

TOWARDS AN EVER CLOSER UNION: WITH THE TURKS NEXT DOOR? IS TURKEY
THE IDEAL ENERGY PARTNER FOR THE EU?

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THESIS

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ABSTRACT

This thesis explores the respective energy policies of the European Union (EU) and Turkey, identifying common goals and external threats in order to entertain the hypothesis of whether Turkey is the ideal energy partner for the EU. The analysis supports the formation of a full energy partnership between the EU and Turkey, arguing that common goals will achieve greater fulfillment while common external threats will remain more effectively palliated through partnership. The policy level adjustments both for the EU and Turkey are recommended and justified in detail throughout.

Overall, both the EU and Turkey prioritize diversifying their energy suppliers, combating climate change, and ensuring stable and competitive energy markets for their consumers. In the EU, energy demand is projected to rise by 11 %, while import dependence by 20 % by 2030 (to 71 %). Turkey remains 73% resource dependent overall, with a 97% dependence on natural gas specifically. Both rely on Russia to supply most of their natural gas, creating the mutual goal to diversify their suppliers and reduce the impact of one-sided dependence. The Nabucco Pipeline project has become the poster child of ‘pipeline politics’, or supply diversification affairs between the EU, Turkey, and resource supplier regions such as the Caspian, the Caucasus, and the Middle East. Nabucco also serves as the linchpin of the EU-Turkish energy partnership at present; this thesis will argue that further institutional measures are necessary, both within the EU and in Turkey, in order to equip this long-term project for success.

Specifically, the EU needs to enable its members with a choice of suppliers through constructing pipeline interconnectors. This will further the notion of diversifying suppliers and reducing the dominance of Russian natural gas, as well as foster the formation of an integrated natural gas market. Turkey, on the other hand, should be allowed to open the Energy Chapter of accession negotiations and implement the energy related *acquis communautaire*. This will benefit business and investment relations in the energy sector, as well as promote more cohesive handling and maintenance of projects such as Nabucco between the EU and Turkey.

With regard to combating climate change, both the EU and Turkey have made ambitious formal commitments. The EU employs the 2020 Strategy, aiming to reduce carbon emissions, improve energy efficiency, and incorporate renewable energy into the mix by 20 percent by 2020. Turkey enacted a National Climate Change Strategy in 2010 which aims to incorporate renewable energy by 30 percent by 2023, while also curbing emissions, improving efficiency and introducing clean coal technology. Within the EU, diverging performance among member states, due to different socio-political and economic factors, threatens the acquisition of 2020 targets. A means of bridging these gaps is to introduce EU-funded subsidies for countries whose renewable energy sectors have failed to thrive, and whose governments have not already introduced subsidies for renewable technology. This would involve making adjustments in the EU budget; currently, conceptualization of the EU's 2014-2020 allocates 20 percent to fulfilling the goals of the 2020 Strategy. However, this thesis also argues that investment into the Turkish renewable energy sector would not only reinforce the EU's status as a global leader against climate change, but also benefit the EU's goals.

Turkey has undergone great energy market liberalization efforts within the last decade, as well as interconnected its electricity network with the European network, ENTSO-E. As such,

renewably produced electricity in Turkey could be transferred to bordering easterly EU countries, which happen to exist as the countries struggling to meet their renewable energy targets and embrace this market. Turkey itself possesses the world's fifth largest geothermal capacity, eighth largest hydroelectric and significant wind and solar (situated in the Sun Belt). From an economic standpoint, creating an economy of scale for renewable energy will improve profit margins over time, as well as instill investor confidence both within the EU and Turkey. EU level internal subsidies will also serve as a means to this same end. As such, Turkey can serve as a catalyst to creating competitive and integrated natural gas and renewable energy markets within the region, better enabling the fulfillment of energy policy goals of the EU and Turkey.

Finally, an energy based partnership with Turkey will improve the EU's ability to influence, or exercise normative power, within the region. Through partnership with Turkey for projects such as the Nabucco pipeline, the EU has already been able to bridge gaps in its relations with countries in the Caspian region, the Middle East, and the Caucasus. Partnering with Turkey in a more comprehensive respect will also offer the EU an opportunity to reinforce its position as a normative leader against climate change. Turkey itself exercises a generally successful "Zero Problems with Neighbors" foreign policy approach, and hopes to become an energy hub in the region for trade. The EU already finances in part Turkey's development through Pre-Accession funds to prepare Turkey to become 'fit' enough to join the EU, however investment directly pooled into the energy sector will allow Turkey to progress more quickly to become a more carbon-neutral economy as it grows. This remains in alignment with the EU's foreign policy as well as its approach to combat climate change in part through assisting the environmentally responsible development of third countries.

Finally, this thesis will argue that the EU must exercise a modified external governance policy towards Turkey in order to avert undesirable consequences. Turkey has shown interest to join the EU since its inception; however accession negotiations did not begin until 2005. At present, little progress has been made due to formally blocked chapters by select EU member states. Meanwhile, opening certain chapters, such as the Energy chapter, has become increasingly necessary, especially considering large-scale, long-term projects already underway. The coordination necessary to generate success for projects of this kind cannot be achieved with the current lack of political, institutional and regulatory harmonization in an energy context.

Furthermore, the EU must tread carefully with regard to the stalled accession negotiations, as frozen negotiations could lead to a uniquely ‘frozen conflict’. With greatly vested interests, especially with regard to energy affairs, failed relations could undermine the EU’s efforts to diversify its energy suppliers and improve its relations with its external neighborhood. In particular, rejecting Turkey as a candidate country or continually preventing accession negotiations to move forward would tarnish the conditionality and credibility attached to EU candidate status, weakening the EU’s normative power, while also reinforcing negative stigmas of the EU turning the cold shoulder to Muslim populations. In particular, this would harm relations with the Caspian, Caucasus and Middle East; the very regions where the EU wishes to improve relations and create a symbiotic interdependence of energy supply through diversification.

Supported by the aforementioned ideas, this thesis concludes that a full energy partnership between the EU and Turkey is in the best interest of both entities for energy and foreign policy related endeavors.

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CHAPTER 1

INTRODUCTION

Energy Challenges in Real Time

One of the most important issues facing the twenty first century is energy. Where it comes from, how much there is, the cost, how efficiently we use it (or don't) and last but not least, its impact on the environment and people. Energy policy should serve and protect the consumer and the environment; which involves short term and long term trade-offs. For example, exploiting oil sources in the short term may benefit business, industry, and the consumer, but harm the environment long term. Or, investing in renewable energies and forcing industries to implement low-carbon technology may create upfront costs and disadvantage business, yet helps the environment both short and long-term, while paying back industry later. As such, the public and private sectors must collaborate to formulate effective policies that balance these tradeoffs.

This paper explores the energy policies of the European Union (EU) and Turkey, in order to determine whether an energy partnership between them is attractive, feasible, and above all beneficial for the environment and the people. First, energy policy areas favoring Turkey and the EU as ideal energy partners, as well as those which prevent both from enjoying a collaborative and productive energy partnership will be identified. In reality, the EU and

Turkey's shared goals and priorities outweigh the components of their respective energy policies which diverge. Furthermore, much divergence is due to different levels of development.

Next, the objective of forging an energy rapprochement between the EU and Turkey will be identified by virtue of the goals of mutual interest that the EU and Turkey exhibit through their energy policies. Indeed, both favor diversifying energy suppliers, combating climate change, and ensuring a stable and competitive energy market for their consumers. This opens the door for a productive partnership between the two polities.

Following, the policy mechanisms by which an energy rapprochement can be accomplished will be elaborated. This includes policies and projects for implementing energy supply diversification, combating climate change, and improving bilateral and multilateral engagement in the region of greater Europe.¹ This section will identify policies and projects that are ongoing and under conceptualization, divided into subject areas of supply diversification, combating climate change through procedural changes and investment, ensuring competitive and stable markets for consumers through creating integrated natural gas and electricity markets (particularly for renewably produced electricity), as well as adjusting foreign policy strategies to better respond to existing issues and realities. This section will also deliberate and recommend policies that should be adopted in order to obtain these objectives. Finally, justification of recommended objectives and policy revisions will be elaborated.

Indeed, with energy needs continually rising, the imminent threat of climate change, market fragilities and a mutual desire to diversify natural gas supply routes, the EU and Turkey have more at stake—and more to fight for and against. The debate remains: will they fight

¹ Greater Europe refers to the EU, Eastern Europe and its bordering countries, the Balkans, the Caspian, Central Asia, and North Africa.

together or separately? Can Turkey's energy policy complement the EU's? Are advantages or disadvantages inherently added if both entities join forces to achieve common objectives together? Is such cooperation politically viable?

Indeed, the answer to all of these questions is affirmative. Turkey and the EU have and will continue to partner together, Turkey's energy policy already does complement the EU's with regard to its ideals—yet implementation remains to occur. The EU can have a large impact in this regard. Certainly many advantages result in a stronger, more environmentally responsible Turkey partnering in business and diplomatic endeavors with the EU. Such cooperation is viable, and increasingly necessary. Turkey, undergoing massive reforms to liberalize its energy market, diversifying supply routes, maintaining healthy relationships with neighboring countries, and last but not least, possessing enormous renewable energy potential, could become the EU's most prized energy partner under the right conditions.

Specifically, partnering with Turkey could help the EU reach its goals of diversifying suppliers and incorporating renewable energy. However, political cooperation both among EU member states and between the EU and Turkey are essential for such a partnership to blossom. The market plays a crucial role, as does business; however business partners within the EU and Turkey have already solidified strong ventures and relationships across sectors. On a small, private scale, business relationships flourish. The linchpin for success lies in political cooperation at the EU-Turkish level, for an energy partnership of this caliber, with long term commitments and consequences, requires a deepened harmonization of knowledge and more comprehensive agreements. This requires a more unified vision of energy policy at the EU level, and implies a continued display of willingness and cooperation from Turkey. Although this research does not function based on the assumption that Turkey will join the EU within the near

future, mainly due to political and historical disputes which remain beyond the scope of this research, it does suggest that a failed partnership between the EU and Turkey will prove detrimental to the fulfillment of both entities energy related goals. Furthermore, this research posits that a continual stagnation of EU-Turkish accession negotiations, and especially the Energy Chapter of the EU *acquis communautaire*, will greatly undermine initiatives that are already underway to improve relations and meet combat common external threats. Furthermore, a failed relationship between the EU and Turkey within the context of its status as a candidate country could tarnish the EU's foreign relations with countries in the Middle East, the Caspian Region and the Caucasus; as it will destabilize the conditionality and credibility attached to obtaining EU candidate status and implementing EU regulations for the purpose of eventual membership. In essence, the projects underway between Turkey and the EU, as well as their interconnectedness in many contexts are so far reaching at present, that failed progress in accession negotiations could unravel the fruitfulness of any potential partnership, decreasing stability and increasing resentment. This, of course, would not favor business, trade, energy policy objectives, or foreign relations.

CHAPTER 2

METHODOLOGY

A qualitative methodology was employed for the research purposes of this thesis. Six formal interviews were conducted in person by the author with personalities from both the private and public sector representing the European Union, France, Belgium, Luxembourg, Turkey and the United States. These individuals are the following: Serap Atan, Representative of TUSIAD (Turkish Industry and Business Association) of the Paris Representative Office, Francois Bernard, Director of Invest in Turkey for France Belgium & Luxembourg, Başak Yalçın, Representative of the Turkish Embassy in Paris, Fatih Yildiz, the Turkish Consul General of Chicago, Charles Hantouche, Executive Manager and Director of the EU-Turkey Twinning Project of RTE (Réseau et Transport d'électricité) and Riva Kastoryano, Research Director of the Center of International Studies and Research at Sciences-Po Paris, France. Members of TUSIAD represent the service and industry sectors, pooling membership from across 3,500 companies, generating about half of the value-added in Turkey, and realizing 80 percent of Turkey's foreign trade. As such TUSIAD has an important voice in Turkey's government and political climate, helping set the agenda with their business influence as well as publishing research and case studies to stimulate awareness and generate change in Turkey. Invest in Turkey was extremely helpful to understand the business transactions in both the private and public sector ongoing between Turkey and the EU, with particular regard to foreign direct investment into the energy sector, as well as Turkey's foreign relations with its neighborhood aside from the EU. The Turkish Embassy in Paris was especially helpful in

offering insight into the French-Turkish situation, highlighting efforts undertaken to foster cooperation and partnership, as well as offer ideas regarding the problems associated with a Turkey-EU partnership failing. The Turkish Consulate in Chicago offered incredible insight from a Turkish perspective in an American setting, directly addressing Turkey's energy issues, goals, and foreign policy strategy. RTE is the public owned French subsidiary of EDF, Electricity of France. It possesses independence finance, management and accounts and is the operator of Europe's biggest power grid, acting as the pushing force behind the formation of an integrated European electricity market. RTE offered detailed and complex explanations of the European electricity network, the Turkish electricity market and other energy markets, as well as the pilot projects run between the EU, France and Turkey to interconnect electricity and assist Turkey in implementing EU level regulations and business practices in the energy sector. Finally, the Center for International Studies and Research at Sciences-Po Paris was particularly helpful in offering additional resources regarding EU-Turkish interactions and EU law.

Three of the six interviews were recorded and transcribed, and two of these were then translated from French to English. For the other three, notes were taken during the interview and summarized by the author immediately following the interview for purposes of accuracy.

Furthermore, in depth field research was employed, analyzing governmental policies, laws, and publications as well as relevant literature in the field. Sources include but are not limited to Eur-lex, the World Bank, the World Economic Forum, the Economist Intelligence Unit, and the Turkish Ministry of Natural Resources & Energy. The Atlantic Council's Black Sea Energy & Economic Forum proved particularly helpful in offering perspectives from key political figures from countries around the Middle East, Caspian, Caucasus, Turkey and the

European Union with regard to energy politics. Transcripts were examined and used for further analysis by the author.

Limitations of this research and qualitative methodology include the small sample size, which does not allow for analysis to be made which would represent the EU or Turkey as a whole. Nonetheless, each interviewed person offered insight from their field of expertise directly related to the research question, while publications and laws studied and referenced remained accurate and up-to-date.

CHAPTER 3

ENERGY POLICY REVIEW

Turkey and the EU share much in common with regard to their respective energy policies, despite being at different levels of maturity. Publications by Turkey's Ministry of Natural Resources and Energy and the European Commission show that both prioritize diversifying energy suppliers and routes, combating climate change, and improving their markets. Both acknowledge the need to create an energy market that evaluates long-term benefits as well as short-term, in particular with regard to renewable energy, and recognize the necessity and value in implementing sustainable technologies and methods, even if it requires a higher cost upfront. Furthermore, both evaluate gaining regional power and facilitating partnerships as important components of achieving their goals. Certainly, several intrinsic and contextual factors differ (such as where to exert regional influence, diversify suppliers, and to what extent natural resources can be utilized, as these are nation-specific). Both face rising energy demands as well. In sum, the two don't seem so ill-suited for one another as energy partners. But do they practice what they preach when it comes to their relationship? Based on their aforementioned goals, a long-term energy based rapprochement between Turkey and the EU appears in order.

Of course, this would assume greater political cooperation and a certain level of regulatory harmonization, for the purpose of facilitating business and trade; maintaining the same standards, employing the same methods of technology and remaining active in the same projects requires shared competence. For example, projects like Nabucco will be more navigable

and electricity transmission or repairs within an interconnected network simplified. Access to foreign relations with regard to energy would also be shared; if conjoint, Turkey and the EU display greater power. For instance, the EU cannot as easily facilitate deals in the Caspian or the Middle East without Turkey supporting it for political reasons, whereas cutting a deal with Turkey and the EU together becomes more attractive, as it includes access to the EU's enormous and wealthy consumer base.

Meanwhile, increased partnership with the EU will help bring Turkey's energy sector up to speed, this not only benefits the EU in that they gain a more economically fit partner with shared competence in energy efficiency, renewable energy, and more, but also implies that Turkey would begin to espouse the same vigor to combat climate change. As combating climate change truly does not adhere to national borders, progress of European neighbors in this arena should be, in theory, equally as celebrated. As a world leader in tackling climate change, the EU would gain credibility and credence by having a hand in helping Turkey reach climate change resistance goals it had conceived, but been unable to obtain. The following chapter will explore the pertinent aspects of EU and Turkish energy policy, outlining areas where they align and also diverge, as well as issues present in both policies, in order to begin an evaluation of how the EU and Turkey can transform their current relationship into a productive and reliable energy partnership.

Current Energy Dynamics in the EU and Turkey

One of the most forefront energy issues of the twenty first century revolves around supply. Both the EU and Turkey are net energy importers. For both, their main energy source is

Russian natural gas. According to the European Commission's Green Paper in 2000, energy demand is expected to rise 11 percent (compared to 1998) in the EU while energy import dependence will rise upwards of 20 percent by 2030. With EU energy production peaking in 2010, this means that energy import dependence will increase from 50 percent in 1998 to 71 percent in 2030, in tandem with a rise in oil and gas import prices. Subsequent studies have confirmed this prediction. Effective policies must be fashioned to distribute the EU's import dependence in order to counteract reliance on one source. This requires both internal and external political cooperation. Additionally, greater strides must be made by the EU to add incentive to alternative sources of energy, such as renewable, since the market alone has not supported these methods to date.

The Commission's report elaborates a rather grim depiction of the situation: "Nuclear energy and solid fuels have been decried, oil is subject to geopolitical hazards which are hard to control, renewables are failing to penetrate the market because they present technological difficulties and are not profitable enough. Natural gas supplies could in the long run be subject to risks of instability" (European Commission 2000, p 78). The latter encompasses the risks identified by the EU, initiating a new wave of EU energy policy. The objectives include carbon emission reduction, energy efficiency improvement, incorporation of renewable energy and diversification of energy suppliers and routes. This policy places a large emphasis on the phasing out of fossil fuels and controlling of emissions and the phasing in of renewable energies and clean technologies. The market has not favored the entry of renewable technologies due to high capital investment upfront coupled with technological barriers; to avert market failure, the EU must intervene with incentives and financial support mechanisms. Certain member states already exercise this, and have seen successful results; however the EU must take part in fostering the

implementation of renewable energy in nation states that cannot handle this burden alone. With regard to natural gas supply security, potential solutions extend beyond the breadth of the EU itself, encompassing the surrounding region, an aspect which the EU continually addresses with multilateral regional initiatives. Turkey has been no stranger to this EU strategy and their needs, which will be elaborated subsequently in this paper.

Combating climate change has become the cornerstone of EU energy policy, making the EU a global leader. This is reflected in the EU's energy policy strategies with regard to carbon emission reduction, improving energy efficiency, and introducing renewable energy as a significant contribution to the energy portfolio. Turkey possesses some of the largest renewable energy potential's in the world; they simply have not been cultivated yet, due to political and infrastructural challenges and an inchoate pooling of financial support. Yet, by obtaining EU candidate status in 1999, massive legislative reform and the implementation of the EU *acquis communautaire* began. At the opening of the accession negotiations in 2005, Turkey began enjoying handsome sums of European investment, which in turn has helped promote the transformation, or *Europeanization*, of the Turkish energy sector. Nonetheless, there are large gaps to be filled.

Meanwhile, Turkey's population and demand grows at impressive rates; energy demand rises at least 2.5 percent per year and the country's energy sector is undergoing a liberalization make-over in tandem with its democratization efforts. Turkey's neighbors hold 70 percent of the world's natural gas and oil reserves; a vital strategic asset for the EU in terms of energy supply route diversification. Turkey houses significant renewable energy potential, but lacks the finance and infrastructure to invest in these technologies single-handedly. Russia dominates the natural gas market, upon which both the EU and Turkey are reliant, and demonstrates fluctuations

between cooperation (often bilateral), ambivalence, and strategic self-interest with regard to its external relations and energy market maneuvers. With Russia growing stronger, there is an increasing need for the EU and Turkey to work together to address energy issues together in order to ease their dependence on Russia. These elements have transformed the geopolitical conversations between the EU-Turkey and its surrounding region in recent years.

Two factors stand out when evaluating the EU and Turkey's energy partnership: 'pipeline politics' and the fight against climate change. With regard to pipeline politics, or the security of natural gas supply, in theory, the situation remains quite simple. Turkey is the bridge between the EU and non-Russian natural gas suppliers, and Turkey enjoys overall positive relations with these neighbors, especially due to a recent "Zero Problems with Neighbors" foreign policy approach. Working together, the EU and Turkey can forge agreements to build new pipelines from new suppliers, diversifying and improving the security of their energy supply. However, in practice, this objective has known many trials and tribulations, stemming from the EU, Turkey and its neighborhood. This situation will be analyzed at length, to posit the means necessary for Turkey and the EU to achieve these ends.

THE EUROPEAN UNION: ENERGY POLICY

EU energy policy is a shared competence among the EU and its member states. EU level directives and even well-oiled systems set and achieve Community level goals, but member states maintain the right to implement goals with their own methods and pace. There is no question that in recent years the European Union has exercised large efforts and implemented complex mechanisms and legislation to forge an EU Energy Policy. The goals of the EU's

energy policy can be synthesized into three main themes; improving energy supply and security, combating climate change, and providing growth and jobs. Each theme involves overall goals. Improving energy security includes diversifying energy import suppliers and routes, and providing diplomatic and financial assistance to countries in the European neighborhood. Combating climate change involves the latter as well as external goals, while internally prioritizing energy efficiency improvement (reducing consumption), reducing carbon emissions, and incorporating renewable energy into production.

The EU Energy Policy includes significant trade-offs. Diversifying import suppliers, while cautious and strategic for ensuring long-term security of supply through spreading need across sources, may imply forging relationships with countries that the EU is not familiar with. This can include making new diplomatic compromises and a potentially high learning curve. Economically, it may be costly to invest in the European Neighborhood, and these investments risk failing to implement change if political leadership is absent or maintaining alternative visions. Internally, introducing renewable energies, reducing carbon-emissions and improving efficiency threaten the business-as-usual balance sheet. The aforementioned changes involve high upfront costs with high long-term benefits. However, countries and businesses require incentives and financial buffers to ease the transition to an efficient, low-carbon and renewable energy friendly market. In order to achieve the EU's third-tier goal, providing growth and jobs, low-carbon and renewable energy markets demand financial support; otherwise the market will continue to favor less costly approaches. The European Emissions Trading System, explained in detail to follow, has provided a first attempt to make a low-carbon industry transition as painless as possible.

The EU's energy initiatives remain works in progress; despite studies and legislation pioneered by the Commission, a harmonized EU Energy Policy is in skeletal formation, at best, and external governance in the area shifts in tandem with the region's political volatility. Indeed, within the EU, nation states maintain considerable sovereignty with regard to energy issues. Even binding Community law on energy allows nation states to set and implement their own targets. Currently, monitoring and reporting is not effectively harmonized (ergo, nations self-monitor), allowing for large divergences in what member states contribute and hindering rapid progress towards the EU's goals.

Nonetheless, most EU members as a whole favor the main themes of energy policy; combating climate change and improving energy security, as both are viewed as common external threats that will create negative consequences for the EU as a whole. This has allowed for progress towards comprehensive EU energy policy. In a legal communication to the Parliament, the Commission outlines these common external threats: "The point of departure for a European energy policy is threefold: combating climate change, limiting the EU's external vulnerability to imported hydrocarbons, and promoting growth and jobs, thereby providing secure and affordable energy to consumers" (European Commission 2007).

What's written between the lines is that the EU combines self-interests with altruism to formulate its approach to energy policy. Certainly, it must mitigate energy security risks and protect its market and consumers, especially in light of its increasing energy consumption. However, the EU genuinely prioritizes combating climate change, and considers itself to be a leader and norm-setter in this regard. In turn, this affects the EU's external governance tactics with regard to energy. On one hand, the EU seeks to stabilize its neighborhood in order to enjoy long-term stable energy contracts with its supplier countries, therefore increasing its energy

security future. These motivations remain self-interested. The EU's External Action and Energy Policy exemplifies this, aiming to meet growing demand, stabilize prices and eliminate shortages through "common and coherent EU energy policy" and partnerships with its neighbors (European Union External Action Service 2012).

On the other hand, the EU genuinely believes that integrating the countries in its neighborhood (the Caucasus, Caspian Region, Central Asia, Eastern Europe and North Africa) will enhance the region's stability and commitment to international endeavors such as climate change. In this regard, the EU does not see itself as a single actor, but truly favors regional and global participation to curb climate change. This explains its constant efforts to engage countries in its surrounding region in what it deems right and just. At the Copenhagen Conference of 2009, the EU supported a legally binding global treaty to succeed the Kyoto Protocol in 2013, and pledged to boost its carbon emission reduction to 30 percent by 2020 if other large industrialized nations commit to lowering their emissions (however this has not occurred). The EU also pledged €7.2 billion in financial aid from 2010-12 to support the implementation of green technology, products and services in developing countries (European Commission Climate Action: Energy for a Changing World 2012). The aforementioned demonstrates the EU's collective perspective and leadership towards combating climate change.

Meanwhile, the EU's last Kyoto Protocol commitment pledges a Community level 8 percent reduction in CO₂ levels (compared to 1990 levels) by 2012 (European Commission Green Paper 2000, p 53). Considering one third of Europe's electricity is generated by coal, over one third of electricity (and 15 percent of total energy) comes from nuclear sources, and only 6

percent remain generated via renewable resources (Tekin & Williams 2009, p 3), this target remains very ambitious.

Fear of falling short helped foster the development of the 2020 Strategy. The strategy involves reducing carbon emissions, improving energy efficiency, and boosting the share of renewable energy into the mix by 20 percent by 2020. If implemented properly by all member states, the EU would indeed reserve status as a global environmental superhero. Ensuring the fulfillment of these goals is paramount for the EU to maintain its status as a powerful world leader. Historically a peace-keeping and economy integrating project, the EU can apply the core of its purpose to the environment—restoring peace and prosperity on the earth by combating climate change and acting as an energy-conscious community. No other entity to date prioritizes and rallies in favor of environmental consciousness quite like the EU—if the EU fails to meet the goals engrained in the values it supports, the world watching will shake their heads and continue business as usual. Yet, if the EU succeeds, countries around the world will begin to understand that combating climate change can occur in tandem with prosperity. The EU itself must continue perfecting its strategy to ensure completion of its goals, which involves an increased pooling of sovereignty on energy issues and additional legislation setting and monitoring by part of the EU to ensure that each member state participates as actively and effectively as it can.

Internal Measures

To implement the EU's energy goals, several internal measures must be addressed. Carbon emission reduction, energy efficiency, and introducing renewable energy while protecting the market and promoting growth and jobs. These measures challenge business as

usual behavior, rising costs and encouraging the adoption of new technology. In order to avoid market failure, which would undermine the EU's energy goals as a whole, the EU needs to lessen the burden on businesses transitioning to green technologies. Consumer preferences are also important, if strong enough so that the consumer will pay more for a product that is environmentally responsible.

If this presence is not marked enough, the market will not absorb these measures naturally unless governments and the EU provide incentives and mechanisms. One successful mechanism is the European Union Emissions Trading System (EUETS), which trades emissions to reduce the cost of emitting less CO₂ across companies while still reducing them overall. Another measure involves efficiency, or using energy more effectively. The public can have a particularly large emphasis in this area, by altering their energy use habits and making environmentally responsible transportation decisions (biking, walking, public transportation, etc). Finally, renewable energy is due to contribute 20 percent to the energy mix by 2020. The EU has passed a series of legislation to implement this goal, however is lacking incentives. Adding incentives such as subsidies will make renewable energy's entry into the market more smooth and profitable.

Carbon Emission Reduction

The main instrument adopted to reduce EU carbon emissions is the EUETS, the largest carbon-trading system in the world. The system has been largely successful overall, and sets the EU on the right track to meet its goal of reducing carbon emissions by 20 percent by 2020.

All EU members participate, as do Norway, Iceland and Liechtenstein, totaling thirty countries. It functions as a “cap and trade” system, wherein the amount of emitted greenhouse gases is limited (the cap) for different companies, factories and plants. Each of these possesses emissions allowances which they can buy and sell to each other, or keep for future needs. The system’s goal is to make carbon emission reduction as painless as possible through flexible trade, allowing emissions cuts to be made where it is least costly to businesses. Each year, member states submit a detailed report to the Commission, which in turn creates a target catered to the particular conditions of each member state. The member state then has the discretion to implement and monitor the measures to meet this target. Emission allowances are traded within the overall EU emission limit. Companies and countries that do not comply are punished with fines.

Currently, the ETS applies to 40 percent of the EU’s total greenhouse emissions. Certain sectors, such as transport, agriculture, and waste are not included in the system, but have different mechanisms aiming to control them. In 2012, the airline sector will be added to the EU ETS, along with petrochemicals, ammonia and aluminum industries will join in 2013 (European Commission Emissions Trading System 2010).

To account for sectors that are not included in the EU ETS, the Commission passed the Effort Sharing Decision, creating annual binding greenhouse gas emissions targets for all EU members from 2013-2020. However, these targets, like those of the ETS, are defined according to relative wealth and implemented at the discretion of each member themselves. If all functions according to plan, this would achieve a 10 percent reduction in corresponding emissions at the EU level by 2020.

The EU is also exploring technology for carbon sequestration, in order to “mitigate the effects of coal and gas production and also other CO₂-intensive industries such as cement, iron, steel and petrochemicals” (Commission Climate Action Energy for a Changing World 2011). On the whole the system has known great success, trading over 3 billion tons in 2008, corresponding for 64 percent of the global carbon market (Laurent 2009)².

Nonetheless, in order to effectively allow the EU to meet its 2020 goal, the EUETS must envelop more than 40 percent of the energy market. Specifically, the inclusion of transport, agriculture and waste are particularly necessary to include. Otherwise, the effort remains incomplete and does not achieve its potential. Especially considering the overall success of the EUETS to date, other sectors should be phased in with minimal negative cost related tradeoffs.

Energy Efficiency

To reduce consumption and improve energy efficiency, the EU has successfully passed a series of binding directives and regulations which require green products, buildings and services to increase efficiency. The EU defines energy efficiency as a ration between an output of performance, service, goods or energy, and an input of energy (Energy Community 2012). This includes the following: the Eco-Design Directive, the Energy Star Regulation, the Labeling Directive and its implementing Directives, the Directive on Energy End-Use Efficiency and Energy Services and the Energy Performance of Buildings Directive. With these measures, the Commission aims to integrate energy-efficient goods and services into the internal market. Since the internal market and trade have historically stood as areas in which the EU enjoys full

² Original Text : 3, 09 milliards de tonnes échangées en 2008, le marché européen du carbone représente à lui seul 64% du marché mondial du carbone

jurisdiction, passing this legislation was a relatively low-resistance procedure. The end result is a ‘greener’ internal market, bolstering energy efficiency (European Commission Action Plan for Energy Efficiency 2006, p 9). Finally, The Energy End-Use Efficiency and Energy Services Directive require all member states to adopt national indicative energy savings action plans, outlining their reduction targets. Targets must reduce consumption through energy efficiency measures by 9 percent within nine years (2016).

Improving EU energy efficiency is paramount to its goals. The endeavor entails dealing with its own; the EU 27, arguably an easier feat than coordinating external energy policy with the diverse and turmoil prone composition of its neighbors. Furthermore, improving energy efficiency is simply cost-effective, as per the Commission, which in 2006 calculated the cost of inefficient energy usage as 100 billion Euros through 2020, and views energy efficiency as “by far the most effective way concurrently to improve security of energy supply, reduce carbon emissions, and foster competitiveness” (European Commission Action Plan for Energy Efficiency 2006, p 3). However, extending the hand of the government to industry and the market is only half the battle. Citizens must also engage in environmentally responsible behavior through by consuming less in their homes, as well as altering their lifestyles towards low-carbon alternatives for transportation, such as biking, walking, and utilizing public transportation. According to Eurobarometer’s June 2011 poll, 68 percent of Europeans consider climate change to be a ‘very serious issue’, which they consider the second greatest problem in the world (after hunger, poverty and lack of drinking water—presented as a single issue). 88 percent expect the EU to use more renewable energy, and combating climate change is considered the responsibility of governments, the EU and business; only 20 percent reported to feel a personal responsibility (Eurobarometer 2011).

As such, although the average European opinion on climate change is in check, they must realize the significance of their individual actions and contributions, which almost ironically, encompasses a collective outlook.

The EU also identified improving the efficiency of the transportation sector and introduction of fuel efficient cars as an essential component of consumption reduction. According to the Commission, if the EU can manage to improve efficiency (aka reduce consumption) by 20 percent by 2020, CO2 emissions would be reduced by more than twice the EU reductions pledged under the Kyoto Protocol by 2012 (European Commission Action Plan for Energy Efficiency 2006, p 4). Another requirement for the transportation sector, a major contributor to carbon emissions, is outlined in the Renewables Directive, elaborated below.

Renewable Energy

EU Commissioner for Energy Günther Oettinger refers to renewables as the “no-regret option” for achieving EU energy policy goals (Oettinger 2012). The EU Renewables Directive requires member states to enact National Action Plans, “taking account of each country’s starting position, improvements already made and differing levels of prosperity”, complete with binding targets indicated by the Commission. In short, all countries must increase renewable energy production and use for electricity, heating, air conditioning and transport. Furthermore, renewable fuel (such as biofuel) must equal 10 percent of transport fuel in each country by 2020. The Commission anticipated that markets and investors would respond more favorably to renewable energy and continuous development of new technology if national targets were mandatory (European Commission 2009/28/EC, paragraph 14). Of course, setting a mandatory

long term national target can become problematic in the event of unexpected economic shocks or long-term crises, both symmetric and asymmetric across the EU. However, on the whole, the EU took a pragmatic approach with regard to anticipating the market's reaction.

Nonetheless, in certain countries, additional subsidies and incentives are needed. While some states have made considerable progress, others have lagged drastically in comparison. Once again, the mosaic of socio-political and economic factors across EU countries makes coordination of energy policy a significant challenge (European Commission Climate Action: Renewable Energy 2012).

The reasons behind this problem of divergence are complex, and vary among member states. A number of components such as economic wealth, the direction of national priorities, available resources, dictate whether a country can handle and implement renewable energy technology without market failure, as well as whether it offers subsidies and incentives for green technology. Economically powerful and politically stable countries like Sweden and Denmark meet and surpass the EU's objectives with ease.

The starlet, Sweden, has pledged renewable energy to be *at least 50%* of the total energy usage by 2020. The Swedish government has consistently maintained long-term goals to create a carbon neutral environment Sweden also pledges a 20 percent increase in the efficiency of energy usage by 2020. Sweden deploys economic instruments, such as a carbon dioxide tax, international emissions trading and certificates for renewable electricity. Not to mention the government spent 1 billion per year for energy research by the Swedish Energy Agency. For technologies that are not yet commercially viable, as was the case for solar and biogas in 2009,

Sweden subsidizes its generation, distribution and use (National Renewable Energy Action Plan, Sweden 2011).

Similarly, Denmark has pursued an active energy policy since the 1970s, with energy saving and renewable energy as high priorities; by 2020, Denmark will be among the three most energy efficient countries in the OECD, and commits to 30 percent of renewable energy by 2020 through national measures. These measures include “subsidies, political agreements on the establishment of wind farms, tax exemption, a biomass agreement and support for information campaigns and research” (National Renewable Energy Action Plan, Denmark 2011). When calculating targets, Denmark only includes already approved measures.

This creates a stark difference from a country like Bulgaria, whose proposed initiatives will meet barriers when introduced. Furthermore, Bulgaria’s proposal had over a dozen major wholes, whereupon the Commission issued formal remarks and demanded revisions. These issues varied from incorrect or misleading calculations, to unclear tables and graphs for imports and exports of sources such as biomass, and weakly referenced adaptation strategies to surmount and simplify legal procedures and harmonize policy across levels within Bulgaria. Bulgaria recognizes that “the insufficient experience of energy suppliers and consumers in the field of renewable energy technologies and the relatively higher prices result in weaker demand [...] New technologies are still slowly making their way in certain sectors” (National Renewable Energy Action Plan, Bulgaria 2011).

A country like that Bulgaria, that underwent enormous political and social changes post-1989 and have recently implemented (or are implementing) the *aquis communautaire*, are not operating on the same playing field as Sweden and Denmark. Certainly, this creates greater

challenges for Bulgaria to improve efficiency and implement renewable energy. Nonetheless, their target share of renewable energy by 2020 is 16 percent an improvement from their target of 9.27 percent in 2005.

Meanwhile, Portugal, although not the most economically powerful in the EU, still manages to excel in comparison. Portugal's climate is renewable energy friendly, allowing for it to become a feasible priority in government. More than 40 percent of Portugal's electricity production comes from renewable sources and renewable contribute 20 percent of the final energy consumption share. In some cases, such as Italy, a laggard market approach and economic issues prevent renewable energy from sticking. Italy's proposed renewable energy share for 2020 is 17 percent, a hair above Bulgaria's.

In sum, action must be taken at the EU level for countries that cannot afford, literally, to implement renewable energy and efficiency measures. With the EU offering subsidies, or pooling money into a fund meant for national governments to offer tax cuts to firms that implement green technologies, the less capable economies such as Bulgaria and Italy would have no excuse for staying behind.

The Commission also wishes to exercise a larger amount of control, justifying the need to avoid a 'spill-over effect'. In the words of the Energy Commissioner:

“If investors in the renewables sector are faced with stranded costs in one country because of retroactive changes in the support framework, they might not be willing to invest in the sector altogether. The destabilizing role of politics is the reason why we look very strictly at whether Member States fulfill their obligations under the Renewables

Directive, and why I have also personally sent strong messages when this was not the case”.

However, sending “strong messages” might not be enough to convince countries and industries to invest in what many consider expensive and high-risk renewable energy.

One effort to combat high costs upfront includes the European Economic Recovery Programme, which allocates funds towards carbon capture and storage (1 billion Euros) and offshore wind demonstration (565 million Euros) to encourage implementation of renewable energy and sustainable technologies (European Commission Climate Action 2010).

EU Public Expenditure

As previously mentioned, the EU needs to pick up the slack of certain member states that cannot currently keep pace in the fight against climate change. Currently, the EU’s flagship effort is the Life Programme, pioneered by the Commission. It contributes to the “implementation, updating and development of EU environmental policy and legislation by co-financing pilot or demonstration projects” (European Commission Life Programme 2012). It allocates 2.2 billion Euros a year. However, this singular solution is not effectively meet the needs of countries with weaker economies. Indeed, the Life Programme fantastically showcases pilot projects, spreading awareness, and making a difference on a small scale throughout the EU, however it does not offer the kind “state-aid” or in this case, “EU-aid” that is necessary in many cases. EU public expenditure is integral to facilitate long-term transformation processes with high upfront costs. The 2014-2020 Multiannual Financial Framework’s 1.025 billion euro

planned expenditure is strongly aligned with the 2020 Strategy, with record making contributions of 20 percent of the EU budget, pooling from across all EU funds, to finance combating climate change (Medarova-Bergstrom, IEEP 2012). Indeed, with EU putting money where its mouth is, countries like Bulgaria can receive the assistance they need.

Overall, the backbone of environmental responsibility is solid in Europe, as seen through the 2020 Strategy and its flagship initiatives. These measures remain nascent in nature, and are continually being reformed to more effectively produce the desired results. The latest inclination to finance the 2020 Strategy from the EU budget is an exciting and promising development in the right direction. Nonetheless, the EU could still stand to exert greater control with regard to energy policy, in order to create, monitor and enforce National Plans and quotas across countries. With these ingredients, the EU will ensure its fulfillment of its goals, setting a world standard with positive global outcomes.

External Measures

In addition to the measures that can be addressed internally, the EU's energy goals also involve external measures. These measures call upon the EU's external governance strategy, underlining the importance of cultivating healthy relationships with countries in the European Neighborhood, as well as remaining active in enabling progress, peace and cooperation in the area. Especially considering the European neighborhood comprises vast natural gas, oil and renewable resources, the EU would be wise to engage these countries as partners rather than competitors. This is especially true with regard to Turkey. Turkey not only provides the geographic solution to diversifying Europe's natural gas supply, but also maintains positive

relations with countries in the Caucasus and Caspian that could supply natural gas and engage in economic trade. As such, Turkey can facilitate agreements in partnership with the EU, whereas the EU rallying alone might be far less successful in this particular region. As a result, all parties involved benefit as goods are sold and needs are met. In short, the elements of supply diversification and external governance demonstrate the components of energy policy whereupon the conditions of foreign countries and the decisions they take remain vital to the fulfillment of the EU's energy goals.

Supply Diversification

The EU has great challenges with regard to its supply of natural gas. Considered a cleaner source of fuel, the EU depends greatly on natural gas and is by far a net importer of it. Until recently, the EU was satisfied with receiving most of its imports from Russia; however political disputes engrained in differences in ideologies have caused the EU to fret over the unforeseeable consequences of relying on Russia. This has given birth to initiatives such as the Nabucco pipeline, which has in turn forced the EU to solidify relations with neighboring countries, with a particular importance on Turkey.

The Community level basis for the security of supply involves Directive 2005/89/ EC and Directive 2004/67/EC, which basically lists measures to safeguard electricity and gas supply, by ensuring member states maintain an adequately equipped and functioning system, balanced supply and demand, organized reporting to facilitate a stable supply and investment market. In short, the directives protect the decision of the European Council in 2002 to interconnect all European networks (Energy Community 2012). However, no specific requirements are

mentioned in the directives, and aside from lowest-common denominators, member states maintain full control over their supply.

Meanwhile, in recent years the EU has found itself adjusting its external governance regarding energy policies for the purposes of importing energy. In other words, since the EU is a net energy importer, it must ensure its ties with surrounding nations are stable and productive, especially with regard to those it imports from. Both internal and external factors play a part; internally, energy demand is increasing and externally, supplier nations are both gaining power and facing political turmoil. One particularly important politically charged power-play involves the EU's greatest exporter, Russia. Russia cut the cord on natural gas flowing into the EU via Ukraine several times, from which the EU receives 80 percent of its natural gas. In essence, this conflict harbored in Russia's desire to play a role in the determination of Ukraine's elected leaders in order to ensure that candidates they supported received positions, as well as Ukraine's overall shift of focus towards the *West*, or Europe. Russia, feeling threatened that Ukraine would turn its back on it, imposed a harsh ultimatum—insisting Ukraine pay the premium prices which Europe pays for natural gas if indeed it wanted to shift its loyalties. When Ukraine refused to pay higher prices, Russia cut Ukraine's supply in December of 2005 and 2008. These actions shifted the EU's natural gas dependence into a significant vulnerability, as it highlighted the fact that Russia was less than pleased with Ukraine's rapprochement with the EU, and was willing to play hardball. Quite obviously, developing such a relationship with the EU's top natural gas source exacerbates energy insecurity, and undermines the ideal of maintaining fruitful and reliable relationships with Russia.

Since, the EU began rethinking its dependence on Russia, wishing to diversify its supplier portfolio and supply routes, thereby improving import security by allocating imports

across the region. In turn, energy acquisition security rose to the forefront of EU energy priorities. To do so, the EU has engaged more frequently and adamantly with Turkey regarding the construction of the Nabucco pipeline, which will carry natural gas from the Caspian region through Turkey and into the EU. The agreement was signed in 2009, and logistical and political debates regarding the supply of natural gas are in constant circulation across borders and among political and business personalities. Logically, Turkey serves as an integral component of Nabucco's success, and is proving especially strategic with regard to negotiating with its neighbors to guarantee non-Russian controlled natural gas sources for the pipeline.

With the EU's energy acquisition needs and goals clear-cut, the EU's political and diplomatic prowess will be tested. This particular energy issue revolves very much around the decisions of external players. As such, the EU's external governance becomes particularly vital.

Regional External Governance: Energy Importer, Norm Exporter

Aside from establishing physical pipelines and exploring natural gas reserves in its surrounding region, the EU, consistent with its integrative and norm setting reputation, exercises soft power through bilateral and multilateral agreements to foster stability and cooperation among its energy rich neighbors. Scholars Twitchett (1976), Maull (1990) and Manners (2002) identify soft power as favoring diplomatic co-operation to solve international problems; along with willingness to use legally-binding supranational institutions to achieve international progress (Manners 2002, p 237).

Inherent to many of these, the EU offers funding in exchange for cooperation and adoption of various measures. The EU created the European Neighborhood Policy (ENP) to

elaborate its trade agreements and expand its regional foreign policy. The ENP orchestrates cooperation between sixteen neighboring countries, which the EU identifies as “privileged partnerships”. Turkey is not included in the ENP as it is a candidate country. This large scale foreign policy goal eventually led to forming smaller and more region-focused divisions; formation the Euro-Mediterranean Partnership, the Black Sea Synergy and the Eastern Europe Partnership. This demonstrates excursion of soft power, as these methods aim to eliminate trans-regional conflicts through multilateral diplomacy rather than military or economic intervention (Müftuler-Baç 2008).

Manners specifies that through exercising soft power while attempting to influence the perspectives and opinions of other countries, the EU exercises normative power: “The concept of normative power is an attempt to refocus analysis away from the empirical emphasis on the EU’s institutions or policies, and towards including cognitive processes, with both substantive and symbolic components” (Manners 2002, p 239). In other words, the EU has the ability to transform what “normal” means with regard to external governance and foreign policy among countries. This denotes its normative power, as it can influence countries to adopt certain norms. Normative power exemplifies social solidarity, anti-discrimination, sustainable development and good governance. These tools take root in the EU’s historical context and institutional design; putting war aversion and economic prowess at the core of matters (Manners 2002).

Exercising normative or soft power is particularly important with regard to energy policy. The EU cannot diversify its suppliers without exercising effective soft power among its neighbors. Furthermore, regional countries rich with energy sources will be more likely to cooperate with the EU if they desire to embody the same norms and values as the EU. Although this is far from being the overwhelming sentiment in the entire region, countries like Turkey

have wished to join the EU for over fifty years. Much of this desire harbors in the EU's ability to present itself as a model and norm setter. Even among countries that do not strive to join the EU, if the EU engages these countries in multilateral initiatives, the region as a whole can stabilize, making energy related trade more optimistic. None of these are possible without the EU exerting normative power.

One example includes the Black Sea Synergy, which aims to improve economic and political factors among its members. Countries concerned are Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey and Ukraine. Although not blatantly related to energy policy upon its inception, the Black Sea Synergy aims to stabilize the region in order to make it a more suitable partner with economic, political and certainly energy related affairs. Furthermore, the Black Sea Environmental Partnership was created in March 2010, which encourages biodiversity conservation, integrated coastal zone and river basin management, pollution reduction and “promoting environmental integration, monitoring, research and eco-innovation” (European Union External Action Black Sea Synergy 2012). In 2007 alone € 837 Million worth of Community assistance (from the European Neighborhood and Partnership Instrument and the Instrument of Pre-Accession funds) were committed to seven non-EU Black Sea region countries. Turkey alone received € 497.2 million of this total. From 2000-2007 Turkey was allotted a total of € 1,537.2 million in assistance from the European Union (European Commission 2008)³.

Nonetheless, at present, the accomplishments of these funds are vaguely presented, even among EU publications. Overall, the partnerships remains largely symbolic, wrapped in soft

³ From 2000-2006 € 1,040 million was allocated under the Technical Aid to the Commonwealth of Independent States (TACIS) programme, which offers technical assistance and supports economies in transition to adopt democracy and rule of law into their political infrastructures. Today, TACIS has been replaced by the European Neighborhood Partnership Instrument and the European Neighborhood Policy.

agreements, with emphasis on improving research and education networks, organizing forums to promote cooperation, building student networks, and so forth. Nonetheless, Turkey has confirmed its intention to start formal negotiations to join the Energy Community Treaty, which involves implementation of the *acquis* in the electricity and gas sector. Certainly, much of the funds would contribute to this end.

The Union for the Mediterranean, or Euromed, has almost identical aims, only dealing with sixteen Mediterranean, African and Middle Eastern countries⁴. The Barcelona declaration introduced Euromed and divides the EU and Mediterranean's relationship into three categories: security, economy, and civil society. It emphasizes the importance of engaging civil society via NGOs, interest groups, environmental groups, and the like. Energy and environment specific related projects include the improvement of railways and highways, the de-pollution of the Mediterranean Sea and a large scale Mediterranean solar project. Finally, the Eastern Partnership sings the same tune, hoping to encourage social, political and economic reforms in Ukraine, Moldova, Georgia, Belarus, Azerbaijan and Armenia.

These three initiatives echo the EU's external governance style. The EU aims to export its norms, namely democracy, rule of law, human rights, and sustainable development while stabilizing its surrounding region through interaction and, in a perfect world, integration. Certainly, stable and happy neighbors would benefit the EU in a plethora of ways, including the realm of energy. However, all of the initiatives, while making strides towards a more collective EU approach towards regional external governance, lack economic and political power. It still remains obscure where funding comes from, who it goes to, and why. Furthermore, all cooperation within and among these agreements are voluntary; an inconvenient barrier when

⁴ Albania, Algeria, Bosnia and Herzegovina, Croatia, Egypt, Israel, Jordan, Lebanon, Mauritania, Monaco, Montenegro, Morocco, the Palestinian Authority, Syria, Tunisia and Turkey.

trying to assimilate new procedures and *raisons d'être*. Binding engagements and financially significant commitments from the EU and the countries concerned is necessary to enable progress and adoption of EU approved economic, social and political reforms. It remains to be seen whether these endeavors will bear fruit, such as Turkey joining the Energy Community and implementing the *acquis*. This would prove as a milestone for the EU's external governance and multilateral integration efforts, as well as progress the EU and Turkey's energy relationship.

Nonetheless, the EU does launch initiatives with an economic backbone. One such example is the Trans-European Networks, (TEN-E) which identifies projects of *European interest* and allocates funding to them. Projects of interest translate into projects involving gas and electricity networks, while projects of 'European interest' involve projects which are cross-border in nature. The reasoning of the TEN-E assumes that funding will bring stability, and that stability will behoove the EU's security and diversification of supply: Interoperability with the energy networks of third countries (accession and candidate countries and other countries in Europe, in the Mediterranean, Black Sea and Caspian Sea basins, and in the Middle East and Gulf regions) is essential. It also maintains that the TEN-E will push sustainable development forward by "improving the links between renewable energy production installations", "using more efficient technologies". The TEN-E can distribute 20 million Euros per year to the projects it deems most strategic and important (Europa: Trans-European Energy Networks).

Another fiscal tool involves the Global Energy Efficiency and Renewable Energy Fund, which uses public money to invest in renewable energy and energy efficiency projects in developing and transitioning economies.

Both at a macro and micro level, the EU shows strong commitment to its values, and actively pursues them through both internal and external measures. The EU could stand to invest more money into its own nation states, by offering *de facto* incentives and subsidies when needed. This could be accomplished without a further harmonization of EU energy policy, requiring a budget shift towards climate change and perhaps for instance, away from the Common Agricultural Policy. Already, the conceptualization of the next EU budget 2014-2020 envisions 20 percent of the budget dedicated to the EU's energy initiatives, adding another *twenty* into the 2020 Strategy! Over time, countries benefiting from Community level assistance should eventually fulfill their potential within national contexts to utilize renewable energy resources, maximize energy efficiency and reduce carbon emissions. Once nation states reach a more even playing field, conceiving a more harmonized energy policy could become conceivable, although the fate of the latter depends on many currently unpredictable economic and political factors. With regard to external governance related to energy, the EU should continue developed the initiatives it has in place to foster development within the surrounding region, reinforce positive relations, and help instill an environmentally responsible mentality in the region. Doing so will not only allow the EU to more easily diversify its energy suppliers, but also will lessen the threat of shortages and cut-offs due to political unrest or disagreements.

TURKEY: ENERGY POLICY

Since the turn of the century Turkish energy policy has made significant transitions, showcased by the ongoing transformation of the energy sector and the country as a whole. This has been heavily influenced by the current ruling party, the Justice and Development Party

(AKP) under Tayyip Erdogan's leadership, which has brought democracy and human rights within reach by challenging the Turkish status-quo of state and military controlled management (Bechev et al. 2011, p 10). Since the AKP came into power in 2002, political volatility has calmed, improving investor confidence. The AKP advocated EU accession during its campaign and prioritized it since coming to power, advancing the constitutional and legal reforms necessary to satisfy the Copenhagen political criteria. The criteria summarize into possessing stable institutions to ensure the rule of law, democracy, human rights and respect and protection for minorities, a stable and functional market economy, and the capacity to implement political, economic and monetary reform for the purpose of accession (Commission Accession Criteria 2011). As a result, Turkey gained EU candidate status in 2005. With political stability and candidacy came credibility; henceforth unprecedented levels of foreign direct investment (FDI) began flowing into Turkey. 80 percent of this FDI comes from Europe, and remains vital for continual development of the energy sector and Turkey as a whole (Bernard 2011).

A desire for reform and to catch up to European standards stimulated a wide-spread liberalization of the energy market, whereupon the market opened up to private competition in phases and by sector. In tandem with liberalization came restructuring and reprioritizing, whereupon Turkey signed the Kyoto agreement and made renewable energy, improving energy efficiency, and meeting clean coal standards as pillars of their goals. Furthermore, Turkey also recognized the prudence of diversifying source suppliers for natural gas, allowing it to invest just as much energy as the EU in this affair. Finally, reforms and a renewed ambition to cultivate positive relationships with all its neighbors allowed Turkey to envision itself as an energy hub of the future. All the aforementioned aspects of Turkey's new and improved energy policy work towards the goal of becoming a regional energy hub.

Internal Measures

Publications by the Ministry of Natural Resources and Energy identify energy supply security, regional and global influence in the area of energy, and the environment and natural resources as the country's main energy policy goals. Turkey's energy demands are on the rise, and at a quickening pace. Turkey is still a developing nation, and characteristic of development, its energy demand grows ever stronger by the year. As such, several internal measures, starting with liberalizing the energy market, were needed in order to prepare Turkey the positive changes in its economy and development. Turkey began transforming its energy policy as well, showing its awareness of global issues, such as climate change. As such, Turkey now runs an ambitious and feasible energy policy that is geared at maintaining a healthy and competitive market, improving energy efficiency and incorporating environmentally responsible methods and resources.

Energy Market Liberalization

The turn of the twenty-first century also brought privatization of energy sector through litigation and legislative reform. A series of laws have helped privatize certain parts of the energy sector, namely the electricity and natural gas markets, facilitating the transition towards a competitive market. Prior to these reforms, the energy sector was controlled by state-owned monopolies, which did not foster growth, innovation, or development. The first movements towards liberalization started in the 1990's. Until 1993, the state-owned Turkish Electricity Authority (TEK) held a monopoly over the electricity industry, when it was separated into TEAS for generation, transmission and wholesale power supply and TEDAS for distribution. Later, in

2001, TEAS was separated into EUAS for generation, TETAS for wholesale and TEIAS for transmission. Each exists as a separate legal entity pursuant to the 2001 Electricity Market Law. The Electricity Market Regulatory Authority (EMRA) was created in tandem with the Electricity Market Law, in order to harmonize with the EU *acquis communautaire* and liberalize the energy market (Deloitte 2010). These actions were by and large stimulated by prospects of EU candidacy, and reinforced by receiving it. Additionally, Erdogan's leadership had proven to be forward thinking and in alignment with a competitive and globalizing world. These two factors set the stage for drastic developments throughout the past decade.

Today, EMRA serves as the regulatory and supervisory authority over the entire energy market, pioneering privatization, competition, stability and transparency. It exists as an administratively and financially autonomous institution with independent decision making. In 2003, the Natural Gas Market Law (no. 4646) and the Petroleum Market Law (no. 5015) were passed to liberalize the sectors, giving EMRA regulatory and supervisory authority over these markets as well. In 2005 the Liquefied Petroleum Gas (LPG) Law (no. 5307) was passed for the same purposes. Overall, these laws reduced government control and intervention in the energy market, already making the Turkish energy sector today far different than it was a decade ago.

For example, before the Natural Gas Market Law, BOTAS, the state-owned gas supplier and pipeline operator handled all imports and distribution. However, the law sets a 20 percent share limit for any single market player, allowing the private sector to gain market share. EMRA held natural gas city distribution tenders for 58 distribution regions, with 60 companies winning gas distribution licenses. As such, natural gas is in part privately supplied to the industrial and residential sectors of 63 of 81 provinces (The Republic of Turkey 2011, p 91). However, at its onset, these decisions were logistically and administratively challenging to implement.

According to the World Bank, top management in Turkey spends 27 percent of its time dealing with ‘red tape’, related to frequent changes in rules and “a discretionary, unpredictable implementation of rules, be it for taxes, for licenses, for procurement, or other transactions” (World Bank 2011, p 3). With time, red tape should lessen and companies across sectors should be able to adjust to the new regulations and legal system, yet for the time being, the ‘time-tax’ remains high.

Nonetheless, these developments have allowed for consumers to maintain more control over who their suppliers are, and have also helped stabilize prices by introducing competition among natural gas providers. In turn, more demographics have a better ability to obtain their energy needs, and companies are empowered to choose suppliers based on quality and price. Overall, the liberalization of BOTAS and the management undertaken by EMRA has helped invoke a more open market pushing towards better standards and stable prices. Finally, as outlined by the Ministry of Energy and Natural Resources, plans are underway to increasing the storage capacity for oil and gas in case of emergencies.

The Petroleum Market Law eliminated the government’s automatic oil pricing system, allowing determination of prices based on the free market. Furthermore, it eliminated the quota for distributors to procure at least 60 percent of their supply from national sources. EMRA can issue licenses, approve certain tariffs and carry out investigations concerning market activities (Deloitte 2010, p 15). The Electricity Market Law has forged significant private sector investment as well with regard to generation, distribution, retail and wholesale of electricity, although transmission share remains entirely public (Deloitte2010).

The aforementioned provides an overview of the impressive reforms within the Turkish energy sector during the past decade. Much of this has been a result of prospects of EU membership, combined with unwavering solid leadership at the domestic level. As highlighted in the previous section, Turkey has benefited from significant levels of financial assistance from the EU within this time period as well. Certainly, the writing is on the wall with regard to the changes that can be made when internal and external visions align and financial support is provided. Nonetheless, despite the progressive liberalization of the energy market, Turkey still faces many energy policy challenges. Turkey's state-owned companies still maintain substantial dominance; especially in electricity transmission and the natural gas sector.

Sustaining the Environment and Natural Resources

Another response to import dependence would be exploring renewable energy sources. Turkey is currently taking steps in the right direction, taking part in the United Nations Climate Change Framework Agreement in 2004 and 2007 and approving the Kyoto Protocol in 2009. Turkey's plan of attack to maintain its commitments involves improving energy efficiency, adopting renewable energy resources and clean coal combustion technologies, and integrating nuclear energy (The Republic of Turkey Ministry of Energy and Natural Resources 2009, p 32).

The Ministry of Energy and Natural Resources specifies: "Our main target for the renewable energy resources is to provide 30 percent share of these resources in the electricity energy production". Turkey hosts the world's fifth largest reserves in geothermal and the eighth largest in hydroelectric (Mahallesi 2011). Together, Turkey's installed thermal, hydraulic, geothermal and wind energy capacity for electricity generation in 2009 was 41, 745 MW with

total production at 198, 570 GW/h. Currently, hydroelectric power possesses the greatest share of renewable electricity generation, with an additional 5,000 MW planned for installation by 2013. Wind energy, which was nonexistent until 2002, increased significantly, reaching 800 MW installed capacity in 2009, with plans to increase capacity to 10,000 MW by 2015 (The Republic of Turkey Ministry of Energy and Natural Resources 2009, p 16). With regards to geothermal energy, installed capacity reached 77.2 MW in 2009, and aims to increase this to 300 MW by 2015. It is in Turkey's best interest to continue developing the renewable energy sector, not only to meet the increasing demands of its own people, but to halt, if not reduce, the carbon emissions of a fast-emerging economy. European investment will prove particularly beneficial for this endeavor in Turkey, whose private sector is just finding its bearing and generating increasing influence. The World Bank's investments are extremely important as well; Turkey's Ninth Development Plan was conceptualized in collaboration with the World Bank, which contributed \$7.6 billion to Turkey within the context of the Plan's 'Country Partnership Strategy' and another \$3 billion from 2009-2010 to avert fallout from the globally spreading economic crisis. As of June 2011, \$5.422 billion has been invested into sixteen projects, five of which are deal directly with energy, comprising 25 percent of total investment. Turkey is also the first country to benefit from the World Bank's Climate Technology Fund (World Bank 2011, p 6-8). Without foreign investment in Turkey, the energy sector would not move as quickly or with as much promise. Turkey still requires prodding to develop renewable energy; for example, the World Bank set up a renewable energy loan in 2004, lending \$500 million to the government run Development Bank of Turkey and the private Industrial Development Bank of Turkey, as well as gave \$100 million from the Climate Technology Fund. This money has financed the construction of 29 renewable energy projects (hydro, wind projects, and geothermal). These financed projects

are expected to reduce greenhouse gas emissions by 1.9 billion tons per year (World Bank 2011, p 24). It becomes clear that external assistance to support development of a renewable energy market is crucial within Turkey. Even so, Turkey must show strong levels of stability and reform initiative in order to guarantee that investor confidence is high enough to support this sector's development.

On the domestic side, in order to promote renewable energy, Turkey amended the Utilization of Renewable Energy Resources for the Purpose of Generating Electrical Energy Law (originally enacted in 2005) in January 2011. Article 1 of the 2005 law states its purpose:

“to expand the utilization of renewable energy resources for generating electrical energy, to benefit from these resources in secure, economic and qualified manner, to increase the diversification of energy resources, to reduce greenhouse gas emissions, to assess waste products, to protect the environment and to develop the related manufacturing sector for realizing these objectives” (The Republic of Turkey 2005).

The amendment goes further to improve the incentives mechanism to encourage investment into renewable energy sources and technologies by providing tariff incentives to investors who sell their renewably produced electricity to the public for hydro, wind, geothermal, and solar.

Furthermore, support will be provided to plants utilizing domestically manufactured technical equipment (The Republic of Turkey 2011, p 91). However, considering the capital needed to install renewable energy facilities, this carrot may not be enough to forge a competitive and well functioning renewable energy market in Turkey. Continued and increased investment from the EU would be paramount to developing this sector. Certainly, investment

from other countries would prove beneficial for both parties; however the EU can take away special advantages due to its close proximity. There are great long-term advantages to investing in knowledge sharing and training, resulting in a common standard for equipment, maintenance and practices. As Charles Hantouche of France's Réseau de transport d'électricité (Electricity Transmission Network) says:

“Among other European countries, if there's a storm we can send technicians from one country to the next, which requires the same technology and work methods. If we succeed at introducing our methods [in Turkey], that could allow to one day send technicians and foster cooperation. We don't have a [strategic] interest in training the Chinese, for example. We have great relations, but they're too far. At three hours by plane, a Turk is in Europe” (Hantouche 2011).⁵

As such, in the event of a shortage, or minor or major problem, shared competence will facilitate both business developments and damage control in the case of incidents. For this reason, European FDI into Turkey is important for both entities.

Nonetheless, TEAIS, Turkey's electricity transmission giant, maintains important renewable energy objectives according to Charles Hantouche, “TEAIS's objective involves the famous number twenty, to make 20,000 mW of renewable energy by 2020” (Hantouche, 2011).⁶

⁵Original quotation : Long terme, avec les autre pays européen, s'il y a une tempête, on peut envoyer des techniciens d'un pays à un autre. Faut avoir la même technologie et façon de travailler. Si on arrive à introduire notre façon de travail, ça peut aider un jour d'envoyer des techniciens et faire de la coopération. On ne voit pas d'intérêt de former de chinois, par exemple, on a des très bons relations, mais ils sont trop loin. Un turque à trois heures d'avion, ils sont chez nous.

⁶ Original Quotation: « L'objectif de TEAIS, faire le fameuse chiffre 20 - 2020 faire 20 000 mW d'énergie renouvelables ».

In addition, by-laws regarding Competition for the Applications of the Wind Power Plant Projects were enacted in 2010. The by-laws defined selection criterion as the contribution margin for each kWh of electricity to be generated per wind power plant. The Turkish Electricity Transmission Company (TEİAŞ), executed significant studies in 2011 and allocated thirteen different tenders, which distribute a total of 5,500 MW capacity to one hundred and forty-seven private companies conceptualizing wind power plants (The Republic of Turkey 2011, p 92).

With regards to hydroelectricity, the emphasis remains on privatizing and increasing production levels. Currently, fifty-two small hydroelectric electricity production plants, with 141 MW installed capacity each, are undergoing privatization (The Republic of Turkey 2009, p 24). Turkey's Ninth Development Plan makes a point to vow to ensure that the investment costs reflect true costs in order to continually attract investors, as high investment costs are associated with these plants. This will help perpetuate investment cycles, maintain investor confidence and prevent delays. Fortunately, as hydroelectric power is widely used in Turkey (34 percent of energy production), creating more steering room for the private sector carries less investment risk than Greenfield investments in, for instance, renewable energy. As such, it is reasonable to expect success in this area. In truth, without significant foreign and private investment, Turkey cannot easily or efficiently meet its growing energy demand. Hence the motivation to privatize the energy sector and in turn create an attractive investment environment. Nonetheless, Turkey would be wise to exploit renewable energy sources beyond hydroelectric, which can have significant environmental costs, threaten the livelihood of citizens and uprooting them from their homes, irrevocably altering natural habitats and ecosystems, and especially in the case of Turkey, destroying cultural sites.

Energy Efficiency

Another key component of meeting Turkey's energy goals involves improving efficiency, which will also help curb the ever-rising energy demand by more properly utilizing existing supplies and resources. The Ministry of Energy and Natural Resources envisions reducing the primary energy density by 20 percent (as compared to 2008 levels) by 2023 (also 100th anniversary of the Republic of Turkey). This effort will enable a more efficient utilization of domestic resources (The Republic of Turkey 2009). So far, the World Bank's Renewable Energy Loan has financed 12 energy efficiency projects in industries such as paper, petrochemicals, plastic, and iron and steel. Developments in the efficiency arena should prove feasible, at least initially. As Charles Hantouche described, there is much improvement to be made:

“One should know that Turkey can easily become more energy efficient [...] There's much help from the EU to implement laws to outlaw things like inefficient refrigerators [...] My [French] colleagues saw me [in Turkey] with the window open [in my office] in the middle of winter, it's unacceptable, but I had to because they had the heat on full-blast” (Hantouche 2011).⁷

External Measures

Aside from meeting Turkish energy policy goals through internal solutions, many external components play a large role. The security of supply has been an issue that Turkey has

⁷ Original quotation: « Faut savoir qu'en Turquie ils peuvent faire facilement l'économie de l'efficacité énergétique [...] Beaucoup d'aide de l'UE pour mettre les lois, interdire des frigos qui n'économise pas [...] Mes collègues ont vu la fenêtre ouvert en plein d'hiver, c'est inacceptable, mais j'étais obligé d'ouvrir la fenêtre parce qu'ils ont mis le chauffage à fond... »

acknowledged for the past decade. Implementing solutions becomes even more pressing with Turkey's electricity consumption rising on average 2.5 percent per year. Turkey knows that cutting Russia out of the picture is nearly impossible; rather it favors spreading interdependence through the region, in order to create a symbiotic and even playing field. This combines foreign policy and energy policy in order to prevent one player from becoming too powerful. In doing so, one country in particular can impose less harm. Turkey has taken a proactive but idealistic approach in implementing a foreign policy strategy, "Zero Problems with Neighbors" that aims to eliminate strife from a historically tumultuous neighborhood. Nonetheless, Turkey has been largely successful with this approach. With time and economic growth in both Turkey and the region at large, Turkey's goal of becoming an energy hub could very well become a reality. Yet, this would assume the growth of the aforementioned even playing field with regard to energy exchange and trade at large. In this regard, Turkey's role is only so large, as much hangs on the actions and decisions of other countries beyond its control.

Energy Supply Security

Turkey's overall energy dependence rate (the amount of which is relies on foreign energy imports) is 73 percent. Stated bluntly, this means that Turkey is energy insecure, as it relies on foreign sources to keep it running. Such an approach can prove problematic, especially when said sources belong to a region historically known for its political turmoil. Specific dependence on natural gas and oil is far higher. According to the Ministry of Energy and Natural Resources, in 2008 Turkey produced approximately 1 billion m³ of natural gas, while consuming 36 billion m³, a 97% rate of import dependence (The Republic of Turkey Ministry of Energy and Natural

Resources 2009, p 13-25). Natural gas is imported from Russia (about two thirds of the total), Iran and Azerbaijan. Since 2008, natural gas has served as the largest source of primary energy consumption, of which 52 percent is generated for electricity and 27 percent for industrial purposes (The Republic of Turkey Council of Ministers 2010, p 107). Currently, Turkey does not have alternative energy networks set up, although is in the process of doing so. For instance, it isn't until 2011-12 that nuclear energy (controversial, at best) is being explored through Russian investments. This could further exacerbate Turkey's supply insecurity, as they are deliberately increasing reliance on Russian expertise and business through nuclear. On the other hand, it could create the opposite effect, since the plants, although a Russian brain-child, will function on and cater to Turkish soil. Nonetheless, Turkey must explore alternative energy sources and supply routes in order to diversify beyond Russian natural gas. Even if implemented now, it would take time and market support to avoid market failure when introducing alternative energy sources, such as renewables, into the mix. With this concept in mind, Turkey today cannot afford an energy shortage tomorrow. Overtime, this can change through effective policy implementation, which remains to be seen.

Turkey also imports 90 percent of its crude oil, largely from Saudi Arabia, Iran, Iraq and Russia (Deloitte 2010). Clearly, Turkey's increasing energy demand coupled with an already extremely high dependence raises a red flag. Drastic modifications must be made in order to meet Turkey's long-term energy needs in a stable and secure manner. Development in a young population foreshadows increased production and consumption, across levels; Turkey needs to meet the inevitable increase in energy demand with market soluble and environmentally sound solutions in order to maintain its energy goal commitments and continue working towards a model in alignment with the Europeans. Unsurprisingly, diversification of energy resources

remains a major priority of Turkey. This includes maximization of renewable energy potential, exploration for additional domestic natural resource sites (exploring the Black Sea area), expansion of natural gas pipelines within the region, as well as integrating infrastructure for alternative sources such as nuclear. In the words of the Ministry of Energy and Natural Resources, “Resources, routes, and technologies will be diversified” (Deloitte 2010, p 13). In this regard, Turkey is not so different from its European neighbors fronting similar energy challenges, explaining its engagement in projects like Nabucco. The fact that both the EU and Turkey prioritize improving their security of supply shows their evident insecurity.

Currently, there are multiple oil and gas pipelines running through Turkey: the domestic crude oil pipelines Ceyhan-Kirikkale and Batman-Dörtyol, the Iraq-Turkey Crude Oil Pipeline for natural gas, and the Iran Natural Gas pipeline, which is undergoing extension to connect Greece with Turkey.

In June 2010 Turkey and Azerbaijan reached agreement on gas pricing and transit through Turkey. Furthermore, Turkish, Italian and Russian companies agreed on construction of the Samsun-Ceyhan oil pipeline. The project remains inchoate, having not yet established oil stockholding arrangements (Tekin & Williams 2009, p 9). Most recently, the Trans-Caspian Gas Pipeline was negotiated between Turkey, Turkmenistan and the EU to carry Turkmen gas through Turkey into Europe. These initiatives also reflect Turkey’s attentive reaction to the EU’s need to diversify its natural gas suppliers, which indeed behooves Turkey, as it can spread its natural gas import dependence among several different countries within the Caspian region, as opposed to relying dominantly on Russia. In this way, Turkey moves towards securing a domestic energy priority while increasing relations with the EU. The pipeline politics between

Turkey, the EU and the Caspian prove to be building blocks in the new EU-Turkish relationship, and are evidence of well exercised foreign policy by the part of Turkey, who remained instrumental in striking deals with Turkmenistan and Azerbaijan. These tactics help Turkey achieve its supply diversification goals, and engaging and improving relations with Europe, a doubly effective methodology.

Regional and Global Influence

Building on its geographic position, Turkey ambitiously plans to situate itself as an oil and natural gas market hub and terminal. The Ninth Development Plan and the Ministry of Energy and Natural Resources outlines Turkey's goal to become "a transit country between energy producing and consuming countries by making efficient use of existing geo-strategic location, thereby, strengthening Turkey's geo-strategic location even more" (The Republic of Turkey Prime Ministry State Planning Organization 2006, p 83). The Strategic Plan elaborates this point, aiming to have 500 million barrels of oil arriving in the Ceyhan region by 2050 (as compared to 245 million barrels in 2008), making it an energy terminal for sale to international markets, with refineries, petroleum facilities and a liquefied natural gas exportation terminal. Such a vision remains somewhat contradictory considering the energy policies of their neighboring countries, a Threat identified in the Strategic Plan's SWOT analysis. Nonetheless, these goals favor increased collaboration with Turkey's neighbors, making opening the energy chapter of EU accession negotiations seemingly inevitable, if only political barriers can be side-stepped (The Republic of Turkey 2009, p 31). The Turkish Consul General of Chicago, Fatih

Yildiz, describes this less as a goal, but as an element that will create itself over time under the right circumstances:

“If the parties have the same vision shared by us, it will definitely be feasible, but we should be able to overcome this threshold of seeing elements like economy, trade, and energy as a means for making policies, or leverages that you can use to hurt someone, or some country. That’s not constructive for the region, that’s why we stress to emphasize the constructive aspects of our foreign policy. You have to commit value [sic] of investing in this idea with your partners” (Yildiz 2012).

Mr. Yildiz maintains that Turkey as an energy hub would increase stability in the region, which also matches their “Zero-Problems with Neighbors” foreign policy strategy, which aims to meet the clear goal indicated in its title by improving foreign relations. He also maintains that this is particularly important with regard to the security of supply, believing that spreading out interdependence throughout the region, rather than depending predominantly on one source, will take away the powerful playing cards of a country like Russia: “The perception about their strength will decrease and they will start to act as cooperative partners. That’s why the diversifying element is important, and for Nabucco as well” (Yildiz 2012).

Although Turkey has already made significant efforts to begin implementation of the EU *acquis*, the Energy Chapter remains blocked in accession negotiations, creating little political incentive for Turkey to implement it anyway. Nonetheless, Turkey is undergoing the finishing touches of a long-term project to interconnect Turkey with the European electricity network (ENTSO-E) in a permanent fashion. Turkey has committed to signing the European Energy

Community Treaty, which would imply implementing the energy related *acquis*, and currently holds “Observer” status, meaning it is expected to join in the very near future.

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The EU and Turkey shared many common goals within their respective energy policies. Focusing on cultivating their relationship will foster their ability to meet their respective goals, while forging a reliable partner with similar ideals. The EU has a more advanced system in place with regard to its 2020 strategy and the mechanisms it has created to facilitate these goals, meanwhile Turkey is undergoing a period of transformation to blossom into an environmentally responsible country that meets its increasing demand of its young and developing nation. The EU offers strategic advantage to Turkey in that it can teach Turkey methods and technologies, allowing for a more efficient energy sector transformation. Turkey holds strategic advantage with regard to its capacity to construct pipelines within its territory that will diversify natural gas supply, as well its capacity for renewable energy. Each possesses unique assets and qualities that, if shared, would allow for both countries to further their goals more effectively. The subsequent chapter will explore the complexity of the relations between the two entities, highlighting details which prevent partnership as well as those that privilege it, as well as pragmatic solutions to be considered by both sides to better fulfill their goals and cultivate a more beneficial relationship with one another.

CHAPTER 4

FULL ENERGY PARTNERSHIP BETWEEN THE EU AND TURKEY: MISSION IMPOSSIBLE?

By evaluating the EU's and Turkey's respective energy policies, several common interests and goals rise to the surface. Most, although approached and strategized in different ways by both entities, align with each other. Both the EU and Turkey prioritize diversifying their energy suppliers and routes, combating climate change, and improving their markets. Both envision a developed energy sector business market, gaining regional power and partnerships and meeting energy demand with sustainable technologies and methods. The two don't seem so ill-suited for one another. Based on the aforementioned goals enshrined in each entity's energy policy, the following objective proves pragmatic: an energy based rapprochement between Turkey and the EU.

Closer relations and a closer partnership would allow both sides to take great strides towards their respective goals. Although this rapprochement should occur in stages, it should lead to full harmonization of their energy networks and market. *De facto*, this requires harmonized regulation and political cooperation. To achieve this objective, three main components should be accomplished, and will be explored in the subsequent Policy Mechanisms Chapter; cooperation to diversify suppliers, combat climate change, and improve both multilateral and bilateral activities and participation.

By achieving the aforementioned, Turkey and the EU will reach an objective of vital importance for both of them; complete energy partnership. This demands working towards

common energy goals and sharing energy values. With a complete energy partnership, pipeline projects like Nabucco will be more navigable, the EU will adding another reliable partner to the electricity network, building upon renewable energy potential, and also gain access to the positive relations which Turkey enjoys with its neighbors in the Caspian region. This corresponds with EU energy policy goals. From Turkey's end, this energy partnership would help develop the Turkish energy sector, fully liberalize its market, provide solutions to its own import and energy diversification needs, as well as methods to improve energy efficiency, carbon emission reduction, and financial and innovative support to incorporate renewable energy into the production portfolio. Through pipeline projects, collaboration on combating climate change and both bilateral and multilateral engagement, positive fallout will ensue, bringing Turkey's energy sector up to speed, hence forging a better partnership between Turkey and the EU.

Solidified partnership between Turkey and the EU would contribute to regional stability and welfare, diversify natural gas suppliers, and combine efforts to reduce climate change. In the process, these means also transform Turkey's institutional set-up and regulatory structure through adopting EU methods and signing agreements. By bringing Turkey's energy sector up to EU standards, domestic goals become more attainable, and Turkey therefore becomes a stronger partner economically. This would in turn have a positive effect on business exchanges.

With specific regard to energy, one recent development includes electricity; Turkey is due to join the European Electricity Network (ENTSO-E), whereupon the EU and Turkey can trade electricity. With continued partnership and a veritable rapprochement between the two, Turkey's renewable energy potential could be realized. With a developed and powerful renewable energy sector and a permanent connection to ENTSO-E, the EU would have another means to incorporate renewable energy share.

The Common Ground

Although one might argue that the EU will enjoy energy supply security via Turkey regardless of a rapprochement, the massive and complex nature of such projects must be properly considered. Aiming to achieve means such as pipeline projects without a greater vision for full energy partnership between the EU and Turkey proves unwise. Firstly, the agreements are not one sided; just as the EU needs to secure their energy supply, Turkey does as well. Meeting mutual needs demands partnership. As Ashti Hawrami, Minister of Natural Resources, Kurdistan Regional Government of Iraq, said at the Black Sea Energy and Economic Forum (BSEEF) in 2011: “If the transistor, in this case, is the Republic of Turkey, is not secure about their own energy security, don't expect them just to be a courier of gas to Europe”. In order for pipeline plans to work, the EU needs to help ensure that Turkey's needs are met as well. After all, Turkey is as addicted foreign natural gas as Europe, which both having a particular taste for the Russian product. Instead of acting independently, Europe must act with Turkey (Hawrami 2011). Fatih Yildiz emphasized the cohesiveness of the EU and Turkey's needs and goals during a personal interview with the author:

“The main thing we all rely on is natural gas, therefore our effort to diversify our sources and roots for energy corresponds quite well with the vision of the Europeans to create another corridor [Nabucco][...]”

He continues by explaining that diversification has been a priority throughout the past decade, for the purpose of fostering stability. The idea that diversification will foster symbiotic interdependence and palliate one sided dependencies prevails:

“It matches our general foreign policy, we believe in increasing the interdependence in a generic way, creating interdependencies between parties in the region, which will be an added value for the stability in the region. [...] This goes well with our EU perspective as well, where we look eye to eye with the Europeans is to diversify sources” (Yildiz 2012).

Quite clearly, Turkish cooperation in this regard appears strong and promising to achieve the mutual goals between the EU and Turkey.

Furthermore, Fatih Baltaci, Founder and Chairman of the Akfel Group, an energy engineering industry leader, pointed out during the BSEEF that while pipeline agreements are in the best interest of European *and* Turkish security, Turkey’s participation isn’t to be taken for granted. He says: “I respect and we enjoy the partnership with Europeans. I enjoy doing business with them, but they have to understand that in the context of the Turkey (sic) is not a part of the Europe, I – as a pragmatic businessman, I don't see what should be the Turkey's (sic) concern for the security of energy of Europe, for the sake of what. So there should be compromise, has to be brought on the table (sic)” (Baltaci 2011). His viewpoint is not uncommon amongst Turks, disoriented from the stalling accession agreements between Turkey and the EU. The implications of his opinion are important and clear; both sides need one another, but a greater rapprochement is in order for the relationship to bear fruit. With such long term gas pipeline commitments being made, Turkey and the EU need to be clear on what they expect from one another, and most importantly, they need to become more than simple business partners. The implications of these objectives have become greater and more profound than strict business. In order for such comprehensive and large scale projects to succeed, the EU and Turkey need to harmonize their actions and commitments with regard to energy; this of course requires policy solutions.

Scholars such as Tekin & Williams support this idea. They concur that “mammoth infrastructural undertakings as the Turkey-Greece-Italy Interconnector or the Nabucco Pipeline would require the higher standardization and integration of regulatory environments characteristic of political union [...] and require less ambivalence on Turkey’s accession (Tekin& Williams 2009, p 14).

Meanwhile, Turkey, which lacks the financial and regulatory frameworks to develop this sector alone, benefits by virtue of existing as an EU candidate country aiming to join. Implementing the *acquis*, joining the Energy Community, the ENTSO-E network are all steps in the right direction, both to develop Turkey and bring it closer to meeting accession negotiation requirements. With these actions underway, the logical benefits of a full and comprehensive energy partnership are salient, yet such large benefits absolutely require substantial integration. Like anything, it involves risk and trade-offs. Nonetheless, from observation of Turkey’s development since its candidacy in 1999, as the EU and Turkey become more united, Turkey becomes stronger, which in turn makes the EU stronger through its stable partnership with a stable country.

Why not Laissez-Faire?

Although the private market remains an absolutely essential component for reaching the aforementioned objectives necessary to forge a full energy partnership between the EU and Turkey, they can only be achieved through supranational activity and coordination. A free market alone cannot induce supplier diversification, combat climate change, and engage in integrative external governance tactics. Nor can it forge a politically and culturally sensitive

partnership. The free market favors that which is profitable, and answers only to supply and demand. At present, and in general, constructing alternative supply routes, combating climate change, and financially supporting external countries are not profitable in immediate terms. Investments are of high risk with elevated upfront costs. Therefore, rational supply and demand will not favor these investments, making market failure an imminent threat. As such, political leadership and public expenditure is necessary in order to encourage and stimulate investment and confidence in this realm. Action is needed at the supranational level in order to introduce these investments into the European internal market. Fragmented support across member states will not undermine this entirely, but delay it. For example, if countries eventually fully liberalize their markets and become first movers in the field of renewable energy, other countries will jump on the bandwagon once this niche becomes profitable. At present, the positive externalities of doing so are often overlooked, creating a cost-benefit analysis whereupon time-inconsistent preferences create a discrepancy between long and short term benefits. In reality, the positive externalities of renewable energy are substantial, both to the public and private, and would expectedly follow a classic Sigmoid Curve analysis, whereupon costs and risks are high upfront but which even out and become profitable benefits over time. This is especially true for first movers in a sector or country, but as the EU (and Turkey) are connected to the same electricity network and are in the process of constructing common natural gas pipelines, this concept underlines the benefits to be enjoyed at levels which transcend borders.

Giorgos Papaconstantinou, Minister of Energy, Environment and Climate Change, Hellenic Republic expressed a similar point during the Black Sea Economic Forum: “We see that the country that manages to convince and be the first of the track (sic), the first on the road with a credible solution on both traditional and renewable energy will manage to slowly become what

is in effect a hub for the region”(Papaconstantinou 2011). Not only would the first mover stimulate the market activity, the first mover would become an energy hub for import and export activity.

Mr. Papaconstantinou also maintains that the support and leadership of elected officials is paramount to furthering these goals. With regard to renewable energy, the market doesn't appraise the appropriate value to the long-term benefits of these investments for society. Again, without governments offering subsidies to introduce renewable energy, the goods are subject to market failure due to time-inconsistent preferences. Equally as important are efforts to foster both public and private support, in order to ensure that all actors are aware of what is at stake, and more importantly, what is to be gained.

Ambassador Pierre Morel, EU Special Representative for Central Asia, Council of the European Union describes the beginning of the cooperation between Turkey and Azerbaijan when their presidents, President Gül and President Aliyev, respectively, sat together at the South Corridor Summit in Prague in 2009. This serves as an example of how cooperation between governments is necessary to forward even a project with a significant reliance for private investment. The first steps need to be made from the top. He emphasizes the necessity to balance the roles of private companies and markets with governmental steering and control: “We are in a situation where the decisions have to be made by the great operators. The governments and the organizations have to deliver the best possible characteristics in order to make it viable, credible, long-term and, once again, strategic” (Morel 2011). Only with appropriate decision making at the governmental level will business investment flourish. Giorgi Baramidze, Vice Prime Minister and State Minister on European and Euro-Atlantic Integration, Georgia verifies the necessity for government support as well in discussing the Nabucco project: “ Insurances from governments

are important and encouragement from governments' side is also important for this kind of strategic projects because when we talk about this type of projects, except the resources itself, I think we need to – not to forget about the interests of diversification, not to be dependent on one source alone” (Baramidze 2011). Mr. Baramidze emphasizes an important point; business interests will invest where they can and where it is profitable, but the reason they will invest in Nabucco remains because their countries need it and their governments have agreed to it. Furthermore, supporting the aforementioned notion of Fatih Yildiz, Consul General of Chicago, that diversification is important not only for business reasons but stability as well—with a more evenly distributed portfolio of imports and exports, the notion of ‘one great power’ or ‘giant’ dissipates. In other words, a country like Russia becomes less powerful as it is less needed. Certainly, neither the EU, Turkey, nor the author maintains that removing Russia from the picture could be possible; nonetheless, a lesser dependence is prudent.

Therefore, without the government setting the agenda, business investment would follow the interests of the small and favor pre-existing arrangements and suppliers. With political agreements delving into new territory, business investment can expand into new areas and support the long term strategy set forth by the government.

During the same conference session, Harry Sachinis, Chairman and Chief Executive Officer, DEPA, Greece’s public gas corporation, emphasized the integral component of EU involvement in achieving energy security goals within the EU and the surrounding region, by highlighting the fact that the European Commission negotiated the Trans-Caspian project treaty, a demonstration of supra-nationality in energy policy that has no precedent (Sachinis 2011). Certainly, as CEO of a large public company undergoing privatization, Mr. Sachinis values the commercial component in this process, which he states underpins the pipeline’s construction to

begin with. Some of his commentary applies both to private and public power: “If we are serious about a common European market for energy, we need to invest in it. And investing in it means alternative gas routes and alternative routes for renewable energy” (Sachinis 2011).

Financial investment must be made both privately and publicly for European energy policy goals to be achieved, just as political investments at the government and supranational levels must be made in order for proposed and implemented policies to have any successful or significant effect. If twenty seven member states employ different energy regulations and strategies, they may move in the same direction but at staggered paces, or in entirely different directions. Either result produces less efficient and less desirable outcomes.

With regard to renewable energy, the idea used to be nation-specific. In other words, countries regarded renewable energy as a nation-sensitive investment and sector. However, with advances in the efficiency of renewable energy, discussion has become transnational. When the sector is cultivated, a classic economy of scale situation will develop wherein cost advantages appear as output and consumption increase across borders. Certain renewable energies, such as solar, can be imported and exported as electricity through the same electricity network. With Turkey connected to the ENTSO-E, EU countries could import renewable energy from Turkey. This of course would be beneficial for both entities. Arriving at this point would imply development of Turkey’s energy sector, which demands large and substantial investment as well as institutional reform. Implementing the EU *acquis* would foster this, and EU investment would make the development of the sector possible. With a vital sector in Turkey developed, it could help meet its rising energy demand while stalling carbon emission; the EU would improve its share of renewable energy, and earn its status as a global leader in combating climate change through normative power and assistance to developing economies.

However, again, such drastic waves of change cannot be created by the market alone. These large-scale, long-term and high capital ventures require government support. Once in place, the market would dictate its longevity. But again, with EU mandates to use renewable energy, this forces investment into renewable energy. Whether the EU itself could negotiate with Turkey to develop this sector remains unclear. EU level support would certainly expedite the process. In addition, Turkey has not exploited nuclear energy whatsoever in Turkey, but is currently conceptualizing two plants with Russian investment. Again, with Turkey connected to the ENTSO-E, the EU could benefit from investing in nuclear energy in Turkey, with an added benefit of competing with Russia. Connecting to the ENTSO-E was an EU led initiative, setting the stage for business to profit from this interconnectivity.

Nonetheless, energy policy is a governmental security matter; therefore, it demands strategic and effective leadership from the top. A balance between private and public investment, as well as supranational political cohesiveness is conducive to successfully driving the means described in this chapter to reach the objective of full energy partnership between the EU and Turkey.

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This chapter explored the ways in which greater harmonization is necessary within the EU but also externally, in its interactions with Turkey. Several initiatives are already underway, such as the ENTSO-E interconnecting Turkey to the European electricity transmission network. This could have positive prospects with regard to renewable energy, wherein Turkey's renewable energy potential could be utilized to appease local demand in tandem with exporting renewable energy to Europe. That way, generated energy that isn't in demand can be exported to the EU,

which would reduce waste while helping the EU incorporate renewable energy into eastern countries such as Bulgaria and Romania, which face greater barriers to setting up renewable energy technology than Sweden, for example. This concept will be elaborated in the following chapter.

Renewable energy also much be cushioned through incentives, as discussed in this chapter, in order to avert the inconvenient truths of overlooking positive externalities and time inconsistent preferences associated with renewable energy. As such, public expenditure is necessary in the form of incentives and subsidies to ease markets into accepting renewable technology and phasing out oil, coal or other classically cost effective yet environmentally harmful resources. Finally, Turkey and the EU truly see ‘eye to eye’, in the words of the Turkish Consul General in Chicago, with regard to diversifying energy supply, an area in which political unity from the EU would facilitate further progress for projects such as Nabucco. The details behind this situation will be explored subsequently. Nonetheless, the partnership between the EU and Turkey is budding and bound to bloom.

CHAPTER 5

POLICY MECHANISMS

In order to achieve full energy partnership with the EU, Turkey needs to implement various measures to reform its institutions, regulatory system and improve its energy policy. The EU can play a large role in fostering these accomplishments. However, the EU itself needs to overcome political barriers and conflicts of sovereignty versus supra-nationality in order to convey legitimate leadership and welcome Turkey as a partner. Meanwhile, initiated projects and policy endeavors must be completed, but as this research will argue, the success of these depends on greater political and institutional merging between the EU and Turkey.

To start, the Nabucco pipeline is paramount. The project is already in the works; yet various barriers must still be surmounted. Nabucco and similar projects of interconnection within Europe will facilitate the EU's goal of diversifying suppliers. Secondly, the conception that climate change knows no borders must be implemented in full. This goes beyond the EU's internal mechanisms to reduce emissions, improve renewable use and efficiency, but transcends to the regional and even global level. Organizations like the TEN-E possess immense importance, as they can fund projects that will both benefit the EU and other regions as well. Specifically, renewable energy projects in Turkey qualify and should be explored. Turkey must also take action to proactively pursue its energy policy and become a better partner to Europe. One such means to an end involves joining the European Energy Community. With Observer status, Turkey is expected to join and implement the entire energy related *aquis*. Such a move

will bring Turkey up to speed with the EU, only facilitating their partnership. While the EU does engage Turkey in some respects, such as the Franco-Euro-Turkish Twinning project, which reformed Turkey's electricity sector to prepare for interconnection with the ENTSO-E, Turkey also needs to make sure that its political and economic infrastructure is in place to meet its proclaimed goals, such as reducing its coal-induced carbon footprint. Once again, the facts reveal that the EU and Turkey have much to offer one another through cooperation.

Building the Pipelines

One vital project that must be realized is the Nabucco pipeline project. From an EU perspective, as Tekin & Williams (2009, 15) aptly point out, Nabucco's true purpose is to sidestep crossing through Russian territory to import natural gas. EU energy imports depend on Russia, Russian controlled-exports, the Caspian Basin and North Africa. Therefore, diversification would entail increasing imports from the Middle East, such as Egypt, Iran and Iraq, and creating independent access to Kazakhstan, Turkmenistan and Uzbekistan for energy supplies. However, a successful Nabucco pipeline project inherently assumes productive and close EU –Turkey relations. The authors note: “A Turkish energy corridor offers one of the only feasible modes of connecting a greater diversity of suppliers to Europe along a larger number of secure and independent routes”. Ergo, for energy acquisition security, Turkey's geographic position possesses a new strategic value to the European Union, adding a new dimension to the two entities' partnership.

Nabucco exists as the single most promising supply diversification project, despite its flaws. This Unique European Flagship Project “provides a predictable, long term concept over

50 years backed by an IGA for gas transit via Turkey which is compatible with European Energy Laws” (Mitzcheck 2012). No other project will “provide a gas transport volume of 31 bcm/year to gas producers from Central Asian and Middle East from alternative sources directly into the center of the European markets [...] and reach such a high number of shippers, industrial users, wholesalers at competitive conditions in the European market” (Mitzcheck 2012). Indeed, once implemented, Nabucco should prove very profitable, as Ambassador Pierre Morel said: “So then, let the consortium and the different interests enter into consideration. But I would just recall to finish (sic) that, I mean, the value of Nabucco is to go to Baumgarten and beyond. That is at the core of the 500 million market (sic)” (Morel 2011). The take away remains that despite differing interests and wavering support from several EU members, Nabucco is designed to make money; this will greatly benefit its supports, and likely tempt non-supporters to cross over.

The Mott MacDonald report, “*Supplying the EU Natural Gas Market*” of November 2010 depicts the internal motivations for the EU’s energy diversification priorities; EU natural gas imports will steadily rise, from 300 bcm per year in 2005 to 450 bcm per year in 2030, while production steadily falls (MacDonald 2010, p 16-17).

As mentioned previously, Turkey too needs to diversify its energy supply and includes this in its energy policy strategy. In order to achieve mutual goals and become compatible energy partners, the pipeline projects long negotiated between the EU, Turkey, and supplier nations such as Azerbaijan, Turkmenistan and Iraq must be made into reality. So far, both the EU and Turkey have made several large steps beyond conversations and towards construction.

First and foremost, the Nabucco pipeline project is live, signed in 2009. The project will help both Turkey and the EU engage in business with various suppliers other than Russia.

Nabucco will run from Turkey into Bulgaria, Romania and Hungary, ending in Austria near a gas hub in Baumgarten. There are two feeder lines undergoing conceptualization to supply the natural gas. The first would lie at the Turkish/Georgian border and the second at the Turkish/Iraqi border. Involved parties have signed the legal agreements, and construction is due to start in 2013, envisioning completion by 2020. The geographic route of the pipeline can be seen in Figure 2 at the end of this chapter (Nabucco Gas Pipeline 2012).

Nabucco will increase competition, between private gas supplier companies, which should push down prices and encourage interaction between the EU and Turkey; simultaneously developing the internal energy market while furthering the relationship between the EU and Turkey. Turkey in particular will benefit greatly, with more liquidity in its energy market from interconnection with the European market and access to new gas producer countries. Specifically, fifty percent of Nabucco's capacity will be auctioned amongst shareholders, and the remaining half reserved for third party access. This should also serve to improve producer independence through expanding gas buying customers. Additionally, the project envisions enhancing market liquidity through issuance of short term contracts for ten percent of capacity. From a business and energy market perspective, Nabucco will drastically increase cohesiveness between the EU and Turkey. Most importantly, the pipeline will serve as a major solution to the EU and Turkey's energy acquisition security woes (Nabucco Gas Pipeline 2012).

The European Investment Bank and The European Bank for Reconstruction and Development have agreed to fund 70 percent of the \$5-6 billion cost of Nabucco (Tekin & Williams 2009b, p349-350), co-financed by the Neighborhood Investment Fund (Tekin & Williams 2009, p 11).

As a result of Turkey's ratification of the Nabucco intergovernmental agreement in August 2010, favorable reports regarding the EU's security of supply in relation to Turkey have arisen in official publications, such as the Energy Community, indicating positive energy relations on the forefront as well as undertones of improved accession negotiations.

Accomplishing the Nabucco project to this point has been no stranger to drama or controversy, and still faces barriers. While imperative to note the existence and significance of many political arguments, which remain beyond the focus of this research, the greatest point of interest remained "who would supply the gas"? With political instability rampant in natural gas giants Iran and Iraq, Nabucco, ironically similar to the reason for its inception, needs to diversify its suppliers. In the past two years significant progress has been made due to increased political cooperation, and perhaps, amplified desperation. The most important takeaway is recognition of Turkey's vital importance in the resolution of these issues, and the implications of their ability and willingness to negotiate contracts in the best interest of themselves and the EU. Certainly, the latter observation contains significant implications for the success or failure of a rapprochement between Turkey and the EU. The nature of the Nabucco project demands *de facto* long term cooperation and partnership, inherent in the scale and cost of such a project, not to mention the vital utility of what it will carry to both societies. The following actions by Turkey mark a progression towards cooperative partnership with the EU, for the sake of their dual, or perhaps combined, energy security interests.

In June 2010 Turkey and Azerbaijan reached agreement on gas pricing and transit through Turkey. This action was seen very positively by the European Community. Harry Sachinis, DEPA CEO, expressed that "the agreement between Azerbaijan and Turkey for transit through Turkey [...] really establishes Turkey as a reliable partner both for Caspian countries

and for European countries” (Sachinis 2011). The associated pipeline is the South Caucasus Pipeline (SCP), bringing natural gas from Azerbaijan to Turkey through Georgia. Currently, conceptualization is underway to use the Turkey-Greece connector to hook the SCP to the EU. However, at present, Turkey maintains discretion to sell the gas it receives through this pipeline to Europe or elsewhere. An important means to the security of supply end is to solidify this partnership and connect the SCP to the EU.

Turkey also agreed to absorb the Arab Gas Pipeline (AGP), involving Egypt, Jordan and Syria into its territory, whereupon it could be connected to Nabucco. Finally, and most recently, Trans-Caspian gas pipeline was contracted between Azerbaijan, Turkmenistan and the EU, which will bring gas from Turkmenistan under the Caspian Sea into Turkey, connecting to the Nabucco pipeline. From a EU perspective, this is viewed as one of the greatest achievements to date of EU energy policy. The agreement exists as the first EU backed infrastructure regulation. Furthermore, all twenty seven member states voted to give the European Commission negotiating power for the purposes of this treaty, validating the supranational utility of negotiating with a single voice on the behalf of the EU (Holzne 2011).

Longstanding criticisms against Nabucco included the lack of Turkmenistan’s participation as a supplier: “However, a major problem in that area is that the EU has not yet convinced Turkmenistan to use the pipeline, which leads to the continuation of the EU’s dependency on Russia. It is highly likely that the EU would need Turkey’s support in its relations with Turkmenistan” (Müfltuler-Baç 2008, p 71). Turkey’s interaction with Turkmenistan, who enjoys a long history of relations, was invaluable in obtaining the Trans-Caspian agreement, as well as for the feasibility of Nabucco. The aforementioned actions

demonstrate a marked increase in strategic cooperation between Turkey and the EU, and engagement with the Caspian region. Furthermore, these actions bring the EU and Turkey a few steps closer to mollifying their energy import woes, and one step closer to existing as a happier couple. In order to continue sailing in friendly waters, the EU and Turkey must continue working together to see the Nabucco project properly executed and developed. Only then will their respective markets and energy supply be stable and secure.

Policy Recommendation

There is no denying an overall European agenda to diversify energy suppliers and routes. However, not all countries subscribe to this, and run their own energy policies. Member states pursue their country's own interests through bilateral private deals. This is often a result of historical actions and political preferences. As previously mentioned, France, for example, will not support Nabucco since it runs predominantly through Turkey, a country France has displayed vehement opposition to with regard to its candidacy to the EU. Geography plays another role; especially with regard to natural gas, which must be transported through a pipeline (with the exception of liquefied natural gas), nations utilize supply routes which are the most direct and logical. In other cases, supply routes simply do not exist between certain countries. Italy, for instance, will not be connected to the Nabucco pipeline, and will continue importing from Russia, and therefore wants to maintain positive relations with Russia. Supporting the Nabucco project could undermine these relations.

Yet, this means that while Nabucco consortium stakeholders invest all their energy to make the project a reality, other countries continue striking bilateral deals with Russia, undermining any conception of an "EU" project to diversify energy suppliers away from Russia.

This also creates diverging waves of support for Nabucco. Countries that don't need Nabucco gas don't need to support Turkey; in fact they can work against Turkey, or at least, behind the scenes or in convoluted ways. In reality, they work against their fellow EU member states, for they undermine the bargaining power and legitimacy of the Nabucco project by attacking the catalyst of the solution.

Therefore, in order to truly avert natural gas energy supply insecurity, the EU needs to adopt a more harmonized energy supply policy. At the Peoria Area World Affairs Council, Jennone Walker, Former Ambassador to the Czech Republic and Special Advisor to President William Clinton and Senior Director for Europe to the National Security Council, Washington, DC said: "Russian power for natural gas is a great threat! It is more important for the EU to stand up to Russia as a unit, and unfortunately Germany and other EU members have been willing at times to strike unilateral deals with Russia". She goes on to describe that adopting common energy policy, especially with relations to Russia, will prove to be an important test for the EU's security (PAWAC 2012).

Currently, the extent of Community law in this domain extends to the reporting mechanisms required and in place for member states to communicate to the Commission regarding their suppliers and amounts. The Commission maintains no jurisdiction over the suppliers that member states choose. Although it would be unrealistic to suggest taking all sovereignty away from member state's supplier choices, due to political and geographic reasons, measures can be taken at the EU level to encourage member states to diversify their suppliers. The EU could not expect member states to diversify its suppliers if geographically and physically pipelines are not available to support this. However, with EU expenditure, pipeline interconnector projects could be pursued, increasing the choice among countries and their

consumers. This would prevent certain member states from becoming completely dependent on one singular nation; in turn fostering greater interdependence between a myriad of suppliers, therefore allowing for greater security. The assumption is that the existence of more suppliers lessens the possibility of all suppliers failing or blocking the supply. Another assumption involves the existence of multiple suppliers pushing down prices and improving quality through competition, allowing the consumer to purchase from companies who supply reliable, high quality and fairly priced products.

With such an infrastructure in place, the building blocks to negotiate requiring diversification of suppliers for all member states could arise. This would align with the EU's initiative to diversify suppliers overall. The EU could accumulate the finances for these measures by redistributing the EU budget. Already, the conceptualized budget for 2014-2020 predicts 20 percent of funds to be dedicated to combating climate change. Supply diversification projects would certainly fit into this framework, creating many European jobs along the way. With more projects like Nabucco, countries can join a comprehensive natural gas network of importation, transfer and storage. As such, the policy recommendation becomes circular, requiring first a pipeline success story before steps towards a more harmonized policy could feasibly come about.

Overall, the foundations of the Nabucco project are set, and commitments have been made. The project should prove to be a long term success, especially in the wake of the recent Trans-Caspian Agreement. Both Turkey and the EU will benefit greatly from Nabucco, an truly such a project could not be conceived without full participation and long-term commitment from both sides. As such, Nabucco exists as the cornerstone of a new EU-Turkish energy partnership; it has, and will continue to break down barriers.

Nonetheless, member states still maintain their rightful sovereignty, and continue to exercise it. It remains unclear as to whether the EU could diminish national sovereignty in energy policy in the near future. However, the EU could easily contribute funds to member states to enable them to diversify their supply, and later legislate requirements to diversify suppliers for the sake of Europe's energy security at large. Such mechanisms should be implemented as soon as possible, in tandem with the construction of Nabucco.

Climate Change Transcends Borders: a Collaborative Effort

Knowledge and understanding of climate change has greatly increased over the past few decades. Countries are finally beginning to understand that while national and regional measures are indeed in order, climate change itself does not know borders. As such, comprehensive and collaborative approaches must be taken in order to secure a sustainable future for the generations to come.

At its foundation, the EU's approach to climate change does not pertain exclusively to its own borders, as it has made clear through its various initiatives to become a regional influence and normative actor in this regard. Certainly, the EU maintains European goals within this context, but also views combating climate change as a global and comprehensive affair, demanding responsibility from all nations. As such, engaging Turkey in becoming a more proactive contributor in the fight against climate change fits directly into the EU's encompassing approach. Therefore, it is reasonable to assume that increased cooperation with Turkey would allow the EU to have a stronger voice and influence in promoting sustainable development in Turkey. The EU should capitalize on this opportunity; as it stands several benefits in doing so.

Aside from purely altruistic and normatively based motivations to develop renewable energy in Turkey, the enormous renewable energy potential within Turkey must be acknowledged. Specifically, solar energy holds great promise. According to Mr. André-Jacques Auberton-Hervé, Chairman and Executive Officer, Soitec SA, developing solar energy in Turkey is feasible, profitable, and will foster development in the country at large. Notably, the “sun regions” of Turkey would produce enough solar power for their region’s local electricity needs. Furthermore, this would stimulate a renewable energy hub that could import, export and transfer renewable energy. Clearly Europe and Turkey have a strong benefit to work together in renewable (Auberton-Hervé 2011). According to European regulations, Article 9 and 6 countries connected to European grid can contribute to the overall European renewable energy policy; Turkey falls into this category.

Specifically, Turkey is synchronizing its regulations with the European Network of Transmission System Operators for Electricity (ENTSO-E), considering the transition as an advantage to Turkey’s electricity market: “to operate the electricity system in a more economic, qualified and reliable manner by sharing backup” (The Republic of Turkey 2011, p 91). *De facto*, this encourages closer cooperation with Europe on energy. Following a technical and administrative structural reforms operation from September 2010 to 2011, the EU and ENTSO-E authorized limited capacity electricity trade among Turkey, Greece and Bulgaria.⁸ According to Charles Hantouche, director of the EU-Turkey Twinning Project for RTE in France, “It is well known that [joining] the electricity [network] is the first sign of integrating a country into the European Union”.⁹ Mr. Hantouche continued that as of 2012, Turkey’s network is expected to be

⁸400 MW from Europe to Turkey and 300 MW from Turkey to Europe.

⁹ Original Quotation : C’est connu que l’électricité c’est le premier signe de l’intégration d’un pays dans l’Union Européen

permanently connected to Europe's. Mr. Hantouche also outlined Turkey's interest in knowledge sharing with Europe, and in this particular example, France.

The European Commission financed a French-run electrical network twinning project in Turkey in 2010, with great success. The relationship continues through frequent over-the-counter projects, such as the following: "They [Turkey] asked us to show how things function in France, so we held a Workshop [in Istanbul]. They have a lot of renewable energy [potential], solar and wind, they wanted to know how to properly connect these energies to the [electricity] network. All of this is thanks to this cooperation".¹⁰ Hantouche emphasizes that these projects are pioneered with a long-term strategy approach to achieve long term transformative goals; showing that even France is taking a step towards engaging Turkey, bringing them, for better or for worse, towards an ever closer union. With full interconnection on the near horizon, both entities will be able to buy, sell and share electricity from the same network, creating 'free movement of trade' via electricity.

Mr. Auberton-Hervé maintains that Turkey's strong sun source, industrial system and ecosystem provides conditions for high solar efficiency and transferring the electricity at an industrial scale. He optimistically states: "We perceive Turkey as a good part of the renewable energy contribution to the world. Don't forget, you know, the world has a Sun Belt [...] where the sun is delivering 10,000 times more than what the world needs in terms of energy. The sun is

¹⁰ Original Quotation : Ils ont demandé pour nous de montrer comment on fait en France , on a fait un workshop. Avec énergies renouvelables, ils ont beaucoup d'énergie renouvelable, solaire et éolienne. Ils voulaient savoir comment s'accorder ses énergies aux réseaux. Voudraient que nous les informons et présenter un peu comment on fait pour donner l'accès aux réseaux pour les énergies solaires. Comment on fait pour raccorder des énergies éoliennes. Tout ça aussi c'est due à cette coopération.

the only unlimited renewable source of energy and it happens it's delivered in the Sun Belt" (Auberton-Hervé 2011). Indeed, Turkey is located in the Sun Belt.

With this known potential, the EU must make efforts to engage Turkey through normative and bilateral external governance strategies. One current example includes the Trans-European Network for Energy (TEN-E) Programme, which urges accelerated development of "renewable energy projects of European interest". The program notes that "Particular attention should be paid to renewable energy projects that will contribute to a significant increase in security of energy supply in the Community and neighboring countries (Directive 28/2009 Para 58)". Currently, the EU reserves 25 million Euros a year for gas and electricity feasibility studies of *European interest*. Using this funding to invest in Turkey's renewable sector, such as solar, would behoove both Turkey and the EU. With powerful full-time sun and Turkey part of the ENTSO-E, the EU could import solar powered electricity. This in turn would stimulate investor confidence in the renewable sector, creating beneficial fallout for renewable energy on a global scale.

Policy Recommendation

Although Turkey has a large renewable energy potential, which in turn can be presented as a prime location for the EU to extend its leadership, normative power, and invest in renewable energy in desirable conditions for it to flourish, this requires EU level support and investment. The aforementioned recommendation of EU energy supply policy would foster the trading transactions between Turkey and the EU for renewable energy. However, this first requires both EU and private investment, whereupon the EU should resolve to contribute large financial support through the TEN-E.

Financial support from the TEN-E will assist Turkey to achieve its energy policy goals. For example, Turkey remains very carbon intensive. For Turkey to become a more attractive investment location and overall better energy partner it needs to make a commitment to clean coal technologies and keeping emissions to a minimum. Coal corresponds to about 30% of primary energy consumption in Turkey, with typically one half produced domestically. Turkey plans to construct 3,500 Mega Watts (MW) of coal thermal plants by 2013 to exploit domestic coal reserves. Furthermore, exploration projects from 2000-2009 discovered 4.2 billion tons of lignite reserves, increasing reserves by 50 percent. As such, domestic coal production will rise. At present, Turkey has *stipulated* that production will use clean coal practices in order to minimize negative carbon consequences and honor global initiatives to reduce climate change. However, this policy stipulation must be enforced concretely and ensured in order to curb the negative impact Turkey's coal consumption would have on the environment. Turkey should require all new coal plants to utilize clean coal technologies.

Without such requirements, the EU will be dramatically less inclined to partner with Turkey—once again showcasing the benefit of implementing the *aquis*. One of Turkey's greatest advantages lies in the fact that Turkey possesses large renewable energy potential with near perfect conditions to develop it; with the right incentives the EU could help make this a reality, in turn benefiting both Turkey's electricity production methods and the EU's.

Furthermore, Turkey needs to set an energy efficiency goal, similar to the EU's goal of reducing consumption, or improving efficiency, by twenty percent by 2020. Mr. Hantouche vouches for the pressing need of such reforms : “When they had the heat on we all were red [sweating] [...] My colleagues [from France] saw my window open in the middle of winter, which is unacceptable, but I was forced to open it because the heat was on full blast” (Hantouche

2011).¹¹ Mr. Hantouche describes here that his office in Istanbul was overheated since the building's heating circuit was outdated, and did not allow for controlling of the temperature in individual rooms. He continues:

“They have a lot of work to do in this regard. Every year they increase their electricity demand by 7-10 percent, an increase like that, that means additional management, construction of centrales, more electricity lines, all of this is expensive, and yet, they have ways to reduce consumption. They can save a lot of energy through their conduct. That said, it isn't the 80's, they can benefit from the past experiences of others [industrialized countries]”.¹²

Since Turkey is just now developing as a country, enjoying an increase in wealth and business development, it possesses more opportunities to improve energy efficiency. For example, construction of buildings as cities grow and regions urbanize in tandem with development should install industry-standard heating and cooling systems to allow for efficient consumption. They can also implement motion censored lights to ensure that lights do not remain on when they aren't utilized. ‘Green’ standards can and must be implemented across Turkish industries. This would also open new areas of expertise for Turkish businesses, creating

¹¹ Original quotation: Mes collègues ont vu la fenêtre ouvert en plein d'hiver, c'est inacceptable, mais j'étais obligé d'ouvrir la fenêtre parce qu'ils ont mis le chauffage à fond...

¹²Original quotation: « Ils ont beaucoup de travail dans ce sens là. Chaque année ils doivent augmenter le besoin d'électricité entre 7 et 10% chaque année, augmenter comme ça, ça veut dire la gestion en plus, construire des centrale en plus, mettre les lignes en plus, tout ça coute cher, et ils ont des moyens de réduire la consommation. Ils peuvent arriver à économiser beaucoup d'énergie avec leur comportement. Ceci dit, c'est qu'eux ils ne sont pas dans les années 80, ils peuvent profiter de l'expérience des autres. »

profitable job markets all around. Finally, Turkey can empower the public through awareness campaigns to aim to curb excessive use of domestic electricity.

With measures such as these, Turkey should commit to improve its energy efficiency by ten to fifteen percent by 2020. Although consumption rises each year, this can be cancelled out through efficiency measures, and a decrease can be achieved with implementation of 'green' standards across industries. The effect would be extremely profitable over time; energy would be utilized more efficiently, allowing for job creation.

However, the EU is far from perfect. It too must continue ameliorating its systems working against climate change. Specifically, the EUETS, despite its general success, holds several flaws. Firstly, targets diverge among member states. Certainly, the EU's members are far too diverse in economy and industry to work towards the same emissions reduction target, however, greater surveillance must be exercised by the EU to ensure that member states set adequately challenging targets and meet them. Currently, member states are the principal actors in monitoring and reporting procedures. As such, some countries do not pull their weight and undermine the initiative as a whole. Officially, the Commission is working to harmonize the reporting procedures to make the system more cost-effective, transparent, and functional, reasoning that "Since the objectives of complying with the EU's commitments under the Kyoto Protocol, in particular the monitoring and reporting requirements laid down therein, cannot, by their very nature, be sufficiently achieved by the Member States and can therefore be better achieved at EU level, the EU may also adopt measures" (European Commission Climate Action 2010). However, this remains to be accomplished.

In addition, the EU ETS does not incorporate one very problematic sector—transportation. The transportation sector’s greenhouse gas emission share equaled 19.5 percent of the total in 2007 for the EU 27. In fact, distances traveled for due to the transportation of goods increased by 80 percent between 1990 and 2005; 40 percent of which came from trucks alone. In turn this created a 36 percent increase in emissions between 1990 and 2007. For comparison, emissions decreased 15 percent in other sectors during this same time period (European Commission Climate Action 2010). In order to truly tackle emissions, the EU needs monitor the transport sector with binding regulations. At present, the EU is officially initiating “a study to investigate the sorts of policies and technologies that are needed to achieve substantial emission reductions by 2050”. The EU must identify the most cost effective solutions for the internal market and create incentives for fuel efficient cars and alternative fuel sources. Furthermore, it should compose a complex system of monitoring the transportation of goods, attributing the emissions to the transporting company responsible for them. In turn, transportation emissions should be phased into the EUETS (European Commission Climate Action 2010).

With regard to energy efficiency measures, a similar problem is identified. If birds of a feather fly together, the EU is host to many different birds. Although the Commission sets a nationally tailored goals and reduction target for each member state, which retain the right to meet these goals with the measures and pace they choose, countries fly in different directions. The Directorate General for Internal Policies 2010 report identified a significant gap between several member states with regard to the political commitment to energy efficiency, the measures conceptualized and the resources allocated. Although several member states created Action Plans to meet the 9% target, most of them maintained business-as-usual approach that made falling short quite likely (Hinicio et al. 2010). The starkest divergences, as highlighted in Chapter 1, are

linked to economic and political factors. For example, Bulgaria, a new member state with a low GDP and less dynamic economy, struggles to incorporate renewable technology into its market place. In contrast, Sweden, Denmark and other economically vibrant Scandinavian countries introduce renewable technology incentives schemes and flourish.

The Commission itself has reported insufficient progress: “The European Union will not be able to meet the commitments given at Kyoto unless significant measures are taken to reduce demand. The measures will have to be in tune with the concern to reduce dependence on imported energy supplies” (European Commission 2000, p 52). Similarly, the Commission Green Paper notes that the only way of influencing supply is to make serious efforts with renewable sources (European Commission Green Paper 2001, p 75). Once again, this priority shift towards renewable resources will in turn make Turkey more attractive from an energy standpoint, requiring the surmounting of political barriers for the sake of long term energy needs and the environment.

Overall, greater policy cooperation among EU member states is necessary in the field of energy. Diversifying the security of supply away from Russia will be more effective if individual countries cease to strike bilateral deals. However, the EU would be wise to provide funding to member states to interconnect their natural gas network to other pipelines, as geographically some do not have much choice. This also pertains to renewable energy; the EU should take responsibility to fund financial buffers to introduce renewable technology into less economically vibrant economies. Only then will the gap between goal achieving shorten. With increased policy cooperation with Turkey, the aforementioned countries could import Turkish renewable energy via ENTSO-E. The benefits of harmonizing methods in policies are great; as emphasized by

Charles Hantouche of RTE, a Turk three hours away with the same training can assist during a blackout or shortage, and vice versa.

Integration through Multilateral Engagement and Bilateral Agreements

One way in which the EU could begin engaging Turkey more actively as an energy partner is through multilateral organizations and bilateral projects. For example, the TEN-E initiative serves as a useful mechanism to forge greater public (governmental) and private alliances between Turkey and the EU. With greater interaction, each will become better equipped and acquainted with one another to carry forth endeavors (political, energy related, business, ect). For instance, EU reports on Turkey's progress towards accession (2006 and 2007) shifted more and more focus onto Turkey's role in the TEN-E, insisting that Turkey pursue efforts to support projects such as Nabucco (Tekin & Williams 2009, p 13). Later, in 2009, Turkey signed the International Agreement on the Nabucco gas Pipeline, serving as a strategic step between EU-Turkey energy cooperation (Commission Report 533 2009). The Commission had flagged this project as a TEN-E priority; which are characterized as having a significant impact on the proper functioning of the internal market, on the security of supply and/or the use of renewable energy sources (Europa: Summaries of EU Legislation 2007). The EU reports that the Nabucco Pipeline Project and interconnection with Turkey will "ensure the additional capacities necessary to meet the inexorable increase in demand for electricity and gas, and will satisfy CO2 reduction targets whilst integrating on a large scale new sources of renewable energy" (Europa: Summaries of EU Legislation 2008). Turkey's legitimating and engagement of the EU's top priorities shows a marked shift towards increased cooperation, and indeed rapprochement. Since the TEN-E itself

aims to exist as a conduit to development of renewable energy, Turkey's cooperation with the TEN-E sets the stage for further integration in the field of renewable energy initiatives.

Turkey also maintains observer status in the European Energy Community. The Energy Community, formed in 2005, aims to coordinate the *aquis communautaire* with third party countries, dealing specifically with natural gas, petrol and electricity networks. It aims to establish "the creation of one great trans-national energy market". In order to become a member, a nation must implement the energy related *aquis*, liberalize their energy market and fashion their regulatory structure to the EU's standards. These measures are legally binding. Again, the EU aims to stabilize its surrounding region through regulatory convergence, or in other words, adaptation of their set of rules. The energy community sites Turkey's full accession as a short term priority, meaning it should happen as soon as possible, and supports the opening of the energy chapter in the accession negotiations to deepen cooperation and establish a more solid framework for gas transport. Turkey, having made significant progress to liberalize its energy market and implement a proper regulatory authority (EMRA) could potentially see membership in their near horizon, should it so choose. Certainly, joining the Energy Community would indicate a dedicated long term commitment to the EU, and greatly influence their relationship (Energy Community 2011).

Meanwhile, Turkey's foreign policy goals compliment the EU's efforts to stabilize its neighborhood. Turkey's "Zero Problems with Neighbors" foreign policy approach, pioneered by Ahmet Davutoğlu's foreign policy agenda since he became Foreign Minister in May 2009, has

"[...] charted a course of action based to the extent feasible on soft power diplomacy, taking numerous initiatives to resolve its conflicts with neighbors but also to offer its good offices to mediate and unfreeze conflicts between states to which it is not a party.

Its credibility has become so great that Istanbul has replaced European capitals as the preferred venue for conflict resolution whether in relation to Afghanistan or even Iran, and despite its much publicized diplomatic differences with Washington” (Falk 2012).

Clearly, the objectives of both the EU and Turkey involve acting as mediators and leaders within the region. Without the EU, Turkey’s financial backing for development and learning curve remains longer. Without Turkey, the EU will not enjoy as much influence in the Caspian region. Especially with regard to energy, Turkey’s shift towards a peace-keeping foreign policy agenda makes the EU’s likelihood of enjoying a stable energy supply more likely.

Indeed, Turkey’s elites are interested in fostering a rapprochement through implementing EU regulatory standards and the *acquis* as well. The Turkish Ministry of Energy and Natural Resources Strategic Plan 2010-14 , prioritizes several reform projects on Turkey’s energy sector within the context of the joining the EU, and specifically, the scope of the 2009 and 2010 Pre-Accession Financial Cooperation Programming. The European Commission and Turkey signed off on a 2,005,500 euro project to improve the structure and capacity of TEİAŞ, Turkey’s electricity transmission company. Turkey will co-finance ten percent of the project. The Commission also agreed to the 1.5 million Euro “Project of Adaptation of Grid Regulation with ENTSO-E Legislation” proposed by TEİAŞ, within the scope of the 2010 Pre-Accession Plan. Turkey will also contribute ten percent of the cost. Such efforts to secure the European and Turkish electricity systems prove a more long-term strategic approach to their energy partnership (The Republic of Turkey 2009, p 30). Projects of this nature are exactly what will nurture a long-term and reliable energy partnership between Turkey and the EU.

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The multilateral mechanisms through which Turkey and the EU could improve their partnership already exist. The TEN-E is a well-funded and promising initiative. The key is to ensure that the TEN-E funds a renewable project in Turkey. Simply acknowledging and identifying attractive projects is not enough. Although the TEN-E have helped foster the Nabucco project, similar efforts should be made with regard to renewable energy. Furthermore, the Energy Community would prove monumental in that it would involve Turkey adopting the energy *acquis*, certainly a loophole around the blocked Energy Chapter in accession negotiations. These two organizations will help foster the partnership between the EU and Turkey. Meanwhile, Turkey continues improving its relations with its other neighbors, an initiative that promotes peace in the region as well as business exchanges.

Policy Recommendation

With the aforementioned in mind, it becomes clear that Turkey needs to join the Energy Community. Since this would involve implementing the energy related *acquis communautaire*, it is only logical that the Energy Chapter of accession negotiations be opened and completed as well. Indeed, as the chapter would be virtually completed *in practice*, the EU, or in particular, the individual member states like France who block it, will appear foolish in doing so. Formally opening this chapter is nonetheless absolutely vital for a well-functioning partnership to blossom between the EU and Turkey. But in the meantime, Turkey signing the Energy Community Treaty would be a strategic move to make progress in the energy sector in tandem with accession.

As it stands currently, to open the Energy Chapter alone would require conquering various political obstacles outside the realm of energy. The chapter is currently blocked by

France and Cyprus, who both vehemently oppose Turkey's candidacy to the EU. According to Charles Hantouche, "5.5 billion Euros are dedicated to funding assistance for EU candidate countries [...] Turkey receives 2.5 billion of this to help it align with European directives" (Hantouche 2011).¹³ With so much money going towards bringing Turkey up to EU standards, it is surprising to see certain member states attempt to drain the process of success. Financing a country to reform its institutions, which is later blocked from validating reforms and implementation of the *acquis*, is nonsensical. Why finance a country's development to prepare it for membership while simultaneously blocking accession negotiations? Of course, the reason for this asinine behavior is the cacophony of views and interests that comprise the European Union member states. Nonetheless, EU institutions need to make a greater effort to forge a harmonized long-term outlook and vision for Europe's needs. The EU unanimously voted Turkey as a candidate country in 1999 and started negotiations in 2005. Since then, Turkey has done nothing but progress and increase its cooperation. The EU must seriously consider the implications of turning its back on a promise, in other words, engaging a country as a candidate and insisting on implementing their governing regulations.

This argument applies entirely to energy policy. It would behoove member states to forgoes singular disputes and preferences and instead adopt a strategic long term approach to secure the future of energy. Energy is a domain that regards the collective area, not just individual member states. As such, the approach should be harmonized. Finally, member states must understand that in order to complete projects and achieve EU financed and supported initiatives, particularly energy supply diversification, that a strategic partner such as Turkey must

¹³ Original quotation : « Il existe 5,5 milliards d'euros consacré aux aides au pays candidats. Turquie est officiellement un candidat. La Croatie aussi. La Turquie a 2,5, pour que la Turquie s'aligne sur les directives européennes »

be welcomed into the energy community as an equal collaborator and ally to prevent failure and severe backlash.

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This chapter highlights many of the barriers preventing the EU and Turkey from pursuing common energy goals on the path of least resistance. The dominating problem remains intrinsically linked to overbearing national preferences, economic and political characteristics and favored approaches. Within the EU itself, these divergences hinder progress towards EU level goals as well as espousing a common approach towards something like energy supply. As the EU possesses limited power, it should forge change through physically providing countries with more options, such as interconnected natural gas pipelines. Certainly, this requires a budget readjustment on behalf of the EU.

With reference to Turkey, the divergences among EU member states undermine dual projects and ignore valuable potential in Turkey. For example, as a country in the Sun Belt with solar energy potential, a TEN-E project makes perfect sense. After all, combating climate change is for the betterment of the planet; funding such a project aligns with the EU's espoused climate change values. However, at present, such measures have not been taken. A slippery slope appears wherein sluggish policy from one actor (the EU) could provoke the same, sprinkled with stubbornness from the other. This contributes to why Turkey has not yet signed the Energy Community Treaty; after all, implementing the *aquis* is laborious and tedious, doing so while certain member states despise you for it makes it a difficult sell from government to the masses. Nonetheless, the needed changes must be developed at the governmental level. Business ventures scattered among sectors certainly helps the market flourish and promotes cultural and political

learning to a small degree, however, for wide-spread sustainable change to be in place, structural long term means must be employed to reach the end. Only government has the ability to make such large and consequential decisions. Ergo, the need for the EU to take its energy partnership with Turkey more seriously has never been more salient an issue.

CHAPTER 5 FIGURES

Figure 1:



(Nabucco Gas Pipeline 2012)

CHAPTER 6

JUSTIFICATIONS

Improving Climate Change Mechanisms

While the EU acts admirably as a powerful global force to take the lead against climate change, it risks losing credibility by setting over-ambitious targets. It remains to be seen whether the EU will actually be able to meet its 2020 commitments; if it doesn't, technically nothing will happen. However, the EU *would* lose face. While the EU has managed to implement the EUETS, energy efficiency and renewable directives into Community law, the instruments within the law allow member states to meet different targets with diverging methods, creating much room for error. This in of itself does not guarantee progress; a classic "race to the bottom" risk applies in this situation; enjoying the free movement of labor and pursuit of an occupation, companies unwilling to invest in renewable or to reduce carbon emissions can do business in countries with lower and less invasive climate change commitments. This in turn would postpone the progress of the EU's initiatives and exacerbate the problem in countries with already low targets.

This is in part why the Commission aims to reform its monitoring and compliance mechanisms in the near future. Increased supranational control will forward the EU's energy policy initiatives. As such, taking such measures is crucial to the EU meeting its goals and maintaining a positive and affluent reputation in the international community. The EU is not a

military power; as previously explained, its power is normative and soft. The EU must continue to exert this power to hold its place in the global arena. If the EU cannot achieve its own goals, its normative power towards others becomes jeopardized. This would undermine future European projects in the field of energy and beyond.

In turn, it remains necessary for the EU to allocate larger portions of its budget to subsidizing renewable and efficient energy technology. After all, subsidizing preferred industries is old hat—economies around the world spend billions to keep the fossil fuel industries in full force---that’s \$409 billion in subsidies for fossil-fuel, to be exact, spent worldwide in 2010 according to Maria van der Hoeven, Executive Director of the International Energy Agency. In the same year less than a fifth was spent to support renewable energy, totaling \$66 billion. She says:

“Wind, solar, hydro and other forms of renewable energy account for almost a fifth of all electricity produced worldwide, and my agency sees that share expanding to at least 32 percent by 2035. Much of that growth to date has been encouraged by government incentives, and some of that must remain the case going forward” (van der Hoeven 2012).

If the EU is serious about combating climate change, subsidies are in order. Many nation states already offer subsidies, and with great success. In fact, according to van der Hoeven, in several markets “technology is rapidly approaching competitiveness with retail electricity prices”. Countries which introduced renewable subsidies early on, such as Germany, the UK, Italy, and Switzerland, are finding that their markets are mature enough to thrive without such large subsidies (commonly exercised through feed in tariffs).

The gap between the aforementioned countries and others which still struggle to fashion the right structural changes and policy decisions to meet EU renewable energy goals is large. As such, the EU should offer subsidies when the nation state is not able, to guide the market to a healthy stage until it can prosper on its own. This will greatly enable the EU to meet its 2020 goals by more efficiently employing more efficient mechanisms tailored to differing needs.

Liberalizing Markets through Policy Mechanisms

Although the EU has a single market for goods and services, this has not historically applied to energy resources. As such, supply and demand for resources, such as natural gas, have been confined to regions and sub-regions, dictated by few companies who inherently maintain almost absolute control. This, of course, affects price and creates energy supply insecurity, both at the EU level and national level. In recent years, pipelines were no longer allowed ownership by suppliers, unless specifically exempt by the European Commission, allowing more suppliers to utilize pipelines across Europe. However, nation states were still constricted in their choice of supplier, based in geography, existing pipelines in place, and a segregated market.

As such, the EU should allocate part of its budget to build interconnectors for pipelines throughout the EU, allowing countries more choice among suppliers. This could reduce dependence on a single supplier, such as Russia, easing the EU's natural gas supply insecurity.. Countries would have the ability to buy gas from a supplier at a lower price. This would help to liberalize the natural gas market, making competition possible and helping stabilize prices.

In fact, on March 23, 2012, the European Gas Regulatory Forum (or Madrid Forum) endorsed the “Gas Target Model” of the Council of European Energy Regulators (CEER). This decision will integrate all national markets into a single liberalized market, creating large wholesale markets across the EU, an initiative that has been contemplated for fifteen years. The liberalized market, comprised of smaller sub-markets will favor competitive spot gas trading in zones, regardless of distance traveled, and will be interconnected and open to cross-border trading. This will be a large game-changer for the historical giants like Gazprom, who cut long term contracts to send gas through pipelines they owned, leaving no rights to the buyer to sell to anyone else (Beckman 2012).

Furthermore, a liberalized integrated market will allow gas to come from various suppliers, favoring competition and thus preventing one player from having the power to manipulate prices. As it stands currently, Russia has this power, as it is the main source of European natural gas. But with a competitive market bringing in natural gas from various suppliers, this power disintegrates.

Jean-Michel Glachant, Director of the Florence School of Regulation, is quoted in the European Energy Review says: “You cannot leave the market to be developed by the market players [...] The incumbents don’t want to change the structure. They don’t want to open the door to new players” (Beckman 2012). Companies which hold monopolies in certain countries have no incentive to open the market up to competition; it would threaten their comfortable patterns of controlling segregated and fragmented markets. As such, policy changes at the EU level are appropriate. Already, with the endorsement of the liberalized natural gas market, the EU is taking a large step in the right direction.

Furthermore, integration will make the EU market more attractive. The EER also quotes Walter Boltz, Head of the Austrian Energy Regulatory Authority (E-Control) and Vice-President of CEER, “So suppliers will have a much larger market, which is connected and transparent, and which everyone can access on an equal basis. That will make the market much more attractive than it is now” (Beckman 2012).

With interconnected pipelines available for use by all suppliers and buyers and with an integrated and liberalized natural gas market in place, competition will flourish, leveling the playing field among suppliers, which will contribute to a more stable natural gas market. Of course, an instrumental component of the success of this EU-led market integration through policy mechanisms and pipeline interconnectors is Nabucco. Nabucco is the key to diversifying the gas flowing within the pipelines, ensuring that one supplier doesn't dominate the scene.

Supply Diversification

Nabucco is the poster-child of EU and Turkish supply diversification. With years of negotiations under the bridge, the time to move forward is now. While skeptics maintain that Nabucco will fail logistically, due to politics and source supply issues, the reality of the situation is that Nabucco is now too big to fail. A failed Nabucco will drastically tarnish Turkish-EU relations, as well as the relations of each with supplier sources. Not to mention, it will exaggerate Russia's power as the main supplier country, opening the door for too much control over the market and prices, and devolve the diversity of supply initiative. As explained subsequently, Nabucco can and must succeed.

At present, only certain member states support the initiative. Nabucco shareholders include Bulgarian Energy Holding (Bulgaria), Botas (Turkey), FGSZ (Hungary), OMV (Austria), RWE (Germany) and Transgaz (Romania). Each shareholder holds an equal share of 16.67% of Nabucco Gas Pipeline International GmbH and are responsible for negotiating gas supply contracts. Logically, each country that will host the pipeline is a shareholder. Germany, one of the most powerful members of the EU, is also on board.

RWE states classic reasons for supporting Nabucco, citing Russian winter supply cut-offs, increasing EU (and German) natural gas import demand and decreasing internal production, as well as the advantage of connecting to a region that contains the world's largest combined natural gas reserves (RWE 2012). According to Jeremy Ellis, Head of Business Development of RWE Trading, RWE is "fully committed to see Nabucco through. It assists us in our diversification perspectives, in developing upstream activities in certain regions, in our drive for further development in Turkey and Southern Europe and elsewhere" (Beckman 2010). In the same interview, Ellis affirms that EU political support had solidified, with support from the Commission, Mr. Barroso and Energy Commissioner Oettinger. He also indicates the full support of the United States and German governments, noting: "In the coalition agreement of the new Merkel government that was signed in September, Nabucco is mentioned as a priority policy objective to diversify energy supplies. Chancellor Merkel has met President Aliyev (of Azerbaijan; EER)". Last but not least, Turkey shows full commitment as well. With political, commercial and technical disputes dissolved, the largest question marks remain on the supplier countries.

Nonetheless, as member states retain significant sovereignty for energy-related endeavors, they often maintain their historical ties with certain supplier countries. For example,

Italy and France support the South Stream Pipeline, which imports Russian gas. Certainly, this works against Nabucco and undermines the EU's ability to sidestep Russian gas imports. However, Ellis expressed a lack of concern for the South Stream, stating: "If you were a supplier or shipper, and you had the choice, you would recognize that South Stream is three or four times as expensive as Nabucco [...] The choice seems pretty obvious to me" (European Energy Review 2010). Furthermore, France had asked to join the Nabucco consortium, but this was contested by Turkey for politically sensitive reasons, such as France passing legislation in December 2011 stating that in France, contesting the existence of an "Armenian Genocide" during World War I in Turkey would be a criminal offense. French President Nicolas Sarkozy has also blocked accession chapters for Turkey, and approved the measure of holding a national referendum on Turkey's accession once Turkey gains ground, knowing right well that overall public opinion is unfavorable. Certainly, these political tensions evoke highly emotional responses, and explain why France, an EU member equally as powerful as Germany, does not officially support the initiative. These discrepancies between member states, inherent within current EU energy policy, undermine a collective and harmonized approach. Presenting a divided front could prove harmful with regard to rallying for commitments from supplier countries for Nabucco.

Meanwhile, Nabucco's supply sources continue to materialize, circumventing the largest criticism against Nabucco. Through recent EU-Turkey led negotiations and energy/foreign policy initiatives, Turkmenistan and Azerbaijan are on board. Hafiz Pashayev, Deputy Foreign Minister, Republic of Azerbaijan explains that this demonstrates great progress towards a collective vision of energy policy among regional players, namely Turkey:

“Recent agreements between Turkey and Azerbaijan give us hopes that two countries have made a significant and well-crafted move towards strategic vision on regional gas projects. This act has reminded me same ’90s when regional leaders were making some tactical sacrifices to put aside their differences for the sake of strategic vision and partnership” (Pashayev 2011).

Once again, this demonstrates how governmental agreements are necessary to further energy policy priority projects; when dealing with politically sensitive geographic areas, each step must be strategic and careful. Businesses are less likely to invest, or invest successfully in regions where their governments do not enjoy solid mutual relationships.

Iraq also expresses interest and ability to provide supply. Hussain al-Shahristani, Deputy Prime Minister for Energy, Republic of Iraq, confirmed the cooperation between the EU and Iraq pursuant to a *strategic energy partnership memorandum of cooperation* signed in January 2010. The memorandum pertains to supplying Europe with Iraqi gas. He said: “Iraq confirmed that sales gas would be available from Iraq to Europe after 2017 [...] [Iraq] would like to assure Europeans that they can count on Iraq as a dependable, long-term supplier of their energy needs, including gas” (al-Shahristani 2011). Suddenly, through political means, Nabucco’s greatest liabilities seem to lessen significantly.

Nonetheless, the quantity of Iraq’s reserves remains undocumented with certainty, as can be identified from Ashti Hawrami’s comment, the Minister of Natural Resources of the Kurdistan Regional Government of Iraq: “In Kurdistan Region of Iraq, I think we have potential for about 100 to 200 TCF of gas”. These estimates should be confirmed before moves are made. Although the promise of its business depends largely on political factors in a historically unstable country, at present Iraq seems committed to business with Turkey and Europe. He continued:

“[...] Naturally, Turkey is a large market. The Turkish market is by far the biggest in the whole of Europe. So we will be looking at Turkish market and beyond through, perhaps, whatever transit route might be available to Europe” (Hawrami 2011). Clearly, Iraq has become a viable alternative for Nabucco gas supply, making the initiative feasible and largely worthwhile. As such, reservations and criticism of Nabucco revolving around its “lack of suppliers” are losing their footing and quickly disintegrating. Furthermore, according to the 2010 Mott MacDonald Report, the EU’s does not have any other pragmatic supply diversification options! Countries such as Algeria, Libya and Egypt simply do not possess enough reserves (MacDonald 2010, p 9).

According to the MacDonald analysis, any possibility of creating a “Mediterranean Gas Ring” in its extending from Algeria through Libya and Egypt to Turkey is not economically feasible (MacDonald 2010, p 11). The report also offered a reputable prognosis regarding pipeline construction through Turkey and the utilization of Iraqi Gas: “Iraqi Gas via Turkey results in the lowest transportation costs of all scenarios considered [...]” (MacDonald 2010, p 13).

In summary, the holes in the Nabucco project have been patched in recent years. The project is the most viable and profitable conception on the table. Member states who oppose would do better to offer alternative solutions rather than to criticize for politically charged reasons. Meanwhile, Nabucco and its supporters have performed an admirable job tying loose ends and preparing to launch construction.

External Governance

Many of the EU’s regional agreements aim to mitigate the uncertainties circulating within its “neighborhood”. For example, the Black Sea Synergy aims to reduce conflict through

communication and collaboration. However, critics will rightfully highlight that forcing cooperation among countries that do not possess very much in common is artificial in nature and not pragmatic in practice. Many Black Sea Synergy countries are involved in long standing frozen conflicts. Meanwhile, though the Euro-med provides monetary incentives to civil societies and promotes knowledge transfer between the EU and these countries, it only interacts with secular organizations. As such its overarching goal to integrate itself within and among the region has been sourly received at times; as many of these countries are not secular in nature. Therefore, treating them as secular countries, or only cooperating with the secular components within these countries, can produce unproductive results. The EU needs to reform its strategy with regard to its multilateral regional frameworks. The soft and normative components of them, while very important, have not been incredibly helpful in fostering change within the European Neighborhood. Without a well-organized approach that is tailored to the cultural, political, and economic nuances of each country, the EU's cooperative and democratic norm exportation in the region will continue to falter. This will not favor economic exchange, energy agreements, or stability. Although the EU doesn't go as far to attempt a "one size fits all" approach, all countries within one region should not be approached uniformly.

With a slightly altered approach, the EU could stimulate progress. Mevlüt Çavuşoğlu, President, Parliamentary Assembly of the Council of Europe, underlined this idea when she said: "Southeast Europe and Black Sea is an extremely diverse region, yet there is one thing that all countries of this region have in common. This is the European perspective. [...] The role of the pan-European institutions is to support the European aspirations of the countries of the region by promoting political stability, fostering economic growth, and supporting social cohesion" (Çavuşoğlu 2011). Indeed, these are the duties of these institutions, standing by them remains the

backbone of European legitimacy and future external relations, as well as the foundation of future energy related trade.

As such, it is still more beneficial for the EU to remain proactive towards Eastern Europe, the Caspian and Central Asia as opposed to ambivalent. At least in the former scenario the EU can attempt to make progress over time and learn about the specificities of each country and region. This in turn will equip the EU to make wiser decisions and formulate more cohesive normative foreign policy initiatives in the future. This will eventually enable the EU to benefit from energy related trade, especially in the case of Turkey.

Towards Harmonized Energy Policy and Full Energy Partnership with Turkey

Many scholars such as Baç, Manners and Diez maintain the importance of the EU upholding its normative power. The EU does not aspire to possess a large military capacity or presence in the global arena, therefore it relies on its civilian tools and diplomatic negotiations to promote its agenda in world politics and export its norms (Manners 2002). The EU's main power lays in its projection of its values, its main asset its ability to bring about political change in the countries in its neighborhood (Diez 2004). Indeed, if the EU lets its relationship with Turkey, a candidate country, fall through the cracks, the EU will lose massive credibility (Müftuler-Baç 2008, p 65). If the Nabucco project were to fail, relations, both political and private, would be shattered. The EU extends solidarity and financial support in granting a country candidate status, with the expectation that the candidate country will develop and become stronger as it assimilates the EU's regulatory framework. If the case of Turkey ends by a failed candidacy due to diverging political support, EU candidacy itself will lose credibility, for it would no longer

remain true that a country would be welcomed into the European community if it implemented the *aquis* and fit the EU's criteria. Serap Atan, representative of TUSIAD in Paris, France, indicated during an interview with the author that Cyprus blocks Turkey's progress towards EU accession, *especially regarding energy*. She notes:

“There is much interest between the EU and Turkey, the market is harmonized, but there's no real network because of political tensions. We must accelerate this process. But also in 2014 the EU will announce its new budget, so we must accelerate reforms in Turkey. It's TUSIAD's role to put pressure, to lobby, to advance negotiations, and to advance and improve economic and political standards in Turkey to become a member” (Atan 2011).

TUSIAD, which represents half of Turkey's added value among its members, plays a key role in facilitating reform from a governmental and private perspective. However, as Ms. Atan states, the burden must be shared equally. Issues revolving around Cyprus and Turkey must be settled in order for progress to move forward.

This would detract from the EU's ability to maintain normative power in the global arena, and especially within its periphery. At this point, the shared history between the EU and Turkey with regard to accession negotiations has gone on too long for a peaceful ending, unless it involves Turkey joining the EU. But even so, countries like France and Cyprus show no signs of softening their vehemence towards Turkey. So what will become of the candidacy? With almost no progress on accession negotiations, supporters have turned skeptic in Turkey and beyond. The situation becomes more emotional, if it wasn't enough already, as Turks begin to feel unwanted, and accordingly, decide they don't want to take part either. In effect this creates a

messy divorce of sorts, wherein large long term investments are already shared (such as Nabucco). Political and economic tensions would rise, and relations with Turkey and the EU would catapult. Worse yet, refusing Turkey's entry into the EU not only crushes the credibility and conditionality attached to candidacy status, but also reinforces the idea in the non-Christian European neighborhood that a Muslim country has no place in the EU. Reinforcing this belief would become catastrophic for the EU's relations with the Middle East, the Caspian, the Caucasus, Eastern Europe, and likely others. With regard to energy, specifically diversifying supply, this could back-fire the EU's strategy as well. Turkmenistan, Iraq and Azerbaijan might become bitter about agreeing to supply gas. This could result in a rupture of contract or a more indirect way of complicating the issue; for example, allowing Russia to buy a majority of share in one of the countries would put the power back into Russia's hand again. Or, the countries themselves could cut off supply or raise prices.

In review, the EU and Turkey are far too invested and interconnected with one another to let accession negotiations fail. The negative political, economic and energy related fallout would be devastating. The only way to go is forward; the EU should prioritize doing so.

Opening the Energy Chapter and Investing in Development

One way in which the EU could move forward is by opening the Energy Chapter of accession negotiations. Critics emphasize that Turkish and European leaders have grown upset about stalemate accession negotiations, and that any vision of engagement, alignment or integration have remained nothing but empty words. Further still, one might maintain that without opening the energy chapter cooperation is all for naught. But advancement is on the

horizon. In February 2012, the Commissioner for Enlargement and European Neighbourhood Policy ŠtefanFüle and Commissioner for Energy Günther Oettinger met with the Turkish Minister for EU Affairs and Chief Negotiator Egemen Bağış and Energy Minister Taner Yildiz agreed to support opening the Energy Chapter in accession negotiations:

“In a constructive and positive meeting, both sides underlined the importance of opening the energy chapter, while agreeing that closer cooperation in areas such as market integration (both electricity and gas) including development of infrastructure and secure transport of gas, the promotion of renewable energy and energy efficiency, is mutually beneficial. Additionally, EU-Turkey energy relations can benefit from a regular dialogue on neighboring energy markets” (Europa Press Release 2012).

As such, they vowed to implement a joint working group by May 2012, charged with identifying which policy actions must be taken for full integration and cooperation. The press release is careful to specify that these actions are intended to progress accession negotiations and not replace them. In short, this meeting solidified an understanding to bring Turkey closer to joining the EU through cooperation and implementation of the *acquis*.

Meanwhile, investing to develop Turkey will bear fruit for Europe. For example, by connecting Turkey to the ENTSO-E, electricity importation and exportation potential is enabled for both parties; the international transmission connections are made with the neighboring countries and the existing connections are strengthened. To emphasize the observation of French citizen Charles Hantouche, some of the benefits include the ability to call upon technicians trained to tend to the same technology and electrical machinery. He explains that this is only beneficial to perform with countries in the same region, which he affirms includes Turkey. This

enables a high security for electricity supply and lessens the possibility of shortages. It also helps stabilize prices as countries have more options, keeping competition high.

In certain regards, Turkey knows several advantages. First off, Turkey's learning curve is high. Much of the infrastructure that the EU, for instance, needs to change and replace, can simply be built and developed in Turkey, without needing to tear down the old. For example, Turkey is just now building its first nuclear plants. Secondly, great gains in energy efficiency can be made since their consumption until the present has not been very conscious. Comparatively, making drastic reductions in Turkey is more easily executable than in other nations that have already taken significant strides in this realm. Finally, with the EU getting personally involved in Turkey's energy sector and its development, Turkey will not only benefit from financial assistance, but also knowledge sharing from EU industry leaders. As such it is of utmost importance to integrate Turkey properly into the European energy network and market, as well as align their policies.

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With detailed investigation, the stakes behind Nabucco and opening the Energy Chapter become blatantly clear. Likewise is the importance of exercising a structurally sound and powerful external governance strategy that favors customization within and among regions. Especially within the argument of the need to progress accession negotiations, investment in Turkey seems only logical. Not only will financial investment allow Turkey to improve its infrastructure and implement the same energy standards as Europe, but investing time in knowledge-sharing projects will prove especially useful in the long-term. As such, Turkey's

transition into the EU will become less and less dramatic—at least, at an institutional and energy infrastructural level.

CHAPTER 7

CONCLUSION

The Republic of Turkey has historically borrowed European models; the French administrative system, the German work codes, and Italian codes of commerce. Today, this tradition remains no different as Turkey continues to improve democratic standards and adopt EU legislative and regulatory frameworks.

This process has far-reaching economic consequences. The EU-Turkey customs union stretches as far as the Caspian, the Balkans, Russia, and the Middle East; for Turkey must maintain EU codes for trade with regard to competition, copyrights, intellectual property rights, and so forth. Not only does this help develop the Turkish interior market enormously, but also helps develop Turkey's third-party trading partners as well.

However, economic integration can only accomplish so much. With the future of energy security at the forefront in national and international agendas, countries need to work more closely together to combat threats with and without borders. For the EU and Turkey, this requires separate efforts from both sides, as well as cooperative effort together. The EU must first fill in the gaps within its own energy policy at home. The supranational jurisdiction of the EU should be increased for the sake of the long-term energy needs of Europe, to detract from reliance on one sole supplier, Russia, and diversify the EU's friends and partners with regard to energy importation. The EU should adjust its budget to factor in expenditure in the form of incentives and subsidies to assist member states which struggle to meet 2020 objectives, as

well as initiate pipeline interconnection projects to enable each member state to diversify its suppliers regardless of geography and historical supplier preferences.

Hence, the EU must use the precedent it has to work to foster agreements between all members to carefully introduce measures that would enable the EU to act as a single player in the energy market. More equality within the EU itself could cultivate more unified views and approaches to relations with Turkey---allowing for an energy partnership to be fully beneficial for both. With more harmonious political support from within the EU, Turkey can begin implementing the EU energy *acquis*, open the energy chapter, and develop into a powerful economic and regional power. Even if political tensions cannot be remediated at present, adoption of the energy *acquis* would prove beneficial for both partners, and would very much expedite the opening and closing of the energy chapter upon its occurrence.

Turkey, on the other hand, must continue to demonstrate its willingness to Europeanize its energy sector. Truly, Turkey has made tremendous progress in recent years through liberalization, and has proved paramount to facilitating the success of Nabucco through its strategic political negotiations with its neighbors—something the EU alone is not capable of. Nonetheless, Turkey must continue to overcome domestic barriers and dwindling public opinion with regard to the EU to implement the energy *acquis*. Doing so would inherently improve its energy efficiency and carbon emission standards. Furthermore, it would grant access into the European Energy Community. From here, a slippery slope ensues, wherein once Turkey's energy sector is harmonized with the regulatory norms of the EU, investment and business transactions, as well as political endeavors, will basically create themselves. In essence, if Turkey situates itself to become a member of the Single Market beyond the current customs union, extending it to energy, the positive repercussions will be tenfold.

With the EU supporting a Europeanized Turkish energy sector, renewable energy is far more likely to be developed. Furthermore, such development will benefit both the EU and Turkey, as both can utilize the renewable power generation through import and export transactions within the ENTSO-E. The EU and Turkey have the opportunity to make waves in the renewable energy sector, and should begin doing so now, in spite of frozen accession negotiations, through the TEN-E initiative. Together, they would not only show the world that the clash of civilizations is surmountable, and that collaboration and partnership can prevail over xenophobic fears, but also that renewable energy is the way of the future. With a successful partnership between the EU and Turkey, allowing both to utilize the renewable energy sources in Turkey, the world will see how such ventures can be profitable and positively effect the environment. As such, Turkey's power as a regional actor would increase and the EU's normative power solidified.

Finally, a full energy partnership between the EU and Turkey will not only facilitate the success of the Nabucco project, but also its functioning over the next fifty years. As a candidate country, it is no surprise that the EU chose Turkey to host the high cost pipelines to secure Europe's energy supply. In order to conduct maintenance and allow for business investment to flourish, all countries involved must be willing to cooperate and collaborate. If relations were to stay as they are currently between the EU and Turkey, the project would remain feasible, but less successful. It is clear through recent negotiations with Turkmenistan, Azerbaijan, and Iraq that Turkey's role in solidifying partnership among its neighbors and the EU is significant. The same can be said for business investment. However, as was exemplified at the Black Sea Economic Forum, Turkey's contribution should not be taken for granted. With large stakes in the project,

political harmony should be ensured. Only then can the large scale projects inherent in Nabucco maximize profit and efficiency.

Certainly, with such developments, and a comprehensive energy partnership between the EU and Turkey, less convinced member states among the EU may “see it and believe it”. In other words, a full energy partnership could exist as the key to reinvigorating Turkey’s accession negotiations. Already, agreement from both sides is in place to open the energy chapter. With the energy *acquis* in place, Nabucco a successful flagship project, and renewable energy goals a reality with the added contribution of Turkey, the skeptical member states may begin to evaluate the utility of Turkey’s membership in a more objective light, leaving the political and the emotional at home.

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