

FAILED NABUCCO PROJECT AND ITS IMPLICATIONS

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The last two decades have witnessed a fierce battle for energy security and the controversies about the East-West energy corridor. Within this context, since the flow of natural gas and oil requires a supply and demand side as well as a transit country/countries, three actors have taken their seats in the new game in the town; energy giant Russia, energy-hungry Europe, and a major transit route, Turkey. This topic became more popular after the energy crisis of 2006, a politically-motivated Russian move against Ukraine as a warning against its pro-Western re-orientation, a move repeated in a similar vein in 2009 and 2014. According to Lough, that kind of attitude was repeated by Russia over 40 politically motivated situations during the period between 1991 and 2004. Even after many crises of that nature, the EU's efforts to secure its energy flow faced many challenges of which the sad fate of the "embodiment" of such efforts, namely Nabucco was a critical showcase. The failure of the project is important not only since it shows the limits of the European efforts and lack of a comprehensive unified energy strategy when it comes to Russian supply, but also shows the Russian ability to downplay rival projects. Turkey, which was once thought to be a key transit point in the Nabucco project, however, enjoyed the benefits of being a transit country with acceptable relations if not good with both sides and even after this failure, succeeded in operationalising and cutting the deal for new projects, TANAP and Turkish Stream respectively. Thus, the failure of the Nabucco would help us understand all the three sides' capabilities, giving a general idea about the

challenge of having a secure, feasible, reliable and sustainable energy supply.

Making Sense of the Unfortunate Fate of the Nabucco Project

The 3800-km long project planned to pass through Turkey, Bulgaria, Romania, Hungary and terminate in Austria was expected to carry up to 31 bcm natural gas and the expected operationalization was in 2014. Nabucco could have supplied 5-10 percent of the EU's natural gas consumption in 2020. The project was backed by the US and the EU. For instance, while the Intergovernmental Agreement was signed, EU Commission President Barroso, EU Commissioner for Energy Piebalgs and US Special Envoy for Eurasia Richard Morningstar were present. By Piebalgs, the pipeline was named as the "embodiment of a common European energy policy". This was the first pipeline construction financially supported by the Commission.

However, the project faced both political and economic major challenges. Due to the physical limits of the space and not to lose the main focus of the article, Russian efforts need to be particularly highlighted here. Among the Russian responses to the efforts to operationalise the Nabucco pipeline, to "convince" particular EU members was a key component. For instance, Russia promised an extension of the Blue Stream pipeline to Hungary and used its close relationship with OMV of Austria and ENI of Italy. Russia's close



relationship with Germany might be an important reason behind Schröder's comment on Nabucco as a "nonsense" project and Merkel's opposition to the direct funding of the project by the European Commission. Russian efforts to promote its project and to limit the resources to flow into the Nabucco as in the case of the 2007 agreements with the major suppliers along with the deals Gazprom secured with the major players of the Nabucco project such as Bulgaria, Austria, and Hungary were quite wise steps on the part of Russia to push Nabucco to failure.

As the last blow to the pipeline, the Shah Deniz Consortium's choice of transporting the Shah Deniz II field's natural gas via the Trans Adriatic Pipeline (TAP), running from Kipoi in Greece to Italy through Albania and the Adriatic Sea rather than the projected Nabucco pipeline required another pipeline in between the two which brings us to the Trans Anatolia Pipeline (TANAP) project. This decision was a serious blow not only to the Nabucco project, but also to the Nabucco West which was designed to replace Nabucco with a shorter pipeline and relatively low level of natural gas flow and shared the same fate at the end of the day.¹ Thus, to a great extent, TANAP became the only remaining alternative to replace the failed Nabucco to an extent and to act as the "missing link" between the Caspian resources and TAP.

TANAP and The Change of Plans in the South Stream

The Trans Anatolia Natural Gas Pipeline (TANAP), developed primarily by Azerbaijan and Turkey would act as a part of Southern Gas Corridor and the "missing link" between the Shah Deniz field and TAP. On December 24, 2011 the agreement on the project was signed by the Energy Ministers of the two countries. The pipeline is announced to be able to carry 16 bcma in 2019 of which 6 bcma will be used for Turkey's own energy demand, an important achievement for Turkey considering its refused demands in the Nabucco project with respect to domestic use of a certain portion of the flow. The pipeline is expected to transport 21 to 24 bcma in 2023 and 31 in 2026.² Thanks to its potential to become an important

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part of EU’s energy security efforts in the near future, The European Commission welcomed the Shah Deniz Consortium’s choice of TANAP and ruled out the Nabucco pipeline by referring to it as being “not feasible”. Moreover, the then President of the European Commission Barroso, as a sign of the European support to TANAP, sent a video message to the inauguration of the project.

One of the most important pipelines between Russia and the West, the Yamal pipeline carries around 33 bcma and the Nord Stream 55bcma. TANAP’s ambitious projected capacity of 60 bcma³ in the future is even more than the Nord Stream’s capacity and also shows the expectations about the future participation of other Caspian countries as well as the Middle Eastern resources.

The recent Russian cancellation of the South Stream and renaming of the pipeline as the “Turkish Stream” which would carry 63 bcma natural gas, not to Europe via its proposed route, but rather to Turkey seems striking within this context. Putin had earlier declared that the work on the South Stream project will be halted and the amount will be transported via Turkish-Greek border rather than over Bulgarian route. Thus, this decision could increase the amount of natural gas which passes through Turkey by 63 bcma. After a brief period of Turco-Russian crisis following the famous “jet incident” which

also caused a halt on the negotiations regarding the project, it seems it found a place on the agenda once again after the relaxation in the relationship. Considering the ultimate capacity prospect of TANAP which is 60 bcma and this 63 bcma, Turkey would unquestionably be the key transit point in the East-West energy corridor.

All in all, several deductions can be made by analysing the fate of the Nabucco project and more recent TANAP and Turkish Stream projects. First and foremost, the EU did, does, and most possibly will give a difficult fight in order to achieve solidarity in the energy realm in the face of bilateral links between key EU members and Russia and the triumph of national interest over the goal of not prioritising each country’s own calculations in the face of global and regional threats. For Russia, the process proved that its strategic use of energy resources was, does and most possibly will play a key role in the overall energy game. To challenge energy giant’s role seems quite unrealistic in the short to medium-term, let alone having the confidence of a completely secure, safe and uninterrupted flow for Europe. Regarding Turkey’s position which seems the second best beneficiary of the failed Nabucco project in spite of the perceptions of the project is vital importance for the country at that time, the project did not only helped better grasp the capabilities of its interlocutors, but also to devise its own projects and to be part of alternatives in the absence of European pressure regarding the questionably beneficial Nabucco for Turkey’s own energy-related calculations. As long as Turkey keeps its delicate steps on the energy chessboard, meaning that it maintains a healthy contact with both the EU and Russia without alienating either side due to the projects it participates in, also thanks to diminishing trust in Ukraine as a transit point due to political instability, in the medium to long-run, it enjoys the potential of gradually raising its profile in the energy realm.

Endnotes

- 1 The pipeline was projected to transport natural gas to Baumgarten region of Austria following the route Turkey-Bulgaria-Romania-Hungary-Austria.
- 2 Şuhnaz Yılmaz and M. Tahir Kılavuz, “Restoring Brotherly Bonds: Turkish-Azerbaijani Energy Relations”, Eurasia Policy Memo (PONARS, September, 2012). “TANAP’ta Gazi Avrupa’ya Kim Taşıyacak?/Which Party Will Be Transporting Gas via TANAP?,” *Enerji Dergisi*, February 23, 2013.
- 3 Lada Evgrashina, “Azeri Oil Fund to Help Finance TANAP Gas Pipeline,” *Reuters*, November 06, 2012, <https://www.reuters.com/article/azerbaijan-energy-idUSL5E8M6C1P20121106>.