other hand, the Council does not share the position of the EP and EC that at current stage, the EU is the most appropriate actor to tackle the problems of external security. Thus, cooperation for energy can only be achieved through further intergovernmental cooperation outside the EU framework.

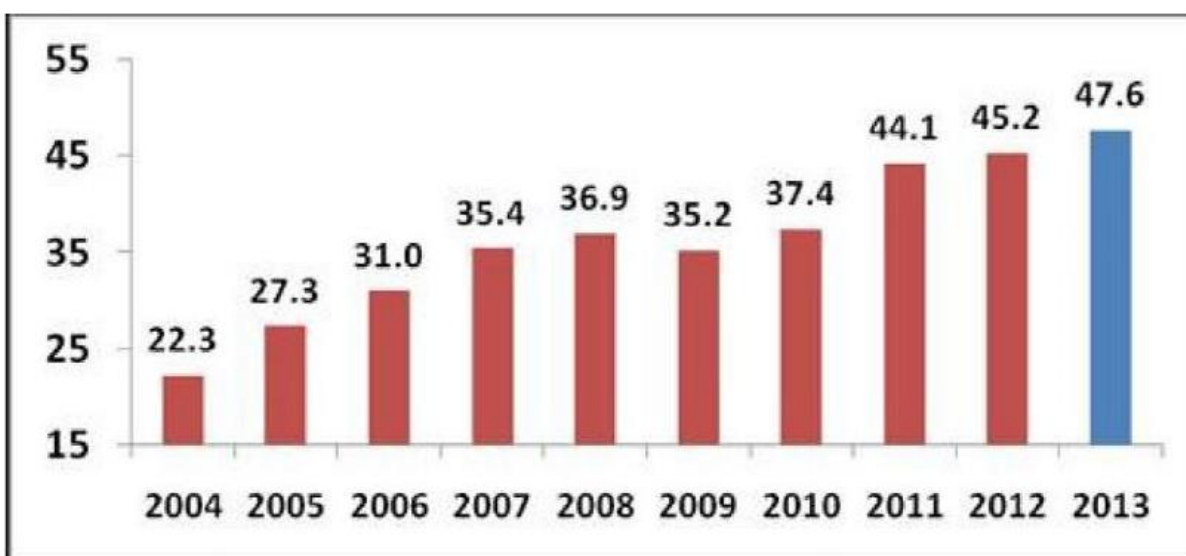
5.2 Turkey and Azerbaijan

Since the year of 2000, Turkey has pursued a series of economic and political reforms to satisfy its candidacy's conditions for EU membership. Turkish accession to the EU began in 1987 but since then its entry has been blocked and Turkey continues to meet its commitments to EU requirements. According to Triantaphyllou & Fotiou (2010), the energy sector also witnessed a reform in terms of liberalisation by the entrance of business associations in the game (p. 56). Recently, there is a growing perception that Turkey pursues EU membership by "capitalizing on the country's geographic location and its strategic importance to Western political and security community" (Kardas, 2011, p. 36). Olli Rehn, the former Commissioner for Enlargement, for instance has argued that the EU and Turkey 'need each other' in a sense that:

"Turkey can help the EU diversify and secure its energy supply. At the same time, integration of Turkey into the EU's internal energy market will enable Turkey to build a functioning and reliable domestic energy market and the infrastructure needed for its rapid and sustainable growth" (Olli Rehn, 2009).

In 2002, Turkey joined Nabucco through its energy company Botas, and in 2009 all partners signed the official Nabucco intergovernmental agreement in Ankara. According to Barroso, this was a great achievement for both, the EU and Turkey since they together have overcome the obstacle of energy security. The motives of Turkey to join Nabucco were driven by economic and political rationales. Economically, the country needs to meet its increasing demand for natural gas which has led to a rapid increase in its supply (Figure 4). Additionally, Nabucco will significantly contribute to Turkey in terms of transit revenues and the country has long demanded during the course of Nabucco for “15 % of the supply for its own needs at discounted price” (Erdogdu, 2010, p. 14)

Figure 4 Natural Gas Consumption Turkey



Rzayeva, G. (2014). Natural gas in the Turkish domestic energy market.
<http://www.oxfordenergy.org/wpcms/wp-content/uploads/2014/02/NG-82.pdf>

Turkey does not really share the interests of the EC and EP for securing EU external energy security but instead it pursues its own strategies to diversify gas and meet its high domestic demand. The country would like to establish its geopolitical importance as a bridge between the Caspian region and the Middle East to Europe and if completed, to use Nabucco as a strong political leverage in its accession negotiation talks. The interests of Turkey, therefore, lie in meeting its domestic demand for gas and in developing even closer cooperation with Azerbaijan or as some argue it looks like that Turkey wants “to buy up all the available gas from

Azerbaijan, the only country that looks most likely to supply the line in the first years of the project” (Erdogdu, 2010, p. 19).

The Caspian region holds a great potential of natural gas supply, and the estimated reserves of Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan “are estimated at over 1,000 tcf, among the largest in the world” (Ratner et al, 201, p. 18). These countries possess 7 % of the world’s reserves but they are limited to the world market and Russia has already signed contracts with most of the Caspian states. Nabucco consortium decided to supply gas from Azerbaijan. The natural gas will be supplied by two developments, the Shah Deniz field which is led by BP as operator but also included “Statoil (Norway), SOCAR (Azerbaijan), LUKOIL (Russia), Total (France), NICO (Iran), and TRAO (Turkey)” (Ratner et al, 2013, p. 20). Azerbaijan’s interests in Nabucco like Turkey are primary based on political motivations. After the Russian-Georgian conflict in 2008, Azerbaijan reinforced its desire to strengthen its relations to Western Europe, especially in the event of another crisis. Following the dispute between Ukraine and Russia in 2009, Azerbaijan considered the Russian behaviour as a threat, since the country obviously does not have prejudices in hurting its commercial interests to punish a neighbour (Erdogdu, 2010). In 2009, Azerbaijan signed an agreement with Gazprom to export gas to Russia and this agreement is operational from 2010 to 2014. Azerbaijan has fully committed to Nabucco, because the project is expected to become operational in 2015, a year after the contract with Russia ends. Meanwhile, Azerbaijan profits from the Gazprom agreement because the country was to finally sell its surplus gas at world prices (Coburn, 2010). Despite the fact that this agreement is very favourable to the country, Azerbaijan has not shown any commitment to extend the agreement with Russia and it continues to explore options along Nabucco.

5.3 The Shareholders

Government-owned companies are not detached from the political sphere, thus there is a strong political influence on the companies’ economic decision-making. A negative effect of this ownership is that the driving rationale of the companies is not that much based on economic growth maximizing but rather on developing the state’s power. This section examines the compatibility of these companies’ interests to the EU institutions.

A. Bulgargaz and Transgaz

In terms of Bulgaria, the CEO of Bulgargaz, Dimitar Gogov argued that the decision for the company to join the Nabucco's consortium was driven by the need for diversification. Bulgaria is extremely dependent on Russian energy supply and therefore, the country is looking for ways to expand the energy market in general and towards its neighbouring countries in particular. Bulgaria imports gas only from Russia through Ukraine, Moldova and Romania which makes the country's position very vulnerable. Additionally, there are four international gas pipelines and thirteen compressor stations which connect the country to Greece, Turkey and Macedonia and are used for the export of Russian gas (Ivanova, 2012). The problem of these pipelines however is that they operate only one way meaning that "Bulgaria can only use them for the export of gas but the process cannot be reverted for domestic imports" (Ivanova, 2012, p. 26). Nabucco pipeline provides a first real opportunity to diversify the energy supply of sources and it will bring more stability in the market and also respond to the consumers since according to Gogov, there is more demand for gas than supply, and this tendency will increase in the future (EEE, 2013). Furthermore Nabucco is in line with the new energy policy of the Borisov's cabinet.

In terms of Romania, the government has a very strong influence on the energy market. Owning more than 70 % of the Transgaz's shares (73.51 % through the Ministry of Economy, Trade and Business Environment), the government mandated that Transgaz is to represent the interests of Romania in Nabucco. The main motivation was that the government considers the project very beneficial because it will stimulate the domestic natural gas market by diversifying the structure and providing competitive pricing (Transgaz, 2011). Despite the fact that the project will stimulate the economic growth of Romania, some national political motivations were there as well: for instance, to establish the country's important geopolitical location as a transit country, to improve relations to the Caspian region and increase tax revenues for the government (Transgaz, 2011). Thus, for both companies, Bulgargaz and Transgaz, despite some commercial interests (increasing tax revenues and transit fees), the main rationale was influenced by the governments which took a proactive European stand to diversification.

B. OMV and MOL

Unlike its co-shareholders, OMV is not a state owned company, and since 2004, it became the market leader in Central and Eastern Europe, following the acquisition of Romanian shares (51 %) of the oil and gas group Petrom. The company is also very active in the exploration of natural gas reserves. Since the company owns the Baumgarten gas hub, OMV welcomed the opportunity for Nabucco as a way to liberalise the market. OMV's interests in Nabucco were rather based on commercial pursuits and Nabucco's commitment did not prevent the company to continue its close cooperation with Gazprom which offers better prices and a real supply of gas. OMV turned to its commercial interests, particularly with signing in a long term contract (2012-2027) with Gazprom according to which "2 out of 3 gas distributors in Austria are Gazprom subsidiaries which also have access to the Austrian retail market" (Astrov, *n.d.*, p. 172). In 2008, OMV concluded an Intent Agreement with Gazprom according to which the Baumgarten hub is to become Central European hub and be sold to Russia which confirmed the company's commitment to trade with Russia.

MOL became privatised in 2006 and all shares except the golden share were sold out to private investors. Golden shares in this case refer to the special rights which allow governments "to retain control over certain decisions in privatised companies" on the grounds that this is necessary for achieving certain policy goals, often in the interest of the public good (COM, 2005, p. 1). This implies that governments have veto powers in the decision making of the company and they can interfere with the right of an investor to take a stake in a company (COM, 2005). The Hungarian government influenced the position of MOL considering that the country should orientate to the most suitable project close to the needs of the country.

C. RWE & GDF Suez

RWE, one of the leading energy production and generation companies in Germany, joined the Nabucco consortium in 2008. Stefan Judisch, the former CEO of RWE Supply & Trading, argued that Nabucco has many benefits for RWE. First of all, the German arm of exploration utility renewed its interest in the Caspian region where until mid-2006 it was active in the region. In 2006 however it sold its "25 % shares in the Ashkabalak oil-field in Kazakhstan to the state owned oil company KazMunayGaz" (ICIS, 2008). RWE has an interest in returning to this region considering the natural gas reserves of the Caspian states, and it considered that from all

ongoing pipelines, Nabucco represents the cheapest corridor for transporting diversified gas to Europe (RWE Ag, 2009). The company made beforehand a comparative study on the transport tariffs concluding that Nabucco's tariff is "40 % to 73 % cheaper than the other projects, and the total wellhead to market costs of Nabucco are 15 % to 27 % below the other pipelines" (RWE AG, 2009). Therefore, the firm considers Nabucco as the most financial beneficial option with low building costs for each bcm capacity.

Although France could not join in 2006, in 2013 GDF Suez bought shares from OMV, following the transfer of share from the German RWE to OMV. The deal was beneficial for the company because it opened an access to a gas rich region in the Caspian Sea, and Jean-Francois Cirelli, the Vice chairman and President of GDF commented that:

"With this commitment to the Nabucco West project, GDF SUEZ bring its full support to the this strategic project and re-asserts its position as a key player in the European natural gas.." (GDF Suez, 2013).

The company's interest was clearly reflecting the policy of the government which favoured all projects and joining Nabucco could only be beneficial in terms of accessing gas rich regions in the Caspian Sea. GDF further established that it is not against Russian involvement in the project.

D. Botas

Despite the fact that in 2001, Turkey began a process of liberalising its gas market, the country has not yet complied with some of its objectives stipulated by the law, with for instance the dilution of the power of the state owned company Botas. This company is the most important player in the gas market and "imports approximately 75 % of the Turkish natural gas import" (Baltaci, *n.d*). The company however has accumulated a big debt because of fluctuations in gas prices, and Nabucco was seen as an alternative investment to secure gas transmissions. The company despite its slight commercial interest was very influenced by the government because the project, if completed, would strengthen the country's position to the EU. Thus, Botas primary complied with the government's objectives.

Chapter VI: Findings and Comparison (LI & MLG)

This Chapter discusses the findings to the case. Section 6.1 discusses the findings to LI. Section 6.2 discusses the findings to MLG. Section 6.3 elaborates on both findings.

6.1 Reviving LI theory in the EU energy policy

The external shocks to energy security in 2006 and 2009 have made the EU more aware of the risks of its energy dependency on non-European energy suppliers which accordingly, has pushed the EC to pursue a series of precautionary measurements in response to these developments. Despite the urge of the EU for a closer cooperation in the energy external policy (Hampton Summit 2005), states remained reluctant to cede more powers over the EU in the Nabucco's course of action. This reluctance comes from the fact that the states have a very different energy mixes and infrastructures. Therefore, it is not surprising that the stronger support to Nabucco came from the CEECs for which the project, if successful, would provide some release from Russian energy supremacy and would replace their outdated Soviet energy infrastructures. With the Big three, the situation is slightly different: France has a diversified import mix from Russia, Norway and the Netherlands whereas Germany has own natural gas reserves. Thus, these countries' national strategies would rather place the focus of security on investing in renewable energies and on continuing to trade with Russia.

With Nabucco, it became clear that Russia plans to take over the main pipeline routes in the EU. This was evident with the propositions of the Nord Stream (2005), and the South Stream Pipelines (2007) but also with the Austrian Baumgarten, when Gazprom concluded an agreement with OMV. The Russian projects confirmed the division of the states towards a common EU external energy approach, and instead triggering support to Nabucco, states tried to secure their place under one or all of the above mentioned Russian pipelines. As Wolfgang Ruttensstorfer, the former Chairman of Executive Board of the OMV, commented to Baumgarten:

"We want the Russians in it (...) We want the Russians to be interested in developing this biggest hub in Continental Europe." (Dempsey, 2007).

States agree that with the increasing global competition for energy resources, more intra-state cooperation should be achieved but external energy security should come through “EU’s bilateral cooperation with all suppliers” rather than Nabucco (Council’s Presidency Conclusions, 2007, p. 14). Most of the states, even the bigger supporters from the CEECs, continued their contractual obligations to Gazprom over their preferences for the EU’s rescue pipeline, which means that a further integration to energy would take place outside the EU’s legal framework.

According to LI, Nabucco will succeed only if it reflects the interests of the states, the lowest common denominator and the relative power of the bigger states, Germany, France and the UK. Nabucco revealed that states are disunited to the project, and that even among its main supporters, the CEECs group, there were deviations to the extent these countries support the real realisation of Nabucco. Due to the increasing global competition to energy resources, Nabucco reflects the lowest common denominator in a sense that states agree a future cooperation would be necessary in the field of energy but for now, this cooperation would take place in the form of intergovernmental agreements. Considering the states’ various energy structures, they cannot support the EC that the issue of energy security is most appropriately dealt on the EU level and by excluding the main EU’s supplier out of the game. Therefore, states agree with Germany, that the choice of energy suppliers should remain a national domain which reveals that they are not yet ready to commit to a common position in engaging with external suppliers. The fact that even among its biggest supports, Nabucco did not prevent these countries from signing long term contracts with Russia confirms on the one hand, the disbelief such a project would be successfully implemented, and on the other hand, that the countries are not yet politically ready to turn against Moscow. Without Germany on the board, and with the economic and financial drawbacks of Nabucco, the EC cannot gain the full support of the other two states, the UK and France. After all, Nabucco can cover only 3.8 % of the EU’s gas demand for 2020 which it is not sufficient pre-condition to cede more powers to the EU.

Nabucco cannot deal with the structural energy problems in most of the countries. Member states’ policies to energy reflect the demands coming from their domestic consumers, which want a stable supply of gas, and their producers, which prefer the least costly project that can deliver a sufficient amount of gas. Nabucco is a relatively cheap project compared to the Russian alternative pipelines but it can realistically deliver only 8 bcm/y which is no favour of the EU consumers nor its producers. Even in the best case scenario, Nabucco cannot relieve the

EU's over-reliance on Russian gas, and engaging in such an European experiment might lead to negative political implications with the only contractor (Gazprom) that has the sufficient amount of gas to meet the countries' demands. The energy realm, therefore, should remain in the hands of the states with their domestic groups, particularly, the energy companies which shall define together with their governments the energy strategies. The lack of cohesion among the states, and in particular, the bigger states on how the EU should deal with its external energy security allows Russia to block the European attempts in constructing alternative pipelines for bringing gas from the Caspian region (Baran, 2007). Furthermore, states like Germany which consider that energy security is a sovereign issue and they do not see the benefits of such a project reveal that such countries exert a strong influence over the EU's development and they are likely to preserve the status quo.

6.1.1 LI and findings

The success of a project like Nabucco lies in the relative power of the bigger member states and on the economic benefits such a project can secure. Cooperation to Nabucco, therefore, will take place only if the level of convergence between the interests of the states is high, based on their asymmetrical risks perceptions to gas supply. This thesis finds that in this case, the level of convergence is very low on how the EU's external energy policy should be handled and on how gas projects like Nabucco should be implemented by the EC. The status quo is unlikely to change unless the EC can secure financial and political support from stronger states like Germany which in this case remain influential in shaping the development of the EU energy policy and is the least forthcoming state to the project. Due to the difference of energy mixes across the states and their own risks associated with gas supply, the EC promotes a very weak conviction that Nabucco's beneficial aspects are likely to satisfy the needs of the member states. As a consequence, most of the states continue their policy of bilateral trade with Russia.

In terms of preference formation (A) (Refer to Chapter III for A & B hypotheses), this thesis finds that national governments are divided in their positions to Nabucco and in their views on how they can successfully manage the EU's external energy policy. From the CEECs' countries, Bulgaria, Romania, Poland and the Czech Republic strongly support Nabucco because of their own interests in developing their energy markets, and improving their energy infrastructures. This vote of confidence is clearly shown by the Bulgarian initiative to provide partial funding to the project and by the Czech's success in listing Nabucco for EU funding.

Hungary and Slovakia, on the other hand, continue their supportive foreign policy to Russia whereas the Baltic states remain somehow distant in the process of Nabucco. From a Western perspective, the UK is deemed to be the most supportive country to Nabucco which was naturally due to its own interests in developing an European gas market. The country however does not propose any concrete measurements to strengthen the role of the EC or the EP in the process. Based on this, this thesis disconfirms A_1 because despite the initial euphoria and support coming from the CEECs and the UK, the project did not become operational. Juxtaposed to the Nord Stream, a project which is not supported by most members, succeeded in its launching and implementation. In terms of A_2 , there is no convergence among the Big three on their views and interests on Nabucco, and they cannot agree on the overall EC's concerns to energy security: Germany, for instance, favouring Russian cooperation while France placing more importance on renewable energies and electricity interconnections. Thus, France and Germany clearly favour preserving the status quo by leaving the energy gas supply to the national domain. A_2 is confirmed because the bigger states do not support Nabucco, but they for instance support other running projects such as the Nord Stream which are operational and reflect their foreign policy orientations.

Regarding the policy cooperation (B), in a best case scenario, Nabucco will deliver 31 bcm/y which is not sufficient to cover the overall EU gas demand. At its first phase, Nabucco can only transport 8 bcm/y which on the one hand, it does not decrease the EU's total over-reliance on Russian gas supply and on the other hand, it does not reduce the political risks associated with the transit countries. In this case, Turkey will simply replace Ukraine as a transit country which does not decrease the possibility of energy cut offs in case of a conflict. Nabucco represents a negative externality per se, because it increases Turkish political leverage on the EU for its accession talks and since the pipeline crosses around 2,000 km of the country's territory, in case of a conflict, Turkey can stop the Nabucco's flow of gas. Nabucco reveals that governments would like to continue their policies of a closer Russian cooperation, for instance with Germany turning to the Nord Stream partnership, and Austria selling the Baumgarten hub. Thus, this thesis disconfirms B_1 . Moreover, Nabucco does not provide a better alternative to Russian gas supply since the project cannot transit enough gas to meet the countries' growing demands. Next to this, Nabucco lacks the sufficient gas required to fill in the pipeline, considering that the Azerbaijan's capacity of gas is only 8 bcm/y. As a consequence, governments prefer their best option which

remains trading with Russia in the form of bilateral cooperation and strategic partnerships (South Stream: France and the Nord Stream: France and Germany). Thus, this thesis confirms B₂.

Based on these findings, this thesis argues that the EC's failure in Nabucco is partially due to its inability to convince the bigger states for their cooperation. The status quo is unlikely to change unless one of the Big three countries is willing to cede more powers to the EU in the pursuit of realising external energy security. The EC does not convince the states that the project is beneficial and economically feasible which prevents her in obtaining full support from countries like France and the UK which had a rather supportive attitude to the project. The EC cannot implement such a project without having the support of Germany which is the least forthcoming state to Nabucco and without convincing the states that the project can address other issues such as their energy mixes and structures. This coincides with the intergovernmental theory which argues that such a project could take place only if it reflects the interests of influential states like Germany and France. It also confirms that if the measurement at stake is not beneficial for the countries, further integration would not take place. The internal division in the EU weakens the EC's position externally since the institution cannot win the confidence of the external suppliers for their gas deliveries. Due to the EC's weak promotion of the project and the project's inability to decrease perceptions on the risks associated, the choice of energy suppliers remains a national domain and this cannot be changed through Nabucco or other alternative projects as long as the existing EU legal framework is not changed.

6.2 Nabucco and MLG

The EC's efforts to successfully diversify the natural gas imports in Europe clearly display that the EU institution is not a perfect agent of the states and it is very active in the policy area, by using its already delegated powers to push for a closer cooperation. In 2000, the EC published a Green paper raising the awareness to energy security and urging for a closer operation in this policy. Nabucco fits well with the EC's objectives for security by ensuring "well-being of its citizens and the proper functioning of the economy, uninterrupted by physical availability of energy products on the market, at a price which is affordable for all consumers" (COM, 2000). Nabucco fulfils these objectives because it provides a transmission to the EU to the Caspian region, via Turkey, without bypassing risky transit countries like Ukraine and using Russian gas

supplies. Furthermore, if implemented, the project is to make prices more competitive since Gazprom has been criticised in the past for its pricing terms and recently by Ukraine:

“If you’re in Eastern Europe, and you are quite heavily dependent on Russian gas, you pay more than \$500/ TCM; if you’re in the UK, where we have a pretty much complete domination of gas-to-gas market, you pay \$300, or \$370⁺ in Germany, which is somewhere in between” (Natural Gas Europe, 2013).

The EC clearly has no intention to give up on EU’s energy security and in the background of the crises, it continued to publish proposals urging the states to prioritise diversification in general and Nabucco, in particular (for instance with the Green Paper 2006). Faced with another energy crisis, the Council endorsed a report⁶ in 2008 remarking that both the states, and the EU institutions should place more importance on the diversification of the fossil fuels supplies. With the German RWE company becoming a part of Nabucco and the Council’s discussions on diversification, the EC immediately took the opportunity to secure political support to Nabucco. It published the Security and Solidarity Action Plan (SSAP) which was to reduce the EU’s consumption of gas and imports and to harmonize the EU markets. With all these initiatives, one sees that the EC pushes Nabucco to promote its interest in the energy policy and does so by “continually pressing and negotiating until it gets what it wants” (Hix & Hoyland, 2011, p. 212). The Council however seems to be the least interested EU institution in the whole security debate. The energy concerns were pushed by the EC, and despite of the awareness to the problem, the countries did not share such strong fears to Russia. After all, the EU has been trading with Russia since the Soviet times, and till recently, no one doubted the Russian reliability. Even if diversification efforts are to be taken, this should be achieved at domestic level because transfer of competences to the EU is not a suitable option and risks to external dependence can successfully be alleviated outside the EU framework. Within the Council, the Big three also favoured different solutions to tackle the EU over dependence on Russia. In terms of energy policy, France has a more neutral position focusing on the use of renewable energies and on states’ national planning. The county advocated that each EU member should “draw up a prospective energy plan, concerning the medium and long-term forecasts of its supply and demand management, and state the means it intends to use to meet energy demand” (Council of

⁶ Report on the Implementation of the European Security Strategy – Providing security in a changing world: 2008

the European Union (FR), 2006, p. 4). Germany, on the other hand, did not share such a strong necessity to securing energy diversification, arguing that while it welcomes all the discussions in the Council, the choice of energy suppliers remains a competence of the states.

Despite the fact that the project can secure a low level of diversification, it cannot solve structural problems that might drive a closer cooperation to EU external energy policy. States have very different energy mixes, and natural gas is not a priority for all, for instance when there are states opting for more use of nuclear energy such as France and Italy, other states such as Germany would like to see reduction of nuclear plants in the sake of a better environment. Next to this, the energy infrastructure in the EU also hinders cooperation with Nabucco. Countries like France have a good energy infrastructure and good availability to suppliers whereas others like Hungary are fully dependent on the outdated post-Soviet infrastructure and have no access to alternative suppliers. As a consequence of these energy mixes but also energy infrastructures, states retain the sovereignty reflex regarding security which also drives them to bilateral cooperation with Russia than focusing on insecure projects like Nabucco. This is not the shared view between the EP and the EC which would like to see more integration in the energy field. Nabucco represents a vital part to the proper functioning of the European gas market because without it, a liberalised gas market in Central and South Eastern Europe cannot take place (Umbach, 2010). Despite the contributions done so far to the energy policy, there still are too many obstacles in the sale of gas and supply and therefore, these obstacles can only properly be dealt on EU level. Throughout the course of Nabucco, the EP stayed firmly behind the EC, trying to influence the decision-making process of the project and extend the EC's authority. The EP considers that the EC should double its efforts in pushing for further integration in energy and as much as it welcomes the EC's proposals, the Parliament regrets that they do not advance "concrete proposals that would respond to recent calls for a common energy policy" (European Parliament, 2006).

6.2.1 Turkey and Azerbaijan

While the EC and EP are the strongest supporters to Nabucco, the Council remains reluctant to give up sovereignty in realising economically unfeasible pipeline constructions. The Council's reluctance to Nabucco is partially justified by the Turkish involvement in the project. Turkey's interest does not really lay in diversifying the EU's energy resources but it lays in using Nabucco as a trump card in its negotiations talks with the EU. Turkey also has a monetary interest in

Nabucco because Ankara demands 15 % of the gas that will pass through the pipeline and it “insists on paying less than European netback prices for that lift-off portion” (Socor, 2009, p. 1). This means that Turkey can store this lift-off portion and re-export it to third parties at a profit (Socor, 2009). Aside the financial side, Nabucco is directly linked to Turkish candidacy for EU membership. The former Prime Minister, Tayyip Erdogan, expressed that Turkish position is flexible to Nabucco depending on its accession talks. He argued that Cyprus exerts a strong pressure on the EU members to block some chapters such as energy, Erdogan commented that:

“If we are faced with a situation where the energy chapter is blocked, we would of course review our position [on Nabucco]” (Vucheva, 2009).

Nabucco used as a political leverage by Turkey certainly reduces the Council’s overall support for the project. The Council criticised the EC for not taking into consideration the political games involved in the project. The EC accordingly defended that:

“We (EU Commission) never do Side Deals with we are negotiation on Energy: We never compromise neither on E.U. Enlargement, nor on Human Rights!” (Piebalgs, 2009).

Azerbaijan, on the other hand, is considered to have closer interests to that of the EC and EP. Since until recently the country was importing still gas from Russia, in 2007 their trade relations took a sharp edge. When Azerbaijan oriented to Nabucco as a way to diversify gas route, Russia increased its gas price to Azerbaijan from 110 dollars per cubic meters to 230 dollars tcm (Pamir, 2008). Pamir (2008) argues that Russian approach fits very well with the expression “OK, let’s play the game accordingly, if you are a Westerner, you should pay like Westerners” (p. 168). Accordingly, Azerbaijan began a reduction of its imports from Russia and confirmed a firm commitment to Nabucco, a project that would grant her an access to the European and American gas markets by capitalising “the potential economic and political gains of its oil and gas exports” (Gaudiano, 2007, p. 7). Politically, the project was also beneficial because Azerbaijan considered Russian actions of 2006/2009 as a hostile approach of exerting a political influence in the region. Thus, the country shares to a certain extent the view of the EU institutions that diversification is necessary considering current global events, and more cooperation can be done to bridge Europe with the Caspian region.

6.2.1 Shareholders

Although sold as a project of European interests, companies have their own motivations in committing to expensive pipelines. Financially, Nabucco is a relatively cheap project compared to the other alternatives from the Nord and the South Stream which costs exceeds over €20 billion per project. All energy companies would like to develop their gas hubs at relatively, not to say cheaper prices since not all of them can afford big investments. This, for instance, is true regarding the Turkish Botas which over the recent years has “piled up more than \$8 billion in debts, as gas import bills have risen (gas prices tend to follow oil prices up and down)” (Barysch, 2007, p. 2). Thus, at the beginning Nabucco was an attractive investment for companies to expand their energy markets. Based on a cost-benefit analysis, the German RWE and the Austrian OMV have joined the project purely based on commercial interests. These companies seek to develop their energy markets at lower market costs and they both do not oppose Russian gas supply to Nabucco.

The other shareholders experience a strong political influence in their decision-making to Nabucco, and most of them serve as agents to their government. Bulgargaz and Transgaz clearly reflect the policies of their governments and they share concern to energy security. During the course of Nabucco, MOL and GDF Suez have shown more incoherent approach with shifting their interests from Nabucco to the Russian alternative pipelines. GDF’s interest was to secure participation in one, if not all, running projects and the company has no reservations when it comes to Russian gas supply. MOL, initially supporting Nabucco, has also turned to a closer Russian cooperation because the company reflects the interests of the government which is orientated to serving its country’s growing gas demands. From all shareholders, it can be said that Transgaz and Bulgargaz are closer to the EC’s pursuit of energy security. Furthermore, there was a low communication between the shareholders and the EC which preferred focusing more on dealing with the potential gas suppliers to Nabucco. Ignoring the internal problems within the Nabucco’s consortium with firms not having the strong confidence of the success of the project, significantly contributes to the failure of its implementation.

6.2.2 MLG findings

At the EU level (Refer to Chapter III for hypotheses C & D), this thesis finds that the EC is the main supporter of Nabucco because the project reflects its long term objectives of liberalising the

energy market and extending the EU competences to the energy policy. Throughout the process, the EC was supported by the EP which demanded even more concrete measurements to energy policy. Both supranational actors actively support each other in the realisation of the project, especially by trying to raise EU funding for Nabucco and attract more political support on their side. Unlike the supranational actors, the Council does not share the same urges to the EU external energy security. The Council does not favour Nabucco because first, it is not an economically feasible project and second, it provides Turkey with a political leverage on the EU. Despite their difference of interests and view on the project, there is a good interaction between the institutions through informal summits, resolutions and communications. No agreement is reached between the EU institutions on how the EU should handle states' energy security and a project like Nabucco. As a consequence, the Council re-affirms that energy security can be achieved through national strategies by leaving the choice of suppliers to the member states.

Regarding the shareholders, this thesis finds that there is a lack of good coordination between them and the EC. This is evident with the internal problems Nabucco was experiencing such as shareholders exiting and entering the consortium and willing to incorporate Russia within the project. The EC's is more active to its representation to the external suppliers rather than to the Nabucco's shareholders. Furthermore, the EC's is not paying enough attention to the commercial interests of the shareholders. Such interests existed with the German RWE which joined the project based on a cost-benefit analysis and with the OMV which decided to sign contracts with Gazprom for its Baumgarten station. These commercial interests do not coincide with the EU's goals of achieving a Russian free energy supply and they create contradictions which further damages the credibility of Nabucco. Therefore, C_1 and C_2 are not disconfirmed, which means that one cannot say with certainty that if there is an agreement between the EU's institutional interests or an agreement between the EU's institutional interests and the shareholders, this would lead to a successful implementation. The cases follow the expectations but there is no proof that the theory is correct.

Regarding the external level (D), this thesis finds that the interests of the EU institutions do not comply with the interests of Turkey. For Turkey, Nabucco is a political project which can be used as a trump card in advancing its accession talks to the EU. Azerbaijan, on the other hand, moves closer to the interests of the supranational actors through its desire to move away from Russian influence. However, the country also has own interests of extending its energy markets

where it can sell its surplus gas at world prices. Thus, this does not mean that the country will not engage in other beneficial projects that can further extend its market to Turkey and Eastern Europe and can secure a good pricing for its gas. This thesis cannot disconfirm D₁ and D₂ because it cannot say with certainty that if the EU institutions share the same interests as Turkey and Azerbaijan, the project would be successful. Thus, the observations are in line with the predictions but that is no proof that the theory is correct. Based on these findings, one can say that the EC might have been more successful in realising the project if it gained the full support from the Council so that the necessary law could be passed, and from the shareholders which could have provided a stable financing for the construction of the pipeline, and increased its external representation to the suppliers, including Azerbaijan. This would have also increased its credibility to the Shah Deniz consortium. However, in terms of Azerbaijan, an additional study should be done to trace the relationship between the government's influence on the decision making on the Shah Deniz consortium, which might determine whether if Azerbaijan shared the same interests as the EU, the Shah Deniz would have chosen Nabucco.

With MLG, this thesis finds that the supranational actors like the EC and EP can exert influence over the course of action of certain project or policy because they are not perfect agents of the states. Besides, the decision-making process is not monopolised by the states considering the plurality of actors involved. Although the project is not supported by all states, this did not prevent the EC and the EP to secure some EU funding and to lead a foreign energy diplomacy to Nabucco's suppliers. Nabucco clearly reflects the long term objectives of the EC and the EP which are willing to press for the implementation of stricter policy measurements to energy. By using all policy windows, both institutions tried to secure full support from the Council. By working together, it is obvious that these institutions slowly change the status quo from no EU attention to energy to placing energy security on the Council's top agenda and triggering debates for further EU cooperation. This is done by the ability of the EC to link energy issues across policy areas and to use its already delegated powers to achieve further objectives in the energy field. Although the first set of predictions C1 and C2 could not be disconfirmed, it is likely that if the Council shares the same interests of the EC and EP, a further integration might have taken place to external energy which does not necessary mean that Nabucco would have been successful. This is because the decision of implementing such a project is not entirely dependent on the EU institutions.

6.3 Nabucco: between MLG and LI

Despite the constant dialogue between the EU institutions, the Council remains unconvinced in the view that the issue of energy security should be dealt at the EU level and has slight beliefs in the EC's ability to successfully implement and execute a diversification project like Nabucco. By examining the individual positions of the states and their level of participation in the EU project, it becomes clear that states are unwilling to give up their sovereignty in the energy domain, especially if this will not bring certain benefits for the majority. Nabucco further reveals the power asymmetries at the EU level, displaying that despite the popular support of some CEECs countries, Germany remains a very influential player in the decision-making and without such a country on the board, projects like Nabucco are unlikely to obtain the support needed for its realisation. This view is prompted to change if the EC, together with the EP, keep exerting pressure in this policy field and stress more on how the EU can successfully deal with the energy asymmetries such as energy mixes and infrastructures.

What becomes clear with Nabucco is that power in this case is not purely concentrated in the hands of the member state, or just on the European level. Different levels of government interact and external players also matter in the process. Energy firms matter for the viability of the project because of their financial resources and energy infrastructures whereas independent external actors matter because of their decision to supply the gas to Europe and to provide their territory for the construction of the pipeline. However, it is still hard to define how these levels of authority interact. The whole process of coordination with Nabucco was highly problematic because the EC could not strike a proper balance between the EU institutions which certainly influenced the decision of Azerbaijan in the final selection of projects. Without having the EU united on the Nabucco's stance, it undermines the EC's position to speak with a single voice to the alternative gas suppliers and it also undermines its position internally questioning its ability of dealing with such projects. Although the Council is not the most important player in this context, its disunity contributed to the unsuccessful realisation of the project and confirms the perception that a further transferal of competences to the EU in terms of energy cannot take place as long as all asymmetries in terms of energy infrastructures and mixes are there. Thus, the theory of LI explains better the unsuccessful realisation of Nabucco.

Chapter VII: Conclusion

This chapter summarises all the findings of the research and draws conclusions on the phenomenon studied. The aim of this research was to find out why the EC could not secure support from the states in the process of Nabucco and to identify other reasons that might have hindered its efforts in the realisation of the project. This paper used a congruence analysis based on a two competing theoretical approaches. LI is a theory focused on the role of national governments in the process whereas MLG centres more on the decision-making processes, explaining institutional interactions between different levels of government. Section 7.1 provides the overall conclusion of this thesis. Section 7.2 discusses the practical relevance of this research and section 7.3 reflects on the research itself.

7.1 Overall conclusion

This thesis examines the national interests and positions of the EU states to Nabucco. It begins by examining the position of the CEECs countries, particularly focusing on Bulgaria, Romania and Hungary considering that they are shareholders in the Nabucco International GmbH. All of these countries welcome the EC's initiative to integrate more in the energy sector and to successfully implemented projects like Nabucco. This overall support is not surprising considering the countries' vulnerable positions to energy security which was immensely strengthened during the two energy crises. If successful, Nabucco will bring benefits to these countries in terms of improving their out-dated energy infrastructures and making their markets more competitive. The strongest support to Nabucco comes from the Czech Republic, Poland, Bulgaria and Romania which favour the EU moving towards an external energy policy and Nabucco clearly reflects their national policies of improving and expanding their energy sectors. Considering the Russian influence in the region, the position of these countries to Nabucco was not stable. Bulgaria joined the South Stream project whereas Hungarian support to Nabucco decreased with the succession of its new government under Gyurcsány. Despite the overall support, the countries' attitude was susceptible to change because they immensely or even fully depend on Russia and any disruption of gas has significant consequences for their economies. The fact that all of them signed long term contracts with Gazprom clearly displays that despite their initial enthusiasm to the project, there was a disbelief such a project would successfully take place.

Within the Western European states, the situation was slightly different. There was no convergence of the interests between the Big three and Austria on how the EU external policy should be handled which clearly reflected in their attitudes to Nabucco. Austria's position was constantly adapting to the stance of its energy firm, OMV which eventually decided to share its energy infrastructure with Gazprom. This in itself contradicts the core idea of Nabucco which was to leave Russia out of the pipeline. Out of the Big three, Germany and France did not have any intentions to distress their relationships with Moscow, thus they took preferences in the projects of the Nord and South Stream pipelines over Nabucco. A successful EU diversification for these countries can be achieved through diversifying the routes of gas supply rather than through diversifying the energy suppliers by excluding Russia. Despite the financial and feasibility drawbacks of the project, both countries' overall support also decreased due to the Turkish involvement since Nabucco is to provide Turkey with a strong leverage over the EU and if successful, the project will not decrease the risks associated with the transit countries. The British supported Nabucco but they did not come with any concrete propositions on what could enhance the project, and most of their support did not go beyond public statements. The disunity of the states' position reveals that they did not truly share the EC's need for gas diversification with Nabucco.

Taken together, this reveals that the EU is not yet ready to cope with external energy security and problems of gas disruptions. This disunity clearly contributes to the unsuccessful realisation of Nabucco by on the one hand, undermining the EC to attract external suppliers and on the other hand, undermining the possibility of ceding more powers to the EU so that adequate actions could have been taken. No agreement can take place yet on what the problems is, what the role of the EU should be and what is the most appropriate way of securing such a diversification. Considering the low level of benefits Nabucco can bring in terms of gas delivery and addressing negative externalities, the cooperation between states was even strengthened to intergovernmental cooperation and to leaving the national energy security in the hands of domestic groups with a clear preference for a continuation of trading with Russia. The overall disbelief from the states hinders the EC's efforts in realising the project in terms of securing additional funding for Nabucco and external suppliers willing to fill in the gas pipeline.

Although the EC was a very strong driving force behind the project, in conjunction with the increased participation of the EP, Nabucco is a very ambitious project to be realised on her

own. Generally, there was a good coordination between the EU institutions but this coordination was not sufficient enough to convince the Council to back up the project. After all, states have different needs and necessities when it comes to energy, and those of France and Germany are not comparable to those of the CEECs countries. The problem with Nabucco is that it does not provide solution to common problems but rather it strengthens the reality about the asymmetries that exist between the countries and such a project cannot obtain the confidence of the Council unless other pressing issues are not dealt with first, such as infrastructures, energy mixes, and environmental problems. The problem of the EC also lies in the way of coordinating to the other actors involved. Already from the start, there were internal problems within the Nabucco's consortium itself. The shareholders were doubting their investment and eventually, the firms were entering and exiting the consortium which strongly decreased the credibility of the project to potential sponsors and gas suppliers. The coordination between the EC and the shareholders was low and also there was a divergence between the promotion of Nabucco by the EC and by those of the firms. The EC did not pay attention to the commercial interests embodied in the project, and while Nabucco was promoted as a true European Russian free project, the reality was different with firms concluding deals with Gazprom and eventually trying to incorporate Russia in the EU pipeline. Clearly this decreases the overall success of Nabucco to Azerbaijan which demanded 'a moving away' policy from Russia. Furthermore, the fact that the EC did not promote or at least openly spoke about the potential drawbacks of the project also decreased the overall support from the Council, the firms and Azerbaijan. These drawbacks were reality and states and companies openly spoke about them, but the EC did not address any of them. After all supporting countries and especially Azerbaijan want to move away from Russia but to do so, they need a stable partnership before upsetting any relations with Moscow. Having just the EC on Nabucco's board and the possibility that the project might not have the sufficient financing, affects the position of the external supplier and its supporters.

The findings of this research, therefore, conclude that overall, the observations of both theories are in line with the predictions, but the level of validity of LI theory is higher to Nabucco compared to MLG. This is due to the fact that most concepts and prepositions of intergovernmentalism in terms of preference formation, relative state power, and economic benefits are reflected in the project and this allows for their tracing, examination, and later on, for their concrete confirmation or disconfirmation to the predictions developed to the theory.

Thus, it is true to say that LI provides a concrete framework through which it is easier to study the results and it makes it possible to confirm or disconfirm the findings. Moreover, it is also possible to establish a relationship between the economic benefits of the project and the governments' position to Nabucco as well as to test the relative power of the bigger states like France and Germany. The MLG has a low level of validity because the approach lacks a concrete framework through which one can study the empirical relationships. Although MLG provides some insightful concepts to the role of the EC, it is hard to define what exactly constitutes different levels of government and how they truly interact. Furthermore, MLG does not directly address the issue of dissolution of national sovereignty and the transfer of this authority to the supranational level. As a result, the predictions developed to this theory cannot be disconfirmed which means that there is no certainty to the level of the findings. With MLG, it is difficult to establish how the influence of Azerbaijan and Turkey affects the disagreements within the EU. Although the actors can influence the process of Nabucco, there are unlikely to secure a consensus between the EU institutions.

7.2 Practicality of the research

Energy security is a matter gaining importance considering the growing global competition for energy resources and the growing influence of Russia in this field. By identifying and finding out the milestones preventing the successful realisation of Nabucco, this research helps in specifying what it could be improved in the successive projects so that they can become operational. This research also triggers important debates in terms of the further EU integration in the energy field which is growing in importance considering all gas disruptions that have occurred for the last fifteen years. Although for some, the theory of LI might be an 'out-dated' theory, its framework and concepts still find application in Nabucco and they help identify what it could be improved so that a further EU cooperation might take place in energy. A recommendation here includes that the EC should identify the least forthcoming state to its initiative project because as it became clear with Nabucco, this state was Germany and it did matter for winning the overall support of the Council. Another recommendation relates to the benefits of such projects. If the EC truly wants to see a further integration in the energy field, it must clearly establish the realistic benefits of the pipeline but also to address the potential drawbacks and provide a clearance on how these pitfalls would be dealt with. Since this was absent with Nabucco, it

clearly played a role in the loss of confidence in the pipeline and hindered its implementation. Furthermore, such a project should be directly linked to the asymmetries between the countries. A more concrete proposals should be developed to how Nabucco or any other gas project fits the existing policies of the states and how these project are to deal with the countries' asymmetries. The last recommendation relates to the ways of coordination, with such projects shareholders are important because they are the building stone of them. If there is no confidence between the creators in the feasibility of the project, this significantly pulls down the chances of realisation. Thus, the EC should try to maintain a right balance between the shareholders and the EU, and try to ensure that they communicate on the same level in terms of what these projects stand for and how they will be financed. This thesis also proposes a further research to be done to study Nabucco alongside the other running projects like TAP and the Nord Stream. Such a research would significantly add up to the reasons why states engage in other projects compared to Nabucco.

7.3 Reflection on the research

Although Nabucco is an interesting topic of study, I encountered several problems with my research. Firstly, doing a qualitative study is difficult because there is no hard data to measure. Measuring opinions and positions is hard considering that there are many factors influencing the stance of the actors involved and these attitudes are susceptible to change. However, due to the word limit, it is hard to cover all possible factors that have contributed to these changes in position. Secondly, this thesis is based on interpretation and most of the time, the data were very limited, hard to find, and highly politicised. Politicians, official institutions and their respective representatives do not always reveal their true intents and it takes a lot of time and effort to verify the findings. Considering that Nabucco is a very recent project, it is also hard to verify the findings by the limited number of sources published. The most difficult part was trying to find out the positions of the states because overall, there was a lack of information. In terms of the findings, it was very difficult to verify the predictions related to MLG considering the problems embodied in the approach. Despite all of this, I enjoyed researching Nabucco and I would have liked to have more word freedom to test the application of other EU integration theories to Nabucco and its compatibility with other running projects.

References

- Abbasov, S. (2013). *Azerbaijan: When it Comes to Pipelines, It's Not Personal, It's Strictly Business*. Eurasianet. Retrieved 15 March, 2015 from <http://www.eurasianet.org/node/67277>
- Abdelal, R. (2010). *The Profits of Power: Commercial Realpolitik in Europe and Eurasia*. Retrieved 14 February, 2015 from https://www.gwu.edu/~igis/assets/docs/Abdelal_paper.pdf
- Ahmedova, S. (2013). *French GDF Suez to become shareholder in NABUCCO*. Retrieved 29 May, 2015 from <http://en.trend.az/business/energy/2155174.html>
- Aras, B., & Iseri, E. (2009). *The Nabucco Natural Gas Pipeline: From Opera to Reality*. Retrieved 01 April, 2015 from <http://setav.org/en/the-nabucco-natural-gas-pipeline-from-opera-to-reality/yorum/150>
- Astrov, V. (n.d). *Austria: relations with Russia and implications for the EU Eastern partnership*. Retrieved 4 May, 2015 from <http://www.fakprojekt.hu/docs/08-Astrov.pdf>
- Baev, P., & Overland, I. (2010). The South Stream versus Nabucco pipeline race: geopolitical and economic (ir)rationales and political stakes in mega-projects. *International Affairs*, 86:5
- Baltaci, F. (n.d). *Strategies for the Turkish Gas Market*. Retrieved 30 May, 2015 from <http://www.globalthinkersforum.org/strategies-for-the-turkish-gas-market/>
- Baran, Z. (2007). EU Energy Security: Time to End Russian leverage. *The Washington Quarterly*, 30:4, 131-144
- Barroso, J.M. (2009). *Statement of President Barros on the resolution of the Ukraine-Russia Gas Dispute*. Retrieved 20 May, 2015 from http://europa.eu/rapid/press-release_SPEECH-09-12_en.htm?locale=en
- Barysch, K. (2010). 'Review of the balance of competences between the United Kingdom and the European Union (Foreign policy)'. Retrieved 28 May, 2015 from https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224253/evidence-centre-for-european-reform.pdf

Barysch, K. (2007) 'Turkey's role in the EU energy security'. Retrieved 15 May, 2015 from http://www.cer.org.uk/sites/default/files/publications/attachments/pdf/2011/essay_turkey_energy_12dec07-1381.pdf

Benoit, B. (2006). *Merkel to plot energy strategy for Germany: Financial Times*. Retrieved 05 May, 2015 from <http://www.ft.com/cms/s/0/849bcfa2-7f21-11da-a6a2-0000779e2340.html#axzz3cVBExpIA>

Benson, D., & Russel, D. (2014). Patterns of EU Energy Policy Outputs: Incrementalism or Punctuated Equilibrium. *West European Politics*, 38:1

Blair, T. (2005). *Press conference at EU informal summit Hampton Court*. Retrieved 20 May, 2015 from http://www.google.nl/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CCEQFjAA&url=http%3A%2F%2Fwww.le.ac.uk%2Feg%2Fhvc%2FLink%2520pages%2FNews%2520Items%2FPress%2520conference_PM_%2520Hampton%2520Court.doc&ei=eUJzVY7DIMuBUeLAGagO&usg=AFQjCNGYrNKtiCWLC5phahpDN00JbQ6QQQ&bvm=bv.95039771,d.ZGU

Blatter, J., & Blume, T. (2008). In Search of Co-variance, Causal Mechanisms or Congruence? Towards a Plural Understanding of Case Studies. *Swiss Political Science Review*, 14:3

Blatter, J., & Haverland, M. (2014) *Designing Case Studies: Explanatory Approaches in Small-N Research; Chapter 4: Congruence analysis*. Basingstoke: Palgrave Macmillan

Blatter, J., & Haverland, M. (2012). *Designing Case Studies: Explanatory Approaches in Small-N Research. Chapter 2: Co-variational design*. Basingstoke: Palgrave Macmillan

Botas (n.d). Projects. Retrieved 1 June, 2015 from <http://www.botas.gov.tr/defaultEN.asp>

Bulgargaz (n.d). За нас Управление (Management). Retrieved 02 June, 2015 from <http://www.bulgargaz.bg/bg/za-nas/upravlenie-26>

Chiva, C., & Phinnemore, D. (2012). *The European Union's 2007 enlargement*. Routledge: Abingdon

Clingendael International Energy Program (n.d). *Russian gas imports to Europe and security of supply- factsheet*. Retrieved 20 May 2015 from

<http://www.clingendaelenergy.com/files.cfm?event=files.download&ui=9C1DEEC1-5254-00CF-FD03186604989704>

Coburn,, L. (2010). Central Asia: Pipelines are the new silk road. *International Association for energy economics*. Retrieved 10 May, 2015 from

<https://www.iaee.org/en/publications/newsletterdl.aspx?id=113>

COM (2010). *Communication from the Commission to the Council, the European parliament, the European Economic and Social Committee and the Committee of the regions*. Retrieved 10 May, 2015 from <http://eur-lex.europa.eu/procedure/EN/199842>

COM (2003). *Communication from the Commission to the Council and the European parliament on the development of energy policy for the enlarged European Union, its neighbours and partner countries*. Retrieved 15 May, 2015 from

http://ec.europa.eu/dgs/energy_transport/international/doc/2003_communication_en.pdf

COM (2014). COMMISSION STAFF WORKING DOCUMENT *In-depth study of European Energy Strategy Accompanying the document Communication from the Commission to the Council and the European Parliament European energy security strategy*. Retrieved 1 June, 2015 from [http://eur-lex.europa.eu/legal-](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52014SC0330R%2802%29)

[content/EN/TXT/?uri=CELEX:52014SC0330R%2802%29](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52014SC0330R%2802%29)

COM (2009). *Exemption decision on the Romanian section of the Nabucco pipeline*. Retrieved 28 May, 2015 from

https://ec.europa.eu/energy/sites/ener/files/documents/2009_nabucco_decision_romania_en.pdf

COM (2000). *Green Paper: Towards a European strategy for the security of energy supply*. Retrieved 15 May, 2015 from

<http://iet.jrc.ec.europa.eu/energyefficiency/sites/energyefficiency/files/livre-vert-en.pdf>

COM (2005). *Special rights in privatised companies in the enlarged Union—a decade full of developments*. Retrieved 12 May, 2015 from

http://ec.europa.eu/internal_market/capital/docs/privcompanies_en.pdf

Council of the European Union (2006). *A New Energy Policy for Europe – Preparation of a contribution of the Energy Ministers to the 2006 Spring European Council*. Retrieved 01 May, 2015 from <http://register.consilium.europa.eu/doc/srv?l=EN&f=ST%206143%202006%20INIT>

Council of the European Union (French delegation) (2006). *French Memorandum for revitalising European energy policy with a view to sustainable development*, Retrieved 15 May, 2015 from <http://register.consilium.europa.eu/doc/srv?l=EN&f=ST%205724%202006%20INIT>

Council of the European Union (German delegation) (2006). *New energy policy*. Retrieved 14 May, 2015 from <http://register.consilium.europa.eu/doc/srv?l=EN&f=ST%206009%202006%20INIT>

Council's Presidency conclusions (2007). *Presidency conclusions*. Retrieved 18 March, 2015 from <http://register.consilium.europa.eu/doc/srv?l=EN&f=ST%207224%202007%20REV%201>

Creswell, J. (2014). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (4th ed.). The USA: Sage publications

Dąbrowski, Tomasz (2011) *Bulgarian-Russian games in the energy sector: an outcome is getting closer*. OSW Commentary No. 61, 2011-10-5

Deak, A. (2006). Diversification in Hungarian Manner: The Gyurcsány Government's Energy Policy. *International Issues & Slovak Foreign Policy Affairs*, 3:4, 44-55

Dempsey, J. (2007). 'OMV of Austria aims to become a hub for natural gas': New York Times. Retrieved 1 June, 2015 from http://www.nytimes.com/2007/07/08/business/worldbusiness/08iht-omv.4.6553409.html?_r=0

DG Energy & Transport (2003). *European energy and transport trends to 2030*. Retrieved 27 May, 2015 from https://ec.europa.eu/energy/sites/ener/files/documents/trends_to_2030.pdf

- Dujisin, Z. (2007). *'Hungary: Gyurcsany's Gas Gambit'*. Retrieved 22 April, 2015 from <http://www.ceeol.com/asp/issuedetails.aspx?issueid=9e289636-1001-484a-b733-ce4540a15249&articleId=f362b30b-3cfb-4dcb-b13b-6f0465ace517>
- Dzhambazova, B. (2009). *'Bulgaria: Rethinking a Relationship'*. Retrieved 28 May, 2015 from <http://www.ceeol.com/asp/issuedetails.aspx?issueid=afbb342f-d159-4b91-a952-e85fd3e710bc&articleId=2dd429f1-3ffc-4ec3-9d6a-38d7c83bdf93>
- EC (2009). *News from the Communication Directorate General's midday briefing: Nouvelles du rendez-vous de midi de la Direction Générale Communication*. Retrieved 15 May, 2015 from http://europa.eu/rapid/press-release_MEX-09-0123_en.htm?locale=en
- EEE (2013). *'Dimitur Gogov: Bulgargaz will expand on gas markets'*. Retrieved 1 may, 2015 from http://3e-news.net/en/energy/dimitur-gogov-bulgargaz-will-expand-on-gas-markets_20936
- EP (2006). *European strategy for sustainable, competitive, and secure energy*. Retrieved 20 May, 2015 from <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P6-TA-2006-0603&language=EN>
- EP(2009). Energy security (Nabucco and Desertec). *European Parliament resolution of 17 September 2009 on external aspects of energy security*. P7_TA (2009) 0021. Available at www.europarl.europa.eu
- Eising, R.(2004). Multilevel Governance and Business Interests in the European Union. *An International Journal of Policy, Administration, and Institutions*, 17:2
- Erdogdu, E. (2010). Bypassing Russia: Nabucco project and its implications for the European gas security. *Renewable and Sustainable Energy Review*, 9:14, 2936-2945
- European Commission (2010). *EU and Iraq sign a strategic energy partnership*. Retrieved 29 March, 2015 from http://europa.eu/rapid/press-release_IP-10-29_en.htm
- European Commission (n.d). *Gas interconnection: Gas bridge between Asia & Europe (Nabucco)*. Retrieved 20 March, 2015 from http://ec.europa.eu/energy/eepr/projects/files/gas-interconnections-and-reverse-flow/nabucco_en.pdf

European Commission (2013). *Member States' Energy Dependence An Indicator-Based Assessment*. Retrieved 10 May, 2015 from http://ec.europa.eu/economy_finance/publications/occasional_paper/2013/pdf/ocp145_en.pdf

European Commission (2013). *Member states' energy dependence. An indicator based assessment*. Retrieved 1 March, 2015 from http://ec.europa.eu/economy_finance/publications/occasional_paper/2013/pdf/ocp145_en.pdf

European Commission (2006). *Plenary Gas debate renews calls for common energy policy*. Retrieved 20 May, 2015 from http://cordis.europa.eu/news/rcn/25076_en.html

Finon, D., & Locatelli, C. (2008). Russian and European gas interdependence: could contractual trade channel geopolitics? *Energy Policy*, 36:1

Gaudio, M. (2007). *Can energy security cooperation help Turkey, Georgia and Azerbaijan to strengthen Western oriented links?*. Retrieved 12 May, 2015 from <http://georgica.tsu.edu.ge/?p=105>

Gazprom (2013). *South Stream*. Retrieved from <http://www.gazprom.com/press/news/south-stream/>

Gazprom (n.d). *Nord Stream*. Retrieved 10 May, 2015 from <http://www.gazprom.com/about/production/projects/pipelines/nord-stream/>

GDF Suez (2013). *GDF SUEZ joins Nabucco West gas pipeline project aiming at opening up a new route for gas imports to Europe*. Retrieved 03 June, 2015 from <http://www.gdfsuez.com/en/journalists/press-releases/gdf-suez-joins-nabucco-west-gas-pipeline-project-aiming-at-opening-up-a-new-route-for-gas-imports-to-europe/>

Glover, P. (2009). Germany: Europe's Fifth Column. *Transitions Online*, 4:7

Gniazdowski, M. (2009). *'Poland's Policy Regarding the Czech Republic'*. Retrieved 30 April 2015 from <http://www.ceeol.com/aspx/issuedetails.aspx?issueid=c70b2bde-40da-42c8-9057-4506fe2cdf6d&articleId=99d6b645-b810-4638-95ab-14ece5825398>

Government of the Czech Republic (2013). *Prime Minister: Czech – Polish relations are excellent*. Retrieved 01 June, 2015 from <http://www.vlada.cz/en/media-centrum/aktualne/prime-minister-czech--polish-relations-are-excellent-107846/>

Gschwend, T., & Schimmelfenning, F. (2007). *Research Design in Political Science: How to practice what they preach*. Palgrave: Macmillan

Hague, R. and Harrop, M (2007) *Comparative Government and Politics*. Palgrave MacMillan: UK.

Hirman, K. (2006). The Transit Location of Slovakia and its Interests in the Context of the EU Energy Security. *International Issues & Slovak Foreign Policy Affairs*, 3:4, 55-63

Hix, S., & Hoyland, B. (2011). *The political system of the European Union* (3rd ed.). Palgrave Macmillan

Hix, S. (1998). The Study of the European Community: The Challenge to Comparative Politics. *West European Politics*, 17:1

Hoffman, S. (1982). Reflections on the Nation-State in Western Europe Today. *Journal of Common Market Studies*, 21:1

Hooghe, L., & Marks, G. (2001). Multi-level governance in the European Union. In Liesbet Hooghe & Gary Marks (ed.), *Multi-level Governance and European integration* (pp. 1-32). Lanham etcetra: Rowman & Littlefield

Huseynli, S. (2013). Energy Policy of the European Union and Importance o Energy Resources of Azerbaijan: Neo-functionalist and Liberal Intergovernmentalist Approach. *International Affairs and Global Strategy*, 8

ICIS (2008). *RWE joins Nabucco while talks continue for seventh partner*. Retrieved 20 May, 2015 from <http://www.icis.com/resources/news/2008/02/14/9302348/rwe-joins-nabucco-while-talks-continue-for-seventh-partner/>

IEA (2013). *Energy policies of IEA countries-Germany Review*. Retrieved 20 march, 2015 from https://www.iea.org/publications/freepublications/publication/Germany2013_free.pdf

IEA (2013). *IEA Review of German energy policies*. Retrieved 22 May, 2015 from <http://www.iea.org/countries/membercountries/germany/>

IEA (2009). *France's energy policies, in-depth country review*. Retrieved 22 May, 2015 from <http://www.iea.org/countries/membercountries/france/>

IEA(2012). *IEA review of the United Kingdom's energy policies*. Retrieved 22 May, 2015 from <http://www.iea.org/countries/membercountries/unitedkingdom/>

IEA (n.d). *Energy security*. Retrieved 10 may, 2015 from <http://www.iea.org/topics/energysecurity/>

EP (2009). *Motion for a resolution on funding for the 'Nabucco' project*. Retrieved 22 May, 2015 from <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+MOTION+B6-2009-0157+0+DOC+XML+V0//EN&language=ga>

Ivanova, E. (2012). *Recent developments in the natural gas market: Liberalization in Bulgaria-analysing the inconsistencies with the EU policy objectives*. Retrieved 01 June, 2015 from http://www.etd.ceu.hu/2012/ivanova_evgenia.pdf

Jansen, C., & Seebregts, A. (2010). Long-term energy services security: What is it and how can it be measured and valued? *Energy Policy*: 38, 1654–1664

Kardas, S.(2011). Geo-strategic position as leverage in EU accession: the case of Turkish-EU negotiations on the Nabucco pipeline, *South European and Black Sea Studies*: 11:1, 35-52

Kassim, H. (2003). Meeting the Demands of EU membership: the Europeanization of National Administrative systems. In Ken Featherstone & Claudio Radaelli (ed.). *The Politics of Europeanization* (pp. 84-106). Oxford Scholarship Online Monographs

Kersbergen, K., & Waarden, F. (2004). Governance as a Bridge between disciplines. *European Journal of Political Research*, 43

Koranyi, D. & Spruds, A. (n.d). *Natural Gas and Energy Security in the Visegrad and the Baltic States*. Retrieved 29 May,2015 from

http://transatlanticrelations.org/sites/default/files/cornerstone_project_koranyi_spruds_paper.pdf

Kroes, N. (2006). “*What’s Wrong with Europe’s Energy Markets?*”. Retrieved 15 April, 2015 from http://europa.eu/rapid/press-release_SPEECH-06-137_en.htm

Langsdorf, S. (2011). *EU Energy Policy: From the ECSC to the Energy Roadmap 2050*.

Retrieved 20 March, 2015 from

http://gef.eu/uploads/media/History_of_EU_energy_policy.pdf

Leuffen, D., Rittberger, B., & Schimmelfenning, F. (2013). *Differentiated integration: Explaining Variation in the European Union*. UK: Palgrave Macmillan

Marks, G. (1993). Structural Policy and Multilevel Governance in the EC.. In Cafrunny, A., & Rosenthal, G. (ed.) *The State of the European Community* (pp. 391-411). Boulder: Lynne Rienner

Marks,G., Hooghe, L., & Blank, K. (1996). European integration from the 1980s: State-Centric v. Multi-level Governance. *Journal of Common Market Studies*, 34:3

Maxwell, J. (2013). *Qualitative Research Design: An interactive approach*. The USA: Saga Publications

Mearsheimer, J.(1994-1995). The False Promise of International Institutions. *International Security*, 19:3

Meritet, S.(2011). *French energy policy within the European Union framework: From black sheep to model ?* Retrieved 30 May, 2015 from

<http://basepub.dauphine.fr/bitstream/handle/123456789/5533/Meritet-June2010.pdf?sequence=1>

Merkel (2009). Europe Split over Energy Security: *Merkel Calls on EU to Support Baltic Gas Pipeline*: Spiegel International, Retrieved 2 May, 2015 from <http://www.spiegel.de/international/europe/europe-split-over-energy-security-merkel-calls-on-eu-to-support-baltic-gas-pipeline-a-604277.html>

Mills, A., Durepos, G., & Wiebe, E. (2010). *Encyclopaedia of Case Study Research*. The USA: Saga Publications, Inc.

MOL (*n.d.*). About us. Retrieved from 1 June, 2015 from <http://molgroup.info/en/about-mol-group>

Moravcsik, A. (1995). Liberal Intergovernmentalism and Integration: A Rejoinder. *Journal of Common Market Studies*, 33:4

Moravcik, A. (1993). Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach. *Journal of Common Market Studies*, 31:4

Moravcsik, A., & Schimmelfenning, F. (2009). Liberal Intergovernmentalism. In Wiener, A., & Diez, T. (ed.): *European Integration Theory*. New York: Campus

Natural Gas Europe (2013). *Eastern Europe: import dependence, higher prices*. Retrieved 1 June, 2015 from <http://www.naturalgaseurope.com/eastern-europe-gas-import-dependence>

Nugent, N. (2010). *The government and politics of the European Union* (7th ed.). UK: Palgrave Macmillan

Oettinger, G. (2012). *Commissioner Oettinger welcomes decision on "Nabucco West" pipeline*. Retrieved 29 April, 2015 from http://europa.eu/rapid/press-release_IP-12-720_en.htm?locale=en

Orbán, A. (2008). *Power, energy, and the new Russian imperialism*. UK: Library of congress cataloguing-in- publication Data

OMV Group (*n.d.*). About OMV. Retrieved 1 June, 2015 from <http://www.omv.com/portal/01/com>

Pamir, N. (2008). Energy issues. *Foreign Policy*, 3:4, 165-175

- Piebalgs, A. (2006). *Enhancing Energy Cooperation with Kazakhstan*. Retrieved 12 April, 2015 from http://europa.eu/rapid/press-release_SPEECH-06-388_en.htm
- Pielsbalgs, A. (2009). *EU rejects Turkey's Nabucco blackmail and fund demands*. Retrieved 02 June, 2015 from <http://www.eurofora.net/newsflashes/news/energyshift.html?mylang=serbian>
- Pinka, J., Wittenberger, G., & Brestovic, T. (2009). *Nabucco gas pipeline- possible solutions of natural gas to the Slovak Republic*. Retrieved 1 June, 2015 from http://journals.bg.agh.edu.pl/WIERTNICTWO/2009-1-2/W_2009_1-2_25.pdf
- Ratner, M., Belkin, P., Nichol, J., & Woehrel, S., (2013). *Europe's Energy Security: Options and Challenges to Natural Gas Supply Diversification*. Retrieved 1 march, 2015 from <https://www.fas.org/sgp/crs/row/R42405.pdf>
- Redazione (2013). *Gasdotto Tap scelto per forniture azere, arriverà in Italia*. Retrieved 1 June, 2015 from <https://geopoliticaitaliana.wordpress.com/2013/06/28/gasdotto-tap-scelto-per-forniture-azere-arrivera-in-italia/>
- Rehn, O. (2009). *'Turkey as an energy hub for Europe: prospects and challenges'*. Retrieved 02 June, 2015 from http://europa.eu/rapid/press-release_SPEECH-09-89_en.htm
- Roberts, J. (2007). *Energy cooperation among the BSCEK member states.. Paper No.11: International Centre for Black Sea Studies*
- Rosati, D., & Brok, E. (2008). *Written declaration pursuant to Rule 116 of the Rules of Procedure*. Retrieved 12 March, 2015 from <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+WDECL+P6-DCL-2008-0096+0+DOC+PDF+V0//EN&language=EN>
- Roskogler, G. (n.d). *Austrian foreign policy re-discovering central Europe*. Retrieved 1 June, 2015 from https://www.google.nl/search?q=Austrian+foreign+policy+re-discovering+central+Europe&hl=en&gws_rd=ssl
- Rowley, M. (2000). *The Nabucco Pipeline Project: Gas Bridge To Europe?* Retrieved 28 February, 2015 from <http://www.pipelineandgasjournal.com/nabucco-pipeline-project-gas-bridge-europe?page=4>

Russian analytical digest (2013). *Russia's relations with France and the United Kingdom*. Retrieved 18 March, 2015 from <http://www.isn.ethz.ch/Digital-Library/Publications/Detail/?lng=en&id=166590>

RWE AG (2009). *Nabucco is the most economic link for Caspian gas to Europe*. Retrieved 1 June, 2015 from <http://www.rwe.com/web/cms/en/247568/rwe-supply-trading/press/press-archive/archive-2009/>

Rzayeva, G. (2014). *Natural gas in the Turkish domestic energy market*. Retrieved from <http://www.oxfordenergy.org/wpcms/wp-content/uploads/2014/02/NG-82.pdf>

Saga Publications (2006). *The selection of a research approach*. Retrieved 15 February, 2015 from http://www.sagepub.com/upm-data/55588_Chapter_1_Sample_Creswell_Research_Design_4e.pdf

Sageata, R. (2011). *Romania- a future regional energy hub*. ISSN 14-54-2749, No.2, 229-236

Sartori, N. (2012). *The European Commission's Policy Towards the Southern Gas Corridor: Between National Interests and Economic Fundamentals*. Retrieved 29 March, 2015 from <http://pubblicazioni.iai.it/pdf/DocIAI/iaiw1201.pdf>

Sauvageot, E. (2010) *The second energy crisis Ukraine in 2009: Russo-Ukrainian Negotiations up to 2010 and the role of the European Union , analysis of a challenge to the EU diplomacy*. Retrieved 04 June, 2015 from <http://www.jhubc.it/ecpr-porto/virtualpaperroom/033.pdf>

Smith, S., Baylis, J., & Owens, P. (2011). *The Globalization of World Politics: An introduction to international relations*. Oxford: Oxford University Press

Sobjak, A. & Zasztowt, K. (2012). Nabucco- West- perspectives and relevance: The Reconfigured Scenario. *The Polis Institute of International Affairs*, 44, 1-8

Socor, V. (2008). Analysis: Austria's OMV utilizing and sabotaging the EU at the same time. Retrieved 20 March, 2015 from <http://www.moldova.org/analysis-austrias-omv-utilizing-and-sabotaging-the-eu-at-the-same-time-93288-eng/>

Socor, V. (2010). Bulgarian government skeptical on South Stream project. *Eurasia Daily Monitor*, 7: 33

Socor, V. (2008). France Ready To Leap On The South Stream Bandwagon. *Eurasia Daily Monitor*, 5:209

Socor, V. (2008). *Romania firmly aboard Nabucco project, hints at leverage vis-à-vis South Stream*. Retrieved 10 May, 2015 from <http://www.romanianewswatch.com/2008/11/romania-firmly-aboard-nabucco-project.html>

Socor, V. (2009). *Turkey's stalling on Nabucco hurts Europe, Azerbaijan and itself*. *The Jamestown Foundation*. Retrieved 01 May, 2015 from http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=34664&no_cache=1#.VXXw_ts_w85s

Sofia News Agency (2006). *Bulgaria to Sea Russian Gas Deliveries by End-2007*, Retrieved 20 March, 2015 from <http://www.novinite.com/articles/72154/Bulgaria+to+Seal+Russian+Gas+Deliveries+by+End-2007>

Stolte, C., Buruma, T., & Runhardt, R. (2008). *The Future of the European Union: Different Aspects of the EU as Discussed during the SIB Leiden Conference 2007*. The Netherlands: Sidestone Press

The Czech National report on electricity and gas industries for 2009 (2010). *The Czech National report on electricity and gas industries for 2009*. Retrieved 12 May, 2015 from http://www.ceer.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/NATIONAL_REPORTS/National%20Reporting%202010/NR_En/E10_NR_CzechRep-EN.pdf

Transgaz (2011). *Presentation sheet of the Nabucco Investment project*. Retrieved 02 June, 2015 from

http://www.minind.ro/invest/new/Oil_and_Gas_Sector/TRANSGAZ/Nabucco_fisa_feb_2011.pdf

Trintaphyllou, D., & Fotiou, E. (n.d). *'The EU and Turkey in Energy Diplomacy'*. Retrieved 02 May, 2015 from

http://file.insightturkey.com/files/pdf/insight_turkey_vol_12_no_3_2010_triantaphyllou_fotiou.pdf

Umbach, F. (2010). Global security energy and the implications for the EU. *Energy policy*, 38:3, 1229-1240

Versluis, E., Keulen, M., & Stephenson, P. (2011). *Analyzing the European Union Policy Process*. Hampshire: Palgrave Macmillan

Vorsatz, D., Miladinova, G., & Paiszs, L. (2006). Energy in transition: from the iron curtain to the European Union. *Energy Policy*, 34, 2279-2297

Vucheva, E. (2009). *'Turkey may rethink Nabucco if EU talks stall'*. Retrieved 15 May, 2015 from <https://euobserver.com/enlargement/27431>

Appendices

Appendix 1: Chronology of Nabucco

DATE	DEVELOPMENT
FEBRUARY 2002	Proceedings between OMV (Austria) and Botas (Turkey)
JUNE 2002	Protocol about future cooperation between the five partners: OMV, MOL, Bulgargaz, Transgaz, Botas
OCTOBER 2002	The companies signed an agreement for cooperation plus a feasibility study was agreed upon
DECEMBER 2003	A Grant Agreement was signed between the partners and the EC. the EC awarded a grant in the amount of 50% of the estimated total eligible costs of the study
END 2004	The Study concludes that the project is economically and technically feasible
JUNE 2005	The partners signed a joint venture agreement
FEBRUARY 2008	German RWE joined Nabucco
JUNE 2008	First agreement of gas delivery through Nabucco, from Azerbaijan to Bulgaria
JANUARY 2009	Nabucco became a priority of the Czech chairmanship
JANUARY 2009	Budapest summit: framework for the legal issues
JULY 2009	Intergovernmental agreement between the partners signed in Ankara, Turkey
MAY 2012	Revision of Nabucco: Nabucco West: which is a shortened version from Nabucco
JUNE 2013	Shah Deniz consortium announced that it has chosen the Trans Adriatic Pipeline (TAP) over Nabucco to export gas to Europe.

SOURCES:

PINKA, J., WITTENBERGER, G., & BRESTOVIC, T. (2009). *NABUCCO GAS PIPELINE-POSSIBLE SOLUTIONS OF NATURAL GAS TO THE SLOVAC REPUBLIC*

Appendix 2: The South Stream Pipeline

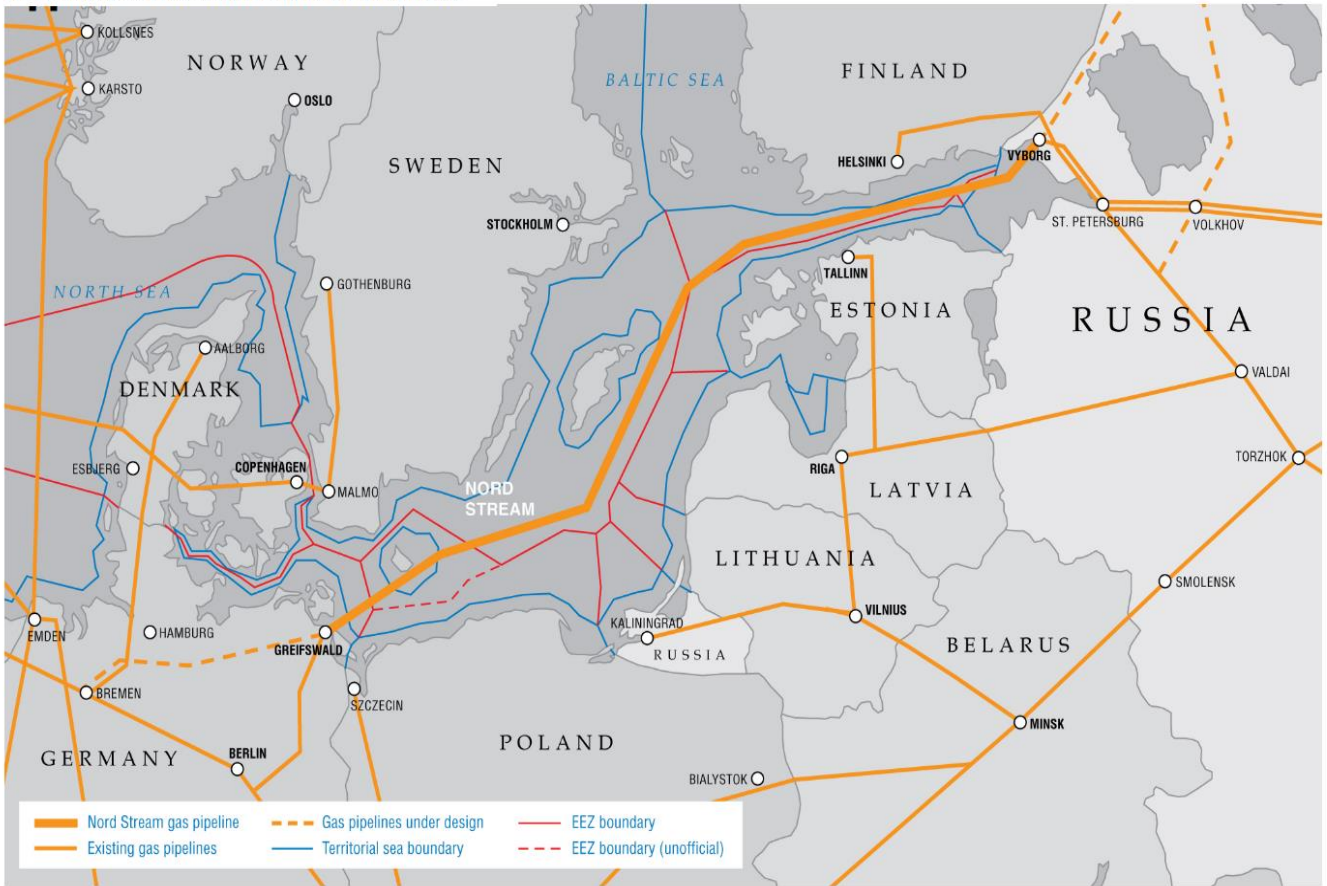
APPENDIX 2: THE SOUTH STREAM PIPELINE



Source: Gazprom (2013): from <http://www.gazprom.com/press/news/2013/november/article17755/>

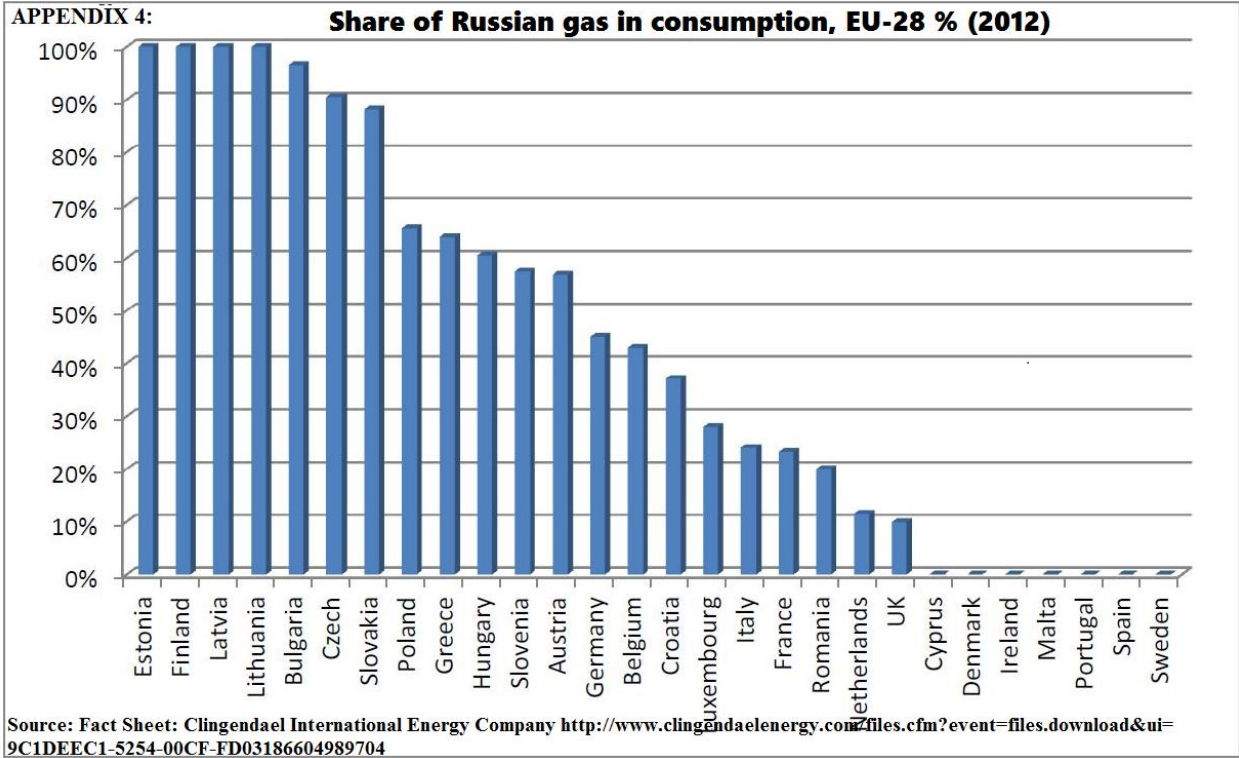
Appendix 3: The Nord Stream Pipeline

APPENDIX 3: THE NORD STREAM PIPELINE



Source: Gazprom official website from <http://www.gazprom.com/f/posts/34/784591/map-nord-stream-en.jpg>

Appendix 4 : Shares of Russian gas consumption in EU-28



Annex

This Annex reviews previous studies that have addressed the topic. Section 1 provides some background to the EU energy policy and Nabucco, focusing on the role of the EC. Section 2 reviews the previous literature published on Nabucco. Section 2.1 explains the deficiencies found and explains how this research is going to address them these deficiencies.

1. Energy policy in the EU

Energy policy is intrinsically linked not only to environmental problems but also to concepts of security and power relations. According to Langsdorf (2011), European integration in this field did not develop very smoothly which is thanks to the differences of the states' energy mixes, transport routes, and structures of energy markets (p. 2). Due to the declining coal-mining industries and the increase of oil prices, the late 1960s witnessed a call for European actions to the energy policy. Motivations, triggered by a further trade harmonisation and promotion of energy security, placed the EC at the heart of the energy policy (Benson & Russel, 2014). The first policy window opportunity for the EC to liberalise the sector came in early 1970s. A policy window here refers to a suitable opportunity where "a problem is seen as important, a feasible solution is available and political events are favourable" (Versluis et al, 2011, p. 116). The opportunity came with OPEC, an oil producer cartel, which increased oil prices for Western Europe (Benson & Russel, 2014). Responding to these events, the EC published a communication requiring EU attention for securing energy supply in the market. The EC prepared proposals for a common energy policy but the negotiations failed due to the "differing energy production capacities and import needs among member states" (Benson & Russel, 2014, p. 5). Faced with such a failure, the EC pursued a policy of de facto development through gradually expanding the Community's powers in the field of energy and through linking the sector to environment and later on, to competition. Benson & Russel (2014) agree that this strategy turned out successful considering that by the late 1978s, more than 70 instruments have been introduced covering a broad area of issues from oil and gas to research and environment (p. 6).

Further windows opportunities came with the Single European Act (SEA) which led to propositions for deregulation of gas and electricity markets. The attempts of the EC to secure energy in the EU did not stop throughout the 1990s and 2000. The Lisbon Treaty (2009) legally

recognises the competences of the EU to the energy sector and provides a specific legal basis for the field of energy with Art. 194. Nabucco represents another window opportunity for the EC to push for a closer EU cooperation to energy. The pipeline can transport up to 31 bcm of natural gas every year to the EU markets, which according to the EC can decrease the EU's over-reliance on gas. The EC signed a Grant Agreement in 2003 with the main energy beneficiaries in the project: OMV, MOL, Bulgargas, Transgaz, and Botas which showed her commitment to Nabucco. Generally, EU demand on gas increases whereas the overall production decreases, thus Nabucco gives an opportunity to contract with an alternative gas suppliers without increasing the EU already high dependence on Russia (Erdogdu, 2010).

2. Previous literature

In his work, *the European Commission's Policy towards the Southern Gas Corridor*, Sartori (2012) describes the main projects competing for the Southern Gas Corridor and analyses the effectiveness of the EU external energy policy. Three main projects compete for the Southern Gas Corridor: the Interconnector Turkey-Greece-Italy (ITGI), the Trans-Adriatic Pipeline (TAP) and the Nabucco project. All of them aim to access the Caspian countries for gas. On the one hand, Sartori (2012) examines the general divergence of national interests in the EU and on the other hand, he further looks at the commercial and economic factors that complicate these projects. Sartori (2012) argues that the EU members constitute a heterogeneous group when it comes to energy resources. Since geographical location and political conditions complicate gas trade, countries with developed diversified import strategies have "different perceptions, needs and interests from the EU's eastern members" which depend almost entirely on Russian supplies (Sartori, 2012, p. 9). Next to the collision of national interests between Western and Eastern countries, an important factor complicating the Commission's effort in realising the Nabucco project is the ambiguous behaviour of the major Nabucco supporter countries (Austria, Bulgaria, and Hungary). He finds that these countries have concluded bilateral agreements with Russia which shows how national governments complicate the realisation of Nabucco by "keeping multiple options open, irrespective of the fact that those options may well be in conflict with one another" (Sartori 2012, p. 10).

Sartori (2012) further criticises the EC for not paying enough attention to the economic, industrial and commercial aspects of the various gas projects because gas supply cannot be

framed purely in a political vacuum. The first reason why Nabucco failed relates to the EC's inability in taking into account the different priorities of the states concerning the development of gas corridors. Secondly, the EC failed to acknowledge the domestic challenges in the Caspian regions where the EU does not have any authority. Domestic challenges refer to political ties with Russia, and legal disputes over ownership rights. Lastly, the EC did not take into account the financial and commercial constraints limiting the overall viability of the project. Commercial interests play a vital role in constructing such pipelines, thus the Commission should have paid more attention to the Shah Deniz consortium which rendered the final decision.

Huseynli (2013), on the other hand, provides a more theoretical perspective on the problem of common energy policy. His work *Energy policy in the European Union and importance of energy resources of Azerbaijan* is not limited to the role of the EC but regards the general picture of realising a common energy policy. He tries to explain the EU integration process of energy policy by using the integration theories of intergovernmentalism and neo-functionalism. His focus of study is placed on the Caspian basin oil and natural gas resources because he sees this region as an efficient energy provider that can ensure "a supply network with security grantees" (Huseynli, 2013, p. 23). Nabucco is taken as a feasible project that can connect the Caspian gas resources to the EU gas market which can stimulate competition on the market. The complexity of Nabucco lies in the transit issues and the difficulties in coordinating investments in production and transit infrastructure (Huseynli, 2013, p. 27). The EC has shown strong commitment but in reality the relationship between Azerbaijan and the supranational actor is based on mostly talks and not much work done. Such efforts are clearly displayed with the EC's visits to Azerbaijan and the signing of the Joint Declaration on gas delivery (2011) in Baku. Huseynli (2013) does not focus on the failure of Nabucco or on the Commission's efforts in realising the project; he instead uses the theoretical frameworks of intergovernmentalism and neo-functionalism to explain the course of action taken in terms of the energy policy. Thus, his conclusions are that neo-functionalism applies when one wants to explain the formation of such a policy but when it comes to the bargaining among the member states, their preference formation and the role of the EC, one should use the theory of intergovernmentalism. Because of the divergence of national interests, the EC cannot speak off with a single voice to potential gas suppliers.

Other studies have attempted to examine the problem of gas diversification, thus not particularly focusing on Nabucco. These studies have provided valuable insights into the perspectives through which one can study this social phenomenon. Specialists in European and Russian affairs such as Ratner, M., Belkin, P., Nichol, J., & Woehrel, S. (2013) provide valuable information for gas supplying options and on the relationship between the USA, Russia and the EU. Others like Finon & Locateli (2008) assess the independent relationship of Russia and the EU with regards to gas, thus concluding that the EU lacks the efficient governance and the diplomatic and military resources to achieve a successful diversification with alternative gas suppliers.

2.1 Deficiencies in previous studies

Although there is a various literature published on the topics of energy security and Nabucco, this literature still provides a limited explanation to the problem and still lacks in-depth analysis of the role of the EC in the implementation of Nabucco. Whereas some scholars focus on the lack of the Commission's competences in this policy area other concentrate on the general asymmetries between the EU countries towards gas supply alternatives. This in general enhances our knowledge on the topic but on the other hand, it undermines the full explanation of the important roles assumed by the EC and the political reasons of the governments. This thesis provides a more comprehensive view on the problem, by doing an in-depth analysis on the EC and the other actors involved such as the member states, the firms and the external actors such as Azerbaijan and Turkey by employing the theoretical frameworks of LI and MLG and by testing their applicability to the case.