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# Pipeline Politics and Energy (In)security in Central and South-Eastern Europe

General Survey

Pipeline Politics and Energy (In)security

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## Introduction

This essay concerns energy security, or more specifically energy insecurity, in Central and South-Eastern Europe. Insecurity can be defined as a situation in which vulnerability from a particular danger or threat is perceived to exist. Threats generally come from external sources, but can also come from within, and usually have an existential quality. Energy is existential in that it underpins modern life—we use it to provide power, heat and light to our homes, workplaces and cities; to fuel our cars and other forms of transport; to help produce and power technology; and even to help us grow and process the food we eat. Energy is a critical resource and as such it is a commodity of significant strategic importance, particularly with regard to access. The main concern that has driven the rise of energy insecurity has been ‘security of supply’. This refers to the ability of states and other users to guarantee sources of affordable energy, sufficient to meet their needs across all economic and business, societal and even politico-military activities. Energy insecurity exists when internal actions, those by third parties, or even natural disasters, threaten to, or actually do, disrupt access to the supply or affordability of energy.

Energy insecurity is not unique to Central and South-Eastern Europe. The region shares many concerns with other parts of Europe and states across the globe. However, because of the historic legacies of the region’s communist past, some of the vulnerabilities and threats it faces are more pronounced. For example, the region is highly dependent on imports of fossil fuels such as petroleum and natural gas, with some states importing as much as 60%–100% of their needs from a single supplier, the Russian Federation. (Other than Romania, nearly all Central and South-Eastern European states are dependent on natural gas imports, with almost 100% of requirements imported by Belarus, Bosnia and Herzegovina, Bulgaria, the Czech Republic, Estonia, Lithuania, the former Yugoslav republic of Macedonia—FYRM, Moldova, Serbia, Slovakia and Slovenia.) Monopolization of the market by Russia, as the primary supplier, means that long-term bilateral export-import contracts tend to be less favourably priced, resulting in higher energy costs. The mix of energy types used by states in the region is considered to be less diverse than in Western Europe, meaning that any disruption to their primary energy type could be problematic. This is especially so when it is acknowledged that the region’s import infrastructure is dominated by static pipelines built during the Soviet era and that integration with Western European infrastructure is limited. Without suitable alternative energy access or adequate storage any problem with the pipelines, or with the source of gas (or oil) entering the pipeline system, can have serious consequences for import dependent states.

The importance of pipelines cannot be underestimated. They have provided the Central and South-Eastern European region access to oil and gas for decades, and this has determined how the region accesses much of its energy needs. Until recently, the situation was more problematic for natural gas because the expense and lack of technical capability to liquefy and regasify natural gas meant that its transportation was only realistically capable via pipelines. Since, as a liquid, oil could be transported via tankers, oil pipelines were not as critical, although they remain by far the cheapest and quickest means to transport oil, and the most suitable for some of the region’s landlocked states. As a result of these issues, Central and South-Eastern Europe is considered to be the most vulnerable region of Europe with regard to energy security. Even those states with substantial domestic energy sources, such as Poland (coal and lignite), have become increasingly reliant on imports of low-carbon fuels

like natural gas, as they seek to meet the strict climate change targets introduced by the European Union (EU) for the reduction of CO<sub>2</sub> emissions. Much of this natural gas has also been imported by pipelines. In order to better understand how pipeline politics plays a role in creating challenges and vulnerabilities for Central and South-Eastern Europe's energy security, as well as informing policy solutions, we need to consider the region's relations with its primary and potential energy suppliers, such as Russia, and with its partners in the wider EU.

## Energy and the EU

In Europe, until recently, there has been a growing demand for energy. It is considered that energy consumption levels within the EU peaked around 2005 (when gross inland energy consumption reached 1,824.7m. metric tons of oil equivalent, according to Eurostat figures, compared with 1,671.1m. tons in 1995 and 1,666.3m. tons in 2013), and improved efficiency of energy use is predicted to result in further reductions in energy consumption over the coming years. Interestingly, in comparison with the EU as a whole, energy consumption levels of the Central European states peaked much earlier than their Western counterparts. By 2035 domestic production of primary fossil fuels is also predicted to fall, oil by 57%, coal by 49% and natural gas by 46%. This would cancel out the predicted decline in consumption levels. As a result, it is assumed that energy imports will remain constant at around 55%, of which natural gas imports will increase by around 49%. This means that the EU is likely to remain the world's largest net importer of natural gas. It is important to note, however, that the levels of imports are not balanced across all the EU member states, and some countries import much more than others that have domestic resources available.

Overall, the EU imports around 60% of the gas it uses and 80% of the crude oil. The majority of these imports come from a small group of states, the Russian Federation, Norway and Algeria, and because of the nature of the EU's infrastructure and geographic proximity these supplier states tend to direct their products to clusters of EU members. As already mentioned, the Central and South-Eastern European states are predominately supplied by Russia. When energy imports are concentrated among a few supplier states, there is an increased risk of vulnerability should external matters result in disruption to supply and sufficient alternative mechanisms to counter that disruption are not in place. For a number of Central and South-Eastern European states this is exactly what happened in 2006, and again in 2009, when Russia suspended gas sales to Ukraine. This was problematic because Ukraine provides one of the primary transit routes for Russian gas imports. These two Russia-Ukraine gas crises, and the fact that the majority of Central and South-Eastern European states are now members of the EU, is often used to explain why the EU has become more involved in energy matters and why energy has increasingly become an area of integration activity at the European level.

The issues are a little more complex, however. Energy has always been important for the European integration project, from its foundation as the European Coal and Steel Community, through Euratom to the European Energy Charter Treaty, the European Energy Community, and to the most recent development, the European Energy Union. There have always been ebbs and flows in the intensity of policy development, but since the 1990s and early 2000s interest in energy has grown significantly at the European level. Import dependency has not been the only factor behind this rapid expansion of energy interests. The promotion of market liberalization and growing concern for environmental matters and climate change have also been hugely important. This tripartite justification for the increased interest in energy can also be used to explain the EU's securitization of energy. It is necessary to recognize that there has also been a fluctuating hierarchy of importance across these three drivers.

In the early 2000s it was very much the last two factors (market liberalization and the climate agenda) that were most significant. Questions about supply did exist, but it is important to note that they tended to be framed in the context of market forces, and were about ensuring affordable supplies and improving the connectivity of market infrastructure to ensure regular supplies at reasonable prices amid growing demand. Diversification of suppliers was primarily about opening the market to

competitive forces and preventing monopolistic pricing structures. This is not to say that questions over transit routes or reliability of suppliers were not a concern, rather that they were not the priority. Fears about unreliable suppliers ‘turning off the tap’ were not on the agenda, and Russia was more or less regarded as a safe and secure supply partner.

Central and South-Eastern European states fell in line with this general EU position and this was evident in the language they used at the time. Acutely aware of energy challenges primarily stemming from their time under communist regimes, and in advance of their accession to the EU, the Central European states initiated co-operative efforts to support their integration into the wider European energy market. For example, in 2002 the Visegrad Group (V4), under the presidency of Hungary, initiated the V4 Energy Working Group to support the ministries of economy in the V4 states with the improvement of co-operation across the energy sector. The main purpose was to improve information exchange in support of market liberalization across the region, speed up privatization strategies, and ensure the maintenance and expansion of storage facilities—all demands of the EU for the Central European candidate states. Improved interconnections with Western Europe were also recognized as necessary to support market integration.

Diversification away from Russian supplies was not considered a rationale for this type of co-operation. When diversification was mentioned it was viewed as ‘in addition to’, rather than ‘instead of’, Russian supplies. It was about choice and price. As the then Hungarian Prime Minister Ferenc Gyurcsány stated, ‘Mad would be the country which was happy about depending on a single supplier for the purchase of a strategically important service and product’, thus highlighting the fact that replacing Russia as a single supplier with an alternative would not resolve the fundamental challenges informing energy insecurity. This could be recognized when proposals were put forward in 2002 for a major new pipeline that was intended to open up the European market to natural gas from the Caspian and Central Asia regions. The consortium behind this project, which became known as the Nabucco Pipeline, initially involved Austria and Turkey, but quickly included Hungary, Bulgaria and Romania, demonstrating the importance of these countries as transit states for the new pipeline and the opportunity for them to benefit from access to the piped gas. All three states are highly dependent on Russia for their gas imports and at the time paid a premium price via take-or-pay contracts with Russia. Having additional sources of gas imports would potentially give these states increased leverage in any future gas contract negotiations.

## **The Emergence of Pipeline politics: Nabucco versus South Stream**

Nabucco was developed in response to the discovery of the Shah Deniz (Şah Deniz) gasfield in the Caspian Sea in 1999. Comprising some 330 sq miles, Shah Deniz is one of the largest oil- and gasfields to be discovered in recent years, and it began production in 2006. Nabucco was intended to provide transit of natural gas from this field to Europe and was at first considered a commercial venture, but it was not long before the project took on a political undertone, although for the Russian Federation it always held political connotations.

The Nabucco project was problematic for Russia because it threatened its effective monopoly on gas imports to Europe, specifically Central and South-Eastern Europe. It is not to Russia’s advantage if that region, as Russia’s largest customer, has alternative suppliers, thus providing an opportunity to bargain on price. For Europe this is exactly what Nabucco was intended to achieve: to increase competition and reduce prices. For the EU and its member states two occurrences served to alter their position towards Nabucco and shift it from being a predominately commercial venture to a political one.

The first of these was the first Russia–Ukraine gas crisis in 2006, in which disagreement over the price of gas to be paid by Ukraine resulted in the suspension of gas flows from Russia to Ukraine for four days. As Ukraine is the major transit route for gas destined for the European markets, the disruption to levels of gas, exacerbated by Ukraine allegedly siphoning gas intended for European

markets, resulted in a significant decline in supplies. For some Central European states this was a serious problem. It highlighted their failure to ensure adequate stored gas supplies and emphasized their over-reliance on Russia as single supplier. Furthermore, the trustworthiness of Russia as a supplier and Ukraine as a transit state, which had previously been accepted, was called into question in a way it never had been before.

The second matter was the emergence of alternative competitor pipeline projects promoted by Russia. Initially, Russia had suggested an extension of its Blue Stream gas pipeline via Turkey as a way to provide an additional access point for Russian gas into Europe. It eventually decided against this, and in 2007 it announced the South Stream project, which entailed the construction of a pipeline under the Black Sea, and through Bulgaria, Serbia and into Hungary, with the aim of supplying Europe with some 63,000m. cu m of gas per year. For Russia, the purpose of South Stream was twofold: first, it sought to reinforce Russia's dominant position as the primary gas supplier to Central and South-Eastern Europe, and open up possible new opportunities by providing Russia with a southern access point to its European markets without the need to transit Ukraine. This would be a good fit with the parallel proposed Nord Stream pipeline under the Baltic Sea, which would directly link Russia to Germany, and provide some 55,000m. cu m of natural gas per year. By establishing both these projects, Russia was essentially claiming that it could remain a viable and reliable partner by providing new transit routes. In so doing, it effectively sought to accuse Ukraine of responsibility for problems with natural gas transit to the EU. Second, South Stream allowed Russia to present a project as a direct rival to Nabucco and seek to prevent its monopoly on gas supplies from being eroded too quickly. Russia claimed that South Stream would be more competitive and less expensive to build. It also created uncertainty for possible investors because it raised questions about the sustainability of two competing pipelines.

Russia failed to convince many in Europe that it could be trusted, and rhetoric which made reference to energy as a foreign policy tool, as well as some of the actions undertaken by Russia towards energy-importing and transit states, fuelled the rise of a discourse in Western political, academic and media circles emphasizing 'the new Cold War', 'energy wars' and 'energy weapon'. Energy had become highly political. In the southern corridor space, the Nabucco and South Stream pipeline projects were suddenly framed as Europe versus Russia, thus emphasizing political tensions. Inevitably, it was less straightforward than this, because principal EU member and candidate states from Central and South-Eastern Europe were partners in both projects, thus adding to the complexity of the situation.

None the less, what became apparent in Europe during this time is a clear shift in the framing of energy as a security concern, with pipeline politics perceived as a crucial element in this development. A second Russia-Ukraine gas crisis in 2008-09 reinforced this concern about security of supply for Europe and specifically for the Central and South-Eastern European states. However, the ultimate success of this securitization of pipelines within the wider energy security discourse is questionable.

Nabucco was prioritized as a high-level European project with a clear political and security rationale, and was supported by the EU and the USA. The reason it became so politicized was in part a result of the need to secure political backing and justification for funding support. This was coupled with its identification as a possible signature project by the European Commission, which was seeking to develop its energy policy competencies, both internally and externally. The Russian-Ukrainian gas crises, the urgency to diversify supplies, and growing concern about Russian use of energy and pipelines as foreign policy tools, allowed the project to be securitized as a means to introduce alternative suppliers, break the Russian monopoly and ultimately curtail Russia's ability to use energy for political means. The securitization of the Nabucco pipeline project effectively prolonged its existence in a way that standard commercial projects would not have been able to do. Despite this apparent wealth of political support, commercial viability remained fundamental, and no matter how much political backing the project received, if it proved financially unfeasible it would be unable to progress. This is exactly what happened, and Nabucco effectively stagnated as a project. Strangely, this outcome was widely predicted, yet there seemed to be a form of collective denial, and whenever any party, such as some of the more frustrated Central European states, did suggest that the project

was not likely to come to fruition, they were castigated and shamed as being anti-European, or insufficiently supportive of energy solidarity in Europe.

### **Pipeline Politics: Economic versus Political Rationales**

The need for projects to have commercial viability resulted in other competitor pipeline projects emerging to challenge both Nabucco and South Stream. The most significant of these was the Azerbaijani- and Turkish-owned Trans-Anatolian Natural Gas Pipeline (TANAP), which was announced in 2011 and would effectively replace the need for much of the Turkish section of the original Nabucco project. This forced the Nabucco consortium to re-evaluate their proposal. The rebranding of Nabucco as 'Nabucco West' reflected the truncation of the project as a spur pipeline from TANAP through Central and South-Eastern Europe. This revised project looked more achievable and even economically viable, but the ongoing economic crisis and the investment of the State Oil Company of the Azerbaijani Republic (SOCAR) in Greece, where it purchased 66% of the Greek Transmission Network Operator in 2013, may have had an influence on a 2013 decision by the SOCAR-led Shah Deniz consortium to award a contract for the transit of TANAP gas to the Trans Adriatic Pipeline (TAP), rather than to Nabucco West. TAP had initially been proposed as early as 2003 as a pipeline to be constructed through Greece and Albania to Italy, and following the award of the contract, the TANAP consortium purchased shares in TAP, reinforcing it as the official extension of TANAP in Europe. TAP had been placed in direct competition with Nabucco West, which was to run further north, as the primary route for the European section of the southern energy corridor.

The politics held by the Central and South-Eastern European states and the EU that drove the need for Nabucco were not shared by Azerbaijan and its Shah Deniz-TANAP partners; thus it was not surprising that a more modest project with a seemingly higher investment return was selected. This leads to questions concerning the relationship between commercial activity and political requirements. If something is so important that it warrants the type of prioritization that Nabucco received, then it has to be supported by relevant financial investment for political means. This did not happen for Nabucco, which was predicated by the need to adhere to market-led forces. Political neutrality is required if the market is to operate as it should. Herein lies the paradox: that energy policy cannot be politically neutral. European states know this, as does the EU, and when the market is allowed to take precedence, it will adversely affect the ability of states to ensure that large infrastructure projects of strategic (if not commercial) importance are fulfilled. This is one of the significant challenges for Europe and for the Central and South-Eastern European states that need improved infrastructure but are unable always to rely on the market providing it. How can the economics be balanced with the politics?

### **The Problem of South Stream**

The failure of Nabucco West to win the Shah Deniz contract effectively meant that the project became untenable. As a consequence, in order for the southern gas corridor to reach Central and South-Eastern Europe the possible options were either a secondary spur from TAP, perhaps into Bulgaria, or Russia's South Stream project.

Though a Russian project, South Stream had the support of a number of Central and South-Eastern European states, including Bulgaria, Croatia, Greece, Hungary, the FYRM and Serbia, as well as Italy and Austria. This demonstrates the fact that Russia remains an important strategic partner for these states within the energy sector. Each of these states had signed contracts with Russia to complete the various primary and secondary parts of the pipeline along its European section. Despite the enthusiasm of the Central and South-Eastern European states for South Stream, the project encountered a number of challenges. These included accusations from the European Commission in December 2013 that the contracts signed between Russia and the EU states, including Serbia (which

is a candidate country for EU membership and a member of the European Energy Community), were in violation of the EU's Third Energy Package regulations concerning ownership of pipelines by natural gas extractors and the right for third party access to the pipeline. In June 2014 the project was effectively halted, owing to a European Commission infringement procedure against Bulgaria concerning non-compliance with EU procurement requirements. Bulgaria had also been threatened with possible sanctions by the USA, owing to the participation of Russian company Stroytransgaz in the consortium awarded the contract to build the Bulgarian section. At the same time, as for Nabucco previously, there were questions over the financial viability of the project. Competition from other energy projects and sectors (such as the increased adoption and affordability of liquefied natural gas—LNG) was creating a more challenging environment where long-term contracts and fixed pipelines become expensive and inflexible. Ongoing political tension owing to conflict in eastern Ukraine, following the annexation of the Ukrainian peninsula of Crimea by Russia in March, and the imposition of Western sanctions on Russia, also had a negative impact on the project, and in December Russia announced that it was to abandon South Stream in favour of a new pipeline project to be developed in co-operation with Turkey. The new TurkStream pipeline was proposed within the framework of the Russian-Turkish Intergovernmental Commission on Trade and Economic Cooperation. However, the November 2015 Turkish military downing of a Russian fighter jet along the Turkey-Syria border and subsequent imposition of Russian sanctions against Turkey which included the suspension of the intergovernmental commission meant that in effect TurkStream was also suspended. It is not clear if there were other economic rationales for the quick move by Russia to effectively abandon this project, but it does highlight how geopolitics and energy supply can intersect.

## **Implications for Central and South-Eastern Europe**

The cancellation of both Nabucco, South Stream and latterly TurkStream has had significant implications for Central and South-Eastern Europe within the context of the southern energy corridor. First, it highlights that their perceived energy needs, even when framed in strong security terms, are not strong enough to override financial realities. Economics takes precedence over politics. It also confirms that this part of Europe is likely to remain reliant on the Russian Federation, and that routes via Ukraine are likely to continue to be important for the foreseeable future unless possible new, land-based routes such as the spurs from TAP are developed, or one of the currently defunct proposals is reactivated.

When considered in terms of diversification of supply and access to new sources of gas, this is potentially problematic for the region; however, it has also compelled the Central and South-Eastern European states carefully to consider new responses to their energy insecurity in a post-Nabucco and post-South Stream context.

The governments of Central and South-Eastern European states have been astute, understanding that their energy security could never be entirely reliant on the southern corridor pipeline projects. Those projects, if they had come to fruition, might have given some long-term stability of supply, but they would not have resolved the other major problems they face in terms of energy insecurity—specifically their integration into the wider EU energy infrastructure. A north–south corridor had been identified as a major missing link in this infrastructure allowing connection of various energy systems (gas, oil and electricity grids) from the Adriatic in the south to the Baltic in the north. With the demise of the large project for a southern corridor (not taking TAP into account), this north–south corridor has become even more essential and specific Projects of Common Interest (PCI) have been agreed at the EU level. Many of these PCIs will feed into the broader conceptualisation of regional energy frameworks. For example, the concept of north–south has been extended to what the EU now terms North-South East, where the promotion of a series of smaller energy infrastructure PCIs would allow the development of a ring-road connecting the Baltic, Adriatic and Black Seas. This would be achieved by investing in existing infrastructure and building reverse-flow interconnectors between states across the region. The Central European states have been promoting this idea for some time, but until recently it has always taken second priority to the large pipeline projects. As it turns out, it may

take a more significant and relevant role in supporting the development of energy security for the region. The fact that these interconnectors allow reverse flow should also provide for a sharing of gas resources in times of stress.

The financing of these small-scale projects has also been problematic, and the Central and South-Eastern European states have looked towards the EU for financial support. The EU recognizes that there are occasions when such projects need financial support and, to its credit, it has been more supportive of this type of project because they can be delivered faster and cheaper than the 'grand pipeline projects' such as Nabucco. The need to ensure improved infrastructure is also important because it allows the region to benefit from LNG as an alternative supply piped gas. The Baltic states (Estonia, Latvia and Lithuania) are a good example of a former 'energy island' region that has sought to use LNG as a means to provide access to gas from other suppliers. There have, of course, been problems in agreeing the location of LNG terminals in the Baltic region, emphasizing the fact that states continue to perceive great benefit in being the host of energy facilities. For Central and South-Eastern Europe, a new LNG terminal has entered into operation in Poland and another is planned in Croatia. The Croatian terminal is proving problematic in terms of the speed of its planning, with feasibility studies only being carried out in 2015, despite the proposal for a terminal having been under consideration for a quite substantial period of time. The plan is that the two terminals in Poland and Croatia will be connected by 2020, allowing the so-called north-south corridor to be completed.

Another way that the Central European states have sought to improve their position has been through increased gas storage. Most of the states in the region learned a harsh lesson from previous Russia-Ukrainian gas crises, and the concern about a possible reduction in supplies following the annexation of Crimea appeared to justify the efforts to increase storage for critical points of the year. All states in the region successfully coped with a simulated stress test on their gas supplies undertaken by the European Commission in 2014 and suggestions stemming directly from that exercise, stating that improvements to regional infrastructure should be completed faster, led to the establishment of the so-called Central East South Europe Gas Connectivity High Level Group, which first met in February 2015.

## **The Return of Pipeline Politics**

The southern energy corridor has without doubt been the scene of some of the more complicated pipeline projects directly impacting the Central and South-Eastern European states. It is, however, not the only field of pipeline activity with bearing on the energy concerns of these states. The Baltic Sea is the location of the Russian and German backed Nord Stream pipeline. Becoming operational in 2011, Nord Stream was from its incorporation in 2005 every bit as controversial as the pipelines planned in the south. Acting as an alternative transit route for Russian gas into Western Europe, Nord Stream would bypass traditional transit states including Ukraine, Belarus, Poland, Slovakia and Czech Republic. This raised considerable concern about the possible loss of transit fees should gas be diverted away from traditional routes. Other concerns that were raised included those focusing on the ecological environment of the Baltic Sea, security issues with respect to the use of the Russian Baltic Fleet for protection of the pipeline, and access to Polish ports.

Unlike Russia's South Stream pipeline, Nord Stream was completed on schedule and its dual pipelines now connect Russia directly with Germany, although, it currently only operates at half capacity (27.5 billion cu m) due to the EU's Third Energy Package third-party access requirements which restrict Gazprom's access to the Ostsee-Pipeline-Anbindungsleitung (or OPAL Pipeline) connecting Nord Stream with the Czech Republic. Despite this, Russia, recognising that this route has been its only pipeline success story in recent years, has identified the route as suitable for expansion and has proposed the Nord Stream 2 pipeline project. Doubling operational capacity from 55 billion cu m to 110 billion cu m, this would enable Russia to fulfil its policy of transit avoidance and potentially bypass Ukraine for most of its natural gas exports to the EU. The Russian-Ukraine conflict and the January 2016 decision by Ukraine's Naftogaz to increase transit fees for Russian gas

by 50% has reinforced the potential benefit of Nord Stream 2 for Russia. The suspension of TurkStream also makes Nord Stream II even more important as it will be the only alternative new transit route available to Russia.

While there may be economic or commercial rationales for Russia and its western energy company partners (Uniper, OMV, Shell, Wintershall and ENGIE) to promote Nord Stream 2, it is impossible to deny the fact that many countries will also see political rationales. As the president of Lithuania, Dalia Grybauskaitė expressed: “It is highly regrettable that our big partners (in Europe) are trying to explain to the EU member states that it [Nord Stream 2] is only a private commercial project. We all are very well aware that all energy projects of this scale are geopolitical, and their goals are precisely geopolitical”. It was this position that was set forth in a joint letter sent in March 2016 by nine EU member states from the Central and South-Eastern European region (Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Romania) to Jean-Claude Juncker, President of the European Commission. They argued that the pipeline fails to reflect the EU’s intention, underpinned by the strategy set out by the European Energy Union, to diversify energy sources and therefore poses “risks for energy security in the region of Central and Eastern Europe, which is still highly dependent on a single source of energy”. Nord Stream 2 would reinforce European reliance on Russian energy sources and have economic implications for those states still reliant on transit fees, specifically Ukraine and Slovakia. It has also been suggested that the relevant strength of countries and big corporations vis-à-vis which pipeline projects are successful, highlights a difference between the north and the south of Europe with projects like Nabucco or South Stream failing to be taken seriously because of the limited influence of those countries backing them. The geopolitics of the project is creating a rather acrimonious situation pitting the European Parliament, the European Commission and key member states of the EU as well as Russia against each other.

## Conclusion

Amid the collapse of the large-scale pipeline projects designed to address the energy insecurity of Central and South-Eastern Europe, smaller practical solutions have appeared to allow the region to respond more effectively and quickly. They are more easily financed and can be completed in a more manageable timeframe. As such, they perhaps suggest that the large pipeline projects are not always the best solution to energy insecurity and can actually increase that insecurity. This is certainly the case with the Nord Stream 2 pipeline project which highlights that for some players, specifically energy providers such as Russia, pipelines still have value, but at they can come at a cost for others.

Does this mean that the issue of pipeline politics and energy security has been overplayed in Europe? On the one hand, yes, perhaps it has. Enmeshed in a cycle of geopolitical power play, it is easy to overemphasize the security threat to Europe’s energy, but, in reality, Europe and the Central and South-Eastern European region have been able to respond and develop alternative solutions to the challenges they face. However, there is more to this story concerning the EU, its member states and its neighbours. Energy will remain one of the areas in which politics continues to be played out, and this has an adverse impact on the ability of the EU to present a united front. The South Stream project clearly demonstrated that EU member states do not necessarily all agree with each other about how certain energy projects should evolve. South Stream, prior to its cancellation, proved to represent a real dividing line between EU institutions such as the European Commission and some of the Central and South-Eastern European states—specifically Hungary and Bulgaria. The differences of opinion between Central and South-Eastern European EU member states and Germany with regard to Nord Stream 2 reflect similar concerns. Member states rhetoric regularly spills out into the forums provided by the EU institutions and these same institutions increasingly have their own positions to put forward. This raises questions about concepts such as energy solidarity in Europe and the commitment of member states to abide by the EU’s market regulations in the field of energy. Therefore, it will be interesting to see how the EU’s European Energy Union, which was launched in February 2015, responds to large-scale controversial and contested pipeline projects. The Energy Union is intended to strengthen the EU’s role in negotiating on behalf of its members, and to improve the solidarity concept and promote the free movement of energy through a completely integrated and liberalized market as a fifth freedom, alongside the right of establishment and freedom to provide services, and

the rights to free movement of goods, workers and capital. Although this should improve the ability of the EU and its member states to engage with Russia and other large suppliers, it is also likely to face challenges in doing so if it does not have the backing of all of its members.

Although as stated at the beginning of this essay, Central and South-Eastern Europe is considered to be the most vulnerable region in Europe for energy insecurity, the reality is that the level of insecurity may be overemphasized. Certainly, the region has encountered clear problems and the geopolitical and geoeconomic gameplay surrounding large-scale pipeline projects has not helped to lessen that insecurity. The role of pipeline politics is also unlikely to diminish while pipeline projects remain the most beneficial approach for suppliers. However, the use of alternative technologies, including LNG and renewables, as well as promoting smaller pipeline interconnector projects and overall greater regional co-operation, has had a positive impact on the region's ability to address some of its energy security challenges. Differences of opinion and policy preferences do remain and national self-interest may still challenge a common European position, but it is unlikely that the region will in the future face the same level of energy insecurity that it experienced during the Russia–Ukraine energy crises of 2006 and 2009.